

2009 MICHIGAN Business Tax Loss Adjustment Worksheet for the Small Business Alternative Credit

Issued under authority of Public Act 36 of 2007.

Taxpayer Name (If Unitary Business Group, Name of Designated Member)	Federal Employer Identification Number (FEIN) or TR Number
Unitary Business Groups Only: Name of Unitary Business Group Member Reporting on This Form	Federal Employer Identification Number (FEIN) or TR Number

INSTRUCTIONS: Use this worksheet to qualify for an otherwise disallowed Small Business Alternative Credit by adjusting current year adjusted business income. This is available only if a taxpayer had a negative adjusted business income in any of the five tax years immediately preceding this tax year and received a Small Business Credit or Small Business Alternative Credit in the loss year. Partnerships and members of unitary groups, see instructions. Each Unitary Business Group member with a disqualifier must complete this form.

*** Note:** If compensation exceeds \$180,000 for any C Corporation shareholder or officer, a Small Business Alternative Credit cannot be claimed nor can a loss adjustment be used to reduce compensation from Form 4577, column L.

PART 1: CURRENT YEAR AMOUNTS

Use this section to determine amount of loss adjustment to business income needed to qualify for the Small Business Alternative Credit.

Business Income Disqualifier: \$1,329,900 (\$180,000 for individuals)

1. Adjusted Business Income from Form 4571, line 8.....	1.		00
2. Business Income Disqualifier	2.		00
3. Loss adjustment required. Subtract line 2 from line 1. If less than zero, enter zero.....	3.		00

Shareholder Income Disqualifier: \$180,000

4. Enter the amount from Form 4571, line 5.....	4.		00
5. Shareholder Income Disqualifier	5.		00
6. Enter compensation and director fees from Form 4577, column L, of the shareholder creating the disqualifier or reduction*	6.		00
7. Subtract line 6 from line 5. If less than zero, enter as a negative number.....	7.		00
8. Divide line 7 by the percent of ownership from Form 4577, column G, for the shareholder on line 6.....	8.		00
9. Loss adjustment required. Subtract line 8 from line 4	9.		00

PART 2: AVAILABLE LOSS

Read instructions before completing Part 2. Use Part 2 to determine the loss available from the five preceding periods. Do not enter a negative sign in front of the loss amount.

Complete lines 10 through 16 one column at a time. Complete only columns for periods that reported a loss AND received a Small Business Credit or Small Business Alternative Credit.

10. Tax year end date (MM-DD-YYYY)				
11. Adjusted business income.....				
12. Loss used on prior returns.....				
13. Loss available for current return.....				
14. Loss adjustment required				
15. Remaining loss adjustment required				
16. Loss adjustment carryforward				

Instructions for Form 4575, Michigan Business Tax (MBT) Loss Adjustment Worksheet for the Small Business Alternative Credit

Purpose

To reduce the adjusted business income or shareholder income to qualify for the Small Business Alternative Credit or minimize the reduction percentage required.

If the adjusted business income was less than zero in any of the five years immediately preceding the tax year for which a credit is being claimed, and the taxpayer received a Small Business Credit under the Single Business Tax (SBT) or Small Business Alternative Credit under MBT for that same year, the taxpayer may adjust for the loss before figuring eligibility for the Small Business Alternative Credit. Business income for credit purposes is adjusted by using available loss from prior years on a first-in, first-out basis until those losses are extinguished. A loss adjustment will not affect a reduction to the Small Business Alternative Credit based on gross receipts that exceed \$19,000,000. Also, it will not change the amount of compensation in column L for a C Corporation on the *MBT Schedule of Shareholders and Officers* (Form 4577).

NOTE: Instructions for Unitary Business Groups (UBGs) have changed substantially from the previous year. Please read “Special Instructions for UBGs” carefully.

Special Instructions for UBGs

The adjusted business income (ABI) threshold must be calculated by the UBG by combining the adjusted business incomes of its members. Likewise, to reduce an ABI disqualifier of the UBG, loss adjustment must be calculated on a group level and used against the group’s ABI. Loss used at the group level is not accounted for on the member level.

Disqualifiers based on shareholder or partner allocated income must be determined on a member by member basis. If any shareholder or partner has allocated income in excess of \$180,000, the loss adjustment must be calculated on a member by member basis for any and all members for which it may apply. Loss used at a member level does not reduce the group’s available loss.

NOTE: Members with available loss adjustment must complete a copy of Form 4575 using member data, referred to here as a member copy or member form. The combined UBG member data is displayed on a separate Form 4575 identified as “Group Copy for ABI.” Details regarding the forms are addressed further in these instructions.

NOTE: The usage of loss adjustment for one disqualifier does not affect the available loss adjustment for the other disqualifier. This form will accommodate the separate maintenance of loss adjustment available for the UBG for both the ABI (Group Copy for ABI) and allocated income (separate member copy) disqualifiers as long as no member leaves the UBG prior to using up all of its separately calculated loss adjustment available for the group’s ABI disqualifier. See the “Supplemental Instructions for Standard Members in UBG’s” on page 141 for details.

If one or more members exceed the shareholder income

threshold, only those members with shareholder income disqualifiers must file a Form 4575, using member-only (pro forma) figures in lines 4 through 16 on each member form.

If the UBG’s adjusted business income exceeds the threshold, one Form 4575 must be filed to determine the UBG’s business income loss adjustment, which will be calculated on a group basis (the Group Copy for ABI, detailed below). For years in which a member was not part of the UBG, the UBG will use that member’s available loss from those separate years on a first-in, first-out basis until those losses are extinguished. These amounts are calculated initially at the member level but used and maintained for use in future years on the Group Copy for ABI. Supporting 4575 forms must be filed by each member who has a loss available from the separate years that is used against the UBG’s ABI disqualifier (member forms). For members who do not exceed the credit’s shareholder income threshold, only Part 2, lines 10 through 13, of Form 4575 need to be completed on the member form. For members who also exceed the credit’s shareholder income threshold, lines 4 through 16 of the member form must be completed. Member forms must be completed using member-only figures.

Shareholder Income Disqualifier

Any member whose shareholder income creates a partial or complete disqualification, and that has loss available to resolve that disqualification in whole or in part, must file Form 4575. Leave lines 1 through 3 blank. Complete line 4 (using a pro forma figure) and lines 5 through 16, all with data for the reporting member only. For years that the member was part of the UBG, pro forma figures will be entered in lines 11 through 13; however, the member cannot complete these lines for a tax year that it was part of the UBG and the UBG did not receive the Small Business Alternative Credit. The member may complete these lines for a tax year that it was NOT a member of the UBG and it received the Small Business Credit or Small Business Alternative Credit, regardless of whether the UBG received the credit in that same year. Lines 14 through 16 on the member’s Form 4575 will reflect the usage of loss adjustment to resolve the allocated income disqualifier only. The use of loss adjustment to resolve the ABI disqualifier will be maintained on the Group Copy for ABI.

NOTE: If any member still has a total disqualification on this basis (greater than \$180,000) after completing its own Form 4575 as described above, the UBG is disqualified from the Small Business Alternative Credit. Do not proceed with these instructions. However, if each member’s shareholder income disqualification is fully resolved or reduced to a partial disqualification by this method, continue below to compute the groupwide adjusted business income loss adjustment required.

Adjusted Business Income Disqualifier

This disqualifier is calculated at the group level. If the UBG has adjusted business income in excess of \$1,329,900, then the UBG must complete one group Form 4575. The groupwide Form 4575 will calculate loss available from the UBG’s prior tax years as

well as organize the members' available loss that may be used against this disqualifier. These member amounts are calculated initially at the member level but used and maintained for use in future years on the Group Copy for ABI.

In the Taxpayer Name field at the top of the page, enter the Designated Member's (DM's) name followed by the DM's Federal Employer Identification Number (FEIN) or Michigan Department of Treasury (TR) assigned number. In the Unitary Business Groups Only field, enter "GROUP COPY FOR ABI," and leave FEIN or TR Number field blank. On this group copy of Form 4575, enter groupwide data for lines 1 through 3. Leave lines 4 through 9 blank. Complete lines 10 through 16 following line-specific instructions.

To reduce the UBG's ABI disqualifier, the group will use its available loss from a prior tax period when the UBG received the Small Business Alternative Credit, as well as a member's available loss from a tax year when it received the Small Business Credit or Small Business Alternative Credit and was not part of the UBG (member's separate year). However, the group may not use a member's separately calculated available loss for a tax year when the member was part of the UBG to reduce the group's ABI disqualifier.

To reduce the UBG's ABI disqualifier, available loss is used on a first-in, first-out basis until those losses are extinguished. For the purposes of completing Part 2, if a member's separate year end does not share a common year end with the UBG, use a separate column for that member. If members' separate years share a common year end, total the amount of the members' available loss in a single column. Arrange all of the columns in chronological order. If additional columns are needed to accommodate the five preceding periods, create and attach a table comparable to that found in lines 10 through 16. Apply to that custom table the calculations described in the form text and instructions for lines 10 through 16.

Lines 14 through 16 on the Group Copy for ABI will reflect the usage of loss adjustment to resolve the ABI disqualifier and the maintenance of loss adjustment available for future years (within the five year statutory period). Loss adjustment used for the ABI disqualifier is not recorded on the member copy of Form 4575. However, loss adjustment used for the ABI disqualifier from a member's separately filed years should be tracked in the taxpayer's records. Any ABI loss adjustment remaining from a member's separately filed years will be available to that member in the event the member leaves the UBG prior to complete usage of the loss adjustment available by the UBG. See the "Supplemental Instructions for Standard Members in UBG's" on page 141 for details.

NOTE: If the UBG still has a total disqualification on this basis (greater than \$1,329,900) after completing the group's Form 4575 as described above, the UBG is disqualified from the Small Business Alternative Credit. Do not proceed with these instructions.

Line-by-Line Instructions

Lines not listed are explained on the form.

Dates must be entered in MM-DD-YYYY format.

Name and Account Number: Enter name and account number as reported on page 1 of the *MBT Annual Return* (Form 4567).

UBGs: Complete one form for each member for whom this schedule applies. Enter the DM's name in the Taxpayer Name field and the member to whom the schedule applies on the line below. For the form that determines the UBG's adjusted business income loss adjustment, enter the DM's name and FEIN in the first identification line, and "GROUP COPY FOR ABI" and no FEIN in the second identification line.

Part 1: Current Year Amounts

Use Part 1 to determine the amount of loss adjustment necessary to qualify for the Small Business Alternative Credit.

If the taxpayer is not eligible for the credit because the adjusted business income exceeds \$1,329,900 (\$180,000 for individuals), complete lines 1 through 3.

If the taxpayer is not eligible because a shareholder's allocated income exceeds \$180,000, or a partner's distributive income exceeds \$180,000, complete lines 4 through 9 for the shareholder(s) or partner(s) creating the disqualifier. The loss adjustment required is the largest amount needed to eliminate all allocated income disqualifiers.

Partnerships: Form 4575 is formatted for Corporations. To use it for a Partnership, make these changes:

Enter on line 6 any guaranteed payments made to the partner creating a \$180,000 disqualifier.

On line 8, divide by the percentage of ownership from column C of the MBT Schedule of Partners (Form 4578).

NOTE: A member of a Limited Liability Company (LLC) is characterized for MBT purposes as a partner, shareholder or owner, based on the federal characterization of the LLC. An LLC taxed as a Partnership for federal purposes must file as a Partnership for MBT. Similarly, an LLC taxed as a C Corporation or S Corporation for federal purposes must file under that same status for MBT.

Reduced Small Business Alternative Credit: A reduction of the Small Business Alternative Credit is required if an Individual, a partner in a Partnership, a shareholder of a Corporation, or an officer of a C Corporation has allocated income after loss adjustment of more than \$160,000. This reduction is based on the Individual/partner/officer/shareholder with the largest allocated income.

Complete lines 4 through 9 for the shareholder or partner creating the need to reduce the Small Business Alternative Credit.

Form 4575 should always be calculated initially using \$160,000 on line 5. This calculation will establish taxpayer eligibility without the need to reduce the Small Business Alternative Credit. However, if the total loss available for the current year on line 13 does not equal or exceed the loss adjustment required on line 9, the taxpayer may still calculate a lesser loss adjustment to claim a reduced credit.

Try the calculation more than once. Substitute the numbers shown on the chart below on line 5, in order to maximize the claimed Small Business Alternative Credit:

Line 5	Eligible % of Credit
\$ 160,000	100% - no reduction
\$ 160,001 - \$164,999	80%
\$165,000 - \$169,999	60%
\$170,000 - \$174,999	40%
\$175,000 - \$180,000	20%

Tax Year Less Than 12 Months: Business income and shareholder disqualifiers must be calculated on an annualized basis. Enter annualized numbers on lines 1, 4, and 6. See page 14 for further details.

Line 4: Enter the amount from the *MBT Common Credits for Small Businesses* (Form 4571), line 5.

UBGs: When calculating the amount of loss adjustment needed to reduce a member's shareholder income disqualifier, the member should calculate a pro forma Form 4571 for the purpose of completing this line.

Part 2: Available Loss

Use Part 2 to determine the loss available from the five preceding periods. Do not enter a negative sign in front of the loss amount.

Complete lines 10 through 16 one column at a time. Complete only columns for periods that reported a loss AND received a Small Business Credit or Small Business Alternative Credit.

Line 10: Enter each tax year end date for periods where loss occurred. Begin with the earliest year in the left column.

Line 11: Enter the negative adjusted business income from Form 4571, line 8, for tax years where a Small Business Alternative Credit was received. For SBT tax years, enter the adjusted business income from the *SBT Credit for Small Businesses and Contribution Credits* (Form C-8000C), line 9, for each tax year that reported a loss AND received a Small Business Credit.

UBGs: When completing a member's form, this line is calculated using member specific (pro forma) data. Note, however, the member cannot enter an adjusted business income amount for a tax year that it was part of the UBG and the UBG did not receive the Small Business Alternative Credit. The member may, however, enter an adjusted business income amount for a tax year that it was NOT a member of the UBG and it received the Small Business Credit or Small Business Alternative Credit, regardless of whether the UBG received the credit in that same year.

When completing the Group Copy for ABI, enter the sum of the following: 1) UBG's negative adjusted business income for tax years it received the Small Business Alternative credit, plus, 2) a member's negative adjusted business income for a tax year when it received the Small Business Credit or Small Business Alternative Credit and was NOT part of the UBG. These member amounts are calculated initially at the member level but used and maintained for use in future years on the Group Copy for ABI.

Line 12: Enter the amount of loss entered on line 11 that was used as an adjustment in a prior period (including loss adjustment used in SBT periods).

UBGs: When completing the Group Copy for ABI, if a member's negative adjusted business income was included on Line 11 (the member received a credit and was not part of the UBG in the tax year the credit was received), include any loss adjustment used by that member in a prior period to offset an ABI disqualifier (including loss adjustment used in SBT periods). Also enter any groupwide loss used against the UBG's ABI disqualifier in a prior period.

Line 13: Subtract line 12 from line 11 to arrive at loss available on the current return. If less than zero, enter zero; no loss is available.

UBGs: On the Group Copy for ABI, if the group's membership has not changed, that is, no member has joined or left the group since the filing of the prior year's return, the amounts calculated on line 13 should equal the amounts on line 16 of the prior year's corresponding columns. If membership for this year is different, these amounts may not be the same. See the "Supplemental Instructions for Standard Members in UBG's" on page 141 for details.

Line 14: Enter the amount from line 3 or line 9, whichever is larger, in the first column where a loss is available on line 13. In subsequent columns, enter amount from line 15 of the previous applicable column.

UBGs: When completing a member's form for the purpose of reducing the shareholder income disqualifier, enter the amount from line 9.

When completing the Group Copy for ABI, enter the amount from line 3.

Line 15: If line 14 is larger than line 13, subtract line 13 from line 14. Enter here and on line 14 of the next column where a loss is available on line 13.

Line 16: If line 13 is larger than line 14, subtract line 14 from line 13. This amount is available to use in subsequent periods.

NOTE: To benefit from a loss adjustment, the total loss available for the current year, line 13, must equal or exceed the loss adjustment required on line 14.

Include completed Form 4575 as part of the tax return filing.