Michigan Department of Treasury
3435 (Rev. 12-03)

MICHIGAN SBT

Single Business Tax

Forms and Instructions

2003

Important Information for 2003 . . .

Single Business Tax (SBT) Tax Rate. For tax years ending December 31, 2003, the tax rate is 1.9 percent.

SBT e-file. It's easy, fast and secure! See pages 3 and 4 for more information.

Calendar year 2003 returns are due April 30, 2004. Fiscal year filers, see page 7.

For more information, see page 3 or visit our Web site at www.michigan.gov/treasury

For questions or information, contact us at:

Customer Contact Division
Single Business Tax Unit
Michigan Department of Treasury
Lansing, MI 48922
517-636-4700

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Important Information

We are pleased to offer the following services available 24 hours a day, 7 days a week.

E-filing of SBT Returns: Beginning with tax year 2003, all eligible Single Business Tax (SBT) returns prepared using software must be e-filed. Treasury will provide all **active** SBT taxpayers who have filed form C-8000, C-8030 or C-8044 in the last two years with a Customer Service Number which must be supplied when e-filing a return. This information will be mailed in time to file SBT returns starting in January 2004. A list of software developers intending to support SBT e-file is on page 4. The list and other program information is also available online at **www.michigan.gov/sbtefile**.

Payments for SBT e-file returns can be made through Electronic Funds Transfer (EFT) or by mail with an accompanying Form SBT-V, *SBT e-file Annual Return Payment Voucher*. Information about the EFT payments and the application forms for all ACH Debit and ACH Credit is available online at
www.michigan.gov/biztaxpayments.

E-file is not available to those who have not previously filed a paper SBT return with the Department, nor to those filing the following forms:

- Forms for 2001 or before;
- C-8000X, *SBT Amended Return*;
- C-8044X, *SBT Amended Simplified Return*; or
- 2003 C-8000MC, *SBT Miscellaneous Credits*.

Internet Services

Access the Department of Treasury Web site to:

- Check if your return has been received;
- Check if your refund has been issued, and when;
- Ask Treasury a question;
- Check estimated payments;
- Request copies of returns filed; and
- Order copies of current and prior year tax forms*

Visit our Web site at **www.michigan.gov/bustax** to access these service options. A list of Frequently Asked Questions is also available.

ⓘ **Note:** To get return information using the Internet, you must have the filer's Federal Employee Identification Number (FEIN) or TR number, gross receipts and organization type.

Tax Forms

*Forms are available online at **www.michigan.gov/treasury**

Legislative Changes

Gross Receipts Redefined, PA 606 of 2002. For tax years beginning on or after October 1, 2003, additional exclusions apply. For a list of the additional exclusions, see the Gross Receipts Checklist on page 18.

Compensation Redefined, PA 603 of 2002. For tax years beginning after December 31, 2003, compensation paid by a professional employer organization to the officers and employees of an entity whose employment operations are managed by the professional employer organization are considered to be compensation in the tax base of the professional employer organization.

The term "professional employer organization" is defined as an organization that provides the management and administration of the human resources and employer risk of another entity by contractually assuming substantial employer rights, responsibilities and risk through a professional employer agreement. The agreement establishes an employer relationship with the leased officers or employers assigned to the other entity by 1) maintaining the right of direction and control of employee's work, although this responsibility may be shared with the other entity; 2) paying wages and employment taxes of the employees out of its own accounts; 3) reporting, collecting and depositing State and Federal employment taxes for the employees; and 4) retaining the right to hire and fire employees.

Elimination of health care costs from tax base, SB 672 & 673. For tax years beginning in 2004, compensation excludes 5% of health care benefits provided to Michigan residents. Health care benefits are payments under health and welfare and noninsured benefit plans and payments for the administration of those plans. The percentage exclusion increases for subsequent tax years.

Penalties Amended, PA 657 of 2002. The penalty for failure to remit a tax with a negotiable remittance is changed from 50% of the tax due to 25%. The revised penalty for failure or refusal to file a return or pay a tax within the time specified is 5% of the tax due. The penalty increases by an additional 5% per month, or fraction thereof, after the second month, to a maximum of 25%. Additionally, the bill eliminated a penalty for failing to file during a tax amnesty period.

New/revised credits. New credits for tax years beginning after 2002 are the Next Energy Payroll and/or Business Activity Credit and the Pharmaceutical Credit. Revisions were made to the Renaissance Zone Credit and the Brownfield Credit. For more information on these and other credits see Form C-8000MC, *SBT Miscellaneous Credits*, on page 49.

Filing Requirement. The gross receipts filing requirement increased for tax years beginning after December 31, 2002. Every person who is engaged in business activity in Michigan and whose apportioned or allocated gross receipts are $350,000 or more must file an annual return.

General Information

This booklet is intended as a guide to help you complete your return; it does not take the place of the law.

Single Business Tax (SBT)

The SBT is the only general business tax levied by the State of Michigan. The SBT replaced profits-based taxation with value-added taxation.

Complete Federal Tax Forms First

Before preparing SBT returns, complete all federal tax forms. These forms may include:

- ✔ **Individuals, Partnerships or Fiduciaries** - U.S. *1040*, *1041*, *1065* and related *Schedules C, C-EZ, D, E, K* and *4797*
- ✔ **Corporations** - U.S. *1120, 1120A, 1120S* and *Schedule K,* and U.S. *940.*
- ✔ **Limited Liability Companies (LLC)** - federal forms listed above, depending on how federal returns have been filed.

Reference these federal forms to complete the Michigan SBT return.

Using This Booklet

This SBT booklet includes the forms and instructions for all single business tax filers. The areas that apply only to a particular organization type are identified with a check mark and by bolding the organization type.

Example: ✔ **Corporations**
✔ **Individuals**

The forms are designed for the calendar year 2003 or for fiscal years beginning in 2003.

Read the General Information. Then review the table of contents on page 2 to help determine which forms and schedules need to be filed and the form number, title and the page(s) of the form(s) and instructions.

To calculate gross receipts and business income, use one of the worksheets on page 16. Select the appropriate worksheet based on the organization of the business.

Information deserving special attention is marked by an information symbol, ⓘ.

Defining Business Activity

Taxable business activity includes:

- Sale or rental of property, whether the property is real, personal, tangible or intangible. For example, rental of a house or lease of a car; or sale or rental of property used in a business activity (e.g., the sale of an income-generating apartment complex).
- Performance of services for gain, including services performed outside Michigan. For example, services provided by an independent contractor (e.g., a building contractor or plumber).

Nontaxable business activity includes:

- Services provided by an employee to his or her employer only;
- Services as a director of a corporation;
- A casual transaction (e.g., sale of personal residence).

Filing an SBT Annual Return

Every person who is engaged in business activity in Michigan and whose **apportioned or allocated gross receipts** are $350,000 or more must file an annual return.

The companies listed below have indicated their commitment to develop software for Michigan SBT e-file.

ATX Forms, Inc.
www.atxforms.com

CCH, Incorporated
www.prosystemfx.com

Creative Solutions
www.creativesolutions.com

Drake Enterprises, Ltd.
www.drake-software.com

Dunphy Systems, Inc.
www. dunphy.com

Nelco/Greatland
www.greattaxpro.com

Tax $imple
www.taxsimple.com

Tax Works
www.taxworks.com

RIA Compliance
www.RIAG.com

SBT e-file Transmitter only:

Profit Developers, Inc.
www.profitdevelopers.com

For more information, visit www.michigan.gov/sbtefile

You may need to contact the above companies to determine when their software will be available. Additional company contact information is available on our Web site.

See Form C-8000S, *SBT Reductions to Adjusted Tax Base*, on page 55, Part 2, lines 9-11 for calculation. In these instructions, **person** means an individual, firm, bank, financial institution, limited partnership, copartnership, partnership, joint venture, association, corporation, receiver, estate, trust, limited liability company or any other combination acting as a unit for business purposes.

Businesses operating less than 12 months should annualize gross receipts to determine whether or not to file. See page 6 for more information.

A member of an affiliated group, a controlled group of corporations or an entity under common control must sum its members' apportioned or allocated gross receipts on Form C-8010AGR, *SBT Adjusted Gross Receipts for Controlled Groups*, on page 63 to determine if members of the group need to file. Do not include members whose apportioned or allocated gross receipts are less than $100,000; these members are not required to file an SBT return. If the sum of the members apportioned or allocated gross receipts are $350,000 or more, all members with apportioned or allocated gross receipts that equal $100,000 or more must file an annual return.

Members whose apportioned or allocated gross receipts are less than $100,000 must include their business activity when computing a small business credit on Form C-8009, *SBT Allocation of Statutory Exemption, Standard Small Business Credit and Alternate Tax for Members of Controlled Groups*. These members must also include their apportioned or allocated gross receipts to determine the group's Investment Tax Credit (ITC) adjusted gross receipts percentage.

If apportioned or allocated gross receipts are below the filing requirement there is no legal obligation to file a return. If registered for SBT, notify the Department of Treasury immediately that no liability exists to prevent future inquiries by the Department. File Form C-8030, *Single Business Tax Notice of No SBT Return Required*, to avoid further correspondence from the Department.

However, if the Department is not expecting a return, there is no need to file. Form C-8030 does not constitute a return, and does not affect the statutory limitation period for refunds or assessments.

- ✔ **Unincorporated businesses - A husband and wife** who file their U.S. 1040 as "married filing jointly," but own separate businesses, maintain separate records and file separate federal *Schedule C* forms, must file separate SBT returns. If a husband and wife have jointly-owned rental property and file a federal *Schedule E*, a separate SBT return must be filed for the jointly-owned rental property. The SBT return for the jointly-owned property must be reported as part of a controlled group with at least one spouse's SBT return.
- ✔ **Individual - If a person owns more than one business that is registered as individual** (e.g., a grocery store and rental property), file one SBT return and use the combined apportioned or allocated gross receipts to determine filing requirements.
- ✔ **Joint ventures** and other groups engaged in a business as a unit (e.g., real estate owned jointly by two individuals who have not treated their relationship as a partnership) must file an annual return as a partnership. This does not include husband/wife ventures.
- ✔ **Fiduciaries** filing for estates or trusts engaged in business activity must file an SBT return and report the total business activity. Beneficiaries are not required to file an SBT return or pay the tax on their distributive shares. If a grantor trust is engaged in business, the grantor or owner must file. To determine credits, follow the guidelines for individuals.

ⓘ **Reminder:** Partners and shareholders may have to pay tax on their share of income from a partnership or S Corporation. For a partner or shareholder who is an **individual,** this share of business income is taxed under the Michigan Individual Income Tax Act. For a **partner or shareholder who is a business, not an individual, subject to SBT,** this income must be subtracted (add losses) on the SBT annual return filed for the corporation or other partnership to the extent that it was included in arriving at business income.

Exception: If this partner/shareholder has no Michigan business activity other than its interest in the partnership or S Corporation, the partner/shareholder itself is not subject to SBT and is not required to file a return. However, the partner/shareholder may be subject to Michigan Income Tax.

Exemption Guidelines for the SBT

The following may be exempt from the Single Business Tax:

- Most persons who are exempt from federal income tax under the Internal Revenue Code (IRC);
- Nonprofit cooperative housing corporations;
- Farmers producing agricultural goods. For more information request *Revenue Administrative Bulletin (RAB) 1989-47*.

If a taxpayer is exempt, but has unrelated business income as defined in the IRC, that income is subject to the SBT and a return will be required if the apportioned or allocated gross receipts are $350,000 or more for the unrelated business activity.

For a complete list of exemptions, consult a copy of the SBT Act (P.A. 228 of 1975, as amended).

If a taxpayer is exempt and has no unrelated business income, filing an SBT return is not required. All requests to remove names from Treasury's mailing list should be directed to the Treasury Registration Section at 517-636-4660.

Filing the Correct Form

File Form C-8030 if:

Taxpayer is registered for SBT and apportioned or allocated gross receipts are less than $350,000, no refund is claimed, no business loss carryforward from this year or previous years is used, and there is no ITC. Form C-8030 is not a return.

File Form C-8044 if:

- Apportioned or allocated gross receipts are less than $350,000 and a refund is claimed (skip lines 9-15 and 21-24); or
- Apportioned or allocated gross receipts are $350,000 or more, the criteria on the form is met, and the alternate tax rate is used.

File Form C-8000 if:

- Business activity is apportioned; or
- Apportioned or allocated gross receipts are $350,000 or more; or
- Apportioned or allocated gross receipts are less than $350,000 and a refund is claimed; or
- Apportioned or allocated gross receipts are less than $350,000 and a business loss carryforward is reported or a business loss from a preceding year is used; or
- Apportioned or allocated gross receipts are less than $350,000 and an ITC is claimed; or
- The alternate tax is calculated but the reduced credit must be used; or
- The taxpayer is a member of a controlled group and apportioned or allocated gross receipts are equal to or greater than $100,000.

The C-8000 is the only form which will guarantee the calculation of the lowest tax liability. This list does not cover all situations. See the instructions for each form for more information.

Filing SBT Quarterly Tax Estimates

If annual SBT liability is expected to be more than $600, quarterly estimates must be filed. If the tax year was less than 12 months (e.g., a business opened or closed during the year), annualize the tax to see if estimates must be filed.

The Department of Treasury sends personalized quarterly forms (Form C-8002) to each registered estimate filer, except those paying SBT using Form 160, *Combined Return for Michigan Taxes*. To speed the posting of accounts and improve the accuracy of payment information, use personalized forms. Do not duplicate personalized forms or use a form that has someone else's name on it.

If business activity in Michigan existed in 2003 and the 2003 tax is $20,000 or less, use the amount of the 2003 tax liability as the estimate for the 2004 annual tax. To avoid penalty and interest, divide the 2003 tax by 4 (e.g., $20,000 ÷ 4 = $5,000) and pay that amount by each of the 2004 quarterly due dates. Alternatively, divide the amount by 12 and pay it with monthly sales, use or withholding tax payment (e.g., $20,000 ÷ 12 = $1,666.67).

If a previous tax year was less than 12 months, annualize the previous year's tax liability to determine if estimates are due and the amount due.

If business activity in Michigan existed in 2003 but there was no reported tax liability nor was the taxpayer required to file a 2003 return, estimated payments are not required for 2004. If estimated payments were made during 2003, and later it was found that adjusted gross receipts did not meet the filing requirements, file an annual return to claim a refund or credit forward of payments.

Amending estimates: If, after making payments, the estimated tax is substantially different than originally estimated, recompute the tax and adjust the payment in the next quarter.

Filing if Tax Year Is Less Than 12 Months

Annual returns must be filed for the same period as federal income tax returns. If a business operated less than 12 months, annualize to determine which forms to file and the eligibility for a standard small business tax credit or the alternate tax. Annualized business income will also determine the amount of an unincorporated credit. Do not use annualized numbers on a return; use them only to determine filing requirements and qualifications for credits.

Annualizing: Multiply each amount, total gross receipts, business income, and shareholder's, officer's and partner's income by 12 and divide the result by the number of months the business operated. A business is considered in business for one month if the business operated for more than half the days of the month.

- If annualized apportioned or allocated gross receipts are $350,000 or more, file an annual return. Annualized apportioned or allocated gross receipts plus CAD and ITC recapture are also used to determine the ITC adjusted gross receipts percentage for the year. If annualized gross receipts are more than $10,000,000, the taxpayer is not eligible for the standard small business credit or the alternate tax.

- Annualize shareholders', officers' and partners' compensation and share of business income. If any shareholder or officer has annualized allocated income more than $115,000 after loss adjustment, or any partner has a distributive share more than $115,000 on Form C-8000KP, column E; or Form C-8000KC, columns K or M, the taxpayer is not eligible for the standard small business credit or the alternate tax. If annualized allocated income or distributive share is more than $95,000 but not more than $115,000, the annualized figure will determine the reduction to the small business credit.
- Annualize business income to determine the credit percentage used to compute the unincorporated/ S Corporation credit. If the annualized adjusted business income after loss adjustment is more than $475,000, the taxpayer is not eligible for the standard small business credit or the alternate tax.

Prorating: The statutory exemption must be prorated, including increased exemptions. Use Form C-8043, *SBT Statutory Exemption Schedule*.

✔ **Individuals** - A business registered as individual that is in business less than 12 months is not required to annualize. However, the statutory exemption must be prorated for the number of months of business activity reported. Complete lines 11 and 12 of Form C-8043.

Filing Consolidated Returns

✔ **Corporations -** An affiliated group of corporations may file a consolidated or combined return only with prior approval from the State Treasurer. To request approval, file Form C-8007, *Request for Consolidated or Combined Filing*, before the due date of the annual return. This form is available online at **www.michigan.gov/treasury**. See RAB 1989-49 for additional information.

Filing Returns on Due Date

Annual returns are due on or before the last day of the 4th month after the end of your tax year. For example: A return for calendar year 2003 is due April 30, 2004. A return for a fiscal year ending March 31, 2004, is due July 31, 2004.

Additional Filing Time

If additional time is needed to file an annual tax return, request a Michigan extension by filing Form 4, *Application for Extension of Time to File Michigan Tax Returns*.

Filing a federal extension request with the Internal Revenue Service (IRS) does not automatically grant a Michigan SBT extension. The IRS does not notify state governments of extensions. A request for a Michigan extension must be received and approved to avoid penalty on the tax due.

Extension applications must be postmarked on or before the original due date of an annual return.

Although the Michigan Department of Treasury will grant extensions for filing SBT returns, it will not extend the time to pay. Extension applications received without proper payment will not be processed. Penalty and interest will accrue on the unpaid tax from the original due date of the return.

Properly filed and paid estimates with this amount included on the extension application will be accepted as payment on a tentative return and an extension may be granted. It is important that the application is completed correctly.

Once an application and proper payment is received, Michigan will grant an extension for the same length of time as a federal extension, if applicable, plus 60 days. If a federal extension has not been granted, Treasury will grant an additional 180 days to file.

For example, if an SBT extension is granted, a 2003 calendar-year filer requesting a Michigan extension who also has a federal extension, will be granted a new return due date of December 31, 2004. The same filer without a federal extension has an SBT due date of October 31, 2004.

A written response will be sent to the legal address on file when a valid extension application is received.

If an SBT extension is filed on time, but the total payments received by the original due date are less than 90 percent of the tax liability, a 10 percent negligence penalty may apply.

ⓘ **Important:** If no tax is owed, there is no need to file an extension with Michigan by the due date of the return **to avoid penalty and interest**. However, without an approved extension, it is necessary to file an annual return as soon as the information is available to do so.

An extension of time to file will also extend the statute of limitations.

Amending a Return

To amend a current annual return, complete either Form C-8000X or Form C-8044X.

To amend an annual return for a year before 1995, use the appropriate year's return, and print **"AMENDED"** at the top.

See page 8 for how to request current or past forms.

To amend a return to claim a refund, file within four years of the due date of the original return. Interest will be paid beginning 45 days after the claim is filed or the due date, whichever is later.

If amending a return to report a deficiency, penalty and interest may apply from the due date of the original return.

If any changes are made to a federal income tax return that affect an SBT tax base, filing an amended return is required. To avoid penalty, file the amended return within 120 days after the final determination by the IRS.

Computing Penalty and Interest

Annual and estimated returns filed late or without sufficient payment of the tax due are subject to a penalty of 5% of the tax due. The penalty increases by an additional 5% per month, or fraction thereof, after the second month, to a maximum of 25%.

Compute penalty and interest for underpaid estimates using Form C-8020, *SBT Penalty and Interest Computation for Underpaid Estimated Tax*, on page 65. If a taxpayer prefers not to file this form, Treasury will compute the penalty and interest and send a bill.

The following chart shows the interest rate that applies to each filing period. A new interest rate is set at 1 percent above the prime rate for each 6-month period.

Beginning date	Rate	Daily Rate
January 1, 2003	5.8%	.0001589
July 1, 2003	5.4%	.0001479
January 1, 2004	5.0%	.0001366

For a complete list of interest rates, request RAB 2003-2 or visit Treasury's Web site at **www.michigan.gov/treasury**

Formatting Amounts Entered on SBT Forms

- **Losses:** Report losses and negative amounts in parentheses. For example, (22,459.00).
- **Percentages:** Carry all percentages to six decimal places. Do not round percentages. For example, 24.154256 percent becomes 24.1542 percent (.241542).
- **Round dollar amounts:** Report all amounts in whole dollars. Round up amounts of 50¢ or more. Round down amounts of 49¢ or less.

Signing the Return

All returns must be signed and dated by the taxpayer or the taxpayer's authorized agent. This may be the owner, partner, corporate officer, officer's agent or association member.

If someone other than the above prepared the return, the preparer must also sign it and give his or her business address and phone number.

Print the name of the taxpayer and preparer in the appropriate area on the return.

Mailing the Return

Mail your annual return and all necessary schedules to:

With payment:
Michigan Department of Treasury
Department 77375
P.O. Box 77000
Detroit, MI 48277-0375

Without payment:
Michigan Department of Treasury
P.O. Box 30059
Lansing, MI 48909

Mail an extension application (Form 4) to:
Michigan Department of Treasury
P.O. Box 30207
Lansing, MI 48909

Mail quarterly estimate payments (Form C-8002) to:
Michigan Department of Treasury
Dept. 77889
Detroit, MI 48277-0889

Overnight delivery mail should be sent to:
Michigan Department of Treasury
430 W. Allegan Street
Lansing, MI 48922

Make all checks payable to "State of Michigan." Write your federal employer identification number (FEIN) and "SBT" on the check.

Correspondence

- **Address changes** can be reported by using the self-service feature online at **www.michigan.gov/bustax**. Alternatively, Form 163, *Notice of Change or Discontinuance*, can be found online at **www.michigan.gov/treasury** or inside the Sales, Use and Withholding Tax booklet.
- **Business discontinuance** can be reported on line 6 of Form C-8000, *SBT Annual Return*, or Form C-8044, *SBT Simplified Return.*
- **Mail Correspondence** to:

Customer Contact Division, SBT Unit
P.O. Box 30059
Lansing, MI 48909

To Request Forms

- **Internet:** Forms are available on our Web site at **www.michigan.gov/treasury**
- **Fax:** Dial 517-241-8730 from a fax phone to have 2003 Michigan tax forms sent via fax machine 24 hours a day. Faxed forms may not include instructions.

Instructions for C-8000 Annual Return

Lines not listed are explained on the form.

Every person engaged in business activity in Michigan with apportioned or allocated gross receipts of $350,000 or more must file an annual return.

Line 1, Taxable Year. If a business operates on a fiscal year, enter the beginning and ending dates, month and year, of the annual accounting period. For periods less than 12 months, enter the beginning and ending dates that correspond to the taxable period reported to the IRS.

Line 3, Consolidated Filing.

✔ **Corporations.** If a business receives the State Treasurer's approval to file a consolidated or combined SBT return, check the box and enter the authorization number on the line provided. Attach a copy of the approved Form C-8007, *Request for Consolidated or Combined Filing*, and Form C-8008, *Affiliation Schedule - Consolidated Filing*.

Line 4, Controlled Groups. A controlled corporate group is an affiliated group of corporations as defined in the SBT Act or a controlled group of corporations as defined in IRC Section 1563. **Entities under common control** are two or more trades or businesses, whether or not incorporated, under common control as defined in the IRS Regulation 1.414(c). This includes parent-subsidiary, brother-sister or combined groups of corporations. See RAB 1989-48 for further information.

ⓘ **Reminder:** Controlled groups must complete Form C-8010AGR, *SBT Adjusted Gross Receipts for Controlled Groups*, on page 63, to determine filing requirements for the group and to determine adjusted gross receipts for the group if an investment tax credit is taken. Attach completed schedule to return.

ⓘ **Important:** If the taxpayer is a member of a controlled group and is claiming a statutory exemption or small business credit, complete Form C-8009, *SBT Allocation of Statutory Exemption, Standard Small Business Credit and Alternate Tax for Members of Controlled Groups*, on page 57. Attach completed schedule to the tax return.

Line 5, Account Number. Use the taxpayer's federal employer identification number (FEIN) or the Michigan Treasury (TR) number assigned. If an organization type is individual and an account number does not exist yet, enter the taxpayer's social security number and enter an "S" in the box to the right. Treasury will notify the taxpayer when a Michigan TR number is assigned. Use that number on all future SBT filings unless a federal number has been assigned. For all other organization types without an account number, leave line 5 blank. Be sure to use the same account number on all forms.

Gross Receipts Checklist

Note: This checklist is not intended to be all encompassing.
Receipts include, but are not limited to:

- Receipts (sales price) from the sale of assets used in a business activity;
- Sale of products;
- Services performed;
- Gratuities stipulated on a bill;
- Sales tax collected on the sale of tangible personal property;
- Dividend and interest income;
- Gross commissions earned;
- Rents;
- Royalties;
- Professional services;
- Sales of scrap and other similar items;
- Client reimbursed expenses not obtained in an agency capacity;
- Gross proceeds from intercompany sales.

Receipts exclude:

- Proceeds from sales by a principal that are collected in an agency capacity solely on behalf of the principal and delivered to the principal;
- Amounts received as an agent solely on behalf of the principal that are expended by the taxpayer under certain circumstances;
- Amounts from gross income of a foreign corporation engaged in the international operation of aircraft under section 883(a) of the Internal Revenue Code;
- Amounts received by an advertising agency used to acquire advertising media time, space, production, or talent on behalf of another person;
- Amounts received by a person that manages real property owned by a client that are deposited into a separate account kept in the name of the client and that are not reimbursed and are not indirect payments for management services provided to that client.

For tax years beginning on or after October 1, 2003, receipts also exclude:

- Proceeds from the original issue of stock, equity instruments, or debt instruments;
- Refunds from returned merchandise;
- Cash and in-kind discounts;
- Trade discounts;
- Federal, State or local tax refunds;
- Security deposits;
- Payment of the principal portion of loans;
- Value of property received in like-kind exchange;
- Proceeds from a sale, transaction, exchange, involuntary conversion, or other disposition of tangible, intangible or real property that is a capital asset as defined in section 1221(a) of the Federal Internal Revenue Code, or land that qualifies as property used in trade or business as defined in section 1231(b) of the Internal Revenue Code, less any gain from the disposition to the extent that gain is included in federal taxable income;
- Proceeds from an insurance policy, a settlement of a claim, or a judgment in a civil action, less any proceeds that are included in federal taxable income;
- Proceeds from the taxpayer's transfer of an account receivable, if the sale that generated the account receivable was included in gross receipts for federal income tax purposes. This provision will not apply to a taxpayer who both buys and sells any receivables during the tax year.

Line 7, Business Start Date. Enter the start date of first Michigan business activity.

Line 8, Principal Business Activity. Enter a brief description of business activity. For example, forestry, fisheries, mining, construction, manufacturing, transportation, communication, electric, gas, sanitary services, wholesale trade, retail trade, finance or services.

Line 9, Organization Type. Check the box that describes the organization type. A Limited Liability Company should check the appropriate box based on the federal return.

Line 10, Gross Receipts. Gross receipts means the entire amount received 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 as a guide to be sure receipts have been totaled correctly. Use the appropriate worksheet on page 16 to calculate gross receipts.

Line 11, Business Income. Use the appropriate worksheet on page 16 to calculate business income.

The SHORT METHOD to Compute SBT

The maximum SBT any filer pays is equal to the tax rate times one-half of the adjusted gross receipts. Adjusted gross receipts for this purpose means gross receipts, apportioned for companies doing business outside of Michigan, plus recapture of capital acquisition deduction. Figure this amount quickly by using Form C-8000S, *SBT Reductions to Adjusted Tax Base*, on page 55, lines 9-14, instead of figuring the tax base on Form C-8000. However, to claim the standard small business credit, the tax base must be computed.

If the SHORT METHOD is used, complete Form C-8000S, *SBT Reductions to Adjusted Tax Base*, on page 55.

To use the SHORT METHOD, follow these steps:

1. Enter gross receipts on Form C-8000, line 10;
2. If claiming an unincorporated credit, enter the business income on Form C-8000, line 11;
3. Enter recapture, if applicable, from Form C-8000D, line 19 on Form C-8000, line 35;
4. Complete Form C-8000S, lines 9 - 14 only;
5. Enter the amount from Form C-8000S, line 14 on Form C-8000, line 42 and complete Form C-8000.

Compensation Payments

Line 12, Salaries, Wages and Other Payments. Enter total payments, including the cash value of all consideration other than cash, made on behalf of or for the benefit of employees, officers or directors. Report these payments on a cash-only basis, i.e., include only the actual payments made during the year. For most filers this is the amount reported on U.S. 940 for the taxable year.

Payments include, but are not limited to, salaries, wages, fees, bonuses, commissions and other payments to employees, officers and directors that are subject to or specifically exempt or excepted from federal income tax withholding. This includes payments for casual services, but does not include payments to independent contractors.

Employee is a person from whom an employer is required to withhold federal income taxes (IRC Section 340l(c)).

Lines 13 through 15. Report any payments made on behalf of or for the benefit of employees, officers or directors on a cash or accrual basis consistent with the method of federal income tax reporting.

Line 13, Employee Insurance Plans. Enter payments to health or life insurance plans for employees, payments for health and welfare and non-insured benefit plans, and payment of fees for the administration of health and welfare and non-insured benefit plans.

Do not include here or on line 15, contributions for FICA (Social Security and Medicare), workers' compensation insurance, or the State and Federal Unemployment Compensation Fund.

Line 15, Other Payments. Enter any payments made for the benefit of employees that are not included on lines 13-14. For example: payments to supplemental unemployment benefit trusts; payments to individuals not currently working; or payments to dependents and heirs for labor services rendered by an individual.

Additions

Additions are generally added to the extent deducted in arriving at business income, line 11.

Line 17, Depreciation. Enter all depreciation or amortization of tangible assets which are claimed as a deduction on the federal return. This includes the immediate (permitted under IRC Section 179) or accelerated write-off of tangible assets.

Taxpayers choosing the mileage method to determine car expenses must include in depreciation that portion of the mileage rate that is required by the IRC to reduce the adjusted basis of the vehicle.

Safe Harbor Leases. The lessor and lessee must report any rent attributable to a leaseback agreement under IRC section 168(f)(8). The lessor subtracts rental receipts from such property, while the lessee adds rental payments.

Line 18, Taxes. 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 19, Single Business Tax. Enter the single business tax claimed as a deduction on the federal return.

Line 20, Dividends, Interest and Royalty Expenses. Enter any dividend, interest and/or royalties claimed as a deduction on your federal return.

Do not include any of the following:

- Dividends not claimed as federal deductions;
- Interest payments made by a financial organization;
- Initial franchise fees and any royalties, fees and other payments or consideration paid or incurred by a franchisee to a franchisor to establish or maintain the franchise relationship;
- Oil and gas royalties deducted;
- Cable franchise fees paid to units of government;
- Film rental payments made by a theater owner to a distributor or to a producer;
- Payments made by radio or TV broadcasters for syndication or royalty fees, or any other charges for program matter;
- Computer software royalties deducted.

Line 21, Capital Loss Carryover or Carryback.

- ✔ **Fiduciaries and Corporations.** Enter any capital loss carryover or carryback from the federal schedule that was included in the business income reported on line 11. This cannot be a negative number.

Line 22, Net Operating Loss Carryover or Carryback.

- ✔ **Fiduciaries and Corporations.** Enter any net operating loss carryover or carryback that was included in arriving at business income reported on line 11. This cannot be a negative number.

Line 23, Gross Interest and Dividend Income. Enter any income from bonds and similar obligations or securities of states other than Michigan and their political subdivisions. Include only the income derived from business activity. Subtract from this income-related expenses, if those expenses were not allowed as deductions on the federal return (IRC Sections 265 and 291).

Line 24, Special Classifications Deduction.

- ✔ **Corporations -** Enter any deduction or exclusion by a filer due to a classification as, or the payment of commissions or fees to, a domestic international sales corporation, foreign sales corporation or any similar special classification which reduces or postpones federal income tax liability. This does not apply to special provisions of IRC sections 805, 809, 815(c)(2)(A), 823(c) and 824(a).

  Financial Organization Expense Addback. Enter total expenses deducted in arriving at federal taxable income, less expenses which are added in determining the SBT tax base, times the following fraction:

$$\frac{\text{Interest from U.S. obligations that Michigan is prohibited from taxing} + \text{Interest on Michigan obligations}}{\text{Total Interest Income}}$$

  The result cannot exceed interest from U.S. obligations subtracted in arriving at the tax base.

Line 25, Losses from Partnerships. Enter any losses attributed to another taxable entity included in the business income reported on line 11. Enter the FEIN(s) of the partnerships, S Corporations or LLCs.

Subtractions

Subtractions are generally subtracted to the extent included in arriving at business income, line 11.

Line 28, Dividends, Interest or Royalty Income. Enter dividends, interest and royalty income included in the business income reported on line 11.

Do not include:

- Dividends allowed as a dividend-received deduction on a federal return;
- Oil and gas royalty income;
- Initial franchise fees and any royalties, fees and other payments or consideration paid or incurred by a franchisee to a franchisor to establish or maintain the franchise relationship;
- Interest income received by a financial organization. **Exception:** Interest from U.S. obligations that Michigan is prohibited from taxing may be included;
- Film rental payments made by a theater owner to a distributor or to a producer;
- Payments made by radio or TV broadcasters for syndication or royalty fees, or any other charges for program matter;
- Computer software royalty income.

Exception: System software which interacts with operating system software and is developed, licensed and intended for the exclusive use of data processing professionals to build, test, manage or maintain application computer software. System software may not be transferred as part of, or in conjunction with, a sale or lease of computer hardware. System software royalty income may be included as a subtraction on line 28.

Line 29, Excluded Capital Losses. Enter any capital losses not included in arriving at federal taxable income in the year the loss occurred.

Line 30, Income from Partnerships. Enter income attributed to another taxable entity included in the business income reported on line 11. Enter the FEIN(s) of the partnerships, S Corporations, or LLCs.

Tax Base

Line 32, Tax Base. Tax base is business income or loss on line 11, plus compensation on line 16 and additions on line 26, and minus subtractions on line 31.

If income is taxable in another state, complete Form C-8000H, *SBT Apportionment Formula*, on page 33, before continuing. Attach the completed schedule to the return.

Line 33, Apportioned Tax Base. If taxable in another state, multiply line 32 by the percentage from Form C-8000H, line 16 or 19, whichever applies.

Adjustments

A taxpayer must complete Form C-8000D, *SBT Recapture of Capital Acquisition Deduction*, on page 27, if **depreciable real or personal property** was:

- Purchased in a tax year beginning on or after January 1, 1976 and beginning before January 1, 2000, and disposed of during the current tax year; or
- Purchased in a tax year beginning after December 31, 1996 and before January 1, 2000, and moved outside of Michigan during the current tax year.

Attach the completed Form C-8000D to the return.

Line 36, Adjusted Tax Base Before Loss Deduction and Statutory Exemption. Any negative amount on this line is a business loss which may be carried forward successively to the next 10 taxable years, or until the loss is used, whichever occurs first. If line 36 is negative no tax is due; enter 0 on line 43.

Line 37, Business Loss Deduction. Enter any unused business loss carryover from the single business tax returns for the preceding 10 years (loss on line 38 in preceding years less the adjusted tax base in intervening years).

ⓘ **Note:** The Business Loss Deduction is not the federal net operating loss.

Line 38, Adjusted Tax Base Before Statutory Exemption. Subtract line 37 from line 36. If negative, enter zero and carry the unused loss to next year's SBT return.

Statutory Exemption

- ✔ **Corporations -** If claiming a statutory exemption or a small business credit, complete Form C-8000KC, *SBT Schedule of Shareholders and Officers*, on page 43, before continuing. Attach the completed schedule to the return.
- ✔ **Partnerships -** Before continuing, complete Form C-8000KP, *SBT Schedule of Partners*, on page 47, to determine which partners qualify for the increased statutory exemption. Attach the completed schedule to the return.

Line 39, Allowable Statutory Exemption. For most filers, the statutory exemption is available only if business income is less than $67,500.

- ✔ **Corporations -** For most corporations, the statutory exemption is available only if the sum of business income, federal loss carryovers or carrybacks, and compensation/director fees of all shareholders is less than $67,500.

A statutory exemption cannot be used to increase a business loss or to offset adjusted tax base as determined on Form C-8000, line 36, before loss carryovers are reported on Form C-8000, line 37. An unused statutory exemption cannot be carried forward.

Complete Form C-8043, *SBT Statutory Exemption Schedule*, on page 69 before continuing. Attach completed schedule to the return.

If a member of a **controlled group** claiming an allocated statutory exemption, complete Form C-8009, *SBT Allocation of Statutory Exemption, Standard Small Business Credit and Alternate Tax for Members of Controlled Groups*, on page 57. A controlled group is entitled to only one statutory exemption, which is allocated on Form C-8009.

- ✔ **Individuals, Fiduciaries, Partnerships and Limited Liability Companies -** If averaging business income to determine the statutory exemption, complete Form C-8000G, *SBT Statutory Exemption/Business Income Averaging*, on page 31. Attach the completed schedule to the return.

Reductions, Nonrefundable Credits, and Tax

Line 41, Reduction to Adjusted Tax Base. Taxpayers may qualify for either the compensation or the gross receipts reduction on Form C-8000S, *SBT Reductions to Adjusted Tax Base*, on page 55, but may use only one. Enter the amount of the reduction from Form C-8000S, line 16.

ⓘ **Reminder:** If a reduction is chosen, check the appropriate box which indicates the method of reduction used. The Investment Tax Credit (ITC) is not available if a gross receipts reduction to the adjusted tax base is taken to arrive at the tax liability. If an adjusted tax base is reduced by the percentage that compensation exceeds 63 percent, the ITC must also be reduced. Choose a reduction method or the ITC, based on which option is most advantageous.

Line 42, Taxable Base. Filers using the SHORT METHOD, enter the amount from Form C-8000S, line 14. In no case should the amount on this line be more than 50 percent of the sum of apportioned gross receipts plus recapture of capital acquisition deduction. If this method is used, the ITC is not available.

ⓘ **Important:** If eligible for the ITC, complete Form C-8000ITC, *SBT Investment Tax Credit*, on page 39, before continuing. Attach the completed schedule to the return.

Line 44, Tax After Investment Tax Credit. If claiming an ITC, enter the amount from Form C-8000ITC, line 37. If not claiming an ITC, carry the amount from line 43 to line 44.

The small business credit and the alternate tax are computed on Form C-8000C, *SBT Credit for Small Businesses and Contribution Credits*, on page 21. Review Form C-8000C to make sure all tax credits are taken for which the taxpayer is eligible. Attach the completed schedule to the return.

If the taxpayer is a member of a controlled group, the small business credit and alternate tax are computed on Form C-8009, *SBT Allocation of Statutory Exemption, Standard Small Business Credit and Alternate Tax for Members of Controlled Groups*, on page 57. Attach the completed schedule to the return.

Line 45. If claiming a small business credit or any contribution credits, enter the amount from Form C-8000C or Form C-8009. If not claiming these credits, carry the amount from line 44 to line 45.

Line 46, Unincorporated and S Corporation Credit. Taxpayers who are unincorporated or S Corporations are allowed a credit against the SBT. Multiply line 45 by the percent from the table below and enter the result on line 46.

Unincorporated/S Corporation Tax Credit Table

If business income* is:	The credit is:
$20,000 or less	20% of the SBT liability
More than $20,000 but less than $40,000	15% of the liability
$40,000 or more	10% of the liability

*See page 6 for tax years less than 12 months.

Line 47, Other Nonrefundable Credits. If claiming an Enterprise Zone Credit, a Michigan Economic Growth Authority Business Activity Credit, Renaissance Zone Credit, Michigan Historic Preservation Tax Credit, Brownfield Redevelopment Credit, Next Energy Credit, Low-Grade Hematite Pellet Credit or Pharmaceutical Credit, see Form C-8000MC, *SBT Miscellaneous Credits*, on page 49. Note that these credits have strict eligibility requirements.

Line 49, Tax After Nonrefundable Credits.

ⓘ **Important:** If apportioned or allocated gross receipts are less than $350,000 enter 0 (zero) on this line.

Special rules apply to members of a controlled group. See page 4, "Filing an SBT Annual Return." If a business operated less than 12 months, annualize gross receipts to determine if a tax liability exists.

Payments, Refundable Credit and Tax Due

Line 51, Estimated Tax Payments. Enter the total tax paid with Form C-8002, *SBT Quarterly Tax Returns*, or the estimated single business tax paid with Form 160, *Combined Return for Michigan Taxes*. 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.

Line 53, Refundable Credits. If claiming a Michigan Economic Growth Authority Employment Tax Credit, a Workers' Disability Supplemental Benefit Credit, an Apprenticeship Credit, or a Next Energy Credit, see Form C-8000MC, *SBT Miscellaneous Credits*, on page 49.

Line 56, Underpaid Estimate Penalty and Interest. If penalty and interest are owed for not filing estimated returns or for underestimating tax, complete Form C-8020, *SBT Penalty and Interest Computation for Underpaid Estimated Tax*, on page 65 to compute penalty and interest due. If a taxpayer prefers not to file this form, Treasury will compute penalty and interest and bill for payment.

Line 57, Annual Return Penalty and Interest. See "Computing Penalty and Interest" on page 8.

Line 58. Enter the amount of payment due here and on line 62. If less than zero, leave blank.

Line 59. If the amount of overpayment, less any penalty and interest due on lines 56 and 57 is less than zero, enter the difference (as a positive number) on lines 58 and 62. If the amount is greater than zero, enter on line 59.

ⓘ **Reminder:** Taxpayers must sign and date returns. If someone else has prepared the return, they must also sign and date the return. See "Signing the Return" on page 8. Print the names in the areas provided for the taxpayer and the tax preparer.

FEDERAL FORMS: Attach copies of these federal forms to the return.

- **Corporations -** U.S. *1120, 1120A*, pages 1 - 4. If filing as part of a consolidated federal return, attach a proforma or consolidated schedule.
- **S Corporations -** U.S. *1120S*, pages 1 - 4*
- **Individuals -** U.S. *1040*, *Schedules C, C-EZ, D* and *E* and *4797.*
- **Fiduciaries** - U.S. *1041, Schedule D*
- **Partnerships** - U.S. *1065*, pages 1 - 4* and *8825*.
- **Limited Liability Companies -** attach appropriate schedules shown above based on federal return filed.

**** Do not send copies of K-1s. Treasury will request them if they are needed.***

Note: This worksheet may not be all inclusive to all taxpayers. There may be additional amounts that are included in gross receipts for Single Business Tax purposes that may not be picked up for federal purposes.

WORKSHEET 1
GROSS RECEIPTS/BUSINESS INCOME
INDIVIDUALS AND FIDUCIARIES

PART 1: GROSS RECEIPTS

1.	*U.S. 1040, Schedule C* or *C-EZ*, gross receipts (net of returns)	________ .00
2.	*U.S. 1040, Schedule C*, other income	________ .00
3.	*U.S. 1040, Schedule D*, short and long term sales price	________ .00
4.	*U.S. 1040, Schedule E*,	
	a. Part I, total rents received	________ .00
	b. Total royalties received	________ .00
5.	*U.S. 4797*, gross sales price, business assets	________ .00
6.	Other receipts	________ .00
7.	Total gross receipts Add lines 1 - 6.	________ .00

PART 2: BUSINESS INCOME

8.	*U.S. 1040, Schedule C* or *C-EZ*, net profit or (loss)	________ .00
9.	*U.S. 1040, Schedule D*, gain or (loss)*	________ .00
10.	*U.S. 1040, Schedule E*, line 22 rent and royalty income or (loss)	________ .00
11.	*U.S. 4797* gains or (loss) not included in Schedule D	________ .00
12.	Other income	________ .00
13.	Total business income Add lines 8 through 12.	________ .00

**U.S. 1040D* and *4797*: Report only gains or losses from assets used in a business activity. Do not include personal gains and losses.

WORKSHEET 2
GROSS RECEIPTS/BUSINESS INCOME
CORPORATIONS

PART 1: GROSS RECEIPTS

1.	*U.S. 1120* or *1120A*, line 1c	________ .00
2.	*U.S. 1120* or *1120A*, lines 4-7	________ .00
3.	*U.S. 1120* or *1120A*, line 10	________ .00
4.	*U.S. 1120* or *1120A*, Schedule D short and long term sales price	________ .00
5.	*U.S. 4797*, gross sales price	________ .00
6.	Add lines 1-5	________ .00

PART 2: BUSINESS INCOME

Enter federal taxable income from *U.S. 1120* or *1120A.*

WORKSHEET 3
GROSS RECEIPTS/BUSINESS INCOME
PARTNERSHIPS OR S CORPORATIONS

PART 1: GROSS RECEIPTS

1.	*U.S. 1065* or *U.S. 1120S*	
	a. Gross receipts (net of returns)	________ .00
	b. Other income/receipts	________ .00
2.	*U.S. 8825*, gross income from real estate rentals	________ .00
3.	*U.S. 1065* or *1120S, Schedule D* short and long term sales price	________ .00
4.	*U.S. 1065* or *1120S, Schedule K*	
	a. Gross other rental income	________ .00
	b. Interest, dividend, royalty income	________ .00
	c. Other income	________ .00
5.	*U.S 4797*, gross sales price business assets	________ .00
6.	Other receipts	________ .00
7.	Total gross receipts Add lines 1 - 6.	________ .00

PART 2: BUSINESS INCOME

8.	*U.S. 1065* or *1120S, Schedule K,* Income (Loss)	
	a. Ordinary income (loss)	________ .00
	b. Net real estate rental income (loss)	________ .00
	c. Net other rental income (loss)	________ .00
	d. Interest, dividend & royalty income	________ .00
	e. Net short-term gain (loss)	________ .00
	f. Net long-term gain (loss)	________ .00
	g. Other portfolio income (loss)	________ .00
	h. Guaranteed payments to partners	________ . 00
	i. Other net gain (loss) under section 1231	________ .00
	j. Other income	________ .00
9.	Total income or (loss) Add lines 8a - 8j.	________ .00
10.	*U.S. 1065* or *1120S, Schedule K,* Deductions	
	a. Charitable contributions	________ .00
	b. Section 179 expense	________ .00
	c. Deductions related to portfolio income	________ .00
	d. Other deductions	________ .00
11.	Total deductions Add lines 10a - 10d.	________ .00
12.	Total business income Subtract line 11 from line 9.	________ .00

Note: Limited liability companies should choose the appropriate worksheet based on their federal return.

Gross Receipts Checklist

This checklist is not intended to be all encompassing.

Receipts include, but are not limited to:

- Receipts (sales price) from the sale of assets used in a business activity;
- Sale of products;
- Services performed;
- Gratuities stipulated on a bill;
- Sales tax collected on the sale of tangible personal property;
- Dividend and interest income;
- Gross commissions earned;
- Rents;
- Royalties;
- Professional services;
- Sales of scrap and other similar items;
- Client reimbursed expenses not obtained in an agency capacity;
- Gross proceeds from intercompany sales.

Receipts exclude:

- Proceeds from sales by a principal that are collected in an agency capacity solely on behalf of the principal and delivered to the principal;
- Amounts received as an agent solely on behalf of the principal that are expended by the taxpayer under certain circumstances;
- Amounts from gross income of a foreign corporation engaged in the international operation of aircraft under section 883(a) of the Internal Revenue Code;
- Amounts received by an advertising agency used to acquire advertising media time, space, production, or talent on behalf of another person;
- Amounts received by a person that manages real property owned by a client that are deposited into a separate account kept in the name of the client and that are not reimbursed and are not indirect payments for management services provided to that client.

For tax years beginning on or after October 1, 2003, receipts also exclude:

- Proceeds from the original issue of stock, equity instruments or debt instruments;
- Refunds from returned merchandise;
- Cash and in-kind discounts;
- Trade discounts;
- Federal, State or local tax refunds;
- Security deposits;
- Payment of the principal portion of loans;
- Value of property received in a like-kind exchange;
- Proceeds from a sale, transaction, exchange, involuntary conversion, or other disposition of tangible, intangible or real property that is a capital asset as defined in section 1221(a) of the Federal Internal Revenue Code or land that qualifies as property used in trade or business as defined in section 1231(b) of the Internal Revenue Code, less any gain from the disposition to the extent that gain is included in federal taxable income;
- Proceeds from an insurance policy, a settlement of a claim or a judgment in a civil action, less any proceeds that are included in federal taxable income;
- Proceeds from the taxpayer's transfer of an account receivable, if the sale that generated the account receivable was included in gross receipts for federal income tax purposes. This provision will not apply to a taxpayer who both buys and sells any receivables during the tax year.

Instructions for C-8044 Simplified Return

Purpose: This form allows qualifying taxpayers to file using the alternate tax rate only, while still taking their unincorporated/S Corporation credit.

General Instructions - Eligibility

Taxpayers are eligible to use this form for the alternate tax if **all** of the following conditions apply:

- Gross receipts do not exceed $9 million.
- Adjusted business income, after loss adjustment, does not exceed:
  - $475,000 for corporations and partnerships;
  - $95,000 for individuals or fiduciaries.
- No shareholder or officer has allocated income, after loss adjustment, over $95,000 (from Form C-8000KC, columns K or M).
- No partner has distributive income, after loss adjustment, over $95,000 (from Form C-8000KP).

  ⓘ **Note:** For the purpose of computing the small business credit, a member of an LLC is treated as a partner if the LLC is taxed as a partnership.
- The taxpayer is not a member of a controlled group or entity under common control.
- The taxpayer is not filing a consolidated return.
- The taxpayer is not apportioning business activity.

✔ **Corporations - Allocated income** for regular corporations is either:

- Shareholders' or officers' compensation and directors' fees from Form C-8000KC, column K, or
- Shareholders' compensation, directors' fees and share of business income, after loss adjustment, or loss from Form C-8000KC, column M.

If either of these is greater than $95,000, the corporation is not eligible for the full small business credit.

Allocated income for S Corporations is shareholders' compensation, directors' fees and share of business income, after loss adjustment, or loss from Form C-8000KC, column M.

ⓘ **Important:** If the allocated income after loss adjustment is more than $95,000, Form C-8000 must be filed.

Even if eligible to file this form, a taxpayer may pay a lower tax by filing Form C-8000, *Single Business Tax Annual Return*, and taking a standard small business credit using Form C-8000C, *SBT Credit for Small Businesses and Contribution Credits*. This is especially true if any of the following applies:

- A business loss carryforward exists or is established.
- A community foundations, homeless, public contributions or public utility property tax credit is taken or a nonrefundable credit is taken.
- An Investment Tax Credit may be taken.

Loss Adjustment. A taxpayer that is not eligible for the full small business credit or the alternate tax calculation due to an adjusted business income or allocated income disqualifier may benefit from Form 3307, *SBT Loss Adjustment Worksheet for the Small Business Credit*, on page 25. If the adjusted business income was less than zero in any of the five years immediately preceding the tax year for which the taxpayer is claiming a credit and a small business credit was received for that same year, the taxpayer may adjust for the loss. A loss adjustment will not affect a reduction to the small business credit based on gross receipts that exceed $9 million, nor will it change the amount of allocated income on Form C-8000KC, Column K for a C Corporation.

Tax period is less than 12 months. Annual returns must be filed for the same period as the federal income tax return. If a business operates less than 12 months, annualize gross receipts, business income and all shareholders', officers' and partners' income to determine which forms to file and the eligibility for a standard small business tax credit or alternate tax. Do not use annualized numbers on the return; use them only to determine filing requirements and qualifications for credits. See General Information, page 6 for complete annualizing instructions.

Line-By-Line Instructions

Lines not listed are explained on the form.

Refund only: If apportioned or allocated gross receipts are less than $350,000 and the taxpayer is filing this form only to claim a refund, skip lines 9-15 and 21-24.

Line 1, Taxable Year. If the business operates on a fiscal year, enter the beginning and ending dates, month and year, of the annual accounting period. For periods less than 12 months, enter the beginning and ending dates that correspond to the taxable period reported to the IRS.

Line 3, Business Start Date. Enter the start date of the first Michigan business activity.

Line 4, Principal Business Activity. Enter a brief description of business activity. For example, forestry, fisheries, mining, construction, manufacturing, transportation, communication, electric, gas, sanitary services, wholesale trade, retail trade, finance or services.

Line 5, Account Number. Be sure to use the same account number on all forms. Use the federal employer identification number (FEIN) or the Michigan Treasury (TR) number assigned. If the organization type is individual and an account number does not exist yet, enter the taxpayer's social security number and enter an S in the box to the right. For all other organization types that do not have an account number, leave line 5 blank.

Line 7, Organization Type. Check the box that describes the organization type. Limited Liability Companies should check the appropriate box based on their federal return.

Line 8, Gross Receipts. Use the checklist on page 18 as a guide to be sure receipts are totalled correctly. Use the appropriate worksheet on page 16 to determine gross receipts.

ⓘ **Note:** Line 8 is used only to determine filing requirements and small business credit eligibility; it is not part of the tax calculation.

Line 9, Business Income. Use the appropriate worksheet on page 16 to determine business income.

Line 10, Carryover or Carryback.

- **Fiduciaries and corporations.** Enter the sum of applicable net operating loss and capital loss from the federal schedule that was included in the business income reported on line 9. This cannot be a negative number.

Line 11, Compensation and Director Fees.

- **Corporations.** Complete Form C-8000KC, *SBT Schedule of Shareholders and Officers*, on page 43 before continuing. Attach the completed schedule to the return.
- **Partnerships and LLC Partnerships.** Complete Form C-8000KP, *SBT Schedule of Partners*, on page 47, before continuing. Attach the completed schedule to the return.

Line 14, Unincorporated/S Corporation Credit. Taxpayers who are unincorporated or are S Corporations are allowed a credit against the SBT. Multiply line 13 by the percent from the table below and enter the result on line 14.

Unincorporated/S Corporation Tax Credit Table

<u>**If business income* is:**</u>	<u>**The credit is:**</u>
$20,000 or less	20% of the liability
More than $20,000 but less than $40,000	15% of the liability
$40,000 or more	10% of the liability

*See page 6 for tax years less than 12 months.

Line 17, Estimated Tax Payments. Enter the total tax paid with Form C-8002, *SBT Quarterly Tax Return*, or the estimated single business tax paid with Form 160, *Combined Return for Michigan Taxes*. Include all payments made on returns that apply to the current year.

Line 19, Refundable Credits. If claiming a Michigan Economic Growth Authority Employment Tax Credit, a Workers' Disability Supplemental Benefit Credit, an Apprenticeship Credit, or a Next Energy Credit, see Form C-8000MC, *SBT Miscellaneous Credits*, on page 49.

Line 22, Penalty and Interest. If penalty and interest are owed for not filing estimated returns or for underestimating a tax, complete Form C-8020, *SBT Penalty and Interest Computation for Underpaid Estimated Tax*, on page 65 to compute penalty and interest due. If a taxpayer prefers not to file this form, Treasury will compute penalty and interest and bill for payment.

Line 23, Penalty and Interest. See "Computing Penalty and Interest" on page 8.

ⓘ **Reminder:** See "Signing the Return" on page 8.

Federal Forms: Attach copies of these federal forms to the return.

- **Corporations -** U.S. *1120, 1120A*, pages 1 - 4. If filing as part of a consolidated federal return, attach a proforma or consolidated schedule.
- **S Corporations -** U.S. *1120S*, pages 1 - 4*
- **Individuals -** U.S. *1040, Schedules C, C-EZ, D* and *E* and *4797*
- **Fiduciaries** - U.S. *1041, Schedule D*
- **Partnerships -** U.S. *1065*, pages 1 - 4* and *8825*.
- **Limited Liability Companies -** Attach appropriate schedules shown above based on federal return filed.

Do not send copies of K-1s. Treasury will request them if they are needed.

Instructions for C-8000C
Credit for Small Businesses and Contribution Credits

Purpose: To allow taxpayers to choose either the standard or alternate small business credit and to claim contribution credits.

The small business credit is reduced if an individual, a partner in a partnership or shareholder or officer of a corporation has allocated income after loss adjustment of more than $95,000. This reduction is based on the individual/partner/officer/shareholder with the largest allocated income.

ⓘ**Note:** For the purpose of computing the small business credit, a member of an LLC is treated as a partner if the LLC is taxed as a partnership.

General Instructions - Eligibility

Taxpayers are **not** eligible for either the standard small business credit or the alternate tax if any of the following conditions exist:

- Gross receipts exceed $10 million.
- Adjusted business income after loss adjustment exceeds:
  - $475,000 for corporations, partnerships and LLCs.
  - $115,000 for individuals or fiduciaries.
- Any shareholder or officer has allocated income after loss adjustment of over $115,000; or any partner has distributive share of income after loss adjustment of over $115,000, as determined on Form C-8000KC or Form C-8000KP.

✔ **Corporations - Allocated income** for regular corporations is either:

a. Shareholders' or officers' compensation and directors' fees from Form C-8000KC, column K, or

b. Shareholders' compensation, directors' fees and share of business income, after loss adjustment, or loss from Form C-8000KC, column M.

If either a or b is greater than $115,000, the corporation is not eligible for the small business credit. In addition, if either a or b is more than $95,000 but not more than $115,000, the corporation must reduce the small business credit based on the individual/partner/officer/shareholder with the largest allocated income.

✔ **S Corporation - Allocated income** for S Corporations is shareholders' compensation, directors' fees and share of business income, after loss adjustment, or loss from Form C-8000KC, column M.

If the tax year is less than 12 months, gross receipts, adjusted business income, partners' and shareholders' or officers' share of business income must be annualized to determine eligibility and to compute the small business credit. If annualized gross receipts exceed $9 million but do not exceed $10 million, annualize figures to compute Part 3. Part-year partners or shareholders must annualize their share of business income to determine their eligibility. See Annualizing on page 6.

Loss Adjustment. If taxpayers are not eligible for the full small business credit or the alternate tax calculation due to an adjusted business income or allocated income disqualifier, they may benefit from Form 3307, *SBT Loss Adjustment Worksheet for the Small Business Credit*, on page 25. If the adjusted business income was less than zero in any of the five years immediately preceding the tax year for which a taxpayer is claiming a credit and a small business credit was received for that same year, then adjust for the loss. A loss adjustment will not affect a reduction to the small business credit based on gross receipts that exceed $9 million. It will also not change the amount of allocated income on Form C-8000KC, Column K for a C Corporation.

Controlled groups or entities under common control, as defined in the IRC, are not eligible for the standard small business credit or alternate tax unless the business activities of the entities are consolidated, whether or not a consolidated SBT return is filed. This means the gross receipts, adjusted business income and tax base of **all** members of the group must be combined to determine eligibility and to compute this credit.

In other words, if the combined gross receipts exceed $10 million, the combined adjusted business income after loss adjustment exceeds $475,000, or any one individual, partner, shareholder or officer has allocated income after loss adjustment of more than $115,000 from any one member of the group, the group is not eligible for the credit.

If the group is eligible and files a consolidated SBT return, compute either the standard small business credit or alternate tax on a consolidated basis using Form C-8000C.

If separate SBT returns are filed, determine the combined credit and each member's share of the credit on Form C-8009, *SBT Allocation of Statutory Exemption, Standard Small Business Credit and Alternate Tax for Members of Controlled Groups*, on page 57. Attach a copy of Form C-8009 to each member's SBT return.

Line-By-Line Instructions

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of the annual return.

ⓘ**Note:** Skip to line 28 if this form is being used only to claim contribution credits and not a small business credit.

PART 1: Adjusted Business Income

Business income is adjusted by loss carryforwards and carrybacks from Form C-8000, *Single Business Tax Annual Return*. It is also adjusted by compensation and director's fees of active shareholders and officers from Form C-8000KC, *SBT Schedule of Shareholders and Officers*, on page 43.

PART 2: Small Business Credit

Compute either the standard or alternate credit.

The alternate tax computation is a simplified way of computing SBT while still allowing a small business credit. If filing ***only*** the alternate tax, a taxpayer may be able to complete Form C-8044, *Single Business Tax Simplified Return*, on page 17, instead.

ⓘ **Note:** The Simplified Return does not allow a contribution credit to be claimed or the calculation for reduced credit percentage required if an individual, partner in a partnership or shareholder or officer of a corporation has allocated income after loss adjustment of more than $95,000. Form C-8000, *Single Business Tax Annual Return*, must be filed.

Taxpayers may want to compute tax with the standard small business credit and with the alternate credit, then choose the most advantageous credit.

ⓘ **Important:** If an individual, partner in a partnership or shareholder or officer of a corporation has allocated income after loss adjustment of more than $95,000, a reduction to the small business credit is required. This reduction is based on the individual/partner/officer/shareholder with the largest allocated income. No reduction is required if allocated income is $95,000 or less. Use the Reduced Credit Table on the form to determine the reduced credit that applies.

ⓘ **Note:** For the purpose of computing the small business credit, a member of an LLC is treated as a partner if the LLC is taxed as a partnership.

Line 18b, Reduced Small Business Credit. Enter the percent from the Reduced Credit Table on the form and multiply line 18a by that amount. Enter the result on line 18b.

Line 19, Tax After Small Business Credit. Subtract either line 18a or 18b, whichever applies, from line 14 and enter on this line.

ⓘ **Note:** If gross receipts are equal to or less than $9 million and no contribution credits are being claimed, enter this amount on Form C-8000, line 45.

PART 3: Gross Receipts Reduction

Complete this section only if gross receipts are more than $9 million but do not exceed $10 million. Annualize for tax periods less than 12 months.

Line 26, Tax After Small Business Credit. If contribution credits are not being claimed, enter this amount on Form C-8000, line 45.

PART 4: Contribution Credits. Complete Part 4 only to claim contribution credits.

Line 29, Community Foundations Credit. A partial credit is allowed when donating to the endowment fund of a certified community foundation. A complete list of Certified Community Foundations is on page 73. Write the foundation code on line 29c. If a valid code is not entered, a credit will not be received.

Line 31, Homeless Shelter/Food Bank Credit. A partial credit is allowed when making a cash donation to a qualifying shelter for homeless persons, food kitchen, food bank or other entity whose primary purpose is to provide overnight accommodations, food or meals to indigent persons. For more information, request *Revenue Administrative Bulletin 1992-10.*

ⓘ **Note:** Individuals and fiduciaries claiming credits under section 261 of the Income Tax Act are not eligible for the Community Foundation Credit or the Homeless Shelter/Food Bank Credit.

Line 33, Public Contribution Credit.

- ✔ **Corporations, Partnerships and Limited Liability Companies -** A partial credit is allowed when donations are made during the taxable year to institutions of higher learning located in Michigan, Michigan public libraries, the Michigan colleges foundation, public broadcasting stations located in Michigan and any nonprofit corporation, fund, foundation, trust or association organized and operated exclusively for the benefit of institutions of higher learning located in Michigan.

Line 34, Public Utility Property Tax Credit.

- ✔ **Corporations -** Enter the total of all taxes imposed for the taxable year under P.A. 282 of 1905. This credit is for taxes assessed on properties of railroad, telegraph and other public utility companies. Taxpayers whose business activities consist of transportation services other than oil or gas by pipeline are not eligible for this credit.

Line 36, Tax After Credits. Subtract line 35 from line 32. Enter the result on Form C-8000, line 45.

Attach this schedule to the return.

Instructions for Form 3307
Loss Adjustment Worksheet for the Small Business Credit

Purpose: To adjust the adjusted business income to qualify for the small business credit or minimize the reduction percentage required.

If the adjusted business income was less than zero in any of the five years immediately preceding the tax year for which a credit is being claimed, and the taxpayer received a small business credit for that same year, adjust for the loss before figuring eligibility for the small business credit. A loss adjustment will not affect a reduction to the small business credit based on gross receipts that exceed 9 million. It will also not change the amount of allocated income on Form C-8000KC, Column K for a C Corporation.

PART 1: Current Year Amounts.

Use this part to determine the amount of loss adjustment necessary to qualify for the small business credit.

If a taxpayer is not eligible for the credit because the adjusted business income exceeds $475,000, complete lines 1 through 3.

If a taxpayer is not eligible because a shareholder whose allocated income exceeds $115,000 or a partner with distributive income that exceeds $115,000, complete lines 4 through 9 for the shareholder or partner creating the disqualifier.

ⓘ **Note:** For the purpose of computing the small business credit, a member of an LLC is treated as a partner if the LLC is taxed as a partnership.

A taxpayer may have to calculate both if there is more than one disqualifier. Complete lines 4 through 9 for ***each*** shareholder or partner who creates a disqualifier. The loss adjustment required is the largest amount needed to eliminate all disqualifiers.

Reduced small business credit. A reduction of the small business credit is required if an individual, a partner in a partnership or shareholder or officer of a corporation has allocated income after loss adjustment of more than $95,000. This reduction is based on the individual/partner/officer/shareholder with the largest allocated income.

Complete lines 4 through 9 for the shareholder or partner creating the need to reduce the small business credit.

The loss adjustment worksheet should always be calculated initially using $95,000 on line 5. This calculation will establish taxpayer eligibility without the need to reduce the small business credit. However, if the total loss available for the current year on line 13 does not equal or exceed the loss adjustment required on line 9, the taxpayer may still calculate a lesser loss adjustment to claim a reduced credit.

Try the calculation more than once. Substitute the numbers shown on the chart below on line 5 in order to maximize the claimed small business credit:

Line 5	Eligible % of credit
$ 95,000	100% - no reduction
$ 99,999	80%
$104,999	60%
$109,999	40%
$115,000	20%

The SBT loss adjustment worksheet is for corporations. To use it for a partnership or member of a controlled group, make these changes.

- ✔ **Partnerships.** Enter on line 6 any guaranteed payments made to the partner creating a $115,000 disqualifier. On line 8, divide by the percentage of ownership from Form C-8000KP, column D.
- ✔ **Controlled Groups.** A member of a controlled group may use this form for the shareholder compensation disqualifier (lines 4 through 9). The adjustment must come from the same company. The business income disqualifier must be calculated on a consolidated basis. Substitute consolidated figures for lines 1-3 and lines 10-15.

PART 2: Available Loss.

Use this section to determine the loss available from the five preceding years.

Line 10. Enter "Y" under each year that a small business credit was received.

Line 11. Enter the adjusted business income from Form C-8000C, line 9, for each tax year that reported a loss. Report the loss in parentheses.

Lines 12 - 15. Continue to fill out each year's column only if the taxpayer entered a "Y" on line 10 ***and*** the adjusted business income reported on line 11 was a loss.

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

Attach this schedule to the return.

Instructions for C-8000D
Recapture of Capital Acquisition Deduction

Purpose: To adjust the tax base for the disposal or transfer of depreciable real or personal property acquired in tax years beginning prior to January 1, 2000.

If the taxpayer disposed of depreciable real or personal property that was acquired in tax years beginning on or after January 1, 1976 and before January 1, 2000, complete this form and attach it to the annual return.

ⓘ **Note:** A sale of qualifying property reported on the installment method for federal income tax purposes causes a recapture of the entire gross proceeds in the year of the sale. The recapture is reduced by any gain reported in federal taxable income in the year of the sale. The gain attributable to the installment sale that is reported in subsequent years is subtracted from the tax base for those years.

Use Part 4 to compute the recapture for property moved out of the state. If more space is needed, attach separate schedules.

In Parts 1, 2 and 3 below, the calculation of gross proceeds may be reduced by selling expenses.

Line 2, Account Number. Enter the same account number used on page 1 of the Annual Return.

PART 1: Disposition of Depreciable Real Property Acquired in Tax Years Beginning Before October 1, 1989.

Enter gross proceeds from all dispositions of depreciable **real property** (property as described in IRC Section 1250) **located in Michigan** that was acquired on or after January 1, 1976 and in tax years beginning before October 1, 1989.

Line 3, Columns a through f. Give all the information required for each disposition in columns a through f.

Line 4, Columns e and f. Enter the total gross proceeds in column e. In column f, enter the total gain or loss included in federal taxable income. Total gain is before capital gain deduction.

Line 5, Adjusted Proceeds. Subtract the total gain or add the total loss on line 4, column f, to the gross proceeds on line 4, column e. A loss on line 4, column f, will increase the recapture.

Line 6, Apportioned Gains or (Losses). Multiply line 4f by the percentage from Form C-8000H, *SBT Apportionment Formula*, line 16 or 19, whichever applies.

Line 7, Apportioned Adjusted Proceeds. If line 6 is a gain, subtract it from 4e. If line 6 is a loss, add it to 4e.

PART 2: Disposition of Depreciable Personal Property Acquired in Tax Years Beginning Before October 1, 1989.

Enter gross proceeds from all dispositions of depreciable **personal property, wherever it is located,** that was acquired on or after January 1, 1976 and in tax years beginning before October 1, 1989.

Line 8, Columns a through f. Give all the information required for each disposition in columns a through f.

Line 9, Columns e and f. Enter the total gross proceeds in column e. In column f, enter the total gain or loss included in federal taxable income. Total gain is before capital gain deduction.

Line 10, Adjusted Proceeds. Subtract the total gain or add the total loss on line 9, column f, to the gross proceeds on line 9, column e. A loss on line 9, column f, will increase the recapture.

Line 11, Apportioned Adjusted Proceeds if Taxable in Another State. Multiply adjusted proceeds on line 10 by the capital acquisition apportionment percentage for the current year from Form C-8000H, line 23.

PART 3: Disposition of Depreciable Real and Personal Property That Was Sold or Otherwise Disposed of During the Tax Year.

Include the following:

- Property acquired in tax years beginning after September 30, 1989 and before January 1, 1997.
- Real and personal property acquired in tax years beginning after December 31, 1996 and prior to January 1, 2000 located in Michigan, or moved into Michigan after acquisition.
- Mobile tangible assets acquired in tax years beginning after December 31, 1996 and prior to January 1, 2000, whether located in Michigan or outside Michigan.

Mobile tangible assets are all of the following:

- Motor vehicles that have a gross vehicle weight rating of 10,000 pounds or more and are used to transport property or persons for compensation;
- Rolling stock (railroad freight or passenger cars, locomotives or other rail cars), aircraft and watercraft used by the owner to transport property or persons for compensation or used by the owner to transport the owner's property for sale, rental or further processing; and
- Equipment used directly in completion of, or in construction contracts for, the construction, alteration, repair or improvement of property.

Line 12, Columns a through f. Give all the information required for each disposition in columns a through f.

Line 13, Columns e and f. Enter the total gross proceeds in column e. In column f enter the total gain or loss included in federal taxable income. Total gain is before capital gain deduction.

Line 14, Adjusted Proceeds. Subtract the total gain or add the total loss on line 13, column f, to the gross proceeds on line 13, column e. A loss on line 13, column f, will increase the recapture.

Line 15, Apportioned Adjusted Proceeds if Taxable in Another State. Multiply the amount on line 14 by the apportionment percentage from Form C-8000H, line 16 or 19, whichever applies.

PART 4: Transfers Out of Michigan of All Depreciable Real and Personal Property, Other Than Mobile Tangible Assets, Acquired in Tax Years Beginning After December 31, 1996 for Business Use in Michigan That Were Eligible for a Capital Acquisition Deduction.

Line 16, Columns a through e. Give all the information required for each disposition in columns a through e.

Line 18, Apportioned Total Federal Basis. Multiply the amount on line 17 by the apportionment percentage from Form C-8000H, line 16 or 19, whichever applies.

PART 5: Total Recapture.

Line 19. Enter the total adjustment required as a recapture for the capital acquisition deduction. Also enter on Form C-8000, *Single Business Tax Annual Return*, line 35.

If taxable only in Michigan, add lines 5, 10, 14 and 17. If taxable in another state, add lines 7, 11, 15 and 18.

Attach this schedule to the return.

Instructions for C-8000G
Statutory Exemption/Business Income Averaging

Purpose: For **persons other than corporations** to average the taxpayer's business income with the previous four years to compute the taxpayer's statutory exemption.

- ✔ **Individuals, Partnerships, Fiduciaries and Limited Liability Companies -** If the taxpayer had four taxable years preceding the taxable year 2003 (1999 through 2003), average business income to determine the 2003 statutory exemption.

ⓘ **Note:** Business income averaging is used only to figure the statutory exemption. Do not use it as the current year business income on any form.

Taxable Year

A taxable year is one with business activity, whether or not an annual return was filed. A tax year for the SBT is the same period covered by the federal return.

Reorganizations

Certain reorganizations do not interrupt the averaging of the business income. If the parties of the reorganization are not corporations and controlling interest is kept in the resulting organizations (80 percent ownership) by previous owners, the taxable years of the previous owners may be used. Qualifying reorganizations must attach an explanation giving the name and account number of all persons involved and the date and description of the reorganization, e.g., individual to fiduciary.

Line 2, Account Number. Enter the same account number used on page 1 of the annual return.

Lines 3 through 7. For each taxable year, enter business income in column B as reported on the annual return. If business income for any taxable year is negative, enter "0." If the taxpayer was not required to file an annual return because gross receipts were less than filing requirements, use the appropriate worksheet on page 16 to determine business income. Attach the worksheet to this form.

If any tax year was less than 12 months, annualize the business income. To annualize, multiply the business income from the annual return by 12 and divide the result by the number of months the business operated. Enter the result in column B. Individuals are not required to annualize. For complete annualizing instructions and an explanation of a partial month, see General Information, page 6.

Line 8. Add the business income on lines 3 through 7 in column B.

Line 9. Divide the total business income determined on line 8 by the number 5 and enter this on line 9. If line 9 is greater than line 3, do not average business income. If line 9 is less than line 3, use the amount on line 9 to figure the statutory exemption. See the instructions for Form C-8043, *SBT Statutory Exemption Schedule*, on page 69. Do not use the averaged amount as the current year business income on any form.

Attach this schedule to the return.

Instructions for C-8000H
Apportionment Formula

Purpose: To determine the portion of tax base attributable to Michigan for a taxpayer whose business activity is subject to tax both within and without Michigan.

A taxpayer is subject to tax in another state if, in that state, the taxpayer is subject to a business privilege tax, a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, a corporation stock tax, a tax of the type imposed under the Michigan SBT Act, or that state has jurisdiction to subject the taxpayer to one or more of the taxes regardless of whether the tax is imposed. A taxpayer will be subject to a tax in another state if the taxpayer has due process and commerce clause nexus with that state.

General Instructions

Michigan tax is based only on the business activity conducted in Michigan. This activity is measured by three factors: property, payroll and sales.

Each factor is weighted; the weighted figures are then added to determine the portion of activity taxable in Michigan. The property and payroll factors are weighted at 5 percent and the sales factor is weighted at 90 percent. See example 1 on page 36. There are different formulas for transportation companies, financial organizations and other authorized taxpayers. See "Formulas for Special Situations" on page 36.

Carry all percentages to six decimal places. Do not round percentages. For example, 24.154256 becomes 24.1542 percent (.241542).

Complete the apportionment schedule using amounts for the taxpayer's business activity only. Do not include amounts from an interest in a partnership, S Corporation or LLC.

Property Factor

The property factor is equal to the average value of all real and tangible personal property owned or rented in Michigan divided by the average value of all property owned or rented everywhere, multiplied by the weighted factor. **Tangible personal property** includes machinery, tools, inventory, implements, equipment, goods, wares and merchandise. **Real property** includes land, buildings, leasehold improvements and construction in progress.

Determine the **average value** of property by averaging the values at the start and end of the tax period. The State Treasurer may require the periodic averaging of values during the tax year if reasonably required to reflect properly the average value of a taxpayer's property.

Value property owned at its original cost.

Value property rented at eight times the net annual rental rate, which is the annual rental rate paid, less any rental rate received from subrentals.

The factor is computed by dividing the total value of Michigan property on line 5 by the total value of all property belonging to the taxpayer on line 8.

Payroll Factor

Payroll consists of wages paid during the tax year.

The payroll factor is equal to total wages paid in Michigan divided by the total wages paid everywhere, multiplied by the weighted factor. **Total payroll should equal the amount entered on Form C-8000, line 12.**

For purposes of apportionment only, **wages** means wages as defined in IRC Section 3401.

Wages are considered paid in Michigan if:

- The employee's service is performed entirely in Michigan;
- The employee's service is performed in Michigan and in other states, but the service performed outside Michigan is incidental to the employee's service in Michigan;
- Some of the employee's service is performed in Michigan and the base of operations or the place from which the service is controlled is in Michigan; or
- The base of operations or place from which the service is controlled is not in any state in which some part of the service is performed, but the individual's residence is in Michigan.

The factor is computed by dividing the wages paid in Michigan during the tax year on line 10 by the total wages paid everywhere on line 11.

Sales Factor

Sales include the amounts received by the taxpayer as consideration from the following:

- The transfer of title to, or possession of, property that is stock in trade or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the tax period, or property held by the taxpayer primarily for sale to customers in the ordinary course of its trade or business.
- Performance of services which constitute business activity.
- Rental, leasing, licensing, or use of tangible or intangible property which constitutes business activity.

Sales do not include dividends, interest, and royalties received by the taxpayer to the extent deducted from the taxpayer's tax base. Sales do not include royalties not deducted from the tax base if they are paid to a franchisor as consideration for use outside the state of trade names, trademarks, and similar tangible property.

The sales factor is equal to total sales in Michigan divided by the total sales everywhere, multiplied by a weighted factor.

Sales of **tangible personal property** are attributable to Michigan if the property is shipped or delivered to any purchaser within Michigan regardless of the free on board (F.O.B.) point or other conditions of the sales.

Sales **other than the sale of tangible personal property** are attributable to Michigan if:

- The business activity is performed in Michigan;
- The business activity is performed both in Michigan and in other states, but based on the cost of performance, a greater proportion is performed in Michigan; or
- Receipts are derived from services performed for planning, designing, or construction activities within Michigan.

The factor is computed by dividing the total Michigan sales on line 13 by the total sales everywhere on line 14.

Example 1

Factor	Column A		Column B		Column C
Property	10%	x	5%	=	0.5%
Payroll	10%	x	5%	=	0.5%
Sales	50%	x	90%	=	45%
					46%

The apportionment percentage is 46%. Enter this percentage on line 16.

Formulas for Special Situations

Fewer Than Three Factors

If a business does not have three factors, i.e., if line 8, 11 or 14 is zero, reweight the factors to compute the apportionment percentage. To reweight, add the weighted percentages in column C for the current factors; then add the weighting factors in column B for the factors. Divide the sum of column C by the sum of column B. Use this percentage to figure the apportioned tax base on Form C-8000, line 33. See example 2.

Example 2

Factor	Column A		Column B		Column C
Property	10%	x	5%	=	0.5%
Payroll	none				
Sales	50%	x	90%	=	45%
			95%		45.5%

45.5% ÷ 95% = 47.8947% (.478947).

Enter this percentage on line 16.

Transportation of Oil by Pipeline

The apportionment percentage used for the transportation of oil by pipeline is based on barrel-miles. Enter on line 17 the barrel-miles transported in Michigan during the tax year. Enter on line 18 the total barrel-miles transported everywhere during the tax year. Divide line 17 by line 18. Use this percentage to figure the apportioned tax base on Form C-8000, line 33.

Transportation of Gas by Pipeline

The apportionment percentage used for the transportation of gas by pipeline is based on 1,000 cubic-foot miles. Enter on line 17 the 1,000 cubic-foot miles transported in Michigan during the tax year. Enter on line 18 the total 1,000 cubic-foot miles transported everywhere during the tax year. Divide line 17 by line 18. Use this percentage to figure the apportioned tax base on Form C-8000, line 33.

Other Transportation Services

The apportionment percentage used for other transportation services is based on revenue-miles. A **revenue-mile** means the transportation of one net ton of property or one passenger for the distance of one mile. For example: 40 tons x 100 miles = 4,000 revenue miles. Enter on line 17 the revenue-miles transported in Michigan during the tax year. Enter on line 18 the total revenue-miles transported everywhere during the tax year. Divide line 17 by line 18. Use this percentage to figure the apportioned tax base on Form C-8000, line 33.

If both property and passengers are transported, determine the portion subject to Michigan tax by first computing separate percentages, as described above, for property transported and for passengers transported. Then divide gross receipts for each activity by the total gross receipts. Multiply the percentage of gross receipts by the transportation percentage. Sum the results of both calculations and use this percentage to figure apportioned tax base on Form C-8000, line 33. See example 3.

Example 3: Formula for Transportation Services

$$\frac{\text{Michigan revenue-miles for property}}{\text{Total revenue-miles for property}} \times \frac{\text{Gross receipts for property}}{\text{Total gross receipts}} + \frac{\text{Michigan revenue-miles for people}}{\text{Total revenue-miles for people}} \times \frac{\text{Gross receipts for people}}{\text{Total gross receipts}}$$

$$= \text{The apportionment percentage}$$

Financial Organizations

The apportionment percentage used by a financial organization is based on gross business. **Gross business** is the sum of:

- Fees, commissions or other compensation for financial services;
- Gross profits from trading in stocks, bonds, or other securities;
- Interest charged to customers for carrying debit balances of margin accounts without deduction of any costs incurred in carrying the accounts;
- Interest and dividends received; plus
- Any other gross income resulting from operations as a financial organization.

Enter on line 17 gross business in Michigan during the tax year. Refer to RAB 2002-14, Single Business Tax – Apportionment Sourcing for Financial Organizations, for more information. Enter on line 18 the total gross business everywhere during the tax year. Divide line 17 by line 18. Use this percentage to figure apportioned tax base on Form C-8000, *Single Business Tax Annual Return*, line 33.

Line-By-Line Instructions

If 100 percent of property and payroll are attributable to Michigan, the taxpayer must show proof that substantial nexus has been created with another state. Attach copies of returns filed with that state or a description of activity in that state to help us verify nexus.

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of the annual return.

PART 1: Computation of Apportionment Percentage

Line 9, Percentage. Multiply the amount in column A by 5 percent and enter the total in column C.

ⓘ **Note:** The State Treasurer may require periodic averaging of property values during the tax year if this is reasonably required to reflect the average value of the filer's property.

Line 12, Percentage. Multiply the amount in column A by 5 percent and enter the total in column C.

Line 15, Percentage. Multiply the amount in column A by 90 percent and enter the total in column C.

Line 16, Apportionment Percentage. Add the percentages in column C, lines 9, 12 and 15 to arrive at the apportionment percentage. Use this percentage to apportion: (1) The tax base on Form C-8000, line 33, unless the taxpayer has fewer than 3 factors or uses a formula for a special situation, (2) The recapture of capital acquisition deduction on Form C-8000D, and (3) The capital investments and recapture on Form C-8000ITC.

PART 2: Transportation Services, Financial Organizations, or Taxpayers Authorized to Use a Special Formula

Lines 17-19. Use these lines if the taxpayer (1) provides transportation services, (2) is a financial organization, or (3) is authorized by the State Treasurer to use a special formula. See "Formulas for Special Situations" on page 36. Attach a detailed explanation if these lines are used.

PART 3: Capital Acquisition Apportionment

Complete this section only if the taxpayer disposed of depreciable personal property that was acquired in a tax year beginning before October 1, 1989.

Line 23, Average Percentage. If both property and payroll factors exist, for example, amounts greater than zero were entered on lines 8 and 11, divide line 22 by 2 to get the average percentage. If only one factor exists, enter the percentage shown on line 22.

Use this percentage to compute the recapture of capital acquisition deduction on Form C-8000D, line 11.

Attach this schedule to the return.

Instructions for C-8000ITC Investment Tax Credit

Purpose: To calculate an Investment Tax Credit (ITC) or an ITC recapture to be applied against the tax liability.

For tax years beginning after 1999, taxpayers may claim an ITC for a percentage of the net costs paid or accrued in a taxable year for qualifying tangible assets physically located in Michigan. The assets must be of a type that are or will become eligible for depreciation or amortization for federal income tax. Mobile tangible assets, wherever located, which would be subject to apportionment in the same manner as the tax base, and assets purchased or acquired for use outside the state and later moved into the state, also qualify for the ITC. The ITC must be taken before any other credit.

The ITC is calculated by multiplying net capital investments made in Michigan during the taxable year by an annualized percentage determined by dividing the SBT tax rate in effect for the year by the pre-1999 rate of 2.3%. The result is multiplied by a percentage based on adjusted gross receipts.

The ITC is not available if a gross receipts reduction to the adjusted tax base is taken to arrive at the tax liability. If the adjusted tax base is greater than 50% of the adjusted gross receipts, the adjusted tax base may be reduced by the excess on Form C-8000S, *SBT Reductions to Adjusted Tax Base*. In addition, the SBT Act allows taxpayers to reduce the adjusted tax base when the percentage of the tax base attributable to compensation exceeds 63%. If this reduction is elected, the ITC must also be reduced.

If a taxpayer acquires depreciable real or personal property during the taxable year, or disposed of depreciable real or personal property that was acquired in a tax year beginning after December 31, 1999, complete this form and attach it to the annual return.

Line-By-Line Instructions

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of the Annual Return.

PART 1: Capital Investments.

Use Part 1 to determine the total eligible capital investments for the tax year. If more space is needed for any item, attach a separate sheet with appropriate information.

Line 3. Enter the description, location, date acquired and the total cost paid or accrued of all eligible depreciable tangible assets located in Michigan that were acquired during the tax year.

Line 5. Enter the description, location, date physically located in Michigan and the federal adjusted basis as of the date moved, of all eligible depreciable tangible assets purchased or acquired for use outside of Michigan in a tax year beginning after December 31, 1996 that were moved into Michigan during the tax year for a business use. Do not include Mobile Tangible Assets. The cost is the federal basis used for determining gain or loss as of the date the asset is physically located within the state.

Line 7. Enter the description, location, date acquired and the total cost paid or accrued for all depreciable mobile tangible assets that were acquired during the tax year, whether located in Michigan or outside Michigan.

Mobile tangible assets are all of the following:

- Motor vehicles that have a gross vehicle weight rating of 10,000 pounds or more and are used to transport property or persons for compensation;
- Rolling stock (railroad freight or passenger cars, locomotives, or other railcars), aircraft and watercraft used by the owner to transport property or persons for compensation or used by the owner to transport the owner's property for sale, rental or further processing; and
- Equipment used directly in completion of, or in construction contracts for, the construction, alteration, repair or improvement of property.

Line 9, Apportioned Mobile Tangible Assets. If taxable in another state, multiply line 8 by the percentage from Form C-8000H, *SBT Apportionment Formula*, line 16 or 19, whichever is applicable.

Line 10, Total Capital Investments. Add lines 4, 6 and 8 or 9 whichever applies. This amount will be used to determine the Net Capital Investment in Part 3.

Line 11. This figure is being requested for statistical purposes only. Collection of this information is authorized under MCL 208.80(3).

PART 2: Recapture of Capital Investments.

Use Part 2 to compute the adjusted proceeds (proceeds include any benefit derived) from the disposition of depreciable real or personal property that was acquired in a tax year beginning after December 31, 1999 and the recapture for property moved out of state. If more space is needed for any item, attach a separate sheet with the appropriate information.

Line 12, columns a through f. Enter gross proceeds from all dispositions of **depreciable tangible assets located in Michigan** that were acquired or moved into Michigan after acquisition in a tax year beginning after December 31, 1999 and were sold or otherwise disposed of during the tax year. Give all the information required for each disposition in columns a-f.

Line 13, columns e and f. Enter the total gross proceeds in column e. In column f enter the total gain or loss included in federal taxable income. Total gain is before capital gain deduction.

Line 14, Adjusted Proceeds. Subtract the total gain or add the total loss on line 13, column f, to the gross proceeds on line 13, column e. A loss on line 13, column f, will increase the recapture.

Line 15, Apportioned Gains or (Losses). Multiply line 13f by the percentage from Form C-8000H, line 16 or 19, whichever applies.

Line 16, Apportioned Adjusted Proceeds. If line 15 is a gain, subtract it from 13e. If line 15 is a loss, add it to 13e.

Line 17, Mobile Tangible Assets. Enter gross proceeds from all dispositions of **depreciable mobile tangible assets** that were acquired in a tax year beginning after December 31,1999 and were sold or otherwise disposed of during the tax year. Give all the information required for each disposition in columns a-f.

Line 18, columns e and f. Enter the total gross proceeds in column e. In column f, enter the total gain or loss included in federal taxable income. Total gain is before capital gain deduction.

Line 19, Adjusted Proceeds. Subtract the total gain or add the total loss on line 18, column f, to the gross proceeds on line 18, column e. A loss on line 18, column f, will increase the recapture.

Line 20, Apportioned Adjusted Proceeds. Multiply line 19 by the percentage from Form C-8000H, line 16 or 19, whichever applies.

Line 21. Enter all the **depreciable tangible assets** other than mobile property acquired in tax years beginning after December 31, 1996 that were eligible for the ITC in tax years beginning after December 31, 1999 and were **transferred outside Michigan** during the tax year. Give all the information required for each disposition in columns a-e.

Line 23, Total Recapture of Capital Investments. If taxable only in Michigan, add lines 14, 19 and 22. If taxable in another state, add lines 16, 20 and 22.

PART 3: Net Capital Investment

Line 24, Net Capital Investment. Subtract line 23, Total Recapture of Capital Investments from line 10, Total Capital Investments.

PART 4: Calculation of Investment Tax Credit

Line 26, ITC. Multiply the result of line 25 by the adjusted gross receipts percentage from the table below. Please indicate that percentage on the form.

INVESTMENT TAX CREDIT
Adjusted Gross Receipts Percentage Table

Adjusted gross receipts	Use this percentage
$1,000,000 or less	2.3% (.023)
$1,000,001 - $2,500,000	1.5% (.015)
$2,500,001 - $5,000,000	1.0% (.01)
$5,000,001 and above	0.85% (.0085)

Adjusted gross receipts for the purpose of the ITC means gross receipts, apportioned or allocated to Michigan, plus recapture of the Capital Acquisition Deduction for assets acquired in tax years beginning before 1/1/2000 and the ITC recapture adjustments on line 23 of this form for assets acquired in tax years beginning after 12/31/99. Adjusted gross receipts must be annualized if the return is for a period of less than 12 months. Controlled groups must use the amount on Form C-8010AGR, *SBT Adjusted Gross Receipts for Controlled Groups*, line 6.

ⓘ **Important:** For further information about adjusted gross receipts, see "Notice to Single Business Tax Filers" on page 75 of this booklet.

Line 27, Investment Tax Credit. Multiply line 26 by line 24, Net Capital Investments. If the result is a negative number, do not complete Part 5, go to Part 6.

Complete Part 5 only if a compensation reduction was taken on Form C-8000S, *SBT Reductions to Adjusted Tax Base*. If a compensation reduction was not taken, go to part 6.

PART 5: Compensation Reduction Adjustment to Investment Tax Credit.

Line 29. Multiply line 28 by the percentage used on Form C-8000S, line 6. Please indicate that percentage on the form.

Line 30, Reduction. Multiply line 29 by line 27. This reduction cannot exceed the ITC reported on line 27. If this amount is greater than line 27, a taxpayer is not eligible for this credit and should enter 0 on line 31.

Line 31, Reduced Investment Tax Credit. Subtract line 30 from line 27.

PART 6: Determining Tax Liability.

Line 32. Enter the amount from Form C-8000, line 43, Tax Before All Credits.

Line 33. Enter the amount from either line 27 or 31, whichever applies.

Line 35. Add lines 33 and 34 and enter the total. If the total is a negative amount, the tax liability will increase.

Line 36. Enter the smaller of lines 32 or 35.

Line 37, Tax Liability. Subtract line 36 from line 32. If line 36 is a negative number, it must be added to line 32 to determine tax liability. This amount is entered on Form C-8000, line 44.

Line 38, Credit Carryforward. If the total of available credit on line 35 is greater than the tax liability on line 32, enter the difference here. This amount can be carried forward for 9 years from the year it was created.

Attach this schedule to the return.

Instructions for C-8000KC
Schedule of Shareholders and Officers

Purpose: For all **corporations** to determine eligibility for the standard small business credit or alternate tax and for professional and S Corporations to determine which shareholders qualify for the increased exemption.

ⓘ **Note:** For purposes of computing the statutory exemption only, a member of an LLC is treated as a shareholder if the LLC is taxed as a corporation.

If filing as a corporation and claiming a statutory exemption, standard small business credit or calculating the alternate tax, complete this form and attach it to the annual return to report:

- Qualified shareholders for the increased statutory exemption.
- Compensation and director fees of all shareholders for the computation of the statutory exemption.
- Shareholders and officer qualifications for the small business credit or alternate tax.
- Compensation and director fees of active shareholders and all officers for the computation of the small business credit or alternate tax.

Line-By-Line Instructions

Lines not listed here are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of the annual return.

PART 1: Shareholders and Officers

Line 3 (Columns A-M). In column 3A, a through h, list and describe all shareholders and officers who:

- Are employees of the corporation;
- Are directors of the corporation; or
- Own 20 percent or more of the stock of the corporation, including those by attribution.

Shareholder means a person who owns outstanding stock in the business. An individual is considered as owning the stock, directly or indirectly, by or for family members as defined by IRC Section 318(a)(1). An **officer** of any corporation, **other than an S Corporation**, includes the chairperson of the board, president, vice-president, secretary and treasurer, or persons performing similar duties.

Columns A and B: Identify each officer and shareholder (including corporation and trust and those with ownership by attribution) by name and social security number. Corporations or trusts should be identified using federal employer identification number (FEIN).

ⓘ **Note:** Rules of attribution do not differentiate between an adult and a minor child [IRC Section 318(a)(1)].

Column D: Enter the percentage of each shareholder's time that is spent working in this business. This is used for the statutory exemption only.

Column E: Enter the percentage of outstanding stock each officer or shareholder owns. If a shareholder owned stock for a period less than the corporation's tax year, multiply that shareholder's percentage of ownership by the number of months owned and divide the result by the number of months in the corporation's tax year.

Taxpayers must account for 100 percent of the stock. If it is not accounted for, processing of the return may be delayed.

Column F: Enter the percentage of outstanding stock each shareholder owns, including attribution of ownership from family members under IRC section 318(a)(1). The percentage of ownership in column F **must be greater than or equal** to the percentage of ownership in column E.

Column G: Enter the percentage of outstanding stock each shareholder owns, including attribution of ownership **only** from, or to, family members who are **not** active shareholders. See definition of active shareholders on the next page. For the purposes of determining disqualification, an active shareholder's share of business income is not attributed to another active shareholder.

ⓘ **Note:** Column G is the same as Column F, minus any attribution between two active shareholders. All columns should add up to at least 100 percent.

Example

In this case, the husband and daughter are active shareholders. The wife and son are not active because compensation, directors fees or dividends from the business are less than $10,000.

STOCK PERCENTAGE

	Column E	Column F	Column G
Husband (active)	40%	100% (all shareholders)	70% (husband/wife/son)
Wife (inactive)	10%	100% (all shareholders)	100% (all shareholders)
Son (inactive)	20%	70% (husband/wife/son)	70% (husband/wife/son)
Daughter (active)	30%	80% (husband/wife daughter)	40% (wife/daughter)

Column H: Enter total dividends received by each shareholder during the tax year from this business (used to determine active shareholders). This includes regular distributions for an S Corporation.

Column I: Enter salaries, wages and director's fees from Form C-8000, line 12 that are attributable to each shareholder or officer.

Column J: Enter employee insurance payments and pensions from Form C-8000, lines 13 through 15, that are attributable to each shareholder or officer.

Column L: In determining share of business income, the Department of Treasury cannot attribute stock ownership between two active shareholders.

Multiply the amount on Form C-8000C, *SBT Credit for Small Businesses and Contribution Credits*, line 6 (sum of business income and losses) by the percentage in column G for each shareholder and enter the result in column L.

Members of a controlled group or affiliated companies. Multiply the percentage in column G by the sum of the following:

- Business income on Form C-8000, line 11
- Any capital loss carryover or carryback on Form C-8000, line 21
- Any net operating loss carryover or carryback on Form C-8000, line 22

Remember, percentages in column G must be equal to or greater than those in column E.

PART 2: Statutory Exemption

Line 4, Qualified Shareholders. S Corporations and professional corporations, enter on line 4 the number of shareholders who qualify for the increased exemption. Enter the same number on Form C-8043, *SBT Statutory Exemption Schedule*, line 8a.

A qualified shareholder:

- Is a shareholder of an S Corporation or professional corporation (PC), and
- Is a full-time employee of the taxpayer or devotes at least 51 percent of his or her time to the business (column D = 51 percent or more), and
- Owns, without attribution, at least 10 percent of the business (column E = 10 percent or more), and
- Has a share of business income of at least $12,000. Share of business income = compensation + share of business income determined without attribution.

For short-period returns or a part-year shareholder, the shareholder's business income must be annualized to meet this requirement. See page 6.

ⓘ **Note:** A person cannot serve as a qualified shareholder in more than one business.

Line 5, Compensation and Director's Fees of All Shareholders. All corporations, regardless of type, should add the compensation and director's fees in column K for each shareholder showing ownership in column E and enter the result on Form C-8043, line 5.

ⓘ **Note:** Complete Form C-8043 to determine the allowable exemption.

PART 3: Small Business Credit

Line 6, Compensation and Director's Fees of Active Shareholders. Add compensation and director's fees in column K for each active shareholder and enter the result on line 6 and on Form C-8000C, line 7.

An active shareholder:

- Is a shareholder of the corporation, ***including through attribution*** and
- Owns at least 5 percent of outstanding stock, ***including through attribution*** (column F = 5 percent or more), and
- Receives at least $10,000 in compensation, director fees or dividends from the business (sum of columns H and K = $10,000 or more).

For short-period returns or a part-year shareholder, the shareholder's compensation, director fees and dividends must be annualized to meet this requirement. See page 6 for complete annualization instructions.

Line 7, Compensation and Director Fees of Officers. Add the compensation and director fees in column K for each officer who is **not** an active shareholder and enter the result on line 7 and on Form C-8000C, line 8.

Remember, officers of an S Corporation are not included in this calculation.

ⓘ **Note:** If filing Form C-8044, *Single Business Tax Simplified Return*, enter the total of lines 6 and 7 on line 11 of that form.

Attach this schedule to the return.

Instructions for C-8000KP
Schedule of Partners

Purpose: For all **partnerships** to determine eligibility for the partnership's standard small business credit or alternate tax and which partners qualify for the increased exemption.

ⓘ **Note:** For purposes of computing the statutory exemption and the small business credit, a member of an LLC is treated as a partner if the LLC is taxed as a partnership.

For claiming an increased statutory exemption, **a qualified partner** is one who:

- Spends at least 51 percent of his or her time working in the business, i.e., column C is 51 percent or more, **and**
- Owns at least 10 percent of the business, i.e., column D is 10 percent or more, **and**
- Has a share of business income in column E of at least $12,000.

Line-By-Line Instructions

Lines not listed here are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of the Annual Return.

PART 1: Partner Identification

Line 3 (Columns A-E).

Column C: Enter the percentage of each partner's time that is spent working in the business.

Column D: Enter the percentage of profits or capital interest of this partnership owned by each partner. If a partner owned this interest for a period less than the partnership's tax year, multiply that partner's percentage of ownership by the number of months owned and divide the result by the number of months in this partnership's tax year.

Column E: Enter each partner's distributive share of income, losses and deductions from U.S. *1065, Schedule K-1.* See partnership business income on Worksheet 3, on page 16. Each partner's distributed share includes guaranteed payments to partners. If any partner has a share of business income in column E of over $115,000, the partnership is not eligible for the standard small business credit or the alternate credit.

PART 2: Qualified Partners for Statutory Exemption

Line 5. Enter the total number of partners who qualify for the increased exemption. Enter this same number on Form C-8043, *SBT Statutory Exemption Schedule,* line 8a.

For short-period returns or part-year partners, the partner's share of business income must be annualized to meet this requirement.

ⓘ **Note:** A person cannot be a qualified partner or shareholder in more than one business.

Example of Qualified Partners

Business Income reported on Form C-8000, line 11, equals $34,000, which includes guaranteed payments to partners of $18,000. Guaranteed payments to partners are assigned to the appropriate partner, in this case $9,000 each to partners A and B. Each partner's distributive share of the remaining income is then calculated based on the percentage of the partnership owned.

Partners	%Time	%Own	Share
A	100	25	$13,000
B	100	25	$13,000
C	0	50	$ 8,000

Only partners A and B of this partnership qualify. Both A and B devote at least 51 percent of their time, own at least 10 percent of the business and have business income of at least $12,000. Business income of A and B includes $4,000 ordinary income plus $9,000 guaranteed payments.

Attach this schedule to the return.

Instructions for C-8000MC
Miscellaneous Credits

Purpose: To allow eligible taxpayers to claim the Michigan Economic Growth Authority (MEGA), Workers' Disability Supplemental Benefit (WDSB), Apprenticeship, Next Energy, Enterprise Zone, Michigan Historic Preservation, Low Grade Hematite Pellet, Pharmaceutical, Renaissance Zone and Brownfield credits. Review the descriptions carefully before claiming a credit as there are strict eligibility requirements. Follow the instructions on the form for each credit.

PART 1: Refundable Credits

The MEGA Employment Tax Credit promotes economic growth and jobs in Michigan. Projects must be certified by MEGA. Approved businesses receive a certificate from MEGA each year showing the total amount of tax credit allowed. Attach the *Annual Tax Credit Certificate* to the return to substantiate a claim. The credit will be disallowed if the certificate is not attached. For more information, call the Michigan Economic Development Corporation (MEDC) at 517-373-9808 or visit the MEDC Web site at **medc.michigan.org/miadvantage**.

The WDSB Credit is available to self-insured employers only for the amount authorized by the Department of Labor and Economic Growth (DLEG) during the tax year. The authorization date and the amount of credit are on the credit list (LW06401-Z04) given to taxpayers by DLEG. Attach a copy of the credit list(s) to the return to substantiate claims. For more information on WDSB credit eligibility, call DLEG, Bureau of Workers' Disability Compensation, at 517-322-1879 or 1-888-396-5041 or visit the DLEG Web site at **www.michigan.gov/dleg.**

The Apprenticeship Credit encourages businesses to hire and provide training to qualified students. The credit equals 50 percent of the payroll expenses paid for the benefit of an apprentice in a qualified program *plus* 100 percent of the cost of classroom instruction and related expenses. Apprentices must be 16-19 years old and enrolled in either high school or a GED program. The maximum credit is $2,000 annually per apprentice. To substantiate claims, attach a copy of an approved federal form *ETA 671* to the return for each apprentice. For more information, call the U.S. Department of Labor, Bureau of Apprenticeship and Training, at 517-377-1746 or visit Michigan's School-to-Registered Apprenticeship Program and Tax Credit Web site at **www.michigan.gov/mdcd** and click on "fact sheets".

The Next Energy Payroll Credit provides a payroll credit to qualified businesses located within an alternative energy renaissance zone. Qualified businesses must be engaged solely in the research, development or manufacturing of an alternative energy technology. The credit is equal to the payroll amount for the tax year attributable to employees who are working on alternative energy-related research, development or manufacturing and whose regular place of employment is within the zone, multiplied by the income tax rate for that year.

PART 2: Nonrefundable Credits

The Enterprise Zone Credit was created to encourage businesses to locate and expand in areas with high unemployment, low income, high property taxes and low property value. A certified business is eligible for a credit equal to the amount of tax liability attributable to business activity in the enterprise zone for 10 years from the date the business was certified. The only certified enterprise zone eligible for this credit is in Benton Harbor. No new applications are being accepted for this credit. Be sure to enter the street address or the parcel number of the property before beginning the calculation. For more information, see Revenue Administrative Bulletin 1993-10 or call the MEDC at 517-373-9808.

The Michigan Historic Preservation Credit provides tax incentives for homeowners, commercial property owners and businesses to rehabilitate historic resources located in Michigan. The credit is based upon the qualified expenditures made for rehabilitating historic resources.

Form 3581, *Michigan Historic Preservation Tax Credit*, must be attached as well as all attachments requested on that form.

Complete and attach Form 3614, *Michigan Historic Preservation Tax Credit Assignment*, if the credit is being assigned.

Questions regarding federal and state certification may be directed to the State Historic Preservation Office at 517-373-1630.

For additional information, visit the State Historic Preservation Office Web site at: **www.michigan.gov/hal.**

Information about Federal Historic Preservation Tax Incentives is available at: **www2.cr.nps.gov**

Forms are available on Treasury's Web site at **www.michigan.gov/treasury**.

The Low-Grade Hematite Pellet Credit provides a credit equal to $1.00 per long ton of qualified low-grade hematite pellets consumed in an industrial or manufacturing process that is the business activity of the taxpayer. This credit shall be based on low-grade hematite pellets consumed on or after January 1, 2000. If the credit exceeds the tax liability, the difference may be carried forward for the next 5 tax years.

The Next Energy Business Activity Credit allows an eligible taxpayer, for tax years beginning after 2002, to claim a credit for certain qualified business activity if certified under the Michigan Next Energy Authority Act.

"Qualified business activity" is research, development or manufacturing of an alternative energy marine propulsion system, an alternative energy system, an alternative energy vehicle or alternative energy technology (as defined in the Act) or renewable fuel. The credit for a tax year is equal to the amount by which the taxpayer's SBT liability attributable to qualified business activity for the tax year exceeds the taxpayer's baseline tax liability attributable to qualified business activity. Attach the certificate issued by MEDC for this credit to the return to substantiate a claim.

For more information, call the MEDC at 517-373-9808 or visit their Web site at **medc.michigan.org/advmfg.**

The Pharmaceutical Credit provides a credit for qualified research expenses (as defined in section 41 of the IRC) related to the taxpayer's pharmaceutical-based business activity in Michigan. Eligible taxpayers must be primarily engaged in manufacturing, research, development and sale of pharmaceuticals; have at least 8,500 employees in Michigan whose primary place of employment is within a 100-mile radius of each other, where at least 5,000 of these Michigan employees must be engaged primarily in research and development of pharmaceuticals. The credit is equal to 6.5% of the amount by which the taxpayer's qualified research expenses relating to pharmaceutical-based business activity in this state for the tax year exceeds the average of those expenses that it paid for the immediately preceding three tax years. The credit may not exceed 200% of the average qualified research expenses relating to pharmaceutical-based business activity in this state for the three preceding tax years. If the credit exceeds the tax liability for the year, the difference may be carried forward for the next seven tax years. Complete and attach Form 4079, *Michigan Pharmaceutical Credit Assignment*, if the credit is being assigned.

The Old Brownfield Credit was available for tax years that began after December 31, 1996 and before January 1, 2001. The credit carryforwards from credits that were previously approved may still be applied against the current tax liability until the credit is used up or the 10-year limitation has been reached.

The Renaissance Zone Credit encourages businesses and individuals to move into a designated zone to help revitalize the area. A business located and conducting business activity within the Zone may claim a credit for tax years beginning after December 31, 1996. Beginning with the 2003 tax year, the method of calculating the credit is different for businesses first locating and conducting business activity within a Renaissance Zone before December 1, 2002, and those businesses first locating and conducting business activity within a Renaissance Zone after November 30, 2002. Be sure to enter the street address or the parcel number of the property before beginning the calculation.

Business activities relating to a casino, including operating a parking lot, hotel, motel or retail store, cannot be used to calculate this credit. Businesses delinquent in filing or paying property tax, single business tax or city income tax as of December 31 of the prior tax year are not eligible for this credit. Taxpayers will be notified if a claimed credit is disallowed.

For more information on Renaissance Zones, contact the MEDC at 517-373-9808 or visit their Web site at **medc.michigan.org/miadvantage**. For information on the SBT credit, contact the Michigan Department of Treasury, Customer Contact Division, SBT Unit at 517-636-4700.

The New Brownfield Credit, extended through 2007, encourages businesses to make investment on eligible Michigan property that was used or is currently used for commercial, industrial, or residential purposes and is either a facility (environmentally contaminated property), functionally obsolete, or blighted. Functionally obsolete or blighted property must be located in a qualified local governmental unit. For the purpose of this credit, the local Brownfield Redevelopment Financing Authority designates eligible property in an approved Brownfield plan.

For the credit to be valid, attach the *Certificate of Completion*, issued after completion of the approval process, to the return. If the credit is being assigned, attach documentation verifying that the credit is valid. If the credit exceeds the tax liability for the year, the difference may be carried forward for the next 10 tax years.

For more information on the approval process for the Brownfield Credit visit Treasury's Web site at **www.michigan.gov/treasury**.

The MEGA Business Activity Tax Credit promotes economic growth and jobs in Michigan. Projects must be certified by MEGA. Each year, approved businesses receive a certificate from MEGA showing the total amount of tax credit allowed. Attach the *Annual Tax Credit Certificate* to the return to substantiate a claim. The credit will be disallowed if the certificate is not attached. If the credit exceeds the tax liability for the year, the difference may be carried forward for the next 10 tax years. For more information, contact the MEDC at 517-373-9808 or visit their Web site at **medc.michigan.org/miadvantage.**

Attach this schedule to the return.

Instructions for C-8000S
Reductions to Adjusted Tax Base

Purpose: To allow filers to reduce adjusted tax base (ATB) by excess compensation or gross receipts.

If either of the following applies, taxpayers may reduce their ATB before figuring their tax.

- Compensation Reduction: Total compensation from Form C-8000, *SBT Annual Return*, line 16, comprises more than 63 percent of tax base.
- Gross Receipts Reduction: ATB from Form C-8000, line 40, is greater than 50 percent of gross receipts plus recapture of capital acquisition deduction (CAD).

ⓘ **Note:** Taxpayers taking a compensation reduction must also reduce their Investment Tax Credit (ITC). Any recapture of capital investment is not reduced, and must be reported on Form C-8000ITC, *SBT Investment Tax Credit*. Taxpayers taking a gross receipts reduction are not eligible for an ITC.

ⓘ **Important:** For some taxpayers eligible for an ITC, it may be more advantageous not to take a reduction in their ATB and instead take a full ITC. Complete the Worksheet on this page to determine the most favorable method.

Carry all percentages to six decimal places. Do not round percentages. For example 24.154256 percent becomes 24.1542 percent (.241542).

Line-By-Line Instructions

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of the annual return.

PART 1: Compensation Reduction

Lines 3 - 8. Compute the percentage of the tax base that is attributable to compensation, then compute the amount by which the ATB can be reduced. If the tax base is made up of more than 63 percent compensation, a taxpayer may reduce the ATB by the percentage that is more than 63 percent. For example, if 70 percent of the tax base is made up of compensation, reduce ATB by 7 percent (70 - 63).

ⓘ **Note:** Taking a compensation reduction reduces the ITC. Thus, it may be more advantageous for some taxpayers not to take a compensation reduction and, instead, receive a full ITC. To determine if this situation applies to you, complete the Worksheet on this page.

PART 2: Gross Receipts Reduction

SHORT-METHOD Filers Complete Lines 9-14 Only.

The maximum SBT any filer pays is equal to the tax rate times one-half of adjusted gross receipts. Short-method filers should enter the amount from line 14 on Form C-8000, line 42, and indicate the Gross Receipts Reduction method on line 41.

ⓘ **Note:** Adjusted gross receipts for this purpose means gross receipts, apportioned for companies doing business outside of Michigan, plus recapture of capital acquisition deduction.

ⓘ **Important:** For further information about adjusted gross receipts, see Notice to Single Business Tax Filers, on page 75.

Lines 9-15. Compute 50 percent of the apportioned gross receipts plus recapture of the CAD. Reduce ATB by the amount that is in excess of this calculation.

ⓘ **Note:** Taking a gross receipts reduction prohibits taxpayers from claiming an ITC. Thus, for some taxpayers it may be more advantageous not to take a gross receipts reduction and claim an ITC. To determine if this situation applies to you, complete the Worksheet on this page.

PART 3: Summary

Line 16. Because of the interaction between different ATB reduction methods and the ITC calculation, it may be more advantageous for some taxpayers not to take a reduction in their ATB and take a full ITC. Complete the Worksheet on this page to determine which method provides the greatest reduction to your tax liability. Taxpayers may choose only one method to reduce their ATB. To claim a reduction, follow instructions on line 4 of the Worksheet.

Attach this schedule to the return.

Worksheet

Compensation Reduction Method

1. Amount from C-8000S, line 8 .... ____________
2. Multiply line 1 by 1.9% (.019) .... ____________
3. Amount from C-8000ITC, line 31 (if blank, enter zero).... ____________
4. Tax reduction for this method: Add lines 2 and 3............. ____________

Gross Receipts Reduction Method

5. Amount from C-8000S, line 15 .... ____________
6. Tax reduction for this method: Multiply line 5 by .019.... ____________

Straight Method

7. Amount from C-8000ITC, line 27. If not claiming an ITC, enter zero. This is your tax reduction for this method .... ____________

Compare lines 4, 6 and 7.

- If line 4 is the greatest, enter amount from line 1 on Form C-8000S, line 16; and on Form C-8000, line 41. Check the "**Compensation Reduction**" box on Form C-8000, line 41.
- If line 6 is greatest, enter amount from line 5 on Form C-8000S, line 16 and on Form C-8000, line 41. Check the "**Gross Receipts Reduction**" box on Form C-8000, line 41.
- If line 7 is greatest, enter zero on Form C-8000S, line 16 and Form C-8000, line 41. **Do not** check any box on Form C-8000, line 41.

Instructions for C-8009
Allocation of Statutory Exemption, Standard Small Business Credit and Alternate Tax for Members of Controlled Groups

Purpose: To supplement Form C-8000C, *SBT Credit for Small Businesses and Contribution Credits*, and Form C-8043, *SBT Statutory Exemption Schedule*, for members of controlled groups.

All controlled groups, including affiliated groups, controlled groups of corporations and entities under common control, must complete this schedule to allocate the statutory exemption and calculate the standard small business credit or alternate tax.

Controlled groups are affiliated groups of corporations as defined in the SBT Act or controlled groups of corporations as defined in the IRC, Section 1563.

An **affiliated group** is two or more corporations, one of which owns or controls, directly or indirectly, 80 percent or more of the capital stock of the other corporation(s) with voting rights.

Entities under common control are two or more trades or businesses, whether or not incorporated, under common control as defined in the IRS Regulation 1.414(c). This includes parent-subsidiary, brother-sister or combined groups of corporations. See RAB 1989-48 for further information.

An entity must be included in a controlled group if it was a member of the group for at least one half of the days of the entity's taxable year.

Exception: Groups of corporations that have received approval and are filing a consolidated SBT annual return do not need to file this schedule unless there are members of the controlled group not included in the consolidated filing.

If the group files a consolidated SBT return, compute the small business credit or alternate tax on a consolidated basis using Form C-8000C.

Controlled groups, as defined in the IRC, are not eligible for the standard small business credit or alternate tax unless the business activities of the entities are consolidated, whether or not a consolidated SBT return is filed. This means the gross receipts, adjusted business income and tax base of **all** members of the group must be combined to determine eligibility and to compute this credit.

Only members who have no activity in Michigan are excluded from this calculation.

If the combined gross receipts exceed $10 million or the combined adjusted business income after loss adjustment exceeds $475,000, or any one individual, partner, officer or shareholder, including corporate shareholders, has allocated income after loss adjustment of more than $115,000 from any one member of the group, the group is not eligible for the credit.

ⓘ **Note:** For purposes of computing the statutory exemption and the small business credit, a member of an LLC is treated as a partner if the LLC is taxed as a partnership. For purposes of computing the statutory exemption only, a member of an LLC is treated as a shareholder if the LLC is taxed as a corporation.

If claiming either the alternate credit or the standard small business credit, each member must calculate its tax before credits on Form C-8000, *SBT Annual Return*.

ⓘ **Note:** If a taxpayer is a member of an affiliated group, a controlled group of corporations or an entity under common control, the group must sum its members' apportioned or allocated gross receipts on Form C-8010AGR, *SBT Adjusted Gross Receipts for Controlled Groups*, to determine if members of the group need to file. For this purpose, do not include members whose apportioned or allocated gross receipts are less than $100,000, as these members are not required to file an SBT return. However, members whose apportioned or allocated gross receipts are less than $100,000 must include their business activity when figuring the small business credit on Form C-8009. For these members, report "Tax After Investment Tax Credit" on lines 12 and 22 as zero.

Attach a copy of this schedule to each member's C-8000 claiming a statutory exemption, standard small business credit or alternate tax.

All members must choose the same credit calculation, either standard or alternate.

Small Business Credit Eligibility

The standard small business credit and the alternate tax are **not** available to members of a controlled group if any of the following conditions exist:

- **Combined** gross receipts on line 11, column d, are over $10 million;
- **Combined** adjusted business income on line 10, column d, minus loss adjustment, are over $475,000;
- A member of the group is an individual (sole proprietor) or fiduciary with business income, minus loss adjustment, over $115,000.
- A member of the group has a partner with distributive share of business income, minus loss adjustment, (member's C-8000KP, *SBT Schedule of Partners*, column E) over $115,000; or

- A member of the group has a shareholder or officer with allocated income, minus loss adjustment, over $115,000. Allocated income is computed on Form C-8000KC, *SBT Schedule of Shareholders and Officers*.

A reduction to the small business credit is required if an individual, a partner in a partnership, or a shareholder or officer of a corporation has allocated income, after loss adjustment, between $95,000 and $115,000.

Where the allocated income, after loss adjustment, is between $95,000 and $115,000 for any member of a controlled group, the reduction percentage will apply to all members of the controlled group. This reduction is based on the individual/partner/officer/shareholder with the largest allocated income.

If a member of the group has a tax year less than 12 months, gross receipts, adjusted business income and share of business income must be annualized to determine eligibility and to compute the small business credit. If annualized gross receipts exceed $9 million, but do not exceed $10 million, complete Part 6. See page 6 for complete annualizing instructions.

Loss Adjustment. If a taxpayer is not eligible for the full small business credit or the alternate tax calculation due to an adjusted business income or allocated income disqualifier, there may be a benefit from Form 3307, *SBT Loss Adjustment Worksheet for the Small Business Credit*, on page 25. If adjusted business income was less than zero in any of the five years immediately preceding the tax year for which the taxpayer is claiming a credit and has received a small business credit for that same year, then adjust for the loss. The loss adjustment for adjusted business income purposes must be based on the group's combined numbers. However, since the disqualifiers for individual/partner/shareholder are made on an entity basis, a separate entity loss adjustment must be calculated for those purposes. A loss adjustment will not affect a reduction to the small business credit based on gross receipts that exceed $9 million. It will also not change the amount of allocated income on Form C-8000KC, Column K for a C Corporation.

Controlled Groups That Have Members With Different Tax Years

Each member's business activities attributable to its tax year ending within the 2003 calendar year are consolidated on this form to allocate the statutory exemption and determine standard small business credit or alternate tax. **This determination cannot be made until the end of the latest tax year in the group.**

Members with earlier tax years may:

- Request an extension; or
- File the SBT returns without claiming either the statutory exemption or the small business credit.

Determine the exemption allocation and credit when the member having the latest year end completes their tax year. Other members must then amend their returns to claim any exemption or credit. The total credit cannot be allocated to the return with the latest year end.

Line-By-Line Instructions

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of the annual return.

PART 1: Member Identification.

Line 3. Enter in the appropriate column the name, year end, FEIN and organization type of each member. When completing the rest of this form, use the lower case letter (for example, a, b, c, etc.) to the left of each name to refer to a member. If more space is needed, attach a schedule identifying additional members with consecutive letters.

PART 2: Statutory Exemption

One statutory exemption is allowed to a controlled group, affiliated group or a group of entities under common control. Allocate the exemption to members using any method agreeable to all members.

Members whose apportioned or allocated gross receipts are less than $100,000 are not required to use any portion of the statutory exemption, but must include their business activity when figuring the small business credit.

Enter on line 4 the portion of the statutory exemption that is allocated to each member. Use the amount allocated to calculate the allowable exemption for each member on Form C-8043.

PART 3: Adjusted Business Income

Business income is adjusted by loss carryforwards and carrybacks from Form C-8000, *Single Business Tax Annual Return*, and by compensation and directors' fees of active shareholders and officers from Form C-8000KC.

PART 4: Alternate Tax for Small Businesses

The alternate tax computation is a simplified way of computing the SBT while still allowing a small business credit. Calculate an alternate tax credit for the group. Each member’s share of alternate credit is based on the ratio of its tax liability before credits to total combined tax liability before credits. Compute tax using both the alternate tax and the standard small business credit and file using the method that's most advantageous to the group. All members must use the same method.

Line 16b, Reduced Credit. If the allocated income after loss adjustment is more than $95,000, but not more than

$115,000, for any member of a controlled group, multiply line 16a by the percentage from the Reduced Credit Table on page 22 and enter the result on line 16b.

Line 17, Tax After Alternate Small Business Credit. Subtract line 16a or 16b, whichever is applicable, from line 12 and enter the result on line 17.

PART 5: Standard Small Business Credit

Use this section to determine the group's standard small business credit. Calculate a combined credit percentage for the group. This percentage is then used to calculate each entity's standard small business credit.

Line 23b, Reduced Credit. If the allocated income after loss adjustment is more than $95,000 but not more than $115,000 for any member of the controlled group, enter the percentage from the Reduced Credit Table on page 22 and multiply line 23a by that amount. Enter the result on line 23b.

Line 24, Tax After Small Business Credit. Subtract line 23a or 23b, whichever is applicable, from line 22 and enter the result on line 24.

PART 6: Gross Receipts Reduction

Complete this section only if the combined gross receipts are more than $9 million but not more than $10 million. Annualize for tax periods less than 12 months.

PART 7: Alternate Tax or Tax After Standard Small Business Credit

If claiming contribution credits, enter this amount on Form C-8000C, line 27. If not, enter this amount on Form C-8000, line 45.

ⓘ **Remember:** The group must choose either the alternate tax or the standard small business credit. All members must use the same calculation.

Attach this schedule to the return.

Instructions for C-8010AGR
SBT Adjusted Gross Receipts for Controlled Groups

Purpose: To determine the apportioned or allocated gross receipts for a controlled group to establish a filing requirement, and the adjusted gross receipts for the calculation of the Investment Tax Credit (ITC).

All members of an affiliated group, a controlled group of corporations, or an entity under common control must complete this form.

Controlled groups are affiliated groups of corporations as defined in the SBT Act or a controlled group of corporations as defined in the IRC, Section 1563.

An **affiliated group** is two or more corporations, one of which owns or controls, directly or indirectly, 80 percent or more of the capital stock of the other corporation(s) with voting rights.

Entities under common control are two or more trades or businesses, whether or not incorporated, under common control as defined in the IRS Regulation 1.414(c). This includes parent-subsidiary, brother-sister or combined groups of corporations. See RAB 1989-48 for further information.

An entity must be included in a controlled group if it was a member of the group for at least one half of the days of the entity's taxable year.

Each member's business activities attributable to its tax year ending within the 2003 calendar year are consolidated on this form.

Apportioned or allocated gross receipts must be annualized if the return is for a period less than 12 months.

Filing Requirements

If the taxpayer is a member of an affiliated group, a controlled group of corporations or an entity under common control, the group must sum its members' apportioned or allocated gross receipts to determine if members of the group need to file an SBT return. Do not include members whose apportioned or allocated gross receipts are less than $100,000.

Investment Tax Credit

For tax years beginning after 1999, an ITC may be claimed for a percentage of the net costs paid or accrued in a taxable year for qualifying tangible assets physically located in Michigan. The assets must be of a type that are or will become eligible for depreciation or amortization for federal income tax. Mobile tangible assets, wherever located, which would be subject to apportionment in the same manner as the tax base, and assets purchased or acquired for use outside the state and later moved into the state, also qualify for the ITC.

A member of an affiliated group, a controlled group of corporations, or an entity under common control must also determine adjusted gross receipts for purposes of the ITC percentage on a consolidated basis. Include all members whether or not they are required to file a return.

Adjusted gross receipts for the purpose of the ITC are apportioned gross receipts, plus recapture of the capital acquisition deduction, plus the ITC recapture adjustments.

ⓘ **Important:** For further information about adjusted gross receipts, see "Notice to Single Business Tax Filers" on page 75.

Line-By-Line Instructions

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of the Annual Return.

Line 3, a-m. Enter the FEIN and name of each member of the group. If more space is needed, attach a schedule identifying additional members with consecutive letters.

Column 3A, Allocated or Apportioned Gross Receipts for Filing Requirements. Enter each member's allocated or apportioned gross receipts.

Column 3B, Capital Acquisition Deduction (CAD) Recapture. Enter each member's CAD Recapture from Form C-8000D, *SBT Recapture of Capital Acquisition Deduction*, line 19.

Column 3C, Investment Tax Credit Recapture. Enter each member's Total Recapture of Capital Investments from Form C-8000ITC, *SBT Investment Tax Credit*, line 23.

Column 3D, Investment Tax Credit Adjusted Gross Receipts. Enter the total of columns 3A, 3B and 3C for each member.

Line 4, Column A and D. Total columns 3A and 3D.

Line 5, Apportioned or Allocated Gross Receipts to Determine Filing Requirements for Controlled Groups. Enter the amount from line 4A. Do not include members whose apportioned or allocated gross receipts are less than $100,000 in the total.

ⓘ **Note:** If the sum of all of the members apportioned or allocated gross receipts are $350,000 or more on line 5, all members with apportioned or allocated gross receipts of $100,000 or more in column 3A must file an annual return. Members with apportioned or allocated gross receipts of less than $100,000 are not required to file.

Line 6, Adjusted Gross Receipts for the Group, to be Used for the ITC Calculation. Enter the amount from line 4D. **Include all members.** This amount will determine the ITC adjusted gross receipts percentage allowed for credit purposes. See Form C-8000ITC, and instructions.

Instructions for C-8020
Penalty and Interest Computation for Underpaid Estimated Tax

Purpose: To compute penalty and interest for underpaying, late filing or late payment of quarterly estimates. If a taxpayer prefers not to file this form, Treasury will compute any applicable penalty and interest and bill the taxpayer.

ⓘ **Note:** Penalty and interest for late filing or late payment on the annual return is computed separately. See "Computing Penalty and Interest" on page 8.

Estimated returns and payments are required from any taxpayer who expects an annual SBT liability of more than $600. Exceptions are listed below. If a taxpayer owes estimated tax and the estimated return with full payment is not filed or is filed late, penalty is 5% of tax due. Penalty increases by an additional 5% per month, or fraction thereof, after the second month, to a maximum of 25%. If the taxpayer made no estimated tax payments and none of the exceptions below apply, compute the interest due (Part 2) and the penalty for non-filing (Part 3).

Exceptions:

If any of the conditions listed below apply, do not file this form or pay penalty and interest. If a business operated less than 12 months in the preceding year, annualize figures to determine if the exceptions apply. See page 6 for complete annualizing instructions.

- The annual tax on the current annual return is $600 or less.
- The taxpayer had business activity in Michigan in the preceding tax year, but reported no tax liability.
- The taxpayer had business activity in Michigan in the preceding tax year, but was not required to file an annual return for SBT.

  ⓘ **Note:** File Form C-8030, *SBT Notice of No Return Required*, for the preceding tax year to avoid unnecessary penalty and interest.
- The estimated quarterly payments reasonably approximate the tax liability incurred for each quarter, and the total of all payments equals at least 85 percent of the annual liability. Complete the Annualization Worksheet if the liability is not evenly distributed through the tax year.
- Estimated quarterly payments reasonably approximate the tax liability incurred for each quarter, and the total of all payments equals at least 1 percent of the gross receipts for the tax year. Complete the Annualization Worksheet if the liability is not evenly distributed through the tax year.
- The taxpayer is a farmer, fisher or seafarer and files Form C-8000, *Single Business Tax Annual Return*, by March 1, or a tentative annual return with payment by January 15, and the final return on or before April 15.
- The sum of estimated payments equals the annual tax on the preceding year's return, providing these payments were made in four timely equal payments, or 12, if paid on Sales, Use or Withholding (SUW) returns, and the preceding year's tax was $20,000 or less.

Line-By-Line Instructions

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of the annual return.

PART 1: Estimated Tax Required for the Year

Line 4, Required Estimate Amount. Enter 85 percent of the annual tax amount on line 3. If a filer's preceding year's tax was less than $20,000 (annualize if less than 12 months), enter the smaller of the preceding year's tax or 85 percent of line 3.

Line 5, Payment Due Dates. Enter the due date for each quarterly return. For calendar year filers these dates are April 30, July 31, October 31 and January 31. For fiscal year filers, these dates are 4, 7, 10 and 13 months after the start of the fiscal year. Payment is due on the last day of the month.

Line 6. Divide the amount of the estimated tax required for the year on line 4 by 4 and enter this as estimated tax for each quarter. If the business operated less than 12 months, divide by the number of quarterly returns required and enter this as the estimated tax for each quarter.

Actual Quarterly Tax. If a taxpayer computes quarterly tax based on the actual tax base for each quarter, enter the tax from line 30 of the annualization worksheet. The total of the four computed amounts cannot be less than 85 percent of the current year tax liability.

Line 7. Complete column A only. Enter the amount of prior year overpayment credited to the current tax year estimates.

Line 8, Amount Paid.

Column A	Enter estimated payments made by the due date for the first quarterly return.
Column B	Enter payments made after the due date in column A and by the due date in column B.

Column C	Enter payments made after the due date in column B and by the due date in column C.
Column D	Enter payments made after the due date in column C and by the due date in column D.

If quarterly payments are made after the due date, penalty and interest will apply until the payment is received. If less than full payment is made with a late filing, the taxpayer will need to compute multiple penalty and interest calculations for each column. Attach a separate schedule if necessary.

PART 2: Figuring the Interest.

Compute the interest due for both non-filing and underpayment of the required estimated tax in this section. Follow the instructions for each line, as the interest amount is different for each quarter.

Line 17. Due Date. Enter the due date of the next quarter or the date the tax was paid, whichever is earlier. In column D, enter the earlier of the due date for the annual return or the date the tax was paid. An approved extension does not change the due date of the annual return (column D) for this computation.

PART 3: Figuring the Penalty

Compute the penalty for non-filing of the required estimated tax payments in this section. However, if a taxpayer made any estimated tax payments, or there was a credit available from a prior quarterly return, do not compute the penalty on that quarter. Treasury will review the estimates filed and, if necessary, bill the filer for the appropriate penalty on the underpayment of estimates.

Avoiding Penalty and Interest

Taxpayers with business activity in Michigan in 2003 and a 2003 tax of $20,000 or less, can avoid paying penalty and interest in 2004 by using the 2003 tax as the basis for filing 2004 estimates. Divide the 2003 tax by 4 (for example, $20,000 ÷ 4 = $5,000), and pay that amount on the 2004 quarterly due dates. Filers may also divide by 12 and pay that amount with the monthly SUW tax payment. Taxpayers who had business activity in Michigan in 2003 but didn't report tax liability or were not required to file a 2003 return can use the 2003 tax as the basis for filing 2004 estimates. In this case, the 2003 tax liability would have been zero, so quarterly payments would not be required for 2004.

If the previous year was less than 12 months, annualize the previous year's tax liability to determine if estimates are due and the amount due. See page 6 for complete annualizing instructions.

Annualization Worksheet

Taxpayers may use the annualization worksheet to determine the amount of estimates due when income is not evenly distributed through the tax year.

Each column represents a quarterly 3-month filing period.

The annualization worksheet essentially leads filers through the steps required to calculate the actual single business tax due for the tax year to date. The net tax liability is then annualized and multiplied by the percentage of estimates required for that quarter.

Line 30, Estimate Requirements by Quarter. The totals for line 30, columns A, B, C, and D, must equal 85 percent of the current year tax liability on line 3.

Attach this schedule to the return.

Instructions for C-8043
Statutory Exemption Schedule

Purpose: To compute the allowable statutory exemption.

ⓘ **Note:** For most filers, the statutory exemption is available only if business income is less than $67,500. For most corporations, the statutory exemption is available only if the sum of business income, federal loss carryover and carrybacks and compensation/ director's fees of all shareholders is less than $67,500.

For purposes of computing the statutory exemption and the small business credit, a member of an LLC is treated as a partner if the LLC is taxed as a partnership. For purposes of computing the statutory exemption only, a member of an LLC is treated as a shareholder if the LLC is taxed as a corporation.

The statutory exemption cannot be used to increase a business loss to the next year or to offset adjusted tax base, as determined on line 36 of Form C-8000, *Single Business Tax Annual Return*, before reporting the use of the loss carryovers on Form C-8000, line 37. An unused statutory exemption cannot be carried forward.

The statutory exemption will be reduced by $2 for each $1 that line 6 exceeds the amount of the exemption on line 13.

Line-By-Line Instructions

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of the annual return.

Line 3, Business Income. Enter business income from Form C-8000, line 11.

✔ **Individuals, Fiduciaries, Partnerships and Limited Liability Companies** may average their income before computing their statutory exemption. If filers choose to average their business income, they must complete Form C-8000G, *SBT Statutory Exemption/Business Income Averaging*. Enter the amount from Form C-8000G, line 9, here. Check the box on Form C-8000, line 40a, to indicate that income has been averaged.

ⓘ **Note:** Business income averaging is used only to figure the statutory exemption. Do not use it as the current year business income on any form.

Line 5. Enter the amount from Form C-8000KC, *SBT Schedule of Shareholders and Officers,* line 5. Corporations claiming a statutory exemption or a small business credit must complete Form C-8000KC, to determine compensation and directors' fees of all shareholders. S Corporations and professional corporations must use Form C-8000KC to determine qualified shareholders for the additional exemption.

Line 7, Statutory Exemption. Enter $45,000 unless the filer is a member of a controlled group. If a filer is a member of a controlled group and is claiming an allocated statutory exemption, attach Form C-8009, *SBT Allocation of Statutory Exemption, Standard Small Business Credit and Alternate Tax for Members of Controlled Groups*, to the SBT return. A controlled group is entitled to only one statutory exemption, which is allocated on Form C-8009. Controlled groups must enter the amount from Form C-8009, line 4.

Lines 8 through 10. Complete these lines to increase the statutory exemption for the number of qualified partners or shareholders. Enter the amount from Form C-8000KP, *SBT Schedule of Partners*, line 5, or the amount from Form C-8000KC, line 4.

ⓘ **Note:** The increased statutory exemption is only available to S Corporations and professional corporations. It is not available to other types of corporations.

Lines 11 and 12. Complete these lines if business activity existed for a period of less than 12 months.

Line 16, Allowable Statutory Exemption. Enter here and on Form C-8000, *Single Business Tax Annual Return*, line 39. If line 16 is negative, enter zero.

Attach this schedule to the return.

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

This information is issued under P.A. 301 of 1939, 281 of 1967 and 228 of 1975. Filing of this form is mandatory for single business tax filers to obtain an extension. Income tax filers may file a copy of their federal extension instead.

Income Tax (individual and fiduciary). An extension of time to file the federal return automatically extends the due date of the Michigan return to the new federal due date.

An extension of time to file is **not** an extension of time to pay. If at the time the extension is filed, it is determined additional Michigan income tax is due, pay the amount due on this form or on a copy of the federal extension. If no tax is due, it is not necessary to send an extension form to Michigan by April 15 (the copy of the federal extension attached to the return is sufficient). Attach a copy of all federal and Michigan extensions to the *MI-1040* or *MI-1041* when it is filed. If an e-filed or TeleFiled federal extension was requested and received, attach a paper U.S. *4868* form to the *MI-1040*. If the *MI-1040* return was e-filed, send us a completed paper U.S. *4868* form.

Single Business Tax filers must use this form to request an extension and must file it even if the IRS has approved a federal extension. If this form is received with a copy of the federal extension by the due date of the annual return, Treasury will grant the taxpayer the same length of time as the federal extension plus 60 days. If this form is received without the federal extension, Treasury will grant a 180-day extension.

An extension of time to file is **not** an extension of time to pay. Payment must be included with this form, **or** appropriate estimated tax payments must have been made during the year. Extension requests received without payment on the account **will not be honored** and penalty and interest will accrue on the unpaid tax from the original due date of the return. Penalty and interest for late filing is only charged if tax will be due on the SBT annual return. If no tax will be due on the SBT annual return, there is no need to request an extension to avoid penalty and interest.

Line-By-Line Instructions

Lines not listed are explained on the form.

PART 1: Identification

Line 1. File a separate application for each tax type. Check the box next to the appropriate tax. Partnerships and S Corporations filing composite income tax returns (for nonresident partners and shareholders respectively), should check the "Fiduciary Return" box.

Lines 2 and 3. Single business tax and fiduciary filers must enter their federal employer identification number (FEIN) or TR Number on line 2. Income tax filers must enter their Social Security number on line 3. Do **not** complete both lines 2 and 3.

Line 4. Print or type mailing address. Income tax and fiduciary filers will **not** receive a response if their extensions are approved. Single business tax filers will receive a written response at the legal address on file with Treasury.

Line 5. Enter taxpayer's name and address only if it is different from the mailing address listed on line 4.

PART 2: Computation and Payment of Tax Due

Estimate tax liability for the year and pay any unpaid portion of the estimate with the application for extension. The application and payment must be postmarked on or before the original due date of the return.

If the tax due is underestimated and not enough is paid with the application for extension, pay interest on the unpaid amount. Compute interest from the due date of the annual return. The interest rate is 1 percent above prime rate and is adjusted on July 1 and January 1. Interest is charged from April 15 (or the due date of the return) to the date the rest of the tax is paid.

Any one of the following penalties may also apply to the unpaid tax:

- By law, penalty is 5 percent of tax due. Penalty increases by an additional 5 percent per month or fraction thereof, after the second month, to a maximum of 25 percent for failure to pay;
- 10 percent for negligence;
- 25 percent for intentional disregard of the law.

Line 7. Payments made to date include quarterly payments, a credit forward from the previous tax year and any other payments previously made for this tax year. Individual income tax filers should include any Michigan withholding.

PART 3: Extension Request

Line 13. For **individual and fiduciary income tax**, if the extension will extend the filing period of a Michigan return beyond the federal extension, attach a copy of the approved federal extension. **Single business tax** filers must check the box and attach a copy of the federal extension application.

Line 15. Check the box if Treasury has already granted an extension for this tax year. If more time is needed, submit a new application with a copy of the original application before the original extension expires.

Mail to the address on the front of the form.

Certified Community Foundations and Component Funds

A component fund serves donors and nonprofit organizations in a specific geographic area as a restricted fund of a neighboring community foundation. The following are certified for the Community Foundations Credit for 2003.

01 Albion Community Foundation
56 Allegan County Community Foundation
- Saugatuck/Douglas Area Community Fund

63 Anchor Bay Community Foundation
02 Ann Arbor Area Community Foundation
- Ypsilanti Area Community Fund

49 Baraga County Community Foundation
58 Barry Community Foundation
17 Battle Creek Community Foundation
- Athens Area Community Foundation
- Homer Area Community Foundation
- Springfield Community Foundation

03 Bay Area Community Foundation
- Arenac County Fund

04 Berrien Community Foundation
- Coloma Community Fund
- Greater Berrien Springs Community Endowment Fund
- Harbor County Endowment Fund

45 Branch County Community Foundation
36 Cadillac Area Community Foundation
- Missaukee County Community Foundation

64 Canton Community Foundation
06 Capital Region Community Foundation
- Eaton County Community Foundation

66 Central Montcalm Community Foundation
44 Charlevoix County Community Foundation
70 Chippewa County Community Foundation
28 Community Foundation for Muskegon County
- Mason County Community Foundation
- Oceana County Community Foundation

29 Community Foundation for Northeast Michigan
- Iosco County Community Foundation
- North Central Michigan Community Foundation
- Straits Area Community Foundation

09 Community Foundation for Southeast Michigan
- Chelsea Community Foundation
- Community Foundation for Livingston County

10 Community Foundation of Greater Flint
- Clio Area Community Fund
- Fenton Community Fund
- Flushing Area Community Fund
- Grand Blanc Community Fund
- Lapeer County Community Fund

19 Community Foundation of Greater Rochester
11 Community Foundation of Monroe County
- The Bedford Foundation

35 Community Foundation of St. Clair County
20 Community Foundation of the Holland/Zeeland Area
54 Community Foundation of the Upper Peninsula
- Alger Regional Community Foundation
- Community Foundation for Delta County
- Gogebic-Ontonagon Community Foundation
- Les Chenaux Area Community Fund
- Schoolcraft County Community Foundation
- St. Ignace Area Community Foundation
- Tahquamenon Falls Area Community Foundation
- West Iron County Area Community Fund

50 Dickinson County Area Community Foundation
- Crystal Falls/Forest Park Area Community Fund
- Norway Affiliate Fund

13 Four County Community Foundation
14 Fremont Area Community Foundation
- Lake County Community Foundation
- Mecosta County Community Foundation
- Osceola County Community Foundation

15 Grand Haven Area Community Foundation
- Allendale Community Foundation
- Coopersville Area Foundation

16 Grand Rapids Community Foundation
- Cascade Community Foundation
- Ionia County Community Foundation
- Southeast Ottawa Community Foundation
- Sparta Community Foundation
- Wyoming Community Foundation

46 Grand Traverse Regional Community Foundation
48 Gratiot County Community Foundation
18 Greater Frankenmuth Area Community Foundation
37 Greenville Area Community Foundation
- Lakeview Area Community Foundation
- Montcalm Panhandle Community Fund

43 Hillsdale County Community Foundation
60 Huron County Community Foundation
21 Jackson County Community Foundation
22 Kalamazoo Community Foundation
- Bangor Community Foundation
- Covert Township Community Foundation
- South Haven Community Foundation

67 Keweenaw Community Foundation
23 Leelanau Township Community Foundation
62 Lenawee Community Foundation
55 Livonia Community Foundation
25 M & M Area Community Foundation
65 Mackinac Island Community Foundation
24 Manistee County Community Foundation
39 Marquette Community Foundation
- Greater Ishpeming Area Community Fund
- Gwinn Area Community Fund
- Negaunee Area Community Fund

26 Marshall Community Foundation
05 Michigan Gateway Community Foundation
27 Midland Area Community Foundation
- Clare County Community Foundation
- Gladwin County Endowment Fund

42 Mt. Pleasant Area Community Foundation
- Shepard Community Fund

68 Northville Community Foundation
75 Otsego County Community Foundation
47 Petoskey-Harbor Springs Area Community Foundation
76 Roscommon County Community Foundation
30 Saginaw Community Foundation
61 Sanilac County Community Foundation
71 Shelby Community Foundation
31 Shiawassee Community Foundation
57 Southfield Community Foundation
74 Sterling Heights Community Foundation
40 Sturgis Area Community Foundation
- Constantine Area Community Foundation
- White Pigeon Community Foundation

62 Tecumseh Community Fund Foundation
32 Three Rivers Area Community Foundation
72 Troy Community Foundation
73 Tuscola County Community Foundation

Quick Reference Guide to Forms* and Schedules Required Under Certain Conditions

Condition	Form to Use
Business activity taxable in another state	C-8000H
Business Income Averaging for Individuals, Partnerships, Fiduciaries & LLCs	C-8000G
Controlled Groups:	
Calculate Adjusted Gross Receipts	C-8010AGR
Small Business Credit/Alternate Tax (also attach)	C-8009
Statutory Exemption	C-8009
Credits:	
Apprenticeship	C-8000MC
Brownfield	C-8000MC
Community Foundation	C-8000C
Enterprise Zone	C-8000MC
Historic Preservation	C-8000MC
Homeless Shelter/Food Bank	C-8000C
Investment Tax Credit	C-8000ITC
Michigan Economic Growth Authority Business Activity Tax (MEGA)	C-8000MC
Michigan Economic Growth Authority Employment Tax (MEGA)	C-8000MC
Next Energy	C-8000MC
Pharmaceutical	C-8000MC
Public Contribution	C-8000C
Public Utility Property Tax	C-8000C
Renaissance Zone	C-8000MC
Small Business/Alternate Tax	C-8000C
Controlled groups also attach	C-80009
Corporations also attach	C-8000KC
Loss Adjustment Worksheet, attach if needed	3307
Partnerships also attach	C-8000KP
Unincorporated	C-8000 or C-8044
Workers Disability Supplemental Benefit (WDSB)	C-8000MC
Extension of time to file Michigan tax returns	4
Penalty and interest for underpayment, late filing or late payment of estimates	C-8020
Recapture of Capital Acquisition Deduction	C-8000D
Reductions to adjusted tax base, excess compensation or gross receipts	C-8000S
Statutory Exemption	C-8043
Controlled groups also attach	C-8009
Partnerships also attach	C-8000KP
Professional Corporations also attach	C-8000KC
S Corporations also attach	C-8000KC

*See page 4 for filing of annual returns.

ORGANIZATION TYPE REFERENCE GUIDE

Organization Type

	Individual	Fiduciary	Professional Corp.	S Corporation	Other Corp.	Partnership/ LLC-Partnership	Limited Liability Co.-Corp
Annualize if less than 12 months	N	N	Y	Y	Y	Y	Y
Prorate Statutory Exemption	Y	Y	Y	Y	Y	Y	Y
Business Income Averaging	Y	Y	N	N	N	Y	Y
Contribution Credits							
Community Foundation	*	*	Y	Y	Y	Y	Y
Homeless Shelter/Food Bank	*	*	Y	Y	Y	Y	Y
Public Contribution	N	N	Y	Y	Y	Y	Y
Public Utility	N	N	Y	Y	Y	N	N
Unincorporated	Y	Y	N	Y	N	Y	Y
File Consolidated (with prior approval)	N	N	Y	Y	Y	N	N
Increase Statutory Exemption	N	N	Y	Y	N	Y	N

*Yes, if not claiming under Section 261 of the Income Tax Act

NOTICE TO SINGLE BUSINESS TAX FILERS - AMENDED FOR 2003

Adjusted Gross Receipts, Capital Acquisition Deduction Recapture and Investment Tax Credit Recapture

General Summary

Pursuant to 2000 PA 477, "gross receipts" as defined in the Single Business Tax Act includes the entire proceeds from the sale of a depreciable, tangible asset. However, the taxpayer is not required to report the proceeds from the asset sale twice when calculating "adjusted gross receipts" as described in this notice.

Adjusted Gross Receipts

For tax years that begin on or after January 1, 2001, this notice explains the calculation of "adjusted gross receipts" and "gross receipts plus" capital acquisition recapture (CADR) for the following purposes only:

- Gross Receipts Reduction [MCL 208.31(2)]
- Investment Tax Credit Percentage [MCL 208.35a(10)]

This notice does <u>not</u> change the calculation of CADR that is added to the tax base under MCL 208.23a.

Note that assets eligible for the Investment Tax Credit (ITC) are not included in the adjusted gross receipts calculation for gross receipts reduction, but are included for purposes of calculating the ITC rate. For gross receipts reduction, only capital acquisition deduction (CAD) assets are included in the calculation. For gross receipts reduction purposes [MCL 208.31(2)], include only the adjustments provided for under Sec. 23b(a) to (g). For ITC percentage purposes [MCL 208.35a(10)], include the adjustments under sections 23b(a) to (g) and 35a(1)(d) to (f).

Explanation and Examples

For tax years that begin on or after January 1, 2001, gross receipts as defined by MCL 208.7(3) includes, among other items, the gross proceeds from the sale of property used in the taxpayer's business activity. When calculating "adjusted gross receipts" for the purposes of the sections cited in the paragraphs above, the taxpayer is required to add certain amounts to gross receipts. The phrase "gross receipts plus adjustments" appears in MCL 208.31(2):

> As used in this section, "adjusted tax base" means the tax base allocated or apportioned to this state pursuant to chapter 3 with the adjustments prescribed by sections 23 and 23b and the exemptions prescribed by section 35. If the adjusted tax base exceeds 50% of *the sum of gross receipts plus the adjustments provided in section 23b(a) to (g)*, apportioned or allocated to Michigan with the apportionment fraction calculated pursuant to chapter 3, the adjusted tax base may, at the option of the taxpayer, be reduced by that excess.... MCL 208.31(2)

"Gross receipts" as used in the above section already includes the gross proceeds from the sale of tangible assets that are subject to capital acquisition deduction recapture. Therefore, to avoid double reporting of these receipts, for purposes of the above-cited sections only, when calculating the adjustments under section 23b(a) to (g), the taxpayer shall subtract the gain from gross receipts or add the loss to gross receipts, as illustrated in the following example:

EXAMPLE: The taxpayer's gross receipts for the tax year are $90. This includes "sales" of inventory of $75 and gross proceeds from the sale of an asset subject to CADR of $15. The sale of the asset resulted in a loss of $5 for federal income tax purposes. For purposes of calculating gross receipts plus adjustments under section 31(2), the taxpayer starts with gross receipts of $90, then adds the loss of $5, for a total adjusted gross receipts of $95.

The calculation of "adjusted gross receipts" for purposes of determining the percentage rate for the ITC also follows the same reasoning as above. Section 35a(10) describes the "adjusted gross receipts" calculation as follows:

> MCL 208.35a(10) As used in subsection (2), "adjusted gross receipts" means the sum of the following:
>
> - *Gross receipts* apportioned or allocated to Michigan with the apportionment fraction calculated pursuant to chapter 3.
> - Adjustments provided in section 23b(a) to (g).
> - Adjustments provided in subsection (1)(d) to (f).

"Gross receipts", as that term is used in section 35a(10)(a) [in italics above], already includes the gross proceeds from the sale of tangible assets that are subject to recapture related to the ITC or the CAD. Therefore, the taxpayer shall not include the gross proceeds from the sale of such depreciable, tangible assets again when calculating the adjustments provided in sections 23b(a) to (g) and 35a(1)(d) to (f). The following example demonstrates the adjustments for CAD or ITC recapture as provided by sections 23b(a) to (g) and 35a(1)(d) to (f) (assume the asset was subject to CAD recapture):

EXAMPLE: The taxpayer's gross receipts for the tax year are $100. This $100 in total gross receipts includes the gross proceeds from the sale of a depreciable capital asset used in the taxpayer's business activity equaling $25. The gain for federal income tax purposes on the sale of the asset is $5. Subtract the gain from gross receipts [$100 Gross Receipts - $5 gain on sale of asset = $95 Adjusted Gross Receipts].

For simplicity, the above examples involve taxpayers not subject to apportionment. However, taxpayers that are subject to apportionment must make similar adjustments to avoid accounting for the same proceeds more than once in the calculation of adjusted gross receipts.

Michigan Department of Treasury
Lansing, MI 48922

Revenue Administrative Bulletins

For copies of bulletins, visit our Web site at www.michigan.gov/treasury or call 1-800-367-6263.

Number	Title
2003-2	Interest Rates
2003-1	Interest Rates
2002-20	Sales Tax - Food for Human Consumption
2002-19	Limited Use Tax Exemption on the Transfer of Motor Vehicles, Aircraft, Watercraft, Mobile Homes, Off-Road Vehicles and Snowmobiles Between Relatives and Others
2002-18	Notice to Change in Prepaid Gasoline Sales Tax Rate
2002-17	Interest Rate
2002-16	Single Business Tax - Financial Organizations Defined
2002-14	Apportionment Sourcing for Financial Organizations
2001-06	List of Certified Community Foundations for Tax Year 2001 Single Business Tax Credit and Income Tax Credit
2001-04	Single Business Tax Foreign Trucking
2001-02	Single Business Tax Base for a Foreign Person
2000-06	Withdrawal of Letter Rulings
2000-05	Michigan Tax Treatment of Federal Qualified Subchapter S Subsidiary (QSub) Election
1999-11	Industrial Restructuring Alternative Sales Factor Apportionment
1999-10	Single Business Tax Foreign Tax Base Retroactivity
1999-9	Effect of Federal Entity Classification Election on Michigan Taxes
1998-1	Single Business Tax Nexus Standards
1996-4	Credit or Refund of Overpayment of Taxes or Credits in Excess of Tax Due and Applicable Interest
1995-10	Income Tax - Single Business Tax Community Foundation Credit Extended
1995-4	Penalty Provisions
1994-12	Single Business Tax and Individual Income Tax Treatment of an Election Under Internal Revenue Code Section 338
1994-1	Challenge of Assessment, Decision or Order Limited by Statute
1993-14	Credit or Refund of Overpayment of Taxes or Credits in Excess of Tax Due and Applicable Interest
1993-10	Enterprise Zone Act. Sales and Use Tax Exemptions and Single Business Tax Credit
1992-10	Income and Single Business Taxes - Credit for Cash Donations to Eligible Shelters for the Homeless, Food Kitchens and Food Banks
1992-3	Single Business Tax, Capital Acquisition Deduction
1990-35	Single Business Tax Treatment of Terminated Pension Plans
1989-54	Single Business Taxation of Real Estate Mortgage Investment Conduits (REMICs)
1989-51	Single Business Tax, Small Business Credit and Statutory Exemption for Part-Year Shareholders/ Partners
1989-49	Single Business Tax, Consolidated or Combined Reporting
1989-48	Single Business Tax, Entities Under Common Control
1989-47	Single Business Tax, Agriculture Exemption
1989-38	Officer Liability
1987-6	Single Business Tax Estimates