

2004 MICHIGAN SBT Apportionment Formula

**2004
C-8000H**

Issued under authority of P.A. 228 of 1975. See instruction booklet for filing guidelines.

Form Code 5

1. Name	2. Federal Employer Identification Number (FEIN) or TR Number
---------	---

PART 1: COMPUTATION OF APPORTIONMENT PERCENTAGE

If 100% of property and payroll is attributable to Michigan, include documentation to substantiate nexus with another state.

	A.	B.	C.
PROPERTY FACTOR*		Weighting Factors	Weighted Percentage
Complete if filer has property outside of Michigan regardless of whether filer has Michigan property.			
3. Average value of Michigan property held during the year ▶ 3. _____	.00		
4. Multiply Michigan rentals by 8 and enter the result ▶ 4. _____	.00		
5. Total Michigan property. Add lines 3 and 4 5. _____	.00		
6. Average value of total property held during the year..... ▶ 6. _____	.00		
7. Multiply total rentals by 8 and enter the result ▶ 7. _____	.00		
8. Total property. Add lines 6 and 7 8. _____	.00		
9. Percentage. Divide line 5 by line 8 9. _____	%	x 5%	9. _____ %
PAYROLL FACTOR			
Complete if filer has payroll outside of Michigan regardless of whether filer has Michigan payroll.			
10. Michigan wages ▶ 10. _____	.00		
11. Total wages ▶ 11. _____	.00		
12. Percentage. Divide line 10 by line 11 12. _____	%	x 5%	12. _____ %
SALES FACTOR			
13. Michigan sales ▶ 13. _____	.00		
14. Total sales ▶ 14. _____	.00		
15. Percentage. Divide line 13 by line 14 15. _____	%	x 90%	15. _____ %
16. Apportionment percentage. Add column C, lines 9, 12 & 15** Use this percentage to apportion: (1) The tax base on C-8000, line 33, (2) The recapture of Capital Acquisition Deduction (CAD) on C-8000D, and (3) The capital investments and recapture on C-8000ITC 16. _____			16. _____ %

* 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.

** If filer does not have three factors, i.e., if line 8, 11 or 14 is zero, see *Formulas for Special Situations* on page 36.

PART 2: TRANSPORTATION SERVICES, FINANCIAL ORGANIZATIONS, OR TAXPAYERS AUTHORIZED TO USE A SPECIAL FORMULA, USE THE LINES PROVIDED BELOW

Attach an explanation.

17. Michigan..... ▶ 17. _____	.00	
18. Total..... ▶ 18. _____	.00	
19. Apportionment percentage. Divide line 17 by line 18. Use this percentage to apportion: (1) The tax base on C-8000, line 33, (2) The recapture of Capital Acquisition Deduction (CAD) on C-8000D, and (3) The capital investments and recapture on C-8000ITC 19 _____		%

PART 3: CAPITAL ACQUISITION APPORTIONMENT

This part is only used for certain CAD recaptures. Complete this part only if depreciable personal property that was acquired in tax years beginning before Oct. 1, 1989 was disposed of during the year.

20. Property factor from line 9, column A..... 20. _____	%	
21. Payroll factor from line 12, column A..... 21. _____	%	
22. Total. Add lines 20 and 21..... 22. _____		%
23. Average percentage. Divide line 22 by 2; if only one factor exists, enter the amount from line 22. Use this percentage to compute recapture of capital acquisition deduction on C-8000D, line 11..... 23. _____		%

Instructions for Form 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 percent 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%	=	<u>45%</u>
					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	<u>90%</u>	=	<u>45%</u>
			95%		45.5%

$$45.5\% \div 95\% = 47.8947\% (.478947).$$

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

Michigan revenue-miles for property			Gross receipts for property
		x	
Total revenue-miles for property			Total gross receipts
		+	
Michigan revenue-miles for people			Gross receipts for people
		x	
Total revenue-miles for people			Total gross receipts
<hr/>			
= 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.

① **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 three 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 (e.g., 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.