

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.
- 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 Form 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).
 - ① **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.

- ① **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 (e.g., 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) assigned number. 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.

① **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
\$20,001- \$39,999	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.

Line 25, Overpayment. If the amount of overpayment, less any penalty and interest due on lines 22 and 23, is less than zero, enter the difference (as a positive number) on line 24. If the amount is greater than zero, enter on line 25.

① **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 necessary.**