

Michigan Estate Tax Return

Issued under authority of P.A. 54 of 1993. Filing is mandatory.

Complete this page if the decedent was a Michigan resident and all property was located in Michigan. Michigan residents with out-of-state property or nonresidents with property in Michigan, complete the other side.

This is an: <input type="checkbox"/> Original return <input type="checkbox"/> Amended return		
▶ 1. Decedent's Name (first, middle initial, last)	▶ 2. Decedent's Social Security Number	
▶ 3. County of Probate	▶ 4. Date of Death	5. Probate File Number
▶ 6. Name and Address of Personal Representative	7. Personal Representative's Social Security Number	
	8. Personal Representative's Telephone Number	

9. Total gross estate (U.S. 706)	9.	.00
10. Credit for state death taxes (U.S. 706)	▶10.	.00
11. Enter amount of Michigan tax already paid, if any	11.	.00
12. TAX DUE. If line 10 is greater than line 11, subtract line 11 from line 10 and enter here Include interest _____ and penalty _____ if applicable.	PAY ▶12.	.00
13. REFUND. If line 10 is less than line 11, subtract line 10 from line 11 and enter here	REFUND ▶13.	.00

CERTIFICATION			
<i>I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.</i>		<i>I declare under penalty of perjury that this return is based on all information of which I have knowledge.</i>	
I authorize Treasury to discuss my return with my preparer. <input type="checkbox"/> Yes <input type="checkbox"/> No		Preparer's Signature and Business Address	
Signature(s) of Personal Representative(s)	Date	Preparer's Daytime Telephone Number Date	

NOTE: When finished, attach a complete copy of Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, including all schedules. Do not send originals, as items will not be returned.

MAIL TO: Estate Tax Section
Michigan Department of Treasury
Lansing, MI 48922

Michigan Estate Tax Return - A

Issued under authority of P.A. 54 of 1993. Filing is mandatory.

Complete this page if the decedent was a Michigan resident with out-of-state property or a nonresident with property in Michigan. Michigan residents with property only in Michigan, complete the other side. See other side for mailing address.

This is an: <input type="checkbox"/> Original return <input type="checkbox"/> Amended return		
▶ 1. Decedent's Name (first, middle initial, last)	▶ 2. Decedent's Social Security Number	
▶ 3. County of Probate	▶ 4. Date of Death	5. Probate File Number
▶ 6. Name and Address of Personal Representative	7. Personal Representative's Social Security Number	
	8. Personal Representative's Telephone Number	

9. Total gross estate (U.S. 706) 9. _____ .00
 10. Credit for state death taxes. (U.S. 706) ▶ 10. _____ .00

PART 1: MICHIGAN RESIDENTS WITH OUT-OF-STATE PROPERTY

11. Gross value of real and tangible personal property located in other states. 11. _____ .00
 12. Percent of out-of-state property. Divide line 11 by line 9. 12. _____ %
 13. Percent of tax attributable to other states.
 Multiply line 10 by percentage on line 12. 13. _____ .00
 14. Enter amount of state estate taxes paid to other states.
 (Attach proof of payment.) 14. _____ .00
 15. Credit for estate taxes paid to another state. Enter the smaller of line 13 or line 14. 15. _____ .00
 16. MICHIGAN ESTATE TAX. Subtract line 15 from line 10. 16. _____ .00

PART 2: NON-RESIDENTS WITH MICHIGAN PROPERTY

17. Gross value of real and tangible personal property located in Michigan. 17. _____ .00
 18. Percent of Michigan property. Divide line 17 by line 9. 18. _____ %
 19. MICHIGAN ESTATE TAX. Multiply line 10 by the percentage on line 18. 19. _____ .00

PART 3: REFUND OR TAX DUE

20. Michigan residents with out-of-state property enter the amount from line 16.
 Non-residents enter the amount from line 19. 20. _____ .00
 21. Enter amount of Michigan tax already paid, if any. 21. _____ .00
 22. TAX DUE. If line 20 is greater than line 21, subtract line 21 from line 20 and enter here.
 Include interest _____ and penalty _____ if applicable. **PAY** ▶ 22. _____ .00
 23. REFUND. If line 20 is less than line 21, subtract line 20 from line 21 and enter here. **REFUND** ▶ 23. _____ .00

CERTIFICATION			
<i>I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.</i>		<i>I declare under penalty of perjury that this return is based on all information of which I have knowledge.</i>	
I authorize Treasury to discuss my return with my preparer. <input type="checkbox"/> Yes <input type="checkbox"/> No		Preparer's Signature and Business Address	
Signature(s) of Personal Representative(s)	Date	Preparer's Daytime Telephone Number Date	

NOTE: When finished, attach a complete copy of Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, including all schedules. Do not send originals, as items will not be returned.

Michigan Estate Tax Estimate Voucher

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▶ 1. Decedent's Name (first, middle initial, last)	▶ 2. Decedent's Social Security Number	
▶ 3. County of Probate	▶ 4. Date of Death	5. Probate File Number
▶ 6. Name and Address of Personal Representative	7. Personal Representative's Social Security Number	
	8. Personal Representative's Telephone Number	

Enter amount of tax due..... \$00
Enter total penalty and interest..... \$00
Total payment..... ▶ \$00

Write "**Estate Tax**," the decedent's **name** and the decedent's **Social Security number** on the front of the check. Mail to: **Estate Tax Section
Michigan Department of Treasury
Lansing, MI 48922**

www.michigan.gov/treasury

Michigan Estate Tax Estimate Voucher

Issued under authority of P.A. 54 of 1993. Filing is voluntary.

▶ 1. Decedent's Name (first, middle initial, last)	▶ 2. Decedent's Social Security Number	
▶ 3. County of Probate	▶ 4. Date of Death	5. Probate File Number
▶ 6. Name and Address of Personal Representative	7. Personal Representative's Social Security Number	
	8. Personal Representative's Telephone Number	

Enter amount of tax due..... \$00
Enter total penalty and interest..... \$00
Total payment..... ▶ \$00

Write "**Estate Tax**," the decedent's **name** and the decedent's **Social Security number** on the front of the check. Mail to: **Estate Tax Section
Michigan Department of Treasury
Lansing, MI 48922**

www.michigan.gov/treasury



Included in this book are:

General Instructions

Michigan Generation-Skipping Transfer (GST) Tax Worksheet

Form MI-706, *Michigan Estate Tax Return*

Form MI-706A, *Michigan Estate Tax Return-A* (for estates with property in another state)

Form 2527, *Michigan Estate Tax Estimate Voucher*

Under P.A. 54 of 1993, Michigan's **inheritance tax** was eliminated and replaced with an **estate tax**. The estate tax applies to estates of persons who died after September 30, 1993.

An inheritance tax return must be filed for the estates of any person who died before October 1, 1993. If you have questions about either the estate tax or inheritance tax, call (517) 636-4330.

Instructions for Forms MI-706 or MI-706A, Michigan Estate Tax Return

GENERAL INSTRUCTIONS

You must attach a copy of the completed U.S. 706 to the Michigan return. Without it, we are unable to process the return, and penalties and interest may accrue.

NEEDHELP?

For questions relating to Estate Tax, call (517) 636-4330 between 8 a.m. and 5 p.m., Monday through Friday.

FORMS

The Department of Treasury's computerized forms message system is available 24 hours a day. If you need forms call 1-800-FORM-2-ME (367-6263), and Treasury will mail the forms to you. Forms may also be obtained on Treasury's web site on the Internet at: www.michigan.gov/treasury.

WHAT IS THE ESTATE TAX?

The Michigan estate tax was enacted for estates of persons who died **after** September 30, 1993. See "Who Must File?" for more specific requirements.

Michigan's estate tax is equal to the **maximum** federal credit allowable for state death taxes. The Michigan estate tax return picks up the **maximum** allowable credit amount from the U.S. 706.

Estates of persons dying **before** October 1, 1993 must file Form 2523, *Michigan Inheritance Tax Return* or Form 2307, *Michigan Inheritance Tax No-Tax Return*.

Distributees and trustees of generation-skipping transfers (GST) may be required to pay a Michigan GST tax. See "Michigan Generation -Skipping Transfer (GST) Tax" on page 6.

WHOMUST FILE?

P.A. 277 of 1998 has changed the Michigan Estate Tax Act to reflect the recent changes in the Federal Estate Tax Code. Under the new federal code, the exemption amount for filing a federal estate tax return will increase for tax years 1998 through 2006. Generally, an estate with a gross value equal to or less than the exemption amount is not required to file a *United States Estate (and Generation-Skipping Transfer) Tax Return* (U.S. 706). Contact the Internal Revenue Service (IRS) for more information.

<u>Date of Death</u>	<u>Gross Estate is Equal To or Less Than:</u>
1997	\$600,000
1998	\$625,000
1999	\$650,000
2000	\$675,000
2001	\$675,000
2002 & 2003	\$1,000,000
2004	\$1,500,000

A MI-706 (or MI-706A) must be filed if all of the following are true:

- the decedent died after September 30, 1993;
- the decedent was a Michigan resident or a nonresident with real or tangible personal property located in Michigan; **and**
- A U.S. 706 is required.

WHEN TO FILE

The MI-706 (or MI-706A) is due at the same time the U.S. 706 is due. The due date is nine months after the date of death.

WHERE TO FILE AND PAY

Send the completed return and attachments or estimate voucher to:

Estate Tax Section
Michigan Department of Treasury
Lansing, MI 48922

HOW TO PAY

Pay the total Michigan estate tax due with the return when it is filed. If an estate tax payment is made before the return is filed, use Form 2527, *Michigan Estate Tax Estimate Voucher*. Use the voucher for partial payments or for estimated payments submitted during an extension. Use the voucher anytime a payment is submitted without a return to help assure proper application of the payment.

Make checks payable to "State of Michigan." Write the decedent's name, Social Security number, and "MI-706" on the front of the check.

Note: The 0.5 percent county collection fee is not required for estate tax.

EXTENSIONS

There are two federal extensions: an extension of time to file and an extension of time to pay. Use an estimated payment voucher to pay the tax due during the extension.

The **time to file** a Michigan return is automatically extended if a federal extension of time to file is approved. An extension of time to file does not extend the time to pay the tax due.

The **time to pay** the Michigan tax is automatically extended if a federal extension of time to pay is approved. Interest is due during the extension.

Copies of all approved federal extensions must be attached to the Michigan return when it is filed.

PENALTY

If the return or payment is late, Treasury will add penalty of 5 percent of the tax due every month until the return is filed and the tax is paid. Maximum late penalty is 50 percent of the balance of tax due. Minimum penalty is \$10. Penalty is due on any tax paid after nine months from the date of death.

INTEREST

No interest is due if the tax is paid by the due date. Interest accrues during an extension. The annual interest rate is 1 percent above the current prime rate and is adjusted on July 1 and January 1. Call (517) 636-4330 for the current rate or check Treasury's web site at: www.michigan.gov/treasury.

WHAT IS A PERSONAL REPRESENTATIVE?

A personal representative (PR) of an estate may be any one of the following:

- the court appointed PR, executor, trustee, or administrator (including an independent PR).
- If the court does not appoint a PR, then every person who is in the actual or constructive possession of any property included in the gross estate of the decedent is considered a PR.
- Any other person required to file a return or pay the estate tax under this act.

If the PR makes a distribution of any of the property subject to a transfer tax without paying the tax due or obtaining the necessary estate tax lien release for the real property, the PR will become personally liable for the tax, penalties and interest due. A PR may acquire and dispose of estate assets for the payment of the estate tax in the same manner as for the payment of debts of the decedent.

WHICH RETURN DO I FILE?

Michigan has two estate tax returns. Complete the return which applies to the estate.

1. Form MI-706, *Michigan Estate Tax Return*.

This return is for estates of persons who were Michigan residents and whose real or tangible personal property is located only in Michigan.

2. Form MI-706A, *Michigan Estate Tax Return - A*.

This return is for estates of persons who were Michigan residents and who had real or tangible personal property located in another state. It is also for estates of nonresidents with real or tangible personal property located in Michigan. PRs completing form MI-706A should do the following.

- Be sure federal schedules show the city and state of all real or tangible personal property.
- When claiming credit for taxes paid to another state, be sure to attach proof of payment. We will disallow claims made without proof of payment.

AMENDED RETURNS

When the IRS adjusts the amount of federal tax due, an amended return must be filed with the Michigan Department of Treasury.

1. If additional tax is due, the amended return must be filed within 60 days of the final IRS determination and payment must be enclosed. Include in your payment interest due from the due date of the tax, and penalty beginning on the 61st day. Attach a copy of the IRS closing letter.
2. If the estate is entitled to a refund the amended return must be filed within one year of the final IRS determination.

When filing an amended return, use the MI-706 (or MI-706A) and check the box in the upper right corner indicating amended return. Use only corrected figures on the form. Include any tax paid with the original return on MI-706, line 11 (or MI-706A, line 21). Reduce the amount you enter on this line by any estate tax refund received.

ROUNDING

Enter amounts in whole dollars. Round down amounts less than 50 cents. Round up amounts of 50 through 99 cents.

LIENS AND WAIVER OF LIENS

The Michigan estate tax is a lien on the gross value of the estate until the tax is paid in full. If personal property is sold, the lien attaches to the consideration (i.e. money) received from the property.

If real estate is being transferred before the due date of the tax or before the Receipt/Discharge of Liability has been issued, Treasury will waive the lien for all or part of the real property under the following conditions.

1. If any part of the real estate must be sold to pay claims against the estate or administration expenses.
2. If Treasury believes no tax liability exists.

3. If a lien has been recorded with the county where the property is located, the full amount of the lien must be paid before a waiver can be issued.
4. If the real property is sold before the due date of the return and 8 percent of the net cash proceeds is submitted to Treasury (along with a completed Form 2357, *Request for Waiver of the Michigan Estate Tax Lien* and Form 2527, *Michigan Estate Tax Estimate Voucher* as a partial payment.
5. If the real property is sold after the due date of the return and a payment is submitted to Treasury (along with a completed *Request for Waiver of the Michigan Estate Tax Lien* and a *Michigan Estate Tax Estimate Voucher*) for the lesser of:
 - 16 percent of the net cash proceeds, or
 - The amount of the tax due on the return
6. If an estimated payment has been made which Treasury finds sufficient to cover the tax that will be due.
7. If an estimated payment is made which the probate court finds sufficient to cover the tax which will be due.
8. If the seller or mortgagor is a surviving joint tenant or tenant by the entireties.

If you need a waiver of lien, complete and file a *Request for Waiver of the Michigan Estate Tax Lien*. **Under P.A. 277 of 1998, the Waiver of Lien is recordable with the Register of Deeds of the county in which the property is located.**

CERTIFICATE OF NO MICHIGAN ESTATE TAX LIABILITY

If a U.S. 706 is not required, the PR of the estate can request a release from personal liability by filing Form 2356, *Request for Certificate of No Michigan Estate Tax Liability*. The certificate will serve the same purpose as a determination when presented to the probate court. The certificate is also recordable with the Register of Deeds.

The PR is personally liable if it is determined that there was Michigan estate tax due after the certificate has been issued.

RECEIPT AND DISCHARGE OF PERSONAL LIABILITY

The Michigan Department of Treasury will not discharge the PR from personal liability until the PR submits a copy of the IRS closing letter. Treasury has one year to determine if any additional tax is due and to notify the PR of the amount. Once any additional tax is paid, Treasury will issue the receipt and discharge of personal liability. This notice releases the PR from any personal liability for any additional tax found to be due.

P.A. 277 of 1998 provides for the recording of the Treasury's Receipt/Discharge of Liability with the Register of Deeds.

LINE-BY-LINE INSTRUCTIONS
for Form MI-706 - Michigan Residents

Line 3. Enter the Michigan county of probate. If there is none, enter the county of domicile.

Line 4. Enter the date of death. The decedent must have died **after** September 30, 1993 for the *Michigan Estate Tax Return* to be filed on his or her behalf. If the decedent died before then, you must file Form 2523, *Michigan Inheritance Tax Return*.

Line 5. If a Michigan probate estate has been opened, enter the probate file number. The file number is on most probate court forms. If the estate is not in probate, leave this item blank.

Line 6. Enter the name and address of the personal representative (PR). See page 3 of these instructions for the definition of a PR.

Line 7. Enter the PR's Social Security number. If the PR is a corporation, enter its Federal Employer Identification Number (FEIN).

Line 9. Enter the **gross** estate as determined on the U.S. 706.

Line 10. Enter the maximum allowable state death tax credit as computed on the U.S. 706. The Michigan tax equals this amount, even if the estate elects not to claim the credit on the federal return.

Note: For estates of decedents dying in 2002, the credit allowed for state death taxes will be limited to 75% of the amount that would otherwise have been allowed. For estates of decedents dying in 2003 and 2004, the credit will be limited to 50% and 25% respectively.

Line 11. Enter all payments made on behalf of the estate before the MI-706 is filed.

Line 12. Enter the amount of unpaid tax still due by subtracting line 11 from line 10. See page 3 of these instructions to calculate any penalty or interest that may be due for tax payments made after the due date of the tax. Interest is due on any unpaid tax during the period of extension to pay.

LINE-BY-LINE INSTRUCTIONS
for Form MI-706A - Nonresidents or Michigan Residents with property in another state

Line 3. Enter the Michigan county of probate. If there is none, enter the county of domicile. If the decedent was a nonresident of Michigan, enter the county where the property was located.

Line 4. Enter the date of death. The decedent must have died **after** September 30, 1993 for the *Michigan Estate Tax Return* to be filed on his or her behalf. If the decedent died before then, you must file Form 2523, *Michigan Inheritance Tax Return*.

Line 5. If a Michigan probate estate has been opened, enter the probate file number. The file number is on most probate court forms. If the estate is not in probate, leave this item blank.

Line 6. Enter the name and address of the personal representative (PR). See page 3 of these instructions for the definition of a PR.

Line 7. Enter the PR's Social Security number. If the PR is a corporation, enter its Federal Employer Identification Number (FEIN).

Line 9. Enter the **gross** estate as determined on the U.S. 706.

Line 10. Enter the maximum allowable state death tax credit as computed on the U.S. 706. The Michigan tax equals this amount, even if the estate elects not to claim the credit on the federal return.

Line 11. Enter the gross value of real and tangible personal property located in other states. Do not subtract mortgages or other offsets.

Line 17. Enter the gross value of real and tangible personal property located in Michigan. Do not subtract mortgages or other offsets.

Line 21. Enter all payments made on behalf of the estate before the MI-706A is filed.

Line 22. Enter the amount of unpaid tax still due by subtracting line 21 from line 20. See page 3 of these instructions to calculate any penalty or interest that may be due for tax payments made after the due date of the tax. Interest is due on any unpaid tax during the period of extension to pay.

Michigan Generation-Skipping Transfer (GST) Tax

If a *Generation-Skipping Transfer Tax Return for Distributions* (U.S. 706GS(D)) or *Generation-Skipping Transfer Tax Return for Terminations* (U.S. 706GS(T)) is required, then Michigan GST tax may be due. Michigan tax is due if the transfer occurred after September 30, 1993 and a state death tax credit is available on the federal return.

If the original transferor was a Michigan resident at the time of the transfer and all real and tangible personal GST property was located in Michigan, do the following:

- Send a copy of the U.S. 706GS(D) or U.S. 706GS(T), and
- Pay the amount shown on the U.S. 706GS(D) or U.S. 706GS(T) Schedule A.

If the original transferor was a Michigan resident with real or tangible personal GST property located in another state, complete Worksheet 1, then do the following:

- Send a copy of the worksheet to Michigan.
- Pay the apportioned share of the state death tax credit (Worksheet 1, line 8).
- Attach a copy of the U.S. 706GS(D) or U.S. 706GS(T).

If the original transferor was a nonresident of Michigan with real or tangible personal GST property located in Michigan, complete Worksheet 2 then do the following:

- Send a copy of the worksheet to Michigan.
- Pay the apportioned share of the state death tax credit (Worksheet 2, line 5).
- Attach a copy of the U.S. 706GS(D) or U.S. 706GS(T).

If you have any questions about computing the amount of Michigan GST tax due, call (517) 636-4330.

GST Worksheet 1

1. Total gross transfer	1.	.00
2. Creditable state GST tax (from U.S. 706GS(D) or U.S. 706 GS(T) Schedule A.	2.	.00
3. Gross value of real and tangible personal property located in other states that is subject to GST	3.	.00
4. Percent of out-of-state GST property. Divide line 3 by line 1	4.	%
5. Percentage of tax attributable to other states. Multiply line 2 by percentage on line 4.....	5.	.00
6. Enter amount of state GST taxes paid to other states. (Attach proof of payment.).....	6.	.00
7. Credit for GST taxes paid to another state. Enter the smaller of line 5 or line 6.....	7.	.00
8. MICHIGAN GST TAX. Subtract line 7 from line 2.....	8.	.00

GST Worksheet 2

1. Total gross transfer	1.	.00
2. Creditable state GST tax (from U.S. 706GS(D) or U.S. 706 GS(T) Schedule A.....	2.	.00
3. Gross value of real and tangible personal property located in Michigan that is subject to GST	3.	.00
4. Percent of Michigan GST property. Divide line 3 by line 1.....	4.	%
5. MICHIGAN GST TAX. Multiply line 2 by the percentage on line 4.....	5.	.00