

2008 Supplemental Instructions for Standard Initial Fiscal Michigan Business Tax (MBT) Filers

NOTE: These instructions for fiscal year MBT filers are meant to supplement the general instructions, not to replace them. Standard filers refers to all taxpayers other than financial institutions or insurance companies. Fiscal year filers that are financial institutions filing their initial MBT returns should see the MBT instruction book for financial institutions (4599). (Insurance companies cannot be fiscal year filers.)

The Single Business Tax (SBT) was repealed on business activity after December 31, 2007. MBT became effective January 1, 2008.

A standard taxpayer with a fiscal year beginning in 2007 and ending in 2008 must file two short period returns, one to report its final SBT liability, for the period from the beginning of its 2007-08 fiscal year through December 31, 2007, and the other to report its initial MBT liability, for the period from January 1, 2008, to the ending of its 2007-08 fiscal year.

A fiscal filer should use these forms to complete and file two MBT returns. The first return will calculate its initial MBT liability for the short period from January 1, 2008, to the ending of its 2007-08 fiscal year. The second return will calculate its entire 2008-09 fiscal year, utilizing 2009 tax year rates and amounts. The following instructions pertain only to the fiscal filer's initial MBT short period return.

Computing the Initial Return for a Period of Less Than 12 Months

A fiscal year standard taxpayer with a tax year ending in 2008 may elect to compute the tax base for the final, short-period SBT year and the initial short-period MBT year in accordance with one of the following calculation methods:

- **Annual Method.** The tax base may be computed as if the acts were effective throughout the taxpayer's 2007-08 federal tax period. The Modified Gross Receipts and the Business Income Tax base will then be multiplied by a fraction, in which the numerator is the number of months of the federal period that fall in 2007 or 2008, and the denominator is the number of months in the full federal period (typically 12).
- **Actual Method.** The tax base may be computed based on actual business activity occurring in the final/initial short-period in accordance with the same method of accounting used in prior fiscal years, which reflects the actual tax base attributable to the period.

The calculation method the taxpayer employed for its final SBT return must also be used for the initial MBT return. Thus, if a taxpayer elects to use the annual method for its final SBT return it must also use the annual method for its initial MBT return.

EXAMPLE: Using the annual method, a standard taxpayer with a fiscal year-end of August 31 would compute the tax base on full year numbers (September 1, 2007, through August 31, 2008, annual accounting period), and then multiply that amount by 4/12 (or 1/3) to obtain the SBT short year tax base for the period of September 1, 2007, through December 31, 2007, or by 8/12 (or 2/3) to obtain the MBT short year tax base for the period of January 1, 2008, through August 31, 2008.

Alternatively, the same taxpayer could choose to compute the actual tax base for business activity occurring in the short years using the same method of accounting employed in prior years. In either case, the calculation method used (annual or actual) to file the final fiscal SBT return must be used when filing the initial fiscal MBT return.

NOTE: A taxpayer will be required to amend its final SBT return so the filing methods are consistent if a different method is chosen for the initial filing of MBT.

Unitary Business Groups (UBGs): If the method used by the group to calculate its initial short period MBT return is different from the method used by an individual member on the member's final SBT return, that member must amend its final SBT return to achieve consistency.

Filing for a Tax Year Less Than 12 Months. All general practices pertaining to annualization and proration will apply for the qualification and calculation of credits and adjustments on filings for a period less than 12 months.

Annualizing

If a business operated less than 12 months, annualize to determine which forms to file and the eligibility for the Small Business Alternate Credit. Fiscal year filers choosing the annual method of computing their tax base will report figures using their entire 2007-08 federal return. For all other taxpayers, including fiscal year filers using the actual method, do not use annualized numbers on a return unless specified; use them only to determine filing requirements and qualifications for credits. See 2008 General Information for Standard Taxpayers on page x for further details.

Due Date

Fiscal year taxpayers are granted an automatic extension for their 2008 fiscal year annual return. Returns for fiscal years ending in 2008 will be due the same date as 2008 calendar year returns, which is April 30, 2009. However, an extension of time to file is not an extension of time to pay. An extension request form need not be filed unless required to transmit payment of any tax that would be due with the annual return. The annual return tax due must be paid by the original due date, which is the last day of the fourth month after the end of the fiscal year.

A fiscal year taxpayer may request an additional extension on the *Application for Extension of Time to File Michigan Tax Returns* (Form 4), if the extension to April 30, 2009, is not sufficient, (e.g., a taxpayer with a fiscal year ending November 2008, with a federal extension granted through September 2009).

Federal Returns

If using the annual method to compute the final fiscal return, attach copies of all federal forms required. See page xx for details. If you choose the actual method to compute your final return, attach a pro-forma federal return calculation reflecting your actual income and expenses, prepared in accordance with the method of accounting used in prior fiscal years. This

pro-forma federal return calculation must include all income, expenses and adjustments required.

Forms to File

Taxpayers with fiscal years ending in 2008 must file the *MBT Annual Return* (Form 4567) to calculate their initial fiscal return. Filing the *MBT Simplified Return* (Form 4583) will not be accepted.

Additional Instructions For Specific Forms

Forms not addressed here need no supplemental instructions.

MBT Annual Return (Form 4567)

On line 1, enter January 1 as the beginning date, and enter the ending date that corresponds to the taxable period as reported to the Internal Revenue Service (IRS) as the ending month. Enter all dates in MM-DD-YYYY format.

Line 10e: Check the box if you are a Fiscal Filer computing tax in accordance with the annual method. Compute the percentage of your 2007-08 accounting period attributable to 2008.

Unitary Business Groups (UBGs): If the Designated Member (DM) is a calendar year filer, all members, including fiscal year members, must use the actual method. If the DM is a fiscal year filer, all members must use the same method of calculation, annual or actual, chosen by the DM. Do not, however, use lines 10e through 10h, even if the annual method will be used. Proration for a UBG is performed on Part 2A of the *MBT Unitary Business Group Combined Filing Schedule* (Form 4580).

Line 35: Nonrefundable credits from the *MBT Nonrefundable Credits Summary* (Form 4568), line 36. If claiming nonrefundable credits, see Form 4568. Note that these credits have strict eligibility requirements. All credits against the tax must be earned and calculated based on actual payments made and actions performed on or after January 1, 2008, regardless of the method selected for the tax calculation.

Single Business Tax Credit Carryforwards (Form 4569)

Fiscal filers filing their second 2008 MBT return should claim the credit forward from their immediately preceding MBT return.

MBT Credits for Compensation, Investment and Research and Development (Form 4570)

Credits against the tax must be earned and calculated based on actual payments made and actions performed after 2007, regardless of whether a taxpayer uses the annual or actual method for tax calculations. Do not include acquisitions or dispositions occurring in 2007 in the calculation of the ITC.

MBT Common Credits for Small Businesses (Form 4571)

All credits against the tax must be earned and calculated based on actual payments made and actions performed after 2007, regardless of the method selected for the tax calculation.

Lines 6 and 7: Compensation and Directors Fees. Officers and active shareholders will be reported on an actual basis on lines 6 and 7, regardless of the method selected for the tax calculation.

MBT Charitable Contribution Credits (Form 4572)

Lines 3, 7, 12, and 16: Provide a credit for contributions made to various qualifying organizations. These donations must have been made after 2007, regardless of the method selected for the tax calculation.

MBT Miscellaneous Nonrefundable Credits (Form 4573)

To claim the Historic Preservation Credit, the certificate must show a completion date after December 31, 2007, but on or before the fiscal year end date in 2008. To be eligible for the Next Energy Business Activity Credit, Start-Up Business Credit, Film Job Training Credit or Film Infrastructure Credit, the appropriate certificate must be received on or before the fiscal year end date in 2008.

MBT Refundable Credits (Form 4574)

All credits against the tax must be earned and calculated based on actual payments made and actions performed in 2008, regardless of the method selected for the tax calculation.

To be eligible for the Michigan Economic Growth Authority (MEGA) Employment Tax Credit, MEGA Research and Development Credit, Hybrid Technology Research and Development Credit, Anchor Company Taxable Value Credit, Anchor Company Payroll Credit, MEGA Federal Contract Credit or Film Production Credit, the appropriate certificate must be received on or before the fiscal year end date in 2008.

The Workers' Disability Supplemental Benefit (WDSB) Credit is available only for the amount authorized by the Workers' Compensation Agency during the portion of 2007-2008 fiscal year that is in 2008.

Personal Property Tax Credits are limited to taxes levied after December 31, 2007, and paid in the fiscal tax year.

MBT Loss Adjustment Worksheet for the Small Business Alternative Credit (Form 4575)

Part 1: Business income and shareholder compensation disqualifiers must be computed on an annualized basis. Enter annualized numbers on lines 1, 4 and 6.

Part 2: Fiscal year filers will use the information from the five preceding periods, which will include the final SBT fiscal year ending in 2007.

MBT Schedule of Shareholders and Officers (Form 4577)

In columns I through K, enter actual dividends, salaries, wages, director's fees, employee insurance plans, pension, etc., received during the tax year in 2008, regardless of the method selected for the tax calculation. For a fiscal year filer choosing to compute the tax base using the annual method, column M, "Share of Business Income," will have to be adjusted to reflect the prorated business income.

MBT Schedule of Partners (Form 4578)

For a fiscal year filer choosing to compute the tax base using the annual method, column D, "Share of Business Income/Loss," must be adjusted to reflect the prorated business income.

MBT Unitary Business Group Combined Filing Schedule (Form 4580)

Line 1: In Part 1, identify group members whose federal tax periods end within the filing period of the DM. If the DM has made a valid election to use the actual method, each member will report only activity occurring on or after January 1, 2008. If the DM is a calendar year filer, then all group members will use the actual method.

If a DM has a fiscal year end before a group member's fiscal year end, that group member will not be listed on the UBG's initial MBT return for the 2007-08 tax year. List such a member on line 53 and use Reason Code 5 in column 53D.

Line 2: Column 2I is used to identify a person that was a member of the UBG for less than its entire federal tax year due to changes in ownership. Do not include in column 2I any member that uses a fiscal year and that reports on this combined return all of its activity from January 1, 2008, through the end of its 2007-08 fiscal year.

MBT Simplified Return (Form 4583)

This form **cannot** be used by initial fiscal year filers with tax years ending in 2008.

MBT Election of Refund or Carryforward of Credits (Form 4584)

To be eligible for the Anchor Company Taxable Value Credit, Anchor Company Payroll Credit, and MEGA Federal Contract Credit, the appropriate certificate must be received on or before the fiscal year end date in 2008.

To be eligible for a Brownfield Redevelopment Credit, the certificate must show a completion date after December 31, 2007, but on or before the fiscal year end date in 2008.

NOTE: A fiscal filer that has a fiscal year end date before April 8, 2008, and receives a certificate of completion before its 2008 fiscal year end date will not be eligible for the refundable Brownfield Redevelopment Credit.

Michigan Farmland Preservation Tax Credit (Form 4594)

A fiscal year taxpayer with a tax year ending in 2008 will compute the portion applied against MBT liability by determining the actual income in the initial MBT short period tax year in accordance with the method of accounting used in prior fiscal years, which reflects the actual income attributable to the period.

Prorating: The property taxes must be prorated. Use the following computation to determine the amount of taxes that can be claimed:

- Determine number of months of 2007-2008 fiscal year that is in calendar year 2008.
- Divide number of months by 12 to compute percentage.
- Multiply percentage by property taxes billed in 2007 to compute amount of taxes that can be claimed.

Assembling Attachments: Attach a schedule showing the entity's computation of the actual income. This schedule or pro-forma must include all adjustments required. Also attach

a copy of the entity's actual Federal Income Tax return, if available.

MBT Renaissance Zone Credit Schedule (Form 4595)

For purposes of the calculation required for taxpayers first located within a Renaissance Zone before December 31, 2002, fiscal year filers may use the 2007 12 month calendar year amounts for payroll and Renaissance Zone business activity, or the final 12 month fiscal year ending in 2007. The same choice must be made for each component of the calculation.

A fiscal year taxpayer's phase-out percentage for the final three years of the Renaissance Zone Credit is determined by the beginning of the taxpayer's filing period. No proration of months is involved.

FOR EXAMPLE:

- Renaissance Zone designation expires on December 31, 2010.
- The three years in which the credit is subject to the phase-out reduction are 2008, 2009, and 2010.
- In the taxpayer's tax year which commences on July 1, 2008, and ends on June 30, 2009, its Renaissance Zone Credit will be reduced by 25 percent.
- In the taxpayer's tax year which commences on July 1, 2009, and ends on June 30, 2010, its Renaissance Zone Credit will be reduced by 50 percent.
- In the taxpayer's tax year which commences on July 1, 2010, and ends on June 30, 2011, the business activity factor of the MBT Act Renaissance Zone Credit is calculated as if the taxpayer is within a Renaissance Zone for a period less than the full tax period, and that credit amount is reduced by 75 percent.

Application for Extension of Time to File Michigan Tax Returns (Form 4)

Fiscal year MBT taxpayers are granted an automatic extension for their 2008 fiscal year annual returns, with the extended due date of April 30, 2009. If the regular MBT extension period is not sufficient to allow a fiscal year taxpayer to gather necessary information for its 2008 fiscal year MBT return, the Department of Treasury will, upon request, grant a special extension appropriate to the circumstances.

To request additional time beyond April 30, submit a letter to the Department requesting an extension. The letter must include your name, Federal Employer Identification Number (FEIN) or Michigan Treasury (TR) assigned number, tax year end, and an explanation of need.