ECONOMIC SNAPSHOT

CORPORATE INCOME TAX

Date: September 2026 **Analyst: Ben Gielczyk**

At a Glance

The State of Michigan levies a 6.0% tax on the Michigan-apportioned income of C corporations and other taxpayers taxed as corporations for federal purposes. Gross corporate income tax (CIT) collections have been relatively volatile due to a narrow tax base and a sensitivity to corporate profits, which don't always align with economic cycles. CIT revenue is estimated to comprise 8.8% of general fund revenue in FY 2026-27.

Background

The CIT was enacted in 2011, replacing the Michigan Business Tax (MBT). Certain taxpayers with previously awarded certificated credits may continue to file under the MBT until those credits expired.

How the Tax Works

- **Taxpayer**: C corporations and entities taxed as corporations federally. Insurance companies and financial insitutions are subject to separate taxes.
- **Tax Base**: Begins with federal taxable income, with Michigan additions and subtractions before apportionment and a post-apportionment business loss deduction.
- **Rate**: 6.0% of the CIT tax base after allocation or apportionment.
- **Apportionment/Allocation**: For multistate corporations, the state requires the corporation to apportion its tax base using 100% sales factor, meaning the liability depends on the share of total sales sourced to Michigan and not on where property or employees are located. A business with activity confined to Michigan would allocate the tax base entirely to Michigan.
- **Nexus/Filing Threshold**: A taxpayer has nexus if the taxpayer is physically present in the state for more than one day, actively solicits sales in the state and has gross receipts of at least $350,000 sourced to Michigan, or has an ownership or beneficial interest in one or more flow-through entities with substantial nexus in the state.
- **Credits:** The small business alternative credit provides a lower 1.8% rate on adjusted business income for qualifying firms. The state also enacted a new research and development tax credit available to eligible CIT filers for tax years beginning in tax year 2025.

Current Distribution

FY 2026-27 Corporate Income Tax Revenue Distribution Flow

*The amount dedicated to the NRF will increase by $88.0 million annually through FY 2029-30 when it will reach the maximum allocation of $1,040.0 million.

For FY 2026-27, as the chart indicates, collections must exceed $2,026.0 million for the Neighborhood Roads Fund to receive the statutory maximum distribution. By FY 2029-30, collections will need to exceed $2,290.0 million for the Neighborhood Roads Fund to receive the maximum distribution.
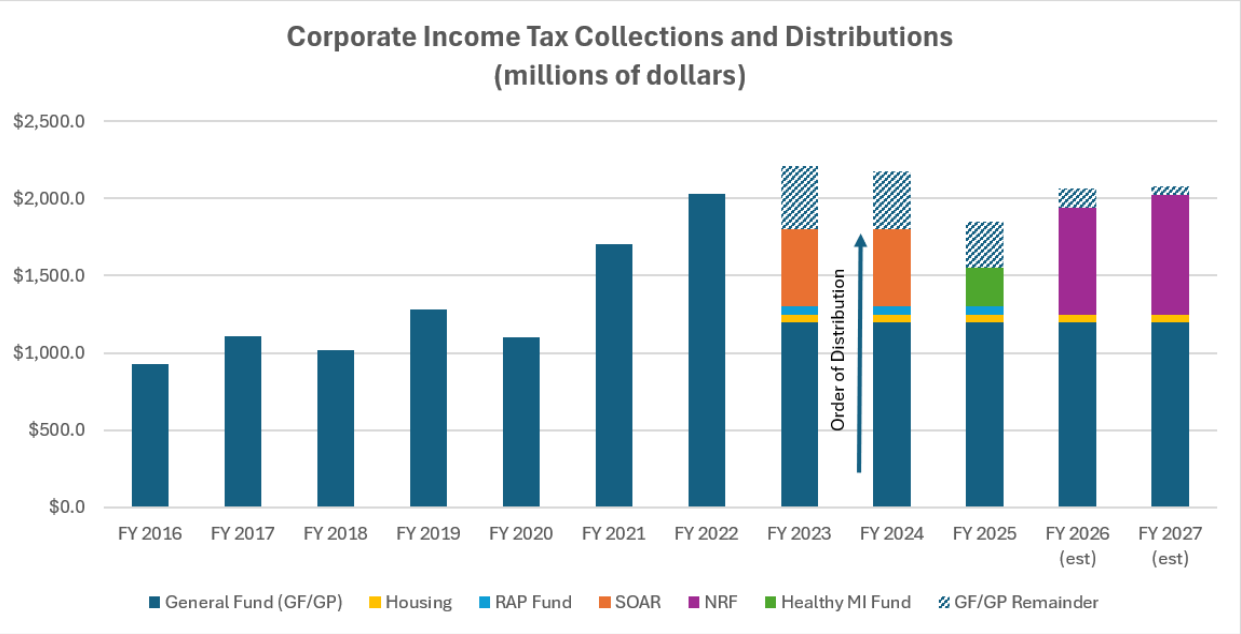
Table 1: Corporate Income Tax Revenue Distributions							
Year	General Fund	SOAR	Housing	RAP Fund	NRF	Healthy MI Fund	Gross
FY 2016	$929.8						**$929.8**
FY 2017	$1,105.6						**$1,105.6**
FY 2018	$1,019.9						**$1,019.9**
FY 2019	$1,278.1						**$1,278.1**
FY 2020	$1,100.1						**$1,100.1**
FY 2021	$1,701.8						**$1,701.8**
FY 2022	$2,029.3						**$2,029.3**
FY 2023	$1,609.2	$500.0	$50.0	$50.0			**$2,209.2**
FY 2024	$1,574.0	$500.0	$50.0	$50.0			**$2,174.0**
FY 2025	$1,501.4		$50.0	$50.0		$250.0	**$1,851.4**
FY 2026 (est)	$1,325.0		$50.0		$688.0		**$2,063.0**
FY 2027 (est)	$1,250.0		$50.0		$776.0		**$2,076.0**