FREE REFERENCE

Michigan business taxes, explained for 2026

Small businesses in Michigan register with the state revenue agency for income tax withholding and sales tax, and with the Michigan Unemployment Insurance Agency for unemployment tax. Michigan has a flat 4.25% income tax, a 6% state sales tax and a $9,000 unemployment wage base for 2026.

QUICK FACTS

- **Income tax.** A flat 4.25% income tax for 2026
- **Sales tax.** 6% state rate, about 6% combined with local
- **Unemployment.** Employers pay Michigan unemployment tax on the first $9,000 of each worker's 2026 wages

What taxes does a small business pay in Michigan?

Most Michigan businesses deal with four: federal and state payroll taxes once they hire, sales tax if they sell taxable items, income tax on profit, and the state's annual report or franchise filing for an LLC or corporation, filed with the Secretary of State.

How do I register for payroll taxes in Michigan?

Before your first payroll in Michigan:

1. Get a federal EIN and enroll in EFTPS for federal deposits.
2. Open a Michigan withholding account with the Michigan revenue agency, so you can withhold and pay state income tax.
3. Register for unemployment insurance with the Michigan Unemployment Insurance Agency. For 2026, the tax applies to the first $9,000 of each employee's wages, at a rate the state sets for new employers and then adjusts to your history.
4. Report each new hire to Michigan's new hire registry, usually within 20 days.

Our state payroll registration guide explains each step, and our payroll service handles it for you.

General information, not tax advice for your situation.

Do I need a Michigan sales tax permit?

If you sell taxable goods or services in Michigan, yes. Register with the Michigan revenue agency before your first taxable sale. Out-of-state sellers need one once they pass Michigan's economic nexus threshold.

SALES TAX IN MICHIGAN, MIDYEAR 2026	RATE
State rate	6%
Average local rate	0%
Average combined rate	6%
Highest local rate	0%

The state sets how often you file. Our sales tax permit guide covers what to have ready, and the sales tax calculator adds tax to a price.

How does Michigan tax business owners?

Profit from a sole proprietorship, LLC, partnership or S-Corp passes through to the owners, who pay Michigan income tax on it at the personal rates: a flat 4.25% income tax. Michigan allows a personal exemption of $5,900 single and $11,800 joint and $5,900 for each dependent. Detroit and about two dozen other Michigan cities add a city income tax, 2.4% for Detroit residents.

Estimate yours with the Michigan income tax calculator.

Where are Michigan's tax forms and refund status?

- Michigan tax forms
- Michigan revenue agency
- Michigan refund status
- Michigan Unemployment Insurance Agency

Every state's links are on our state tax forms page.

Which calculators work for Michigan?

- Michigan paycheck calculator: take-home pay after every deduction
- Michigan income tax calculator: your 2026 state income tax
- Payroll cost calculator: what a hire costs you, with Michigan unemployment

Common questions

Do I need a sales tax permit in Michigan?
Yes, if you sell taxable goods or services there. Register with the Michigan revenue agency before your first taxable sale.

What is the Michigan unemployment wage base for 2026?
$9,000. Employers pay Michigan unemployment tax on that much of each employee's wages, at a rate the state assigns.

Does Michigan have a state income tax?
Yes. Michigan has a flat 4.25% income tax for 2026.

Who runs payroll taxes in Michigan?
The Michigan revenue agency handles income tax withholding, and the Michigan Unemployment Insurance Agency handles unemployment tax.

Want payroll handled?

We set it up, run it and file the returns. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

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