208.21a Carryback of net operating loss or capital loss for federal income tax purposes;
recomputation of allowable addition to reserve for bad debts; change to tax base;
amended return; assessment of penalties, interest, or outstanding liability prohibited;
statute of limitations not suspended.

Sec. 21a. (1) If a financial organization, to which section 593 of the internal revenue code applies, carries
back a net operating loss or capital loss for federal income tax purposes, if federal income tax law requires the
financial organization to recompute, solely because of the loss carryback, its allowable addition to its reserve
for bad debts under section 593(b)(2) of the internal revenue code for 1 or more prior tax years, and if the
recomputation would result, but for the application of this section, in an addition to the tax base for the tax
year or years affected by the carryback, then both of the following apply:

(a) For a tax year prior to the year of the loss, there shall be no change to the tax base because of the
federal loss carryback or the federal reduction in the reserve for bad debts.

(b) For a tax year beginning after 1978 in which a loss is incurred, the financial organization shall add to
its tax base the amount of the loss but not more than the sum of the following:

(i) Fifty percent of the federal income tax reductions to the reserves for bad debts for all tax years
beginning before 1976 resulting solely because of the loss carryback.

(ii) One hundred percent of the federal income tax reductions to the reserves for bad debts for all tax years
beginning after 1975 resulting solely because of the loss carryback.

(2) If a taxpayer is required to file an amended return under this section and the amended return is filed
before June 15, 1990, the department shall not assess penalties or interest against the taxpayer for taxes due
on that amended return as a result of the operation of this section. If a taxpayer complies with this section, the
department shall not assess an outstanding liability under the income tax act of 1967, Act No. 281 of the
Public Acts of 1967, being sections 206.1 to 206.532 of the Michigan Compiled Laws, that results solely from
the adjustments in the taxpayer’s bad debt reserve.

(3) This section does not suspend the running of the statute of limitations for a tax year beginning before
1979 for any purpose other than for purposes of complying with this section.


Compiler's note: Section 2 of Act 36 of 1990 provides: “This amendatory act shall apply to tax years beginning after 1978.”