



EY Payroll NewsFlash Workforce Tax Services

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Michigan Department of Treasury will allow employers to withhold at new reduced tax rate for 2023

The Michigan Department of Treasury (Department) confirmed in [frequently asked questions](#) that revised withholding tables will not be published to reflect the 2023 reduction in the personal income tax rate from 4.25% to 4.05% that was announced earlier this year.

As to whether employers can withhold at the lower rate of 4.05% in the absence of updated 2023 withholding tables, the Department stated that employers have the option of continuing to withhold at 4.25% or refigure withholding calculations using the reduced rate of 4.05%.

The Department noted that if employers do not withhold at the lower rate of 4.05% in 2023, any excess withholding will be refunded when employees file their 2023 Michigan income tax returns.

As previously reported (see *EY Tax Alert* [2023-0670](#)), on March 29, 2023, the Department [announced](#) that retroactive to January 1, 2023, the personal income tax rate was 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.

Contact us for more information

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