

### **Business, Rental, and Royalty Activity Sample Worksheet**

When a taxpayer has non-Michigan business activity and income not subject to tax in Michigan\* which is included in federal adjusted gross income, the taxpayer is required to provide information regarding that income, including the type and location of the business activity and a description of the income not taxable in Michigan. The Business Activity Worksheet is intended to aid individuals and tax preparers in providing this information and in reconciling the taxpayer's MI-1040 to their federal 1040. The Business Activity Worksheet is not a required attachment, however submitting the worksheet could reduce the need for further correspondence and avoid delays in processing the return.

The Business Activity Worksheet allows taxpayers to identify the location of Michigan and non-Michigan business activity and rental activity. It also allows other non-business income to be identified as Michigan or non-Michigan income. The Business Activity Worksheet is a suggested attachment and can be used by e-filers or paper filers. The Business Activity Worksheet, or any similar worksheet that identifies the type and location of non-Michigan business activity and income, may be attached as a PDF file to an e-filed return using the file name "BusinessActivity.pdf." The Business Activity Worksheet or similar worksheet may also be attached to any paper filed return.

*\* Business income and losses shall be allocated or apportioned to the state where the business activity takes place using the three-factor apportionment formula for 2011 and earlier years and on only the sales factor beginning in 2012. The apportionment is computed on Schedule of Apportionment (Form MI-1040H). Income allocated or apportioned to Michigan is taxable to Michigan. Income not allocated or apportioned to Michigan may be claimed as a subtraction from AGI. Conversely, losses not allocated or apportioned to Michigan must be added to AGI.*

*Income, including portfolio income, flowing through to a shareholder of an S corporation, a partner of a partnership, a member of a limited liability company, or the owner of any other flow-through entity is generally considered business income and is subject to the allocation and apportionment provisions of the Michigan Income Tax Act. Portfolio income includes interest income, dividend income, royalty income, and net short-term and long-term capital gain (loss) reported on the federal Schedule D.*