





EY Payroll NewsFlash Workforce Tax Services

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Vol.24, 025
April 5, 2023

Michigan Department of Treasury announces decrease in personal income tax rate retroactive to January 1, 2023, withholding tables will not be updated

On March 29, 2023, the Michigan Department of Treasury [announced](#) that retroactive to January 1, 2023, the personal income tax rate will be reduced from 4.25% to 4.05%.

This temporary tax cut is the result of legislation enacted in 2015 that requires, starting in 2023, a rate cut for any tax year that the general fund grows faster than the rate of inflation. Based on the state's fiscal year [2022 Annual Comprehensive Financial Report](#), which projects a \$9.2 billion surplus for 2023, Michigan Attorney General Dana Nessel issued a legal opinion finding that the reduction applies for tax year 2023.

The rate cut requires consensus by the Treasurer, Senate Fiscal Agency and House Fiscal Agency. It is anticipated that the formal step of adopting a consensus with updated revenue estimates will occur as a procedural matter at the May 2023 Consensus Revenue Estimating Conference.

The Department also [announced](#) that the reduced rate of 4.05% will not be reflected in its 2023 withholding tables and that individuals with questions about their 2023 Michigan income tax withholding should contact their employers or the Department directly.

Updated forms, instructions and guidance necessary about the 2023 income tax rate will be posted [here](#) once available.

Contact us for more information

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