Reset Form

Michigan Department of Treasury
1312 (Rev. 8-05), Page 1

**2005**
**C-8022**

# 2005 MICHIGAN
# Farmland Preservation Tax Credit

**Corporate Farm Owners, Estates or Trusts**

Issued under authority of P.A. 451 of 1994. **Type or print in blue or black ink.**

| | |
|---|---|
| 1. Name and Address (No. and Street, City, State, ZIP Code) | **2.** Federal Employer ID Number (FEIN) |
| | **3.** Tax Year of Claim<br>Mo. Yr. |
| | **4.** First Year Under Agreement<br>Mo. Yr. |

*If you have agreements entered into on or after January 1, 1978, determine your qualification by using the formula in Part 1, line 9 or line 14. Once you elect a qualification formula, all future claims must be filed using that formula.*

## PART 1: GROSS RECEIPTS QUALIFICATION (If all contracts were entered into before Jan. 1, 1978 go to Part 2.)

| | A. 1st Year | B. 2nd Year | C. 3rd Year | D. 4th Year | E. 5th Year |
|---|---|---|---|---|---|
| 5. Years preceding the claim year | | | | | |
| 6. Property taxes on enrolled land | | | | | |
| 7. Multiply line 6 by 5 | | | | | |
| 8. Agricultural gross receipts | | | | | |

9. ☐ Check here if line 8 is greater than line 7 in at least three of the five years preceding claim year AND you elect this qualification.

10. Property taxes on enrolled land in the first year under contract ............ 10. ________

11. Multiply the property taxes on line 10 by 5 ............ 11. ________

12. Agricultural receipts for averaging. Enter total of line 8 columns A, B, and C ............ 12. ________

13. Average gross receipts. Divide line 12 by 3 ............ 13. ________

14. ☐ Check here if line 13 is greater than line 11 AND you elect this qualification.

## PART 2: TAXES THAT CAN BE CLAIMED FOR CREDIT AND ALLOCATION TO EACH AGREEMENT

Complete columns A through D and lines 16 through 27. If you have more than one agreement, complete columns E and F. Attach copies of property tax statements (bills) for all land under agreements. Be sure the corresponding agreement number is on each tax statement (bill).

| A<br>Agreement Number | B<br>2004 or 2005 Paid Tax Receipts Attached | C<br>Date of Agreement | D<br>Total Tax For Each Agreement | E<br>Divide Each Amount in Column D by Total on Line 15e, Column D | F<br>Allocated Tax Credit Multiply Line 27 by Percentage in Column E |
|---|---|---|---|---|---|
| 15a. | YES ☐ NO ☐ | | | | |
| b. | ☐ ☐ | | | | |
| c. | ☐ ☐ | | | | |
| d. | ☐ ☐ | | | | |
| e. Total of columns D, E, and F | | | | | |

**16.** Taxes from column D on land enrolled after December 31, 1977.
Enter zero unless you checked the box on line 9 or line 14 ............ **16.** ________

**17.** Taxes from column D on land enrolled before January 1, 1978 ............ **17.** ________

18. Taxes qualifying for credit. Add lines 16 and 17 ............ 18. ________

***Continue and sign on page 2.***

## PART 3: TAXES THAT CANNOT BE CLAIMED FOR CREDIT

**19.** Taxable income from *U.S. 1120*, ordinary income from *U.S. 1120S*, or adjusted total income from *U.S. 1041* (see instructions) ▸ **19.** ____________

**20.** Depletion allowance claimed on your federal income tax return ▸ **20.** ____________

**21.** Capital and net operating loss carryforwards and carrybacks ▸ **21.** ____________

**22.** Compensation and director fees of active shareholders (from C-8000KC, line 6) ▸ **22.** ____________

**23.** Compensation and director fees of officers (from C-8000KC, line 7) ▸ **23.** ____________

**24.** Compensation of shareholders other than those who are officers or active (see instructions) ▸ **24.** ____________

25. Total. Add lines 19 through 24 25. ____________

26. Taxes that cannot be claimed for credit. Multiply line 25 by 3.5% (.035) 26. ____________

## PART 4: CREDIT

**27.** Farmland Property Tax Credit. Subtract line 26 from line 18. If line 26 is greater than line 18, enter zero ▸ **27.** ____________

**28.** Amount of credit applied to SBT liability. Enter here the lesser of line 27 or the amount on your C-8000, line 44. Enter this amount on your C-8000, line 47 ▸ **28.** ____________

**29.** Amount of credit to be REFUNDED. Subtract line 28 from line 27 ▸ **29.** ____________

## PART 5: CERTIFICATION AND SIGNATURE

| **Taxpayer Certification.** *I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.* | | **Preparer Certification.** *I declare under penalty of perjury that this return is based on all information of which I have any knowledge.* |
|---|---|---|
| Filer's Signature | Date | ▸ Preparer's PTIN, FEIN or SSN |
| Spouse's Signature | Date | ▸ Preparer's Business Name (print or type) |
| ▸ I authorize Treasury to discuss my return with my preparer. ☐ Yes ☐ No | | Preparer's Business Address (print or type) |

**If this credit is applied to your SBT liability, attach this claim to the front of your C-8000. Otherwise mail to:**

**Farmland Preservation Unit**
**Michigan Department of Treasury**
**P.O. Box 30058**
**Lansing, MI 48909**

For assistance, visit our Web site at **www.michigan.gov/treasury** or call toll-free 1-800-827-4000 for answers to your questions about Michigan income tax and credit forms. Persons who are deaf, hard of hearing or have a speech impairment may call 517-636-4999 (TTY).

# Instructions for C-8022
# Farmland Preservation Tax Credit

## Farmland Preservation Tax Credit Defined

The Farmland Preservation Tax Credit gives back to farmland owners a share of the property tax they pay on their farmland. Farmland owners qualify for credit by agreeing to keep the land as farmland and not develop it for another use.

## Farmland Preservation Tax Credit Requirements

To qualify, the following requirements must be met:

- Taxpayer must own farmland **and**
- Taxpayer must have entered into a Farmland Development Rights Agreement (FDRA) with the Michigan Department of Agriculture (MDA).

If agreements were entered into on or after January 1, 1978, the gross receipts qualifications in Part 1 must be met.

## Farmland Development Rights Agreement

Through an FDRA, a taxpayer may receive property tax relief in return for a pledge not to change the use of the taxpayer's lands.

ⓘ **Note:** The FDRA restricts development of land. Before making any changes to property covered under this agreement or to its ownership, consult the MDA. Some changes may make property ineligible for credit.

## Filing the Correct Form

The following should file using form C-8022:

- Estates, include property taxes from the date of death and farm income required to be reported on your *U.S. 1041*.
- Corporations other than S corporations.
- S corporations that had an FDRA before January 1, 1989 and in 1991 elected to file form C-8022.
- Trusts, except as noted below.

The following should file using the MI-1040CR-5:

- Individuals who own a farm independently.
- Representatives of deceased single persons. Include property taxes and income from January 1 to the date of death.
- Partnerships.
- Joint owners.
- S corporation shareholders, **except** shareholders of S corporations that had an FDRA before January 1, 1989 and in 1991 elected to file under the Single Business Tax Act on form C-8022.
- Grantor trusts (if treated as an owner under Internal Revenue Code, Sections 671 to 679).
- Trusts created by the death of a spouse if the trust requires 100 percent of the income from the trust to be distributed each year to the surviving spouse.

Form MI-1040CR-5 can be found on our Web site at: **www.michigan.gov/treasury** or call 1-800-827-4000.

## Claiming the Credit

Complete Form C-8022. If applying this credit to SBT liability, attach it to the *Single Business Tax Annual Return* (Form C-8000). Attach a copy of page 1 of *U.S. 1120* or *1041* and copies of all the federal schedules completed for the federal tax return. The following must also be included:

- A copy of the taxpayer's 2005 property tax statement(s) (bills) with corresponding agreement numbers listed on each.
- A copy of the receipt showing that 2004 or 2005 property taxes were paid. If property taxes have not been paid or receipt(s) are not attached, Treasury will mail a check made jointly payable to the corporation, estate or trust and the county treasurer for the county where the property is located. (A new check payable only to the corporation, estate or trust will not be issued if it is later proved that the taxes had been paid.)
- If the property tax statement (bill) includes property that is not covered under an FDRA, the taxpayer must show what portion of total acreage and property tax is for land enrolled in the FDRA. A local equalization officer or local assessor must give this information on official letterhead if it is not listed separately on property tax bills.

## When to Claim a New Agreement

New agreements must be approved by the local government by November 1, 2005 to claim a 2005 credit. But the FDRA is not final until a copy is received from the MDA that has been recorded at the Register of Deeds. Credit for the new FDRA will not be allowed unless a copy of the recorded agreement is attached to the return. If the taxpayer doesn't get a notice before April 30th, file the return without that agreement. File a new C-8022 with an *Amended Single Business Tax Return* (C-8000X) when the FDRA is received.

## Jointly Payable Checks

The taxpayer should take the check, check stub and a copy of the FDRA(s) to the county treasurer(s) who will have the taxpayer endorse the check and then use the refund to pay any delinquent taxes. Any remaining amount will be returned to the taxpayer.

### Property Taxes That Can Be Claimed for Credit

The property taxes levied in 2005 on enrolled land are eligible for the 2005 credit, regardless of when they are paid.

Ad valorem property taxes that were levied in 2005 including collection fees up to one percent of the taxes can be claimed for credit. Special assessments (those not based on taxable value), penalties and interest cannot be claimed.

Taxes on land not eligible for either the principal residence or agricultural exemptions most likely are not eligible for the Farmland Preservation Tax Credit. The exception is rental property where the tenant spends at least 1,040 hours per year participating in the farming operation. To compute the taxes that can be claimed for credit, exclude the school operating tax and multiply the balance by the percentage of exemption allowed by the local taxing authority.

### Example:

Taxes levied ............................................................ $2,000
School operating tax ................................................... $350
Principal residence exemption ..................................... 60%

| | | |
|---|---|---|
| $2,000 | $1,650 | |
| -350 | x 60% | |
| $1,650 | $990 | can be claimed for credit |

If the taxpayer has entered into more than one agreement with the MDA, the sum of the taxes under each agreement is used to compute the credit. The amount of credit the taxpayer will receive is based on adjusted business income. Taxes levied on rental property cannot be claimed for credit unless the tenant is involved in the farm operation.

### Claiming a Credit for Farms Purchased in 2005 That Were Already Enrolled in the Program

The farmland credit will be processed only if there is a farmland agreement on file with the MDA IN THE SAME NAME AS THE TAXPAYER'S DEED. The taxpayer must prorate the 2005 taxes for the period the land was owned and claim credit based on those taxes only.

### Line-by-Line Instructions

*Lines not listed are explained on the form.*

**Line 3, Tax year of claim.** Enter the ending month and year of the annual accounting period in which this credit is claimed.

**Example:** A participant with a tax year ending December 31 claims a credit for the 2005 property taxes in the tax year ending in December 2005.

**Line 4, First year under FDRA.** If agreements were entered into on or after January 1, 1978, enter the ending month and year of the accounting period in which the agreement was first entered into. (Example: A participant with a tax year ending December 31, enters into an agreement January 5, 1990. The first year under the agreement is the year ending December 1990.)

### PART 1: Gross Receipts Qualification applies only to agreements entered into on or after January 1, 1978.

If agreements were entered into on or after January 1, 1978, eligibility for a farmland credit must be determined using one of the two qualification formulas provided below. If all agreements began before January 1, 1978, go directly to Part 2.

ⓘ **Important:** Once a qualification formula is elected, all future claims must be filed using that formula.

- **Total Receipts Formula on line 9.** This formula compares agricultural gross receipts to property taxes on the enrolled land in each of the tax years preceding the tax year of this claim. If gross receipts are more than five times property taxes in at least three of the five tax years, this formula may be used.

- **Average Receipts Formula on line 14.** This compares the average of the agricultural gross receipts for three tax years preceding the tax year of this claim to property taxes on the enrolled land in the first year under the agreement. If average receipts are more than five times property taxes in the first year, this formula may be used.

**Line 5, Years preceding claim year.** Enter each of the years immediately preceding the claim year. Enter the most current year in the 1st Year column.

**Line 6, Property taxes on enrolled land.** Enter the property taxes for each year reported on line 5 that are attributable to land enrolled on or after January 1, 1978. **Do not include** property taxes on land enrolled before January 1, 1978, or property taxes on structures or any other lands not enrolled in an FDRA.

**Line 8, Agricultural Gross Receipts.** Enter the agricultural gross receipts for the tax years immediately preceding the tax year of this claim. Agricultural gross receipts are receipts from the business of farming as defined in the Internal Revenue Service Regulation 1.175-3. (Also see *Revenue Administrative Bulletin 89-47, Agriculture Exemption.*)

If the taxpayer's farm operation was incorporated during this 5-year period and the ownership before and after date of incorporation is identical, report gross receipts for all five tax years. If the ownership changed, enter gross receipts only for those tax years since incorporation.

**Line 9, Total Receipts Formula.** If the agricultural gross receipts on line 8 are more than the increased property taxes on line 7 in at least three of the five tax years and this qualification is elected, check the box.

**Line 14, Average Receipts Formula.** If the average gross receipts on line 13 are more than the increased property taxes on line 11 and this qualification is elected, check the box.

## PART 2: Taxes That Can Be Claimed for Credit

List each agreement number and the amount of tax from the property tax statements in columns A through D. List the corresponding agreement number on each property tax statement and attach copies of the tax statements (bills) to the return.

**Column A.** Enter the farmland preservation agreement number assigned by the MDA. Agreement number or contract number is found in the lower right corner of each agreement. The first two numbers represent the county where the property is located. The middle set of numbers is the actual contract number. The final six numbers are the year of expiration i.e. 123105 (December 31, 2005). The contract number retains its original series throughout the term of the agreement. However, a letter may be added to indicate that the agreement was split into multiple agreements. The final six numbers change when the agreement is reduced or extended. Always use the contract number on the most recently recorded agreement, and attach a copy of each 2005 tax statement (bill) that corresponds to the agreement number listed.

**Column B.** For each agreement, check the "Yes" box if paid tax receipts for 2004 or 2005 are attached. If paid receipts are not attached, check the "No" box. If neither box is checked, the Farmland Preservation Credit will be issued jointly to the taxpayer and the treasurer for the county where the property is located.

ⓘ **Note:** 2005 property tax statements (bills) must be attached regardless of which box is checked in column B.

**Column C.** Enter the date each agreement was entered into.

**Column D.** Enter the total amount of tax on land and structures under agreement from tax statements (bills) (do not include penalties, interest or special assessments). Collection fees may be included. If the taxpayer is a joint owner, enter only the taxpayer's share of taxes.

ⓘ **Note:** If the property tax statement (bill) includes taxes for land not covered by an FDRA, the taxes reported in column D must be reduced accordingly. The amount of taxes that cannot be claimed must be determined by the local assessor's office and submitted on his or her official letterhead. The one percent collection fee may be included. Do not include penalties, interest or special assessments.

ⓘ **Note:** If the property tax statement (bill) includes taxes for land on more than one agreement, the taxes reported in column D must be separated according to land in each agreement. The local assessor will be able to determine what the breakdown is based on the legal descriptions of the land enrolled under each agreement.

**Line 16, Taxes on Land Enrolled After December 31, 1977.** If qualified under one of the gross receipts formulas (line 9 or 14), enter the taxes from column D on land and structures enrolled after December 31, 1977. Otherwise, enter zero.

## PART 3: Taxes That Cannot Be Claimed for Credit

If filing a *Single Business Tax Annual Return* (Form C-8000), the amounts used in this computation are available on the return and schedules. If not filing an SBT annual return, complete *Schedule of Shareholders and Officers* (Form C-8000KC) and attach it to this claim.

Enter on lines 19 through 24 the amounts for the tax year of this claim (the year entered on line 3).

**Line 19, Income.** Enter the amount from *U.S. Corporation Income Tax Return* (*U.S. 1120*), *U.S. Income Tax Return for an S-corporation* (*U.S. 1120S*) or *U.S. Fiduciary Income Tax Return* (*U.S. 1041*). This amount can be less than zero.

**Line 24, Compensation of other shareholders**. Enter the sum of compensation from C-8000KC, column K, for each shareholder who is not an officer or active shareholder.

## PART 4: Credit

**Line 27.** Subtract line 26 from line 18.

**If the taxpayer has entered into more than one agreement, complete columns E and F, Part 2.**

***Part 3,* Column E.** Divide each line amount in column D by the total of column D and enter the percent in column E.

***Part 3,* Column F.** Multiply line 27 by percent computed in column E and enter in column F.

**Mail to:** **Farmland Preservation Unit**
**Michigan Department of Treasury**
**P.O. Box 30058**
**Lansing, MI 48909**

## Assemble the return and attachments in the following order, beginning on top:

1. *Farmland Preservation Tax Credit* (Form C-8022).
2. *Single Business Tax Annual Return* (Form C-8000), if applying this credit to SBT liability.
3. A copy of page 1 of 2005 *U.S. 1120, U.S. 1120S* or *U.S. 1041* and all supporting schedules.
4. A copy of any recorded Farmland Development Rights Agreement(s) (FDRAs) not claimed on the previous year's return.
5. A copy of the 2005 property tax statement(s) (bills) that show the taxable value, the property taxes levied, and the corresponding agreement numbers.
6. An official allocation of the tax statement amount between property subject to an FDRA and property not covered by an FDRA.
7. A copy of the receipt showing payment of years 2004 or 2005 property taxes.

## Where to Get Forms

- Forms are available on Treasury's Web Site at: **www.michigan.gov/treasury**
- Call 1-800-827-4000 to request forms.