Reset Form

Michigan Department of Treasury
4580 (Rev. 01-09), Page 1

Attachment 15

2008 MICHIGAN Business Tax Unitary Business Group Combined Filing Schedule

Issued under authority of Public Act 36 of 2007.

IMPORTANT: Read the instructions before completing this form

Designated Member Name	Federal Employer Identification Number (FEIN) or TR Number

PART 1: MEMBER IDENTIFICATION

Identify Unitary Business Group members included on this return. Member Number assigned in Part 1 must correspond to Member Number used in Parts 2 and 3. On line 1, column A, enter a number for each member beginning with 1 and then enter the next sequential number for each additional member. Enter Designated Member information first. If more than 11 members, attach additional copies.

1. A Member Number	B Name and Address of Member	C FEIN or TR Number	D NAICS Code	E Org Type Code

Continue below using the same Member Number references from line 1, column A. Enter Member Numbers in column F.

2. F Member Number	G Check (X) if Nexus with Michigan	H Check (X) if Registered for SBT or MBT	I Part-Year Member: Enter Membership Dates (MM-DD-YYYY)		J Tax Years Ending After 2008: Check (X) if New Member	K Federal Tax Period Included in Return (MM-DD-YYYY)		L If Discontinued, Effective Date (MM-DD-YYYY)
			Beginning	Ending		Beginning	Ending	

+ 0000 2008 59 01 27 1

Continue on Page 2.

Designated Member FEIN or TR Number

PART 1 (CONT.)

Continue below using the same Member Number references from line 1, column A. Enter Member Numbers in column M.

3. M Member Number	N Nature of business activities or operations that result in a flow of value between the members, or integration, dependence, or contribution to other members.

Check all that apply to the Unitary Business Group.

4. ☐ Group identified consists of a group of U.S. persons, one of which owns or controls, directly or indirectly, more than 50% of the ownership interests with voting or comparable rights of the others.

5. ☐ Some or all members are included on a consolidated federal income tax return. If checked, attach a copy of U.S. *Form 851.*

6. ☐ Each member of the group has business activities or operations resulting in a flow of value between the members or has business activities or operations that are integrated with, dependent upon, or contribute to each other.

7. ☐ All members of the Unitary Business Group are included in this combined unitary filing.

Continue on Page 3.

Designated Member FEIN or TR Number

PART 2A: MEMBER DATA FOR COMBINED RETURN OF STANDARD TAXPAYERS

Enter Member Number below corresponding to the Member Number designated in Part 1. Include all Unitary Business Group members (with or without nexus), except those excluded in Part 4. Use as many copies of this page as necessary to report data of all members. Enter whole dollars only.

Corresponding Member Number from Part 1			
FEIN or TR Number			
Proration Percentage (For fiscal filers only. See instructions.)	%	%	%
8. Michigan sales			
9. Total sales			
10. Gross receipts			
11. Inventory acquired during tax year			
12. Depreciable assets acquired during tax year			
13. Materials and supplies not included in inventory or depreciable property			
14. Staffing company: Compensation of personnel supplied to customers			
15. Deduction for contractors in SIC Codes 15, 16 and 17 (see instructions)			
16. Miscellaneous subtractions (see instructions)			
17. Modified gross receipts (MGR) (Gross receipts line minus all subtraction lines)			
18. Prior year SBT loss carryforward (full available amount)			
19. Usable amount of prior year SBT loss carryover: (a) Full amount multiplied by 65% (0.65) OR (b) pro forma MGR tax base of loss-producing member, whichever is less			
20. Enrichment prohibition for dealer of personal watercraft or new motor vehicles. Enter amount collected during tax year			
21. Business income (If business activity protected under PL 86-272, complete and attach Form 4586 or Form 4581 as appropriate. See instructions.)			
22. Interest income and dividends derived from obligations or securities of states other than Michigan			
23. Taxes on or measured by net income			
24. Tax imposed under MBT			
25. Any carryback or carryover of a federal NOL			
26. Losses attributable to other taxable flow-through entities			
27. Royalty, interest, and other expenses paid to a related person (see instructions)			
28. Dividends and royalties received from persons other than U.S. persons and foreign operating entities			
29. Income attributable to other taxable flow-through entities			
30. Interest income derived from U.S. obligations			
31. Net earnings from self-employment. If less than zero, enter zero			
32a. Available MBT business loss from previous period MBT return filed separately. (Designated Member enter group's MBT loss)			
32b. Qualified affordable housing deduction (see instructions)			
33. Prior year SBT credit carryforwards (more than one per member see instructions)			
34. Prior year overpayment credit forward (Designated member enter group's credit forward)			
35. Estimated tax payments			
36. Tax paid with request for extension			

Continue on Page 4.

Designated Member FEIN or TR Number

PART 2B: SUMMARY OF BUSINESS ACTIVITY FOR COMBINED RETURN OF STANDARD TAXPAYERS

Show totals only on this page. After completing Part 2A, carry the total of each corresponding line to column A below. Include all Unitary Business Group members (with or without nexus), except those excluded in Part 4. Enter whole dollars only. Carry the numbers in Column C to the corresponding lines on Form 4567.

	A Combined Total Before Eliminations	B Eliminations	C Combined Total After Eliminations	D 4567 line #
8. Michigan sales				10b
9. Total sales				10c
10. Gross receipts				11
11. Inventory acquired during tax year				12a
12. Depreciable assets acquired during tax year				12b
13. Materials and supplies not included in inventory or depreciable property				12c
14. Staffing company: Compensation of personnel supplied to customers				12d
15. Deduction for contractors in SIC Codes 15, 16 and 17				12e
16. Miscellaneous subtractions				12f
17. Modified gross receipts (MGR) (Gross receipts line minus all subtraction lines)		X X X X X X X		14a
18. Prior year SBT loss carryforward (full available amount)		X X X X X X X		16a
19. Usable amount of prior year SBT loss carryover. Combine all member entries on line 19, Part 2A		X X X X X X X		16b
20. Enrichment prohibition for dealer of personal watercraft or new motor vehicles. Enter amount collected during tax year				19
21. Business income				21
22. Interest income and dividends derived from obligations or securities of states other than Michigan		X X X X X X X		22a
23. Taxes on or measured by net income		X X X X X X X		22b
24. Tax imposed under MBT		X X X X X X X		22c
25. Any carryback or carryover of a federal NOL		X X X X X X X		22d
26. Losses attributable to other taxable flow-through entities				22e
27. Royalty, interest and other expenses paid to a related person		X X X X X X X		22f
28. Dividends and royalties received from persons other than U.S. persons and foreign operating entities		X X X X X X X		25a
29. Income attributable to other taxable flow-through entities				25b
30. Interest income derived from U.S. obligations		X X X X X X X		25c
31. Net earnings from self-employment. If less than zero, enter zero				25d
32a. Available MBT business loss from previous period MBT return(s)				29
32b. Qualified affordable housing deduction				30b
33. Prior year SBT credit carryforwards		X X X X X X X		See Instr.
34. Prior year overpayment credit forward		X X X X X X X		39
35. Estimated tax payments		X X X X X X X		40
36. Tax paid with request for extension		X X X X X X X		41

Continue on Page 5.

Designated Member FEIN or TR Number

PART 3A: APPORTIONMENT DATA FOR COMBINED RETURN OF FINANCIAL INSTITUTIONS

If completing Part 3B, duplicate answers on lines 37 and 38 on all copies of this page.

	A Combined Total Before Eliminations	B Eliminations	C Combined Total After Eliminations
37. Michigan Gross Business. Carry 37C to Form 4590, line 10a			
38. Total Gross Business. Carry 38C to Form 4590, line 10b			

PART 3B: MEMBER DATA FOR COMBINED RETURN OF FINANCIAL INSTITUTIONS

File one copy of this page for each reporting member of a UBG whose designated member is a financial institution. After completing Part 3, if all group members reporting on a combined financial institution return have the same year end, and have four or more years of operating history prior to the current filing periods, enter the combined group data on Form 4590. Otherwise, enter the combined totals of line 52 of this form on line 21, Form 4590, and skip lines 10d through 20 on Form 4590.

39. Corresponding Member Number from Part 1	39.	
40. Federal Employer Identification Number (FEIN) or TR Number	40.	
41. For first tax year of this member ending in 2008:		
a. If the member reporting on this page is a fiscal filer, complete lines 41b and 41d.		
b. Number of months in the Michigan Business Tax period reported on this page	41b.	
c. Total months	41c.	12
d. Proration Percentage. Divide line 41b by line 41c	41d.	%

		A 2004	B 2005	C 2006	D 2007	E 2008
42. Equity Capital	42.					
43. Goodwill	43.					
44. Average daily book value of Michigan obligations	44.					
45. Average daily book value of U.S. obligations	45.					
46. Subtotal. Add lines 43 through 45	46.					
47. Net Capital. Subtract line 46 from line 42	47.					
48. a. Authorized insurance co. subsidiary: enter actual capital fund amount	48a.					
b. Minimum regulatory amount required	48b.					
c. Multiply line 48b by 125% (1.25)	48c.					
d. Subtract line 48c from 48a. If less than zero, enter zero	48d.					
49. Add lines 47 and 48d	49.					

50. Enter amount from line 49E	50.	00
51. Add lines 49A, 49B, 49C, 49D and 50	51.	00
52. Net Capital for Current Taxable Year. Divide line 51 by number of years reported above	52.	00

Continue on Page 6.

Designated Member FEIN or TR Number

PART 4: AFFILIATES EXCLUDED FROM THIS COMBINED RETURN

List every entity for which the “greater than 50%” ownership test of a Michigan Unitary Business Group is satisfied, which is not included on this combined return. Using the codes below, identify in column D why each entity is not included in this combined return. If any Michigan group members are part of a federal consolidated group, attach a copy of U.S. *Form 851*.

REASON CODES FOR EXCLUSION:

1. Lacks business activities resulting in a flow of value or integration, dependence or contribution to group.
2. Foreign operating entity
3. Incompatible tax base (Insurance companies always file separately; Financial institutions and “standard” taxpayers are not included on the same combined return)
4. Foreign entity
5. Member fiscal year ends after Designated Member
6. Other

53. A Number From U.S. *Form 851* (if applicable)	B Name	C FEIN or TR Number	D Reason Code for Exclusion	E Check (X) if Nexus with Michigan	F NAICS Code

PART 5: AFFILIATES INCLUDED IN THE PRIOR COMBINED RETURN, BUT EXCLUDED FROM THIS RETURN

List entities included in the immediately preceding combined return of this designated member that are not included on this return. Do not repeat entities here that are in Part 4.

54. A Name	B FEIN or TR Number	C Reason This Entity Is Not on This Return

Instructions for Form 4580
Michigan Business Tax (MBT) Unitary Business Group Combined Filing Schedule

Fiscal Year Filers: See "Supplemental Instructions for Initial Fiscal MBT Filers" on page 133.

Purpose

The purpose of this form is to:

- Identify all members of a Unitary Business Group (UBG)
- Gather tax return data for each member included in the combined return on a separate basis, make appropriate eliminations, and determine combined UBG data for the tax return.

NOTE: This is not the primary return. It is designed to support the primary return submitted on behalf of the UBG by the Designated Member (DM).

General Information About UBGs In MBT

Unitary Business Group means a group of United States persons, other than a foreign operating entity, that satisfies the following criteria:

- **Control Test.** One of the persons owns or controls, directly or indirectly, more than 50 percent of the ownership interest with voting rights or ownership interests that confer comparable rights to voting rights of the other persons; AND
- **Relationship Test.** The UBG has business activities or operations which result in a flow of value between or among persons included in the UBG or has business activities or operations that are integrated with, are dependent upon, or contribute to each other. *Flow of value* is determined by reviewing the totality of facts and circumstances of business activities and operations.

United States person, as defined in Internal Revenue Code (IRC) 7701(a)(30), means:

- A citizen or resident of the United States,
- A domestic Partnership,
- A domestic Corporation,
- Any estate (other than a foreign estate, within the meaning of IRC 7701(a)(31)), and
- Any Trust if:
  - A court within the United States is able to exercise primary supervision over the administration of the Trust; AND
  - One or more United States persons have the authority to control all substantial decisions of the Trust.

NOTE: The IRC defines Partnership and Corporation to include a Limited Liability Corporation (LLC) taxed federally as such.

A *foreign operating entity* is a United States person that satisfies each of the following:

- Would otherwise be a part of a UBG that has at least one person included in the UBG who is taxable in Michigan.
- Has substantial operations outside the United States, the District of Columbia, any territory or possession of the United States except for the commonwealth of Puerto Rico, or a political subdivision of any of the foregoing.
- At least 80 percent of its income is active foreign business income as defined in IRC 861(c)(1)(B).

The Department of Treasury will follow IRC 318 or analogous authority to determine indirect, or constructive, ownership and control, except the Department will apply IRC 318 to all ownership interests.

Control Test. The control test is satisfied when one person owns or controls, directly or indirectly, more than 50 percent of the ownership interest with voting or comparable rights of the other person or persons. A person owns or controls more than 50 percent of the ownership interest with voting rights or ownership interest that confer comparable rights to voting rights of another persons if that person owns or controls:

- More than 50 percent of the total combined voting power of all ownership interests with voting (or comparable) rights, or
- More than 50 percent of the total value of all ownership interests with voting (or comparable) rights.

Indirect ownership is generally determined using IRC 318 or analogous authority, except the Department will apply IRC 318 to all forms of ownership interests, such as Partnership and membership interests, and not just corporate stock. For example, attribution to and from a Partnership may be determined under IRC 318(a)(2)(A) and 318(a)(3)(A). However, the attribution will be of ownership interests, including - but not limited to - Partnership interests, stock, and membership interests; attribution will not be limited to corporate stock.

Parent-Subsidiary Controlled Group of Entities. A parent-subsidiary controlled group of entities satisfies the control test. A *parent-subsidiary controlled group of entities* means any group of one or more chains of entities connected through ownership with a common parent if:

- The common parent directly owns more than 50 percent of the ownership interest with voting or comparable rights of at least one other entity, and
- More than 50 percent of the ownership interest with voting or comparable rights of each entity other than the common parent is owned directly by one or more of the other entities.

Brother-Sister Controlled Group of Entities. A brother-sister group of entities may also satisfy the control test. An individual that is not a sole proprietor or owner of a disregarded entity or otherwise engaged in a trade or business resulting in business income or gross receipts under the MBT is not unitary with the entities in which that individual has a controlling interest. However, brother-sister group of entities may satisfy the control test through the indirect ownership rules of IRC 318 - this is referred to as a brother-sister controlled group of entities.

Combined Controlled Group of Entities. A combined controlled group of entities satisfies the control test. A *combined controlled group of entities* means three or more entities, each of which is a member of a parent-subsidiary controlled group of entities or brother sister controlled group of entities and one of which is a common parent entity of a parent subsidiary controlled group of entities and also is included in a brother-sister controlled group of entities.

Excluded Ownership Interests. For purposes of determining ownership or control under the control test, the Department will apply IRC 1563 to exclude certain ownership interests from determination of ownership and control, except that the Department will apply IRC 1563 to all forms of ownership interests and not just corporate stock.

Relationship Tests. *Flow of value* is established when members of the group demonstrate one or more of functional integration, centralized management, and economies of scale. Examples of functional integration include common programs or systems and shared information or property. Examples of centralized management include common management or directors, shared staff functions, and business decisions made for the UBG rather than separately by each member. Examples of economies of scale include centralized business functions and pooled benefits or insurance. Groups that commonly exhibit a flow of value include vertically or horizontally integrated businesses, conglomerates, parent companies with their wholly owned subsidiaries, and entities in the same general line of business. Flow of value must be more than the mere flow of funds arising out of passive investment.

Businesses are integrated with, are dependent upon, or contribute to each other under many of the same circumstances that establish flow of value. However, this alternate relationship test is also commonly satisfied when one entity finances the operations of another or when there exists intercompany transactions, including financing.

How to Complete This Form

Form 4580 is used to gather and combine data from each member of the UBG to support the primary return. This form should be completed before the UBG's annual return is completed. If the UBG is comprised of both standard taxpayers and financial institutions, two copies of Form 4580 must be completed: one form for the standard taxpayers (not owned by and unitary with a financial institution in the UBG) with financial institutions listed in Part 4, and one form for financial institutions with standard taxpayers listed in Part 4. Insurance companies that are part of a UBG will each file a separate *Insurance Company Annual Return for Michigan Business and Retaliatory Taxes* (Form 4588), but should be listed in Part 4 of Form 4580.

To complete this form, the UBG must select a DM.

Designated Member means a UBG member that has nexus with Michigan and that will file the combined MBT return on behalf of the UBG. If the member that owns or controls the other UBG members has nexus with Michigan, that controlling member must serve as DM.

If the controlling member does not have nexus with Michigan, the controlling member may appoint any UBG member with nexus to serve as DM. That DM must continue to serve as such every year, unless it ceases to be a UBG member or the controlling member attains Michigan nexus.

If a UBG is comprised of both standard taxpayers (not owned by and unitary with a financial institution in the UBG) and financial institutions, the UBG will have two DMs (one for the standard taxpayer members completing the *MBT Annual Return* (Form 4567) and related forms, and one for the financial institution members completing the *MBT Annual Return for Financial Institutions* (Form 4590) and related forms).

Role of the Designated Member: The DM speaks, acts, and files the MBT return on behalf of the UBG for MBT purposes. Only the DM may file a valid extension request for the UBG. The Department maintains the UBG's MBT tax data (e.g., prior MBT returns, business loss carryforward, tax credit carryforward, overpayment credit carryforward) under the DM's name and account number. Because Single Business Tax (SBT) did not include a unitary concept, the SBT data of the UBG members is maintained in separate files of the members. Once the first return is filed identifying all members, the SBT data for the UBG members will be combined for purposes of this return.

Line-by-Line Instructions

Lines not listed are explained on the form.

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

Do not enter data in boxes filled with Xs.

Name and Account Number: Enter the DM name in the Taxpayer Name field and the DM account number in the Federal Employer Identification Number (FEIN) field.

Part 1: Member Identification

By definition, a UBG can include standard taxpayers, insurance companies, and financial institutions. However, in some cases not all members of the UBG will be included on the same return.

• Standard taxpayer (not owned by and unitary with a financial institution in the UBG) members of a UBG file a combined return on Form 4567. A separate Form 4580 must be prepared in support of this return.

NOTE: A UBG may not file Form 4583.

• Financial institution members of a UBG file a combined return on Form 4590. A separate Form 4580 must be prepared in support of this return.

Financial institutions include any of the following:

- ○ A bank holding company, a national bank, a state chartered bank, an office of thrift supervision chartered bank or thrift institution, or a savings and loan holding company other than a diversified savings and loan holding company as defined in 12 USC 1476 a(a)(F).
- ○ Any person, other than a person subject to the tax imposed under Chapter 2A of the MBT Act (Insurance Companies), who is directly or indirectly owned by an entity described above and is a member of the UBG.
- ○ A UBG of entities described above, or both.

- Insurance company members of a UBG each file separately on Form 4588.

In Part 1, list only those members of the UBG that are included on the annual return that is supported by this copy of this form. If more than 11 members, attach additional 4580 forms as needed and include member information on lines 1, 2 and 3 only. All other UBG members will be identified in Part 4.

Example A: UBG A is composed of the following:

- Four standard taxpayers
- Three financial institutions
- Two insurance companies.

All members of UBG A are owned by and unitary with one of the standard taxpayers of the UBG. UBG A will need to file two separate 4580 forms; one containing only the four standard taxpayers, and another containing only the three financial institutions. In Part 1 of each Form 4580, only the taxpayers that are included on each form (either the four standard taxpayers, or the three financial institutions) will be listed. The Form 4580 with standard taxpayers will be filed under the UBG's DM's FEIN. The Form 4580 with the financial institutions will be filed using one of the three financial institutions FEIN (the group must select who will be the DM of the financial UBG). On Part 4 of the Form 4580 for the standard taxpayers, list all the financial and insurance taxpayers who are part of the UBG, but were not included on this form. On Part 4 of the Form 4580 for the financial taxpayer, enter all standard or insurance taxpayers who are part of the UBG, but were not included on this form.

Example B: UBG B is composed of the following:

- Four standard taxpayers
- Three financial institutions
- Two insurance companies.

All members of UBG B are owned by and unitary with one of the financial institutions in the UBG. In this case, all standard taxpayers in this UBG are considered to be a financial institution under the MBT Act. (See definition of financial institution on the previous page of these instructions.) Therefore, this UBG will need to file only one Form 4580. In Part 1 of Form 4580, all the standard taxpayers and financial institutions of the UBG will be listed. On Part 4 of the form, only the two insurance taxpayers who are part of the UBG, but were not included in the form, will be listed.

Line 1A: Beginning with the DM as "1," assign numbers in sequence to all UBG members reporting on the annual return supported by this form. It is essential that this numbering system be followed throughout Parts 1, 2 and 3.

If a UBG is composed of standard taxpayers (not owned by and unitary with a financial institution in the UBG) and financial institutions, there will be a DM for the standard taxpayers and a DM for the financial institutions.

NOTE: A taxpayer that is a UBG must file a combined return under MCL 208.1511 using the tax year of the DM. The combined return of the UBG must include each tax year of each member whose tax year ends with or within the tax year of the DM. For example, Taxpayer ABC is a UBG comprised of three corporations: Corporation A, the DM with a calendar tax year, and Corporations B and C with fiscal years ending March 31 and September 30 respectively. Taxpayer ABC's tax year is that of its DM. Thus, Taxpayer ABC's tax year ends December 31, its annual return is due April 30. That annual return must include the tax years of Corporations B and C ending March 31 and September 30.

If, in the previous example, Corporation A, the DM, instead had a fiscal year ending July 31, the UBG's tax year would end July 31 and its annual return would be due November 30. The initial combined return for the UBG would include only Corporation A's fiscal year ending July 31, 2008, and Corporation B's fiscal year ending March 31, 2008. Corporation C would be listed in Part 4 of Form 4580 as an excluded affiliate. The subsequent combined return for the UBG would include Corporation A's fiscal year ending July 31, 2009, Corporation B's fiscal year ending March 31, 2009, and Corporation C's fiscal year ending September 30, 2008.

IMPORTANT: Although a member may otherwise not be included in the UBG's first combined return, all book-tax differences available to members of the group must be reported on the 2008 *MBT Book-Tax Difference* (Form 4593). The book-tax difference of the excluded member must be reported on the UBG's Form 4593 filed for the 2008 tax year regardless of the fact that otherwise the member is not included in that return.

If a member has two or more federal periods ending within the filing period of the return, use a separate, consecutive row for each included period of this member, beginning with the earliest period. Assign a separate number for each separate period. On the first such row, complete all columns for this member, lines 1A through 2L. On each subsequent row for this member, complete only the member number in lines 1A and 2F and the columns for which the answer is different from that given in the initial row for this member, leaving the other columns blank.

Line 1B: For any member that shares an address with the DM, it is sufficient to state "Same as DM" after the member's name.

Line 1D: Enter the taxpayer's six-digit North American Industry Classification System (NAICS) code. For a complete list of six-digit NAICS codes, see the U.S. Census Bureau Web site at **www.census.gov/eos/www/naics/**, or enter the same NAICS code used when filing the U.S. Form *1120,* Schedule *K*, U.S. Form *1120S*, U.S. Form *1065* or U.S. Form *1040,* Schedule *C*.

Line 1E: Please identify the organization type of this member using the following codes:

I	Individual
C	C Corporation (Including an LLC, Trust, or other entity taxed federally as a Corporation under Subchapter C of the IRC)
P	Partnership (Including an LP, LLP, LLC, Trust, or any other entity taxed federally as a Partnership)
F	Fiduciary (A decedent's estate, and a Trust taxed federally as a Trust under Subchapter J of the IRC. A grantor Trust or "revocable living Trust" established by an Individual is not taxed as a separate entity, and should be listed as Type I.)
S	S Corporation (Including an LLC, Trust, or other entity taxed federally as a Corporation under Subchapter S of the IRC)

Line 2F: Identify each member with the same number assigned on Line 1A.

Line 2G: If this member has nexus with Michigan, enter a check in this box. Guidance in determining nexus can be found in Revenue Administrative Bulletin (RAB) 2007-6 and 2008-4, available online at **www.michigan.gov/taxes** (see "Reference Library" link at left edge of page).

Line 2I: If ownership of this member did not satisfy the ownership test in the UBG definition above for this member's entire tax year, enter the beginning and ending dates within this member's tax year during which that ownership test was satisfied. This member must prepare a pro forma federal return calculation for the portion of its federal year during which it was a UBG member, and use that pro forma calculation as the basis for reporting the tax data required by Part 2A or 3B (as applicable).

This question of partial year membership **does not** arise with respect to the flow of value, integration, dependence, or contribution tests that make up the second part of the UBG definition. If the flow of value, etc., test is satisfied at any time during this member's tax year, it is satisfied for the entire tax year.

Line 2J: This column does not apply to the first MBT return filed by this UBG. For subsequent tax periods, enter a check in this box if this member was not included in the UBG's preceding MBT return.

Line 2K: List the tax year reported for Federal Income Tax purposes.

Line 2L: Enter the date, if applicable, on which this member went out of existence. Examples include death of an Individual, dissolution of an entity, and a merger in which this member was not the surviving entity. Include any event in which the FEIN ceases to be used by this entity. If this member continues to exist, **DO NOT** use this column to report that this member has stopped doing business in Michigan.

Line 3M: Identify each member with the same number assigned on line 1A.

Line 3N: Enter a concise description of the activities or operations of this member that result in a flow of value between this member and others in the UBG, or integration, dependence, or contribution to other members. This is not limited to transactions that are recognized for tax or accounting purposes. It may include sharing of assets, employees, data, business opportunities, or other resources.

Line 4: U.S. persons is defined on page 93.

Part 2A: Member Data for Combined Return of Standard Taxpayers

Part 2A provides space to enter separate member data for three members. Begin with the DM in the first column of the first copy of this page. Use as many copies as necessary to report data for all members. Enter the FEIN or Michigan Treasury (TR) assigned number of the DM in the box at the top of the page on each additional copy used.

Corresponding Member Number From Part 1: Identify this member with the same number assigned on line 1A.

FEIN or TR Number: Enter FEIN or TR Number for each member.

Proration Percentage: Applies only for the first filing period ending in 2008 and only if all of the following are satisfied:

- The member represented in this column reports federal taxes on a fiscal year.
- The DM for the standard taxpayer return (i.e., Form 4567) of this UBG reports federal taxes on a fiscal year.
- The DM for the standard taxpayer return of this UBG, on behalf of the UBG, elects to calculate the first MBT filing period ending in 2008 using the annual method.

If these criteria are not all satisfied, this member **cannot** calculate by the annual method. Leave this cell blank, and in lines 8 through 36 for this member, enter answers based on actual expenditures, receipts, and activities in the 2008 portion of the 2007-08 fiscal year.

If these criteria are all satisfied, this member **must** calculate by the annual method. In this case, calculate the following percentage and enter it in this cell:

$$\frac{\text{Number of months in 2008 of this member's 2007-08 fiscal year}}{12}$$

If a proration percentage is calculated, enter answers based on the member's full 2007-08 federal tax year, multiplied by the member's proration percentage in lines 8 through 36 for this member.

In the case of a standard taxpayer, if the method used by the UBG is different from the method used by this member on its final SBT return, this member must amend its final SBT return to achieve consistency. This restriction does not apply to a financial institution.

If the 2007-08 fiscal year of a UBG member other than the DM ends after the first 2008 filing period of the UBG, that member will not be included in the UBG's first combined return (except in Part 4, as an excluded affiliate).

A member that is not included in the UBG's initial filing because its year ends after the UBG filing period may not elect a method of filing when included in the UBG's next combined return. Such election is available only to the first tax year of the taxpayer, which is the UBG. All subsequent returns must be reported on an actual basis.

Line 8: Use the "Sourcing of Sales to Michigan" chart on page 29 to determine Michigan sales.

Line 10: *Gross receipts* means the entire amount received by the taxpayer from any activity, whether in intrastate, interstate or foreign commerce, carried out for direct or indirect gain, benefit or advantage to the taxpayer or to others, with certain exceptions. Use the "Gross Receipts Checklist" on page 26 as a guide to be sure receipts have been totaled correctly. Use the appropriate worksheet on page 136 to calculate gross receipts.

A member should compute its gross receipts using the accounting method that it used in the computation of its net income for Federal Income Tax purposes. Under the *accrual method*, income is "received" and recorded on the books when all the events that establish the "right to receive" the income have occurred. Under the *cash method*, income is not recorded until payment is actually received, and expenses are not counted until they are actually paid. A member that computes its federal taxable income using the accrual method should consistently compute both its Business Income Tax base and Modified Gross Receipts Tax base using the accrual method. A federal cash basis taxpayer would compute both the MBT Business Income Tax base and Modified Gross Receipts Tax base using the cash basis method.

Line 11: Enter inventory acquired during the tax year, including freight, shipping, delivery, or engineering charges included in the original contract price for that inventory.

Inventory means the stock of goods, including electricity and natural gas, held for resale in the ordinary course of a retail or wholesale business, and finished goods and goods in process of a manufacturer, including raw materials purchased from another person. Inventory also includes floor plan interest for licensed new car dealers and shipping and engineering charges so long as such charges are included in the original contract price for the associated inventory.

For purposes of this deduction, *floor plan interest* means interest paid that finances any part of the person's purchase of new motor vehicle inventory from a manufacturer, distributor, or supplier. However, amounts attributable to any invoiced items used to provide more favorable floor plan assistance to a person subject to the tax imposed under the MBT Act than to a person not subject to this tax is considered interest paid by a manufacturer, distributor, or supplier.

For a person that is a securities trader, broker, or dealer or a person included in the UBG of that securities trader, broker, or dealer that buys and sells for its own account, inventory includes contracts that are subject to the Commodity Exchange Act, 7 USC 1 to 27f, the cost of securities as defined under IRC 475(c)(2) and for a securities trader the cost of commodities as defined under IRC 475(e)(2) and for a broker or dealer the cost of commodities as defined under IRC 475(e)(2)(b), (c), and (d), excluding interest expense other than interest expense related to repurchase agreements. As used in this provision:

- *Broker* and *dealer* mean those terms as defined under section 78c(a)(4) and (a)(5) of the Securities Exchange Act of 1934, 15 USC 78c.
- *Securities trader* means a person that engages in the trade or business of purchasing and selling investments and trading assets.

Inventory does not include either of the following:

- Personal property under lease or principally intended for lease rather than sale.
- Property allowed a deduction or allowance for depreciation or depletion under the IRC.

Line 12: Enter assets, including the costs of fabrication and installation, acquired during the tax year of a type that are, or under the IRC will become, eligible for depreciation, amortization, or accelerated capital cost recovery for Federal Income Tax purposes.

Line 13: To the extent not included in inventory or depreciable property, enter materials and supplies, including repair parts and fuel.

Materials and supplies means tangible personal property acquired during the tax year to be used or consumed in, and directly connected to, the production or management of inventory or the operation or maintenance of depreciable assets as described previously. Materials and supplies includes repair parts and fuel.

For example, a physician's or dentist's purchase of sterilizing solution during the tax year that is used to sterilize examination equipment, such as an X-ray machine, may be considered materials and supplies under Michigan Compiled Law (MCL) 208.1113(6)(c).

Line 14: A staffing company may deduct compensation paid to personnel supplied to its clients, including wages, benefits, and certain payroll taxes paid to personnel provided to the clients of staffing companies as defined under MBT. *Staffing company* means a taxpayer whose business activities are included in Industry Group 736 under the Standard Industrial Classification (SIC) Code as compiled by the United States Department of Labor.

Payments to a staffing company by a client do not constitute purchases from other firms.

Line 15: For taxpayers that fall under SIC major groups 15 (Building Construction General Contractors and Operative Builders), 16 (Heavy Construction Other Than Building Construction Contractors) and 17 (Construction Special Trade Contractors) who do not qualify for the Small Business Alternative Credit under MCL 208.417, the following payments are considered "purchases from other firms:"

- Payments to subcontractors for a construction project under a contract specific to that project, and
- To the extent not deducted as "inventory" and "materials and supplies," payments for materials deducted as purchases in determining the cost of goods sold for the purpose of

calculating total income on the taxpayer's Federal Income Tax return.

Persons included in SIC codes 15, 16 and 17 include general contractors (of residential buildings including single-family homes; industrial, commercial, and institutional buildings; bridges, roads and infrastructure; etc.), operative builders and trade contractors (such as electricians, plumbers, painters, masons, etc.). See **http://www.osha.gov/pls/imis/sic_manual.html** for a more complete list.

A *subcontractor* is an Individual or entity that enters into a contract and assumes some or all of the obligations of a person included in SIC codes 15, 16 and 17 as set forth in the primary contract specific to a project. Thus, payments made to an independent contractor to provide general labor services to the contractor not specific to a particular contract do not constitute purchases from other firms. However, payments made to a subcontractor for services and materials provided under a contract specific to a particular construction project (such as the construction of commercial property at Main Street) do constitute purchases from other firms. There is no limitation or condition that the subcontractors to whom such payments are made be licensed.

The taxpayer bears the burden to prove it is entitled to a deduction in computing its tax liability. It is contemplated that good business practice would include documentation such as a written contract that would support a deduction from gross receipts for payments to subcontractors as purchases from other firms. The supporting information for payments to a subcontractor could be incorporated into the contract for the specific project or memorialized in a separate contract with a subcontractor specifying the project to which the costs pertain.

Line 16: Enter the following:

• Film rental or royalty payments paid by a theater owner to a film distributor, a film producer, or a film distributor and producer.

• Payments made by taxpayers licensed under Article 25 (Real Estate Brokers and Salespersons) or Article 26 (Real Estate Appraisers) of the Occupational Code [MCL 339.2501 to 339.2601 and 339.2601 to 339.2637] to independent contractors licensed under Articles 25 or 26.

• Any deduction available to a qualified affordable housing project. Attach a statement detailing the calculation of this deduction.

PA 168 of 2008 provides for a deduction from the modified gross receipts for the buyer of affordable rental units so long as certain criteria are met. Specifically, the buyer of affordable rental units must enter into an operation agreement with the seller in which the buyer agrees to operate a specific number of the residential rental units sold as rent restricted units for a minimum of 15 years. The buyer must be a qualified affordable housing project.

Qualified affordable housing project means a person that is organized, qualified, and operated as a limited dividend housing association that has a limitation on the amount of dividends or other distributions that may be distributed to its owners in any given year and has received funding, subsidies, grants, operating support, or construction or permanent funding through one or more sources.

A limited dividend housing association is organized and qualified pursuant to Chapter 7 of the State Housing Development Authority Act (MCL 125.1491 et seq).

If these criteria are satisfied, the buyer may deduct from its modified gross receipts the buyer's gross receipts attributable to residential rental units in Michigan owned by the qualified affordable housing project multiplied by a fraction, which is the number of rent restricted units in Michigan owned by the qualified affordable housing project over the number of all rental units in Michigan owned by the project. This deduction is reduced by the amount of limited dividends or other distributions made to the owners of the project. Amounts received by the management, construction, or development company for completion and operation of the project and rental units do not constitute gross receipts for purposes of the deduction.

The buyer is entitled to the deduction so long as the qualified affordable housing project continues to offer any of the residential rental units purchased as rent restricted units in accordance with the operation agreement.

Line 17: Subtract lines 11, 12, 13, 14, 15, and 16 from line 10.

Line 18: Enter any business loss carryover from the December 31, 2007, SBT return that was actually incurred in the 2006 or 2007 SBT tax years and that was not previously deducted in tax years beginning before January 1, 2008. Any business loss carryforward incurred before January 1, 2006, is not eligible for the deduction.

Data on this line does not carry to the UBG-wide totals in Part 2B. This data at the member level is adjusted on line 19, and the adjusted amount for each member is carried to the UBG-wide total on line 19 in Part 2B.

NOTE: SBT business loss carryforward is not the same as the federal net operating loss carryforward or carryback.

Line 19: To claim an SBT business loss carryforward deduction, this member must calculate its pro forma Modified Gross Receipts Tax base. Where a pro forma calculation is required, the underlying objective is to determine what the tax base of the UBG member would have been if that member was not included in the UBG. Therefore, the UBG member must calculate its pro forma tax base as if it was a singular, stand alone taxpayer in all aspects. This supporting pro forma calculation should be provided in a statement attached to this form; however, this calculation should never be transferred to a Form 4567 or displayed as such. The amount to be entered on a member's line 19 of this form is the pro forma Modified Gross Receipts Tax base amount of that member OR 65 percent of that member's line 18 of this form, whichever is less.

For the tax year ending in 2008 only, a taxpayer may deduct 65 percent of any remaining SBT business loss carryforward that was actually incurred in the 2006 or 2007 SBT tax years and that was not previously deducted in tax years beginning before January 1, 2008, against the Modified Gross Receipts Tax base. Any business loss carryforward incurred before January 1, 2006, is not eligible for the deduction. An SBT business loss carryforward cannot be used to create a negative Modified Gross Receipts Tax base, and cannot be used for any filing period ending after 2008.

If the 2007-08 fiscal year of a UBG member other than the DM ends after the first 2008 filing period of the UBG, that member will not be included in the UBG's first combined return (except in Part 4, as an excluded affiliate). A member that is not included in the UBG's initial filing because its year ends after the UBG filing period may not deduct an SBT business loss carryforward when included in the UBG's next combined return. This deduction is available only for the tax year ending in 2008 of the taxpayer, which is the UBG.

The SBT business loss carryforward may only be deducted against the Modified Gross Receipts Tax base of the UBG member that generated the loss.

Line 20: Enter amount of the MBT Gross Receipts Tax collected in the tax year.

Section 203(5) of the MBT Act permits new motor vehicle dealers licensed under the Michigan Vehicle Code, PA 300 of 1949, MCL 257.1 to 257.923, and dealers of new or used personal watercraft to collect the Modified Gross Receipts Tax in addition to the sales price. The act states that the "amount remitted to the Department for the [Modified Gross Receipts Tax] ... shall not be less than the stated and collected amount." Therefore, the entire amount of the Modified Gross Receipts Taxes stated and collected by new motor vehicle dealers and new and used watercraft dealers must be remitted to the Department. There should be no instance where a dealer would be collecting amounts of the Modified Gross Receipts Tax from customers in excess of the amount of taxes remitted to the Department. Taxpayers who elect to separately collect the Modified Gross Receipts Tax, in addition to sales price, under MCL 208.1203(5) may file and remit the tax as estimated payments with their quarterly or monthly *Combined Return for Michigan Taxes* (Form 160).

NOTE: Only new motor vehicle dealers and dealers of new or used personal watercraft are permitted to separately itemize and collect a tax imposed under the MBT Act from customers in addition to sales price, and that authority is limited to only the Modified Gross Receipts Tax imposed and levied under Section 203 of the MBT Act. The statute does not authorize separate itemizing and collection of the Business Income Tax or surcharge by any taxpayer.

Line 21: *Business income* means that part of federal taxable income derived from business activity. For MBT purposes, *federal taxable income* means taxable income as defined in IRC 63, except that federal taxable income shall be calculated as if section 168(k) [as applied to qualified property placed in service after December 31, 2007] and IRC 199 were not in effect. For a Partnership or S Corporation (or LLC federally taxed as such), business income includes payments and items of income and expense that are attributable to business activity of the Partnership or S Corporation and separately reported to the partners or shareholders. Use the appropriate worksheet on page 136 to calculate business income.

For an organization that is a mutual or cooperative electric company exempt under IRC 501(c)(12), business income equals the organization's excess or deficiency of revenues over expenses as reported to the federal government by those organizations exempt from the Federal Income Tax under the IRC, less capital credits paid to members of that organization, less income attributed to equity in another organization's net income, and less income resulting from a charge approved by a state or federal regulatory agency that is restricted for a specified purpose and refundable if it is not used for the specified purpose.

For a tax-exempt person, *business income* means only that part of federal taxable income (as defined for MBT purposes) derived from unrelated business activity.

For an Individual or an estate, or for a Partnership or Trust organized exclusively for estate or gift planning purposes, business income is that part of federal taxable income (as defined for MBT purposes) derived from transactions, activities, and sources in the regular course of the taxpayer's trade or business, including the following:

- All income from tangible and intangible property if the acquisition, rental, management, or disposition of the property constitutes integral parts of the taxpayer's regular trade or business operations.
- Gains or losses incurred in the taxpayer's trade or business from stock and securities of any foreign or domestic Corporation and dividend and interest income.
- Income derived from isolated sales, leases, assignment, licenses, divisions, or other infrequently occurring dispositions, transfers, or transactions involving property if the property is or was used in the taxpayer's trade or business operation.
- Income derived from the sale of a business.

NOTE: Personal investment income, gains from the sale of property held for personal use and enjoyment, or other assets not used in a trade or business, and any other income not specifically derived from a trade or business that is earned, received, or otherwise acquired by an Individual, an estate, or a Trust or Partnership organized or established exclusively for estate or gift planning purposes, are not included in the Business Income Tax base. This exclusion only applies to the specific types of taxpayers identified above. Investment income and any other types of income earned or received by all other types of persons or taxpayers not specifically referenced must be included in the business income of the taxpayer.

IMPORTANT: If business activity is protected under PL 86-272 for any member, the individual member must claim protection. If a DM is claiming protection, the DM will complete and attach the *MBT Schedule of Business Activity Protected Under Public Law 86-272* (Form 4586). If a non-DM is claiming protection, the non-DM will complete and attach the *Supplemental Schedule of Business Activity for Non-Designated Member of a Unitary Business Group Protected Under PL 86-272* (Form 4581). Unless all members of the UBG have PL 86-272 protection, then a member claiming protection must complete lines 21 through 31. If all members of the UBG are claiming PL 86-272 protection, leave lines 21 through 32b blank.

So long as one member of a UBG has nexus with Michigan and exceeds the protections of PL 86-272, all members of the

UBG, including members protected under PL 86-272, must be included when calculating the UBG's Business Income Tax base and apportionment formula. (In other words, PL 86-272 will only remove business income from the apportionable Business Income Tax base when all members of the UBG are protected under PL 86-272.) The inclusion of the business income of members that fall under PL 86-272 in the tax base of the UBG and the subsequent apportionment of such income does not constitute taxation upon those PL 86-272 members. Rather, this method is required for properly determining the Michigan income of the UBG.

Line 22: Enter any interest income and dividends from bonds and similar obligations or securities of states other than Michigan and their political subdivisions in the same amount that was excluded from federal taxable income (as defined for MBT purposes). Include only the income derived from business activity. Reduce this addition by any expenses related to the foregoing income that were disallowed on the federal return by IRC 265 or 291.

Line 23: Enter all taxes on, or measured by, net income including city and state taxes, Foreign Income Tax, and Federal Environmental Tax claimed as a deduction on the federal return.

Line 24: Enter the Michigan Business Tax, including surcharge, claimed as a deduction on the federal return.

Line 25: Enter any net operating loss carryover or carryback that was deducted in arriving at federal taxable income (as defined for MBT purposes) reported on line 21. Enter this amount as a positive number.

If all members of a federal consolidated group are members of this UBG and all members of that federal group are reporting on the MBT return supported by this form, a federal net operating loss (NOL) carryback or carryover of that federal consolidated group may be entered as a single figure on this line of the federal parent's column. If the entire federal consolidated group is not represented on the MBT return supported by this form, create separate pro forma federal return calculations to determine the amount of federal NOL carryback or carryover attributable to each member of the federal group that is reporting on this return.

Line 26: Enter any losses included in federal taxable income (as defined for MBT purposes) that are attributable to other entities whose business activities are taxable or would be subject to the tax if the business activities were in Michigan. Attach a statement listing the FEIN(s) or TR Numbers of the Partnerships, S Corporations or LLCs. Also attach a list of account numbers of other taxable flow-through entities. This addition includes a loss attributable to this member's ownership interest in another member of the UBG, to the extent that loss was included in this member's federal taxable income (as defined for MBT purposes).

Line 27: Enter any royalty, interest, or other expense paid to a person related to the taxpayer by ownership or control for the use of an intangible asset if the person is not included in the taxpayer's UBG. Royalty, interest, or other expense described here is not required to be included if the taxpayer can demonstrate that the transaction has a nontax business purpose other than avoidance of MBT, is conducted with arm's-length pricing and rates and terms as applied in accordance with IRC 482 and 1274(d), and satisfies one of the following:

- Is a pass-through of another transaction between a third party and the related person with comparable rates and terms.
- Results in double taxation. For purposes of this subparagraph, double taxation exists if the transaction is subject to tax in another jurisdiction.
- Is unreasonable as determined by the Department, and the taxpayer agrees that the addition would be unreasonable based on the taxpayer's facts and circumstances.

Line 28: To the extent included in federal taxable income (as defined for MBT purposes), enter any dividends and royalties received from persons other than United States persons and foreign operating entities, including, but not limited to, amounts determined under IRC 78 or IRC 951 to 964.

Line 29: Enter any income attributed to another taxable entity included in the federal taxable income (as defined for MBT purposes) reported on line 21. (Income from the Business Income Tax base that is attributable to another entity whose business activities are taxable or would be subject to the tax if the business activities were in Michigan.) Attach a statement listing the FEIN(s) or TR Numbers of the Partnerships, S Corporations or LLCs. Also attach a list of account numbers of other taxable flow-through entities. This subtraction includes income attributable to this member's ownership interest in another member of the UBG, to the extent that income was included in this member's federal taxable income (as defined for MBT purposes).

Line 30: To the extent included in federal taxable income (as defined for MBT purposes), enter interest income derived from United States obligations.

Line 31: To the extent included in federal taxable income (as defined for MBT purposes), enter any earnings that are net earnings from self-employment as defined under IRC 1402 of the taxpayer, or a partner or LLC member of the taxpayer, except to the extent that those net earnings represent a reasonable return on capital. If less than zero, enter zero.

Under IRC 1402, the business income of an Individual or sole proprietor, and a partner's distributive share of Partnership income, whether distributed or not, from any trade or business carried on by the Partnership, may be considered self-employment income (with certain statutory exceptions), and subject to the Federal Self-Employment Tax. Therefore, a Sole Proprietorship or Partnership may deduct any income subject to the Federal Self-Employment Tax when computing the Michigan Income Tax base. Shareholders of Corporations, including S Corporations, are not subject to the Federal Self-Employment Tax, and, as a result, no deduction is allowed for earnings from self-employment income for corporate entities. There is no deduction allowed for S Corporation distributions that is equivalent to the self-employment deduction allowed for Partnerships and Sole Proprietorships under MBT.

Net earnings from self-employment under IRC 1402 generally means "the gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed by this subtitle which are attributable to such trade or business, plus the distributive share (whether or not distributed) of income or loss described in [IRC] 702(a)(8) from any trade or business carried on by a Partnership of which he is a member," subject to certain exclusions, including rentals from real estate, dividends and interest, and certain net operating losses and personal exemptions under IRC 1402(a).

Line 32a: Enter any unused business loss carryover from the MBT return for the preceding year. Deduct any available business loss incurred after December 31, 2007. *Business loss* means a negative business income after allocation or apportionment. The business loss will be carried forward to the year immediately succeeding the loss year as an offset to the allocated or apportioned Business Income Tax base, then successively to the next nine taxable years following the loss year or until the loss is used up, whichever occurs first, but for not more than ten taxable years after the loss year.

When membership of a UBG changes, the business loss of the UBG is divided among the UBG and the departing member(s) in proportion to the losses the members would have generated had each member filed separately for all MBT periods that contribute to the loss.

NOTE: MBT business loss carryforward is not the same as the federal net operating loss carryforward or carryback.

Line 32b: PA 168 of 2008 provides for a deduction from the apportioned Business Income Tax base to a buyer and seller of residential rental units associated with a qualified affordable housing project for certain amounts associated with the sale and operation of those units so long as certain criteria are met. Specifically, the buyer of affordable rental units must be a qualified affordable housing project and must enter into an operation agreement with the seller in which the buyer agrees to operate a specific number of the residential rental units sold as rent restricted units for a minimum of 15 years. Qualified affordable housing project is further defined under line 16 instructions.

The seller may take a deduction from its apportioned Business Income Tax base equal to the gain from the sale of the residential rental units to the qualified affordable housing project, as calculated on the *MBT Qualified Affordable Housing Seller's Deduction* (Form 4579). Enter the amount from Form 4579, line 5.

The buyer may deduct from its apportioned Business Income Tax base an amount equal to the product of the buyer's taxable income attributable to residential rental units in Michigan owned by the qualified affordable housing project multiplied by a fraction, which is the number of rent restricted units in Michigan owned by that qualified affordable housing project over the number of all residential rental units in Michigan owned by the project. The buyer is entitled to the deduction so long as the qualified affordable housing project continues to offer any of the residential rental units purchased as rent restricted units in accordance with the operation agreement.

In general, taxable income attributable to residential rental units is gross rental receipts attributable to residential rental units in Michigan (purchased pursuant to an operation agreement) less rental expenses attributable to residential rental units in Michigan, including, but not limited to, repairs, interest, insurance, maintenance, utilities, and depreciation.

Specifically, Partnerships may use a *Rental Real Estate Income and Expenses of a Partnership or an S Corporation* (U.S. Form *8825*). To the extent that the qualified affordable housing project is taxed as something other than a Partnership, the qualified affordable housing project may use the *Supplemental Income and Loss* (U.S. Form *1040*, Schedule *E*), or the relevant portions of the *U.S. Corporation Income Tax Return* (U.S. Form *1120*) (line 6 and related deductions), as appropriate to determine its taxable income attributable to residential rental units in Michigan. If the qualified affordable housing project is a Corporation, the expenses permitted should be limited to those also listed on the *Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition* (U.S. Form *8823*) and U.S. Form *1040*, Schedule *E*. Rental receipts and expenses must be calculated without regard to any gain or loss resulting from the disposition of rental property. Also, since Partnerships are subject to tax as a person under MBT, flow-through amounts from other Partnerships are not considered.

Improvements that increase the value of the property or extend its life, such as replacing a roof or renovating a kitchen, are not deductible rental expenses. Any passive activity loss limitations applicable to the qualified affordable housing project's federal return also apply for purposes of MCL 208.201(7).

The buyer's deduction is reduced by the amount of limited dividends or other distributions made to the owners of the project. Income received by the management, construction, or development company for completion and operation of the project and rental units does not constitute taxable income attributable to residential rental units.

The qualified affordable housing project must attach a statement detailing the calculation of the deduction for the buyer.

If the buyer fails to qualify as a qualified affordable housing project or fails to operate any of the residential rental units as rent restricted units in accordance with the operation agreement within 15 years after the date of purchase, the lien placed on the property for the amount of the seller's deduction becomes payable to the State. The lien is payable through a "recapture" to be added to the tax liability of the buyer in the year the recapture event occurs. The recapture is calculated on the *MBT Schedule of Recapture of Certain Business Tax Credits and Deductions* (Form 4587).

Line 33: Use lines 2, 6, 10, 14, 18, 22, 26 and 31 of the *MBT Single Business Tax Credit Carryforwards* (Form 4569) and their corresponding instructions as a guide to determine which SBT credits carryforward to MBT. If any member of the UBG has more than one type of SBT credit carryforward, attach a statement of the type and amount of each one.

Line 34: Enter overpayment credited from 2007 SBT or overpayment from first fiscal year 2008 MBT return.

When membership of a UBG changes from one filing period to the next, carryforward of an overpayment from the prior return remains with the DM's account.

Line 35: Enter the total tax paid with the *MBT Quarterly Tax Return* (Form 4548), or the estimated MBT paid with Form 160 or the amount paid through Electronic Funds Transfer (EFT). Include all payments made on returns that apply to the current tax year. For example, calendar-year filers include money paid with the combined returns for return periods January through December.

All MBT estimated payments for a UBG should be made by the DM. Enter payments made by the DM on this line of the DM's column. If any other member has made an estimated payment that is attributed to the time they were part of the UBG, enter that payment on this line of that member's column.

Line 36: Only the DM may request a filing extension for a UBG. If any other member submits an extension request, it will not create a valid extension for the UBG, but any payment attached to such a request can be credited to the UBG by entering that payment on this line in that member's column.

Part 2B: Member Data for Combined Return of Standard Taxpayers

Part 2B supports, line by line, the combination of all members' entries for each corresponding line in Part 2A, and elimination of intra-group transaction data where appropriate. In general, see instructions for corresponding line numbers in Part 2A. Guidance specific to the combination and elimination process is provided below.

NOTE: Elimination, where allowed, applies to transactions between any members of the UBG – not just members that report on the same annual return. For example, if the UBG includes standard taxpayers (not owned by and unitary with a financial institution in the UBG), an insurance company, and a financial institution, transactions between a standard taxpayer member and an insurance or financial member are eliminated whenever elimination is allowed, despite the fact that the insurance and financial members are not reported on Form 4567 with standard taxpayer members. Similarly, transactions between all members of a UBG are eliminated where appropriate, including transactions with a member that is not included in the initial filing of the UBG because its tax year ends after the filing period of the UBG.

However, there is no elimination with an otherwise related entity if the related entity is excluded from the UBG. For example, consider a group with a U.S. parent, a U.S. subsidiary, and a foreign operating entity subsidiary that would otherwise be a UBG, but the foreign operating entity is excluded from the UBG by definition. The U.S. parent filing a UBG return may not eliminate intercompany transactions between itself and the foreign operating entity.

In column B for each of these lines, eliminate intra-group sales that are included in column A. Elimination of intra-group transactions does not apply where boxes are filled with Xs in column B.

Line 18: Enter the combined amount on line 18, Part 2A, for all members.

Part 3A: Financial Institution Group Returns Only

When completing Part 3B, if multiple copies of this page are required, provide the same answer to Part 3A, lines 37 and 38, on each copy of this page that is submitted.

Line 37: *Gross business* is defined in the instructions to Form 4590, line 10a. On a combined return, gross business is calculated after eliminating transactions between members of the UBG. Enter combined gross business in Michigan of all members on line 37A, show eliminations on line 37B, and show net after eliminations on line 37C.

Carry amount from line 37C to line 10A on Form 4590 with the combined UBG data.

Line 38: Enter all gross business everywhere on line 38A, show eliminations on line 38B, and show net after eliminations on line 38C.

Carry amount from line 38C to line 10B on Form 4590 with the combined UBG data.

Part 3B: Member Data for Combined Returns of Financial Institutions

In all cases with one or more financial institutions in a UBG, complete one copy of Part 3B for each financial institution in the UBG, repeating the UBG's answers for Part 3A on each page.

Line 39: Identify the member reporting on this page with the same number assigned on line 1A.

Line 40: Identify the member reporting on this page by its FEIN or TR Number.

Line 41: For the 2007-08 tax year, all fiscal filers must use the annual method for calculating their tax base, even if they used the actual method for their final SBT return. Calendar year members, skip line 41.

Important for All Filers: Public Act 470 of 2008 changed the definition of net capital for financial institutions. For lines 42 through 45, enter the requested figures after elimination of any investment of one member of the UBG in another member of the UBG. Supporting documentation identifying eliminations must be attached.

Fiscal Year Filers: For lines 42 through 45 and 48a and 48b, enter the figures multiplied by the proration percentage on line 41d.

Line 42: Enter equity capital as of the last day of the filing period, as computed in accordance with generally accepted accounting principles. If the financial institution does not maintain its books and records in accordance with generally accepted accounting principles, net capital must be computed in accordance with the books and records used by the financial institution, so long as the method fairly reflects the financial institution's net capital for purposes of this tax.

Line 44: Under MCL 208.1261(k), *Michigan obligations* means a bond, note, or other obligation issued by a governmental unit described in Section 3 of the Shared Credit Rating Act, PA 227 of 1985, MCL 141.1053.

Line 45: Under MCL 208.1261(s), *United States obligations* means all obligations of the United States exempt from taxation under 31 USC 3124(a) or exempt under the United States constitution or any federal statute, including the obligations of any instrumentality or agency of the United States that are exempt from state or local taxation under the United States constitution or any statute of the United States.

Line 48a: If the UBG member reporting on this page owns a subsidiary that is an authorized insurance company, enter actual amount of capital fund maintained within that subsidiary.

Line 48b: Enter the minimum capital fund amount required by regulations for that insurance subsidiary.

Line 52: Line 52 for all members must be combined and the total entered on Form 4590, line 21.

Part 4: Affiliates Excluded from this Combined Return

The statutory test for membership in a UBG is a group of U.S. persons (other than a foreign operating entity):

- One of which owns or controls, directly or indirectly, more than 50 percent of the ownership interest with voting rights or ownership interests that confer comparable rights to voting rights of the other U.S. persons; and
- That has business activities or operations which result in a flow of value between or among persons included in the UBG or has business activities or operations that are integrated with, are dependent upon, or contribute to each other. Flow of value is determined by reviewing the totality of facts and circumstances of business activities and operations.

The purpose of Part 4 is to identify entities for which the ownership test described above is satisfied, but which are not included on this combined return, either because the flow of value/integration/dependence/contribution test is not satisfied or because the member is excluded by statute. A member whose business activity is not included in the initial filing of the UBG because its tax year ends after the filing period of the UBG should also be listed here.

Line 53A: If an entity being listed here is listed on U.S. Form *851*, enter the identifying number for that entity that is called "Corp. No." at the left edge of pages 1, 2 and 3 of U.S. Form *851*.

Line 53D: If you have questions, call the Michigan Department of Treasury, Technical Services Division, at (517) 636-4230, to discuss an appropriate entry.

Line 53E: If this entity has nexus with Michigan, enter a check in this box.

Line 53F: Enter the taxpayer's six-digit North American Industry Classification System (NAICS) code. For a complete list of six-digit NAICS codes, see the U.S. Census Bureau Web site at **www.census.gov/eos/www/naics/**, or enter the same NAICS code used when filing the U.S. Form *1120,* Schedule *K*, U.S. Form *1120S*, U.S. Form *1065* or U.S. Form *1040,* Schedule *C*.

Part 5: Affiliates Included in the Prior Combined Return, but Excluded from this Return

The purpose of Part 5 is to assist the Department in tracking membership changes of a UBG from year to year. If the reason the entity is not on this return is because it did not satisfy the flow of value/etc. test at any time during the filing period, list the entity on line 53, and do not enter it here.

Line 54C: Reason codes for an entity being included in last year's return but not on this return:

10	The UBG's ownership of this entity dropped to 50 percent or less, but is still greater than zero.
12	The entity continues to exist, but the UBG's ownership of this entity is zero.
14	Before the beginning of the filing period for this return, the entity ceased to exist due to dissolution.
16	Before the beginning of the filing period for this return, the entity ceased to exist due to a merger or similar combination.

If the reason is not listed among these reason codes, describe the reason in 21 characters or less in the space provided.

Attachments

If the MBT combined return membership is identical to the federal consolidated return membership, provide the same federal return attachments required for an individual filer.

If members reporting on the combined MBT return file more than one federal return:

1. For each entity that files a separate federal return, attach standard required pages of that entity's federal return, and any other items (e.g., financial statements) required for a separate filer in similar circumstances.
2. If some or all of the combined MBT return members also are members of a federal consolidated group (but membership is not identical), attach standard required pages of federal consolidated return, and any other items required for a separate filer in similar circumstances, PLUS a worksheet showing removal of data for federal members that are not on the combined MBT return.
3. In all cases within this category, attach worksheet showing intra-group eliminations.

Attach this schedule to the return.