

SALT INSIGHTS

Jurisdiction: Michigan
Tax Type: Sales/Use Tax
Issue: Unclaimed Use Tax Exemption Refund
Date: June 6, 2018

SYNOPSIS:

Effective 01/01/2019, Michigan will permit a purchaser that fails to claim a tax exemption at time of purchase to apply for a use tax refund from the Michigan Department of Treasury ("Department").

A purchaser will be permitted to submit a claim for a refund to the Department for tax paid related to a purchase if: (1) the claim for a refund was made within four years of the date of purchase; (2) the purchaser submits to the Department an accurate record of the purchase including the date of the purchase and the amount of use tax paid; (3) the purchaser submits to the Department a proper exemption claim form; and (4) purchaser submits any additional information requested by the Department.

Further, the purchaser must also submit a form signed by the seller that contains information substantiating the refund claim. The form must state that the seller reported and paid the tax on the sale for which a purchaser is seeking a refund and that the seller has not claimed, and will not claim, a refund of that tax.

If the seller has not obtained an exemption form or all relevant data elements, the seller may either prove that the transaction was not subject to the tax or obtain an exemption form from the purchaser, by the later of: (1) 120 days after a request by the Department, (2) the date an assessment becomes final, (3) the denial of a claim for refund, (4) in the instance of a credit audit, the issuance of an audit determination letter or informal conference decision and order of determination, or (5) the date of a final order of the court of claims or the Michigan tax tribunal, as applicable, with respect to an assessment, order, or decision of the Department.

INSIGHT:

Michigan's Unclaimed Use Tax Exemption Refund provides a potential refund that a purchasers may claim for taxes paid on purchases that were tax exempt at time of purchase within four years of the date of purchase. The exemption and refund request must be filed within specific time frames. However, there is some risk that purchasers may not meet the requirements. Contact SimekScott to discuss.

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