Reset Form

☐ Check if this is an amended return.
Attach supporting documents.

2009 MICHIGAN Business Tax Annual Return

Issued under authority of Public Act 36 of 2007.

1. Return is for calendar year 2009 or for tax year beginning: MM-DD-YYYY and ending: MM-DD-YYYY

2. Name (print or type)

7. Federal Employer Identification Number (FEIN) or TR Number

Doing Business As (DBA)

Street Address

City | State | ZIP/Postal Code | Country Code

3. Principal Business Activity

4. Business Start Date in Michigan

5. NAICS (North American Industry Classification System) Code

6. If Discontinued, Effective Date

8. Organization Type (LLC or Trust, see instructions)

☐ Individual ☐ C Corporation / LLC C Corporation

☐ Fiduciary ☐ S Corporation / LLC S Corporation

☐ Partnership / LLC Partnership

9. ☐ Check if Filing Michigan Unitary Business Group Return. (Attach Form 4580.)

10. ☐ Check if you have sales receipts from transportation services.

11. Apportionment Calculation

a. Michigan Sales (if no Michigan sales, enter zero)	11a.	00
b. Total Sales	11b.	00
c. Apportionment Percentage. Divide line 11a by line 11b	11c.	%

PART 1: MODIFIED GROSS RECEIPTS TAX

12. Gross Receipts (see instructions)	12.	00

Subtractions from Gross Receipts

13. Inventory acquired during tax year	13.	00
14. Depreciable assets acquired during tax year	14.	00
15. Materials and supplies not included in inventory or depreciable property	15.	00
16. Staffing Company: Compensation of personnel supplied to customers	16.	00

If qualified for the Small Business Alternative Credit, skip to line 18.

17. Deduction for contractors in SIC Codes 15, 16 and 17 SIC Code:	17.	00
18. Film rental or royalty payments paid by a theater owner to a film distributor and/or producer	18.	00

19. Qualified Affordable Housing Project (QAHP) Buyer's Deduction

a. Gross receipts attributable to residential rentals in Michigan	19a.	00
b. Number of residential rent restricted units in Michigan owned by QAHP	19b.	
c. Total number of residential rental units in Michigan owned by QAHP	19c.	
d. Divide line 19b by line 19c and enter as a percentage	19d.	%
e. Multiply line 19a by line 19d	19e.	00
f. Limited dividends or other distributions made to owners of project	19f.	00

g. Qualified Affordable Housing Project Deduction. Subtract line 19f from line 19e	19g.	00
20. Payments made by taxpayers licensed under Article 25 or Article 26 of the Occupational Code to independent contractors licensed under Article 25 or Article 26	20.	00
21. Miscellaneous (see instructions)	21.	00
22. Total Subtractions from Gross Receipts. Add lines 13 through 18 and 19g through 21	22.	00
23. Modified Gross Receipts. Subtract line 22 from line 12. If less than zero, enter zero	23.	00
24. Apportioned Modified Gross Receipts Tax Base. Multiply line 23 by percentage on line 11c	24.	00
25. Multiply line 24 by 0.8% (0.008)	25.	00
26. Enrichment Prohibition for dealers of personal watercraft or new motor vehicles. Enter amount collected during tax year	26.	00
27. **Modified Gross Receipts Tax Before All Credits.** Enter the greater of line 25 or line 26	27.	00

Continue on Page 2

FEIN or TR Number

PART 2: BUSINESS INCOME TAX

28.	Business Income. If negative, enter as a negative. (If business activity protected under PL 86-272, complete and attach Form 4586 and/or 4581, as applicable; see instructions)	28.	00

Additions to Income

29.	Interest income and dividends derived from obligations or securities of states other than Michigan	29.	00
30.	Taxes on or measured by net income	30.	00
31.	Tax imposed under MBT	31.	00
32.	Any carryback or carryover of a federal net operating loss	32.	00
33.	Losses attributable to other taxable flow-through entities	33.	00
	Account No.		
34.	Royalty, interest, and other expenses paid to a related person	34.	00
35.	Miscellaneous (see instructions)	35.	00
36.	Total Additions to Income. Add lines 29 through 35	36.	00
37.	**Business Income Tax Base After Additions.** Add lines 28 and 36. If negative, enter as a negative	37.	00

Subtractions from Income

38.	Dividends and royalties received from persons other than U.S. persons and foreign operating entities	38.	00
39.	Income attributable to other taxable flow-through entities	39.	00
	Account No.		
40.	Interest income derived from United States obligations	40.	00
41.	Net earnings from self-employment. If less than zero, enter zero	41.	00
42.	Miscellaneous (see instructions)	42.	00
43.	Total Subtractions from Income. Add lines 38 through 42	43.	00

44.	**Business Income Tax Base.** Subtract line 43 from line 37. If negative, enter as a negative	44.	00
45.	Apportioned Business Income Tax Base. Multiply line 44 by percentage on line 11c	45.	00
46.	Available MBT business loss carryforward from previous MBT return. Enter as a positive number	46.	00
47.	Subtract line 46 from line 45. If negative, enter here as a negative, skip line 48, and enter zero on line 49. A negative number here is the available business loss carryforward to the next filing period (see instructions)	47.	00

48. Qualified Affordable Housing Deduction. If line 47 is positive, complete lines 48a through 48i as follows: (1) If taking the seller's deduction, skip lines 48a through 48h and carry the amount from Form 4579, line 5, to line 48i. (2) If taking the buyer's deduction, complete lines 48a through 48i.

a.	Gross rental receipts attributable to residential units in Michigan (purchased pursuant to an operation agreement)	48a.	00		
b.	Rental expenses attributable to residential rental units in Michigan	48b.	00		
c.	Taxable income attributable to residential rental units. Subtract line 48b from line 48a	48c.	00		
d.	Number of residential rent restricted units in Michigan owned by the Qualified Affordable Housing Project	48d.			
e.	Total number of residential rental units in Michigan owned by the Qualified Affordable Housing Project	48e.			
f.	Divide line 48d by line 48e and enter as a percentage	48f.	%		
g.	Multiply line 48c by line 48f	48g.	00		
h.	Limited dividends or other distributions made to the owners of the project	48h.	00		
i.	Qualified Affordable Housing Deduction. Subtract line 48h from line 48g			48i.	00

49.	Subtract line 48i from line 47. If less than zero, enter zero	49.	00
50.	**Business Income Tax Before All Credits.** Multiply line 49 by 4.95% (0.0495)	50.	00

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Continue and sign on Page 3

FEIN or TR Number

PART 3: TOTAL MICHIGAN BUSINESS TAX

51.	**Total Michigan Business Tax Before Surcharge and Credits**. Add lines 27 and 50	51.	00
52.	Annual Surcharge. Enter the lesser of $6,000,000 or line 51 multiplied by 21.99% (0.2199)	52.	00
53.	**Total Liability Before All Credits.** Add lines 51 and 52	53.	00
54.	Nonrefundable credits from Form 4568, line 40	54.	00
55.	**Total Tax After Nonrefundable Credits.** Subtract line 54 from line 53. If less than zero, enter zero	55.	00
56.	Recapture of Certain Business Tax Credits and Deductions from Form 4587, line 12	56.	00
57.	**Total Tax Liability.** Add lines 55 and 56	57.	00

PART 4: PAYMENTS, REFUNDABLE CREDITS AND TAX DUE

58.	Overpayment credited from prior MBT return	58.	00
59.	Estimated tax payments	59.	00
60.	Tax paid with request for extension	60.	00
61.	Refundable credits from Form 4574, line 25	61.	00
62.	Payment and credit total. Add lines 58 through 61. (If not amending, then skip to line 64.)	62.	00
63.	**AMENDED RETURN ONLY** a. Payment made with the original return	63a.	00
	b. Overpayment received on the original return	63b.	00
	c. Add lines 62 and 63a and subtract line 63b from the sum	63c.	00
64.	**TAX DUE.** Subtract line 62 (or line 63c, if amending) from line 57. If less than zero, leave blank	64.	00
65.	Underpaid estimate penalty and interest from Form 4582, line 38	65.	00
66.	Annual return penalty (a) % = (b) 00 plus interest (c) 00. Total	66d.	00
67.	**PAYMENT DUE.** If line 64 is blank, go to line 68. Otherwise, add lines 64, 65 and 66d	67.	00

PART 5: REFUND OR CREDIT FORWARD

68.	Overpayment. Subtract lines 57, 65 and 66d from line 62 (or line 63c, if amending). If less than zero, leave blank (see instructions)	68.	00
69.	**CREDIT FORWARD**. Amount of overpayment on line 68 to be credited forward	69.	00
70.	**REFUND.** Amount of overpayment on line 68 to be refunded	70.	00

Taxpayer Certification. *I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.*	**Preparer Certification.** *I declare under penalty of perjury that this return is based on all information of which I have any knowledge.*
☐ By checking this box, I authorize Treasury to discuss my return with my preparer.	Preparer's PTIN, FEIN or SSN
Authorized Signature for Tax Matters	Preparer's Business Name (print or type)
Authorized Signer's Name (print or type) / Date	Preparer's Business Address and Telephone Number (print or type)
Title / Telephone Number	

Return is due April 30 or on or before the last day of the 4th month after the close of the tax year.

WITHOUT PAYMENT. Mail return to:
Michigan Department of Treasury, P.O. Box 30783, Lansing, MI 48909

WITH PAYMENT. Pay amount on line 67. Mail check and return to:
Michigan Department of Treasury, P.O. Box 30113, Lansing, MI 48909

Make check payable to "State of Michigan." Print taxpayer's FEIN or TR Number, the taxpayer's name, and "MBT" on the front of the check. Do not staple the check to the return.

Instructions for Form 4567
Michigan Business Tax (MBT) Annual Return

Purpose

To calculate the Business Income Tax and Modified Gross Receipts Tax as well as the surcharge for standard taxpayers. Insurance companies should file the *MBT Insurance Company Annual Return for Michigan Business and Retaliatory Taxes* (Form 4588) and Financial Institutions should file the *MBT Annual Return for Financial Institutions* (Form 4590).

Special Instructions for Unitary Business Groups

A *Unitary Business Group (UBG)* is a group of United States persons, other than a foreign operating entity, that satisfies the following criteria:

- One of the persons owns or controls, directly or indirectly, more than 50 percent of the ownership interest with voting rights (or rights comparable to voting rights) of the other United States persons; AND
- The UBG has operations which result in a flow of value between persons in the UBG or has operations that are integrated with, are dependent upon, or contribute to each other. Flow of value is determined by reviewing the totality of facts and circumstances of business activities and operations.

A *foreign operating entity* means a United States person that would otherwise be a part of a UBG that is taxable in Michigan; has substantial operations outside the United States, the District of Columbia, any territory or possession of the United States except for the commonwealth of Puerto Rico, or a political subdivision of the foregoing; and at least 80 percent of its income is active foreign business income as defined in Internal Revenue Code (IRC) § 861(c)(1)(B).

In Michigan, a UBG with standard members must file Form 4567 for the group with a Designated Member (DM) who must be the controlling member of the group, unless the controlling member does not have nexus with Michigan. If that is the case, the controlling member may appoint a group member with nexus to Michigan to serve as the DM.

For MBT, *taxpayer* means a person or a UBG liable for tax, interest, or penalty.

For more information on UBGs, see the instructions for the *MBT Unitary Business Group Combined Filing Schedule* (Form 4580) found on page 93 of this booklet and the "Supplemental Instructions for Standard Members in UBGs" on page 141.

Under Michigan Compiled Laws (MCL) 208.1511, all standard members of a UBG must file a combined return on Form 4567, using the tax year of the DM as the filing period. Business income of each member should reflect the accounting method that member used to compute its federal taxable income.

A combined return must include each tax year of each member that ends with or within the tax year of the DM.

The business income of a UBG is the sum of the business income of each person included in the UBG, other than a foreign operating entity or a person subject to the tax as an insurance company or financial institution, less any items of income and related deductions arising from transactions, including dividends, between persons included in the UBG.

In general, phase-ins, thresholds, credit limits, and other components used to determine tax liability relate to the group as a single taxpayer, not to individual persons that comprise the group. Exceptions to this general rule are noted in instructions to the applicable forms. The group of persons on the combined return is treated as the taxpayer (a distinct entity) for purposes of the MBT Act.

Taxpayer Certification

A return filed by a UBG must be signed by an individual authorized to sign on behalf of the DM. Provide the telephone number of that individual at the DM's office.

Line-by-Line Instructions

Lines not listed are explained on the form.

Dates must be entered in MM-DD-YYYY format.

See page 14 for periods less than 12 months.

Every standard taxpayer with nexus in Michigan and with apportioned or allocated gross receipts of $350,000 or more must file an annual return. (The filing threshold does not apply to insurance companies or financial institutions.) Businesses that operate less than 12 months must annualize their gross receipts to determine if a filing requirement exists.

UBGs: Complete Form 4580 before beginning Form 4567. Answer lines 1-8 of Form 4567 as they apply to the DM.

Amended Returns: Check the box (upper-right corner, page 1) if this is an amended return, and attach a separate sheet explaining the reason for the changes. Attach any supporting documents including an amended federal return or a signed and dated Internal Revenue Service (IRS) audit document.

Refund Only: If apportioned or allocated gross receipts are less than $350,000 and the taxpayer is filing Form 4567 to claim a refund of estimates paid, skip lines 13 through 57 and lines 64 through 67.

UBGs: If combined apportioned or allocated gross receipts of all members is less than $350,000 and the taxpayer is filing Form 4567 to claim a refund of estimates paid, Form 4580 must also be attached. The designated member must complete Part 1A, Part 2B (skip lines 17 through 62), Part 3 and Part 4. For each member listed in Part 1A, complete Part 1B and 2A (skip lines 17 through 62).

Line 1: If not a calendar year taxpayer, enter the beginning and ending dates (MM-DD-YYYY) that correspond to the taxable period as reported to the IRS.

Tax year means the calendar year, or the fiscal year ending during the calendar year, upon the basis of which the tax base of a taxpayer is computed. If a return is made for a part of a year, tax year means the period for which the return is made.

Generally, a taxpayer's tax year is for the same period as is covered by its federal income tax return. A taxpayer that has a 52- or 53-week tax year beginning not more than seven days before December 31 of any year is considered to have a tax year beginning after December of that year.

Example 1: A taxpayer with a federal tax year beginning on Monday, December 29, 2008, will be treated as follows:

- 2008 tax year end of December 31, 2008.
- Due date of April 30, 2009.
- 2009 tax year beginning January 1, 2009.

Example 2: A taxpayer with a federal tax year ending on Sunday, January 3, 2010, will be treated as follows:

- 2009 tax year end of December 31, 2009.
- Due date of April 30, 2010.
- 2010 tax year beginning on January 1, 2010.

Example 3: A 52- or 53-week year closing near the end of January is common in the retail industry. Such a taxpayer will be treated as follows:

- 2008-09 fiscal year end will be January 31, 2009.
- Due date will be May 31, 2009.
- 2009-10 fiscal year will begin on February 1, 2009.

Line 2: Country Code. If other than the United States, enter a two-digit abbreviation for a state or province and the ZIP or postal code, as appropriate, and the country code. See the list of country codes on page 153.

Correspondence regarding this return will be sent to the address used here. The taxpayer's legal address in Department of Treasury files will not change unless the taxpayer files a *Notice of Change or Discontinuance* (Form 163).

UBGs: In the Name field, enter the name of the DM for the standard members of this UBG.

Line 3: 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, etc.).

Line 4: Enter the start date of first business activity in Michigan.

Line 5: Enter the entity's six-digit North American Industry Classification System (NAICS) code. For a complete list of six-digit NAICS codes, see the U.S. Census Bureau Web site at **www.census.gov/eos/www/naics/**, or enter the same NAICS code used when filing the entity's U.S. Form *1120, Schedule K*, U.S. Form *1120S*, U.S. Form *1065* or U.S. Form *1040, Schedule C*.

Line 6: Enter the date, if applicable, on which the taxpayer went out of existence. To complete the discontinuance for Michigan taxes, file a *Notice of Change or Discontinuance* (Form 163), which is available on the Department Web site at **www.michigan.gov/treasuryforms**. If the taxpayer is still subject to another tax administered by the Department, do not use this line. Also, do not use this line if the taxpayer is a UBG and one member has stopped doing business.

Line 7: Use the taxpayer's Federal Employer Identification Number (FEIN) or the Michigan Treasury (TR) assigned number. Be sure to use the same account number on all forms.

If the taxpayer does not have an FEIN or TR number, the taxpayer MUST register before filing this form. Taxpayers are encouraged to register online at **www.michigan.gov/businesstaxes**. The Web site provides information on obtaining a FEIN, which is required to submit taxes through e-file. Taxpayers usually can obtain a FEIN from the IRS within 48 hours. Taxpayers registering with the state online usually receive an account number within seven days.

Returns received without a registered account number will not be processed until such time as a number is provided.

UBGs: Enter the FEIN or TR Number of the DM for the standard members of this UBG.

Line 8: Check the box that describes the DM's organization type. A Trust or a Limited Liability Company (LLC) should check the appropriate box based on its federal return.

Line 9: Check this box if filing a Michigan UBG return and attach Form 4580.

UBGs: A UBG member may need to calculate a pro forma tax liability to claim an entity-specific credit. See "Supplemental Instructions for Standard Members in UBGs" on page 141.

Line 10: Check this box if the taxpayer has receipts from transportation services. See page 29 on Sourcing of Sales to Michigan.

Line 11: All taxpayers should complete this line, even if all sales are taxable only to Michigan.

For a Michigan-based taxpayer, all sales are Michigan sales unless the taxpayer is subject to tax in another state. In that state, the taxpayer must be 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, or a tax of the type imposed under the MBT Act, or that state has jurisdiction to subject the taxpayer to one or more of such taxes regardless of whether or not 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.

Michigan business tax is based only on business activity apportioned to Michigan. A taxpayer that has not established nexus with one other state or a foreign country is subject to Michigan business tax on their entire business activity. Business activity is apportioned to Michigan based on sales.

Sale or *Sales* means 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. For intangible property, the amounts received will be limited to any gain received from the disposition of that property.
- Performance of services which constitute business activities.

- The rental, leasing, licensing, or use of tangible or intangible property, including interest, that constitutes business activity.
- Any combination of business activities described above.
- For taxpayers not engaged in any other business activities, sales include interest, dividends, and other income from investment assets and activities and from trading assets and activities.

Complete the Apportionment Calculation using amounts for the taxpayer's business activity only. Do not include amounts from an interest in a Partnership, S Corporation or LLC (unless the LLC is wholly owned by the taxpayer and disregarded for federal tax purposes).

Line 11a: Use the Sourcing of Sales to Michigan information on page 29 to determine Michigan sales. If Michigan sales reported are adjusted by a deduction for qualified sales to a qualified customer, as determined by the Michigan Economic Growth Authority (MEGA), attach the Anchor District Tax Credit Certificate or Anchor Jobs Tax Credit Certificate from MEGA as support.

For transportation services that source sales based on revenue miles, enter a sales amount on Line 11a by multiplying total sales of the transportation service by the ratio of Michigan revenue miles over revenue miles everywhere as provided in the "Sourcing of Sales to Michigan" chart for that type of transportation service. *Revenue mile* means the transportation for a consideration of one net ton in weight or one passenger the distance of one mile.

If no Michigan sales, enter zero.

PART 1: MODIFIED GROSS RECEIPTS TAX

Line 12: *Gross receipts* means the entire amount received by the taxpayer, as determined by using the taxpayer's method of accounting for federal income tax purposes, 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. Calculation of gross receipts also involves a phased-in deduction (60 percent in the 2009 and 2010 tax years) of any amount deducted as bad debt for federal income tax purposes that corresponds to items of gross receipts included in the modified gross receipts tax base for the current tax year or a past tax year. This partial reduction is reflected in the *Gross Receipts Worksheet* (Worksheet 4700) discussed below. Receipts include, but are not limited to:

- Receipts (sales proceeds) 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, subject to a phase-out schedule
- 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.

Use Worksheet 4700 on page 143 to calculate gross receipts. Attach this worksheet to the return. Gross receipts are not necessarily derived from the federal return, however, this worksheet will calculate gross receipts as defined by law in most instances. Taxpayers and tax professionals are expected to be familiar with uncommon situations within their experience, which produce gross receipts not identified by specific lines on this form, and report that amount on the most appropriate line. The Department may adjust the figure resulting from this worksheet to account properly for such uncommon situations.

A taxpayer should compute its gross receipts using the same accounting method used in the computation of its net income for federal income tax purposes.

NOTE: HMOs holding contract with the State of Michigan for Medicaid services, per MCL 208.1111(1) dd, should complete line 71 of Worksheet 4700 only if applicable, otherwise the exclusion will be disallowed.

Line 13: Enter inventory acquired during the tax year, including freight, shipping, delivery, or engineering charges included in the original contract price for that inventory, and any pre-paid sales tax required to be paid on the inventory at the time of purchase. Neither pre-paid sales tax, nor the sales tax collected upon resale of that inventory is excluded from gross receipts calculated on Worksheet 4700. This must be reported on line 12 of Form 4567.

Inventory means the stock of goods, including electricity and natural gas, held for resale in the ordinary course of a retail or wholesale business, and finished goods and goods in process of a manufacturer, including raw materials purchased from another person. Inventory also includes shipping and engineering charges so long as such charges are included in the original contract price for the associated inventory and floor plan interest for licensed new car dealers.

For purposes of this deduction, *floor plan interest* means interest paid that finances any part of the person's purchase of new motor vehicle inventory from a manufacturer, distributor, or supplier. However, amounts attributable to any invoiced items used to provide more favorable floor plan assistance to a person subject to the tax imposed under this act than to a person not subject to this tax are considered interest paid by a manufacturer, distributor, or supplier.

For a person that is a securities trader, broker, or dealer or a person included in the UBG of that securities trader, broker, or dealer that buys and sells for its own account, inventory includes contracts that are subject to the Commodity Exchange Act, 7 USC 1 to 27f, the cost of securities as defined under IRC § 475(c)(2) and for a securities trader the cost of commodities as defined under IRC § 475(e)(2) and for a broker or dealer the cost of commodities as defined under IRC § 475(e)(2)(b), (c), and (d), excluding interest expense other than interest expense related to repurchase agreements. As used in this provision:

- *Broker* and *dealer* mean those terms as defined under section 78c(a)(4) and (a)(5) of the Securities Exchange Act of 1934, 15 USC 78c.

• *Securities trader* means a person that engages in the trade or business of purchasing and selling investments and trading assets.

Inventory does not include either of the following:

• Personal property under lease or principally intended for lease rather than sale.

• Property allowed a deduction or allowance for depreciation or depletion under the IRC.

Line 14: Enter assets, including the costs of fabrication and installation, acquired during the tax year of a type that are, or under the IRC will become, eligible for depreciation, amortization, or accelerated capital cost recovery for federal income tax purposes.

Line 15: To the extent not included in inventory or depreciable property, enter materials and supplies, including repair parts and fuel.

Materials and supplies means tangible personal property acquired during the tax year to be used or consumed in, and directly connected to, the production or management of inventory or the operation or maintenance of depreciable assets as described previously. Materials and supplies include repair parts and fuel.

For example, a physician's or dentist's purchase of sterilizing solution during the tax year that is used to sterilize examination equipment, such as an X-ray machine, may be considered materials and supplies under MCL 208.1113(6)(c).

Line 16: A staffing company may deduct compensation of personnel supplied to its clients, including wages, benefits, worker's compensation costs, and all payroll taxes paid for personnel provided to the clients of staffing companies as defined under MBT. *Staffing company* means a taxpayer whose business activities are included in Industry Group 736 under the Standard Industrial Classification (SIC) Code as compiled by the United States Department of Labor.

Payments to a staffing company by a client do not constitute purchases from other firms.

Line 17: For taxpayers that fall under SIC major groups 15 (Building Construction General Contractors and Operative Builders), 16 (Heavy Construction Other Than Building Construction Contractors), and 17 (Construction Special Trade Contractors) who do not qualify for the Small Business Alternative Credit under MCL 208.1417, the following payments are considered purchases from other firms:

• Payments to subcontractors for a construction project under a contract specific to that project, and

• To the extent not deducted as inventory and materials and supplies, payments for materials deducted as purchases in determining the cost of goods sold for the purpose of calculating total income on the taxpayer's federal income tax return.

__UBGs:__ The analysis of whether a person in a UBG does not qualify for a Small Business Alternative Credit should be based on whether the group as a whole qualifies. However, it is sufficient that the individual UBG member that made the payments listed above be included in SIC codes 15, 16, or 17 in order for the payments to qualify as purchases from other firms.

Persons included in SIC codes 15, 16, and 17 include general contractors (of residential buildings including single-family homes; industrial, commercial, and institutional buildings; bridges, roads, and infrastructure, etc.); operative builders; and trade contractors (such as electricians, plumbers, painters, masons, etc.). See **http://www.osha.gov/pls/imis/sic_manual.html** for a more complete list.

A *subcontractor* is an Individual or entity that enters into a contract and assumes some or all of the obligations of a person included in SIC codes 15, 16, and 17 as set forth in the primary contract specific to a project. Thus, payments made to an independent contractor to provide general labor services to the contractor not specific to a particular contract do not constitute purchases from other firms. However, payments made to a subcontractor for services and materials provided under a contract specific to a particular construction project (such as the construction of commercial property on Main Street) do constitute purchases from other firms. There is no limitation or condition that the subcontractors to whom such payments are made be licensed.

The taxpayer bears the burden to prove it is entitled to a deduction in computing its tax liability. It is contemplated that good business practice would include documentation such as a written contract that would support a deduction from gross receipts for payments to subcontractors as purchases from other firms. The supporting information for payments to a subcontractor could be incorporated into the contract for the specific project or memorialized in a separate contract with a subcontractor specifying the project to which the costs pertain.

Line 18: Enter film rental or royalty payments paid by a theater owner to a film distributor, a film producer, or a film distributor and producer.

Line 19: Enter any deduction available to a Qualified Affordable Housing Project.

Public Act (PA) 168 of 2008 provides for a deduction from the modified gross receipts and apportioned business income tax bases for the buyer of affordable rental units so long as certain criteria are met. Specifically, the buyer of affordable rental units must enter into an operation agreement with the seller in which the buyer agrees to operate a specific number of the residential rental units sold as rent restricted units for a minimum of 15 years. The buyer must be a Qualified Affordable Housing Project.

Qualified Affordable Housing Project means a person that is organized, qualified, and operated as a limited dividend housing association that has a limitation on the amount of dividends or other distributions that may be distributed to its owners in any given year and has received funding, subsidies, grants, operating support, or construction or permanent funding through one or more public sources.

A *limited dividend housing association* is organized and qualified pursuant to Chapter 7 of the State Housing Development Authority Act (MCL 125.1491 et seq).

If these criteria are satisfied, the buyer may deduct from its modified gross receipts, the buyer's gross receipts attributable to residential rental units in Michigan owned by the Qualified Affordable Housing Project multiplied by a fraction, the numerator of which is the number of rent restricted units in Michigan owned by that Qualified Affordable Housing Project and the denominator of which is the number of all residential rental units in Michigan owned by the project. This deduction is reduced by the amount of limited dividends or other distributions made to the owners of the project. Amounts received by the management, construction, or development company for completion and operation of the project and rental units do not constitute gross receipts for purposes of the deduction.

The buyer is entitled to the deduction so long as the Qualified Affordable Housing Project continues to offer any of the residential rental units purchased as rent restricted units in accordance with the operation agreement.

UBGs: Leave lines 19a-19f blank and carry the amount from *MBT Unitary Business Group Combined Filing Schedule for Standard Members* (Form 4580), Part 2B, line 23g, column C, to Form 4567, line 19g.

Line 20: Enter payments made by taxpayers licensed under Article 25 (Real Estate Brokers and Salespersons) or Article 26 (Real Estate Appraisers) of the Occupational Code [MCL 339.2501 to 339.2601 and 339.2601 to 339.2637] to independent contractors licensed under Articles 25 or 26.

Line 21: There currently are no subtractions allowed that are recorded on this line. Leave this line blank.

Line 26: Enter the amount of MBT Modified Gross Receipts Tax collected in the tax year.

Section 203(5) of the MBT Act permits new motor vehicle dealers licensed under the Michigan Vehicle Code, PA 300 of 1949, MCL 257.1 to 257.923, and dealers of new or used personal watercraft to collect the Modified Gross Receipts Tax in addition to the sales price. The act states the "amount remitted to the Department for the [Modified Gross Receipts Tax] ... shall not be less than the stated and collected amount." Therefore, the entire amount of Modified Gross Receipts Tax stated and collected by new motor vehicle dealers and new and used watercraft dealers must be remitted to the Department. There should be no instance where a dealer would be collecting amounts of Modified Gross Receipts Tax from customers in excess of the amount of taxes remitted to the Department. Taxpayers who elect to separately collect the Modified Gross Receipts Tax, in addition to sales price, under MCL 208.1203(5) may file and remit the tax as estimated payments with their quarterly or monthly *Combined Return for Michigan Taxes* (Form 160) or their *MBT Quarterly Return* (Form 4548).

NOTE: Only new motor vehicle dealers and dealers of new or used personal watercraft are permitted to separately itemize and collect a tax imposed under the MBT Act from customers in addition to sales price, and that authority is limited to only the Modified Gross Receipts Tax imposed and levied under Section 203 of the MBT Act. The statute does not authorize separate itemizing and collection of the Business Income Tax or surcharge by any taxpayer.

UBGs: Add the combined total after eliminations from Form 4580, Part 2B, line 28, column C, to the number on Form 4567, line 25, and enter the sum on line 26.

PART 2: BUSINESS INCOME TAX

If business activity is protected under Public Law (PL) 86-272, complete and attach the *MBT Schedule of Business Activity Protected Under Public Law 86-272* (Form 4586). Leave lines 28 through 50 blank.

UBGs: If business activity of a UBG member is protected under PL 86-272, that member must claim protection by filing Form 4586 (if that member is the DM) or Form 4581 (if a non-designated member). Report only the activities of the member named on that form. If all members of the UBG are claiming PL 86-272 protection, then the UBG will leave lines 28 through 50 blank. So long as one member of a UBG has nexus with Michigan and exceeds the protections of PL 86-272, all members of the UBG — including members protected under PL 86-272 — must be included when calculating the UBG's Business Income Tax base and apportionment formula. PL 86-272 will only remove business income from the apportionable Business Income Tax base when all members of the UBG are protected under PL 86-272.

Line 28: *Business income* means that part of federal taxable income derived from business activity. For MBT purposes, *federal taxable income* means taxable income as defined by IRC § 63, except that federal taxable income shall be calculated as if IRC § 168(k) [as applied to qualified property placed in service after December 31, 2007] and IRC § 199 were not in effect. For a Partnership or S Corporation (or LLC federally taxed as such), business income includes payments and items of income and expense that are attributable to business activity of the Partnership or S Corporation and separately reported to the partners or shareholders.

Use the *Business Income Worksheet* (Worksheet 4746) on page 149 to calculate business income. Attach this worksheet to the return. This worksheet will calculate business income as defined by law in most instances. Taxpayers and tax professionals are expected to be familiar with uncommon situations within their experience, which produce business income not identified by specific lines on this worksheet, and report that amount on the most appropriate line. The Department may adjust the figure resulting from this worksheet to account properly for such uncommon situations.

For an organization that is a mutual or cooperative electric company exempt under IRC § 501(c)(12), business income equals the organization's excess or deficiency of revenues over expenses as reported to the federal government by those organizations exempt from the federal income tax under the IRC, less capital credits paid to members of that organization, less income attributed to equity in another organization's net income, and less income resulting from a charge approved by a state or federal regulatory agency that is restricted for a specified purpose and refundable if it is not used for the specified purpose.

For a tax-exempt person, business income means only that part of federal taxable income (as defined for MBT purposes) derived from unrelated business activity.

For an Individual or an Estate, or for a Partnership or Trust organized exclusively for estate or gift planning purposes, business income is that part of federal taxable income (as defined for MBT purposes) derived from transactions, activities, and sources in the regular course of the taxpayer's trade or business, including the following:

- All income from tangible and intangible property if the acquisition, rental, management, or disposition of the property constitutes integral parts of the taxpayer's regular trade or business operations.
- Gains or losses incurred in the taxpayer's trade or business from stock and securities of any foreign or domestic Corporation and dividend and interest income.
- Income derived from isolated sales, leases, assignment, licenses, divisions, or other infrequently occurring dispositions, transfers, or transactions involving property if the property is or was used in the taxpayer's trade or business operation.
- Income derived from the sale of a business.

NOTE: Personal investment income, gains from the sale of property held for personal use and enjoyment, or other assets not used in a trade or business, and any other income not specifically derived from a trade or business that is earned, received, or otherwise acquired by an Individual, an Estate, or a Trust or Partnership organized or established exclusively for estate or gift planning purposes, are not included in the Business Income Tax base. This exclusion only applies to the specific types of taxpayers identified above. Investment income and any other types of income earned or received by all other types of persons or taxpayers not specifically referenced must be included in the business income of the taxpayer.

Additions to Income

Additions are generally required to the extent deducted in arriving at federal taxable income. (Business income, line 28.)

Line 29: Enter any interest income and dividends from bonds and similar obligations or securities of states other than Michigan and their political subdivisions in the same amount that was excluded from federal taxable income (as defined for MBT purposes). Reduce this addition by any expenses related to the foregoing income that were disallowed on the federal return by IRC § 265 or 291.

Line 30: 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 31: Enter the Michigan Business Tax, including surcharge, claimed as a deduction on the federal return.

Line 32: Enter any net operating loss carryback or carryover that was deducted in arriving at federal taxable income (as defined for MBT purposes) reported on line 28. Enter this amount as a positive number.

Line 33: Enter any losses included in federal taxable income (as defined for MBT purposes) that are attributable to other entities whose business activities are taxable or would be subject to the tax if the business activities were in Michigan. If there is only one such entity to report, enter its FEIN or TR number in the field on this form. If there is more than one such entity to report, enter on the form the FEIN or TR number of one of the entities and attach a list of the account numbers of the others.

Line 34: Enter any royalty, interest, or other expense paid to a person related to the taxpayer by ownership or control for the use of an intangible asset if the person is not included in the taxpayer's UBG. Royalty, interest, or other expense described here is not required to be included if the taxpayer can demonstrate that the transaction has a nontax business purpose other than avoidance of this tax, is conducted with arm's-length pricing and rates and terms as applied in accordance with IRC § 482 and 1274(d), and satisfies one of the following:

- Is a pass-through of another transaction between a third party and the related person with comparable rates and terms.
- Results in double taxation. For this purpose, double taxation exists if the transaction is subject to tax in another jurisdiction.
- Is unreasonable as determined by the Department, and the taxpayer agrees that the addition would be unreasonable based on the taxpayer's facts and circumstances.
- The related person (recipient of the transaction) is organized under the laws of a foreign nation which has in force a comprehensive income tax treaty with the United States.

Line 35: There currently are no additions required that are recorded on this line. Leave this line blank.

Subtractions from Income

Subtractions are generally available to the extent included in arriving at federal taxable income (Business Income, line 28).

Line 38: Enter any dividends and royalties received from persons other than United States persons and foreign operating entities, including, but not limited to, amounts determined under IRC § 78 or IRC § 951 to 964.

Line 39: Enter any income included in federal taxable income (as defined for MBT purposes) that is attributable to other entities whose business activities are taxable or would be subject to the tax if the business activities were in Michigan.If there is only one such entity to report, enter its FEIN or TR number in the field on this form. If there is more than one such entity to report, enter on the form the FEIN or TR number of one of the entities and attach a list of the account numbers of the others.

Line 40: To the extent included in federal taxable income (as defined for MBT purposes), deduct interest income derived from United States obligations.

Line 41: To the extent included in federal taxable income (as defined for MBT purposes), deduct any earnings that are net earnings from self-employment as defined under IRC § 1402 of the taxpayer, or a partner or LLC member of the taxpayer, except to the extent that those net earnings represent a reasonable return on capital. If less than zero, enter zero.

Under IRC § 1402, the business income of an Individual or sole proprietor, and a partner's distributive share of Partnership income, whether distributed or not, from any trade or business carried on by the Partnership, may be considered self-employment income (with certain statutory exceptions), and subject to the Federal Self-Employment Tax. Therefore, a sole proprietorship or Partnership may deduct any income subject to the Federal Self-Employment Tax when computing the MBT Business Income Tax base. Shareholders of Corporations, including S Corporations, are not subject to the Federal Self-Employment Tax, and, as a result, no deduction is allowed for earnings from self-employment income for corporate entities. There is no deduction allowed for S Corporation distributions that is equivalent to the self-employment deduction allowed for Partnerships and sole proprietorships under MBT.

Net earnings from self-employment under IRC § 1402 generally means "the gross income derived by an Individual from any trade or business carried on by such Individual, less the deductions allowed by this subtitle which are attributable to such trade or business, plus the distributive share (whether or not distributed) of income or loss described in [IRC §] 702(a)(8) from any trade or business carried on by a Partnership of which he is a member," subject to certain exclusions, including rentals from real estate, dividends and interest, and certain net operating losses and personal exemptions (IRC § 1402(a)).

Line 42: There currently are no subtractions allowed that are recorded on this line. Leave this line blank.

Line 45: If line 45 is negative, enter as a negative number. A loss on line 45 will create (or increase) the MBT business loss carryforward for the next year. Any negative amount on line 45 is a MBT business loss which may be carried forward to the year immediately succeeding the loss year as an offset to the allocated or apportioned Business Income Tax base, then successively to the next nine taxable years following the loss year or until the loss is used up, whichever occurs first, but for not more than ten taxable years after the loss year.

Line 46: Deduct any available MBT business loss incurred after December 31, 2007. Enter as a positive number.

Business loss means a negative business income tax base, after apportionment, if applicable.

NOTE: MBT business loss carryforward is not the same as the federal net operating loss carryforward or carryback. It also is not the same as the Single Business Tax business loss carryforward, which was partially allowed against the Modified Gross Receipts tax base only for tax years ending in 2008.

Line 47: Subtract line 46 from line 45. Any negative amount on line 47 is an MBT business loss which may be carried forward to the next filing period, except to the extent that all or some portion of this business loss has exceeded its usable life of ten tax years.

Line 48: If line 47 is positive, enter the Qualified Affordable Housing Deduction, if applicable.

PA 168 of 2008 provides for a deduction from the apportioned Business Income Tax base to a buyer and seller of residential rental units associated with a Qualified Affordable Housing Project for certain amounts associated with the sale and operation of those units so long as certain criteria are met. Specifically, the buyer of affordable rental units must be a Qualified Affordable Housing Project and must enter into an operation agreement with the seller in which the buyer agrees to operate a specific number of the residential rental units sold as rent restricted units for a minimum of 15 years. Qualified Affordable Housing Project is further defined under instructions for line 19.

The seller may take a deduction from its apportioned Business Income Tax base equal to the gain from the sale of the residential rental units to the Qualified Affordable Housing Project, as calculated on the *MBT Qualified Affordable Housing Seller's Deduction* (Form 4579). Enter the amount from Form 4579, line 5.

The buyer may deduct from its apportioned Business Income Tax base an amount equal to the product of the buyer's taxable income attributable to residential rental units in Michigan owned by the Qualified Affordable Housing Project multiplied by a fraction, the numerator of which is the number of rent restricted units in Michigan owned by that Qualified Affordable Housing Project and the denominator of which is the number of all residential rental units in Michigan owned by the project. The buyer is entitled to the deduction so long as the Qualified Affordable Housing Project continues to offer any of the residential rental units purchased as rent restricted units in accordance with the operation agreement.

In general, taxable income attributable to residential rental units is gross rental receipts attributable to residential rental units in Michigan (purchased pursuant to an operation agreement) less rental expenses attributable to residential rental units in Michigan, including, but not limited to, repairs, interest, insurance, maintenance, utilities, and depreciation.

Specifically, Partnerships may use a *Rental Real Estate Income and Expenses of a Partnership or an S Corporation* (U.S. Form *8825*) to determine its taxable income attributable to residential rental units in Michigan. To the extent that the Qualified Affordable Housing Project is taxed as something other than a Partnership or S Corporation, the Qualified Affordable Housing Project may use the *Supplemental Income and Loss* (U.S. Form *1040*, *Schedule E*) or the relevant portions of the *U.S. Corporation Income Tax Return* (U.S. Form *1120*), as appropriate. If the Qualified Affordable Housing Project is a Corporation, the expenses permitted should be limited to those also listed on the *Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition* (U.S. Form *8823*) and U.S. Form *1040*, *Schedule E*. Rental receipts and expenses must be calculated without regard to any gain or loss resulting from the disposition of rental property. Also, since Partnerships are subject to tax as a person under MBT, flow-through amounts from other Partnerships are not considered.

Improvements that increase the value of the property or extend its life, such as replacing a roof or renovating a kitchen, are not deductible rental expenses. Any passive activity loss limitations applicable to the Qualified Affordable Housing Project's federal return also apply for purposes of MCL 208.1201(7).

The buyer's deduction is reduced by the amount of limited dividends or other distributions made to the owners of the project. Income received by the management, construction, or development company for completion and operation of the project and rental units does not constitute taxable income attributable to residential rental units.

UBGs: Leave lines 48a-48h blank and carry the amount from Form 4580, Part 2B, line 44i, column C, to line 48i.

When the seller claims a deduction for the year of sale, the State will place a lien on the property equal to the amount of the seller's deduction. If the buyer fails to qualify as a Qualified Affordable Housing Project or fails to operate any of the residential rental units as rent restricted units in accordance with the operation agreement within 15 years after the date of purchase, the lien placed on the property for the amount of the seller's deduction becomes payable to the State. The lien is payable through a "recapture" to be added to the tax liability of the buyer in the year the recapture event occurs. The recapture is calculated on *MBT Schedule of Recapture of Certain Business Tax Credits and Deductions* (Form 4587).

PART 3: TOTAL MICHIGAN BUSINESS TAX

Line 52: In addition to the taxes imposed and levied under MBT, an annual surcharge is imposed and levied on each standard taxpayer equal to 21.99 percent of the taxpayer's tax liability.

The amount of the surcharge imposed and levied on any taxpayer may not exceed $6,000,000 for any single tax year.

Line 55: IMPORTANT: If apportioned or allocated gross receipts are less than $350,000, enter a zero on this line. If a business operated less than 12 months, annualize gross receipts to determine if a filing requirement exists.

UBGs: If apportioned or allocated gross receipts (gross receipts from Form 4580, Part 2B, line 16, column A, multiplied by the apportionment percentage reported on Form 4567, line 11c) are less than $350,000, enter a zero on this line.

PART 4: PAYMENTS, REFUNDABLE CREDITS, AND TAX DUE

Line 59: Enter the total tax paid with the *MBT Quarterly Tax Return* (Form 4548), or the estimated MBT paid with Form 160 or the amount paid through Electronic Funds Transfer. 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.

Amended Returns Only:

Line 63a: Enter payment made with original return.

Line 63b: Enter overpayment received (refund received plus credit forward created) on the original return.

Line 63c: Add lines 62 and 63a and subtract line 63b from the sum.

Line 65: If penalty and interest are owed for not filing estimated returns or for underestimating tax, complete the *MBT Penalty and Interest Computation for Underpaid Estimated Tax* (Form 4582), on page 111, to compute penalty and interest due. If a taxpayer chooses not to file this form, the Department will compute penalty and interest and bill for payment.

Line 66: Enter the annual return penalty rate in line 66a. Add the overdue tax penalty in line 66b to the overdue tax interest in line 66c. Enter total in line 66d.

Refer to "Computing Penalty and Interest" on page 15 to determine the annual return penalty rate and use the Overdue Tax Penalty and Overdue Tax Interest worksheets below.

WORKSHEET – OVERDUE TAX PENALTY

A. Tax due from Form 4567, line 64		00
B. Late/extension or insufficient payment penalty percentage		%
C. Multiply line A by line B		00

Carry amount from line C to Form 4567, line 66b.

WORKSHEET – OVERDUE TAX INTEREST

A. Tax due from Form 4567, line 64		00
B. Applicable daily interest percentage		%
C. Number of days return was past due		
D. Multiply line B by line C		%
E. Multiply line A by line D		00

Carry amount from line E to Form 4567, line 66c.

Line 66c: NOTE: If the late period spans more than one interest rate period, divide the late period into the number of days in each of the interest rate periods identified under "Computing Penalty and Interest" on page 15 and apply the calculations in the Overdue Tax Interest worksheet separately to each portion of the late period. Combine these interest subtotals and carry the total to line 66c.

PART 5: REFUND OR CREDIT FORWARD

Line 68: If the amount of the overpayment, less any penalty and interest due on lines 65 and 66d is less than zero, enter the difference (as a positive number) on line 67. If the amount is greater than zero, enter on line 68.

Line 69: If the taxpayer anticipates an MBT liability in the filing period subsequent to this return, some or all of any overpayment from line 68 may be credited forward to the next period. Enter the desired credit forward amount here.

Reminder: Taxpayers must sign and date returns. Preparers must provide a Preparer Taxpayer Identification Number (PTIN), FEIN or Social Security number (SSN), a business name, and a business address and phone number.

Attachments

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

UBGs: See Form 4580 instructions for information regarding federal attachments for members of UBGs.

- **C Corporations:** U.S. Form *1120* (pages 1 through 4), *Schedule D*, Form *851*, Form *4562,* and Form *4797.* If filing as part of a consolidated federal return, attach a pro forma or consolidated schedule.
- **S Corporations:** U.S. Form *1120-S* (pages 1 through 4)*, *Schedule D*, Form *851*, Form *4562*, Form *4797*, Form *8825.*
- **Individuals:** U.S. Form *1040* (pages 1 and 2), Schedules *C, C-EZ, D, E,* and Form *4797.*
- **Fiduciaries:** U.S. Form *1041* (pages 1 through 4), *Schedule D,* and Form *4797.*
- **Partnerships:** U.S. Form *1065*, (pages 1 through 5)*, *Schedule D*, Form *4797,* and Form *8825.*
- **Limited Liability Companies:** Attach appropriate schedules shown above based on federal return filed.

* Do not send copies of K-1s. The Department will request them if necessary.

Sourcing of Sales to Michigan

TANGIBLE AND REAL PROPERTY

Sale of tangible personal property

Property is shipped or delivered, or, in the case of electricity and gas, the contract requires the property to be shipped or delivered, to any purchaser within this State based on the ultimate destination at the point that the property comes to rest regardless of the free on board point or other conditions of the sales.

NOTE: *Tangible personal property* means that term as defined in Section 2 of the Use Tax Act, Public Act (PA) 94 of 1937, MCL 205.92.

Sale, lease, rental or licensing of real property

Property is located in this State.

Lease or rental of tangible personal property

To the extent the property is used in this State. Extent of use is determined by multiplying the receipts by a fraction, the numerator of which is the number of days of physical location of the property in this State during the lease or rental period in the tax year and the denominator of which is the number of days of physical location of the property everywhere during all lease or rental periods in the tax year.

If the physical location of the property during the lease or rental period is unknown or cannot be determined, the tangible personal property is used in the state in which the property was located at the time the lease or rental payer obtained possession.

Lease or rental of mobile transportation property owned by the taxpayer

To the extent property is used in this State. For example, the extent an aircraft will be deemed to be used is determined by multiplying all the receipts from the lease or rental of the aircraft by a fraction, the numerator of the fraction is the number of landings of the aircraft in this State and the denominator of the fraction is the total number of landings of the aircraft.

If the extent of use of any transportation property within this State cannot be determined, then the receipts are in this State if the property has its principal base of operations in this State.

INTANGIBLE PROPERTY (IN GENERAL)

Royalties and other income received for use of or for the privilege of using intangible property including patents, knowhow, formulas, designs, processes, patterns, copyrights, trade names, service names, franchises, licenses, contracts, customer lists, computer software, or similar items

Property is used by the purchaser in this State. If property is used in more than one state, royalties or other income will be apportioned to this State pro rata according to the portion of use in this State.

If the portion of use in this State cannot be determined, the royalties or other income will be excluded from both the numerator and the denominator.

If the purchaser of intangible property uses it or the rights to the intangible property, in the regular course of its business operations in this State, regardless of the location of the purchaser's customers.

SALES FROM PERFORMANCE OF SERVICES (IN GENERAL)

Receipts from performance of services, in general

Recipient of services receives all of the benefit of the services in this State.

If the recipient of the services receives some of the benefit of the services in this State, receipts are included in the numerator of the apportionment factor in proportion to the extent that the recipient receives benefit of the services in this State.

FINANCIAL SERVICES

Sales derived from securities brokerage services including commissions on transactions, the spread earned on principal transactions in which broker buys or sells from its account, total margin interest paid on behalf of brokerage accounts owned by broker's customers, and fees and receipts of all kinds from underwriting of securities

Multiply the total dollar amount of receipts from securities brokerage services by a fraction, the numerator of which is the sales of securities brokerage services to customers within this State, and the denominator of which is the sales of securities brokerage services to all customers.

If receipts from brokerage services can be associated with a particular customer, but it is impractical to associate the receipts with the address of the customer, then the address of the customer will be presumed to be the address of the branch office that generates the transactions for the customer.

Sales of services derived directly or indirectly from sale of management, distribution, administration, or securities brokerage services to, or on behalf of, a regulated investment company or its beneficial owners, including receipts derived directly or indirectly from trustees, sponsors, or participants of employee benefit plans that have accounts in a regulated investment company

To the extent the shareholders of the regulated investment company are domiciled within this State. For this purpose, *domicile* means the shareholder's mailing address on the records of the regulated investment company.

If the regulated investment company or the person providing management services to the regulated investment company has actual knowledge that the shareholder's primary residence or principal place of business is different than the shareholder's mailing address, then the shareholder's primary residence or principal place of business is the shareholder's domicile.

A separate computation must be made with respect to receipts derived from each regulated investment company. Total amount of sales attributable to this State must be equal to total receipts received by each regulated investment company multiplied by a fraction determined as follows:

- The numerator of the fraction is the average of the sum of the beginning-of-year and end-of-year number of shares owned by the regulated investment company shareholders who have their domicile in this State.
- The denominator of the fraction is the average of the sum of the beginning-of-year and end-of-year number of shares owned by all shareholders.
- For purposes of the fraction, the year will be the tax year of the regulated investment company that ends with or within the tax year of the taxpayer.

Receipts from the origination of a loan or gains from sale of a loan secured by residential real property

Only if one or more of the following apply:

- Real property is located in this State.
- Real property is located both within this State and one or more other states and more than 50 percent of the fair market value of the real property is located within this State.
- More than 50 percent of the real property is not located in any one state and the borrower is located in this State.*

Interest from loans secured by real property

Property is located in this State.

If property is located both in this State and one or more other states, if more than 50 percent of the fair market value of the real property is located within this State.

If more than 50 percent of the fair market value of the real property is not located within any one state, if the borrower is located in this State.*

The determination of whether the real property securing a loan is located in this State will be made at the time the original agreement was made and any and all subsequent substitutions of collateral will be disregarded.

Interest from a loan not secured by real property

Borrower is located in this State*

Gains from sale of a loan not secured by real property, including income recorded under coupon stripping rules of IRC 1286

Borrower is located in this State*

Credit card receivables, including interest, fees, and penalties from credit card receivables and receipts from fees charged to cardholders, such as annual fees

Billing address of the cardholder is located in this State

Sale of credit card or other receivables

Billing address of the customer is located in this State

Credit card issuer's reimbursements fees

Billing address of the cardholder is located in this State.

Merchant discounts, computed net of any cardholder chargebacks, but not reduced by any interchange transaction fees or by any issuer's reimbursement fees paid to another for charges made by its cardholders

Commercial domicile of the merchant is located in this State.

Loan servicing fees derived from loans of another secured by real property

Real property is located in this State.

Real property is located both in and out of this State and one or more states if more than 50 percent of the fair market value of the real property is located in this State.

More than 50 percent of the fair market value of the real property is not located in any one state, and the borrower is located in this State.*

If the location of the security cannot be determined, then loan servicing fees for servicing either the secured or the unsecured loans of another are in this State if the lender to whom the loan servicing service is provided is located in this State.

Loan servicing fees derived from loans of another not secured by real property

Borrower is located in this State.*

If location of the security cannot be determined, then loan servicing fees for servicing either the secured or the unsecured loans of another are in this State if the lender to whom the loan servicing service is provided is located in this State.

Sale of securities and other assets from investment and trading activities, including, but not limited to, interest, dividends, and gains

Attributable to the State if the person's customer is in this State, or if the location of the person's customer cannot be determined, both of the following:

- Interest, dividends, and other income from investment assets and activities and from trading assets and activities, including, but not limited to, investment securities; trading account assets; federal funds; securities purchased and sold under agreements to resell or repurchase; options; futures contracts; forward contracts; notional principal contracts such as swaps; equities; and foreign currency transactions are in this State if the average value of the assets is assigned to a regular place of business of the taxpayer within this State.
    - Interest from federal funds sold and purchased and from securities purchased under resale agreements and securities sold under repurchase agreements are in this State if the average value of the assets is assigned to a regular place of business of the taxpayer within this State.
    - Amount of receipts and other income from investment assets and activities is in this State if assets are assigned to a regular place of business of the taxpayer within this State.

*A borrower is considered located in this State if the borrower's billing address is in this State.

• Amount of receipts from trading assets and activities, including, but not limited to, assets and activities in the matched book, in the arbitrage book, and foreign currency transactions, but excluding amounts otherwise sourced in this section, are in this State if the assets are assigned to a regular place of business of the taxpayer within this State.

TRANSPORTATION SERVICES

Receipts from transportation services

Generally, receipts will be proportioned based on the ratio that revenue miles of the person in this State bear to the revenue miles of the person everywhere.

Receipts from maritime transportation services will be attributable to this State as follows:

• 50 percent of those receipts that either originate or terminate in this State.

• 100 percent of those receipts that both originate and terminate in this State.

Receipts attributable to this State of a person whose business activity consists of the transportation of:

• Property and individuals – Proportioned based on the total gross receipts for passenger miles and ton mile fractions, separately computed and individually weighted by the ratio of gross receipts from passenger transportation to total gross receipts from all transportation, and by the ratio of gross receipts from freight transportation to total gross receipts from all transportation, respectively.

$$\frac{\text{Michigan Ton Miles}}{\text{Total Ton Miles}} \times \text{Gross Receipts from Transportation of Property} + \frac{\text{Michigan Passenger Miles}}{\text{Total Passenger Miles}} \times \text{Gross Receipts from Transportation of Passengers}$$

$$= \text{Michigan Sales from Transportation Services}$$

• Oil by pipeline – Proportioned based on the ratio that the gross receipts for the barrel miles transported in this State bear to the gross receipts for the barrel miles transported by the person everywhere.

• Gas by pipeline – Proportioned based on the ratio that the gross receipts for the 1,000 cubic feet miles transported in this State bear to the gross receipts for the 1,000 cubic feet miles transported by the person everywhere.

NOTE: If a taxpayer can show that revenue mile information is not available or cannot be obtained without unreasonable expense to the taxpayer, receipts attributable to this State will be that portion of the revenue derived from transportation services everywhere performed that the miles of transportation services performed in this State bears to the miles of transportation services performed everywhere. If the Department determines that the information required for the calculations above are not available or cannot be obtained without unreasonable expense to the taxpayer, the Department may use other available information that in the opinion of the Department will result in an equitable allocation of the taxpayer's receipts to this State.

TELECOMMUNICATIONS SERVICES

Sale of telecommunications service or mobile telecommunications service, in general

Customer's place of primary use of the service is in this State. As used here, *place of primary use* means the customer's residential street address or primary business street address where the customer's use of the telecommunications service primarily occurs.

For mobile telecommunications service, the customer's residential street address or primary business street address is the place of primary use only if it is within the licensed service area of the customer's home service provider.

Sale of telecommunications service sold on an individual call-by-call basis

Call both originates and terminates in this State.

Call either originates or terminates in this State and the service address is located in this State.

Sale of postpaid telecommunications service

Origination point of telecommunication signal (as first identified by the service provider's telecommunication system or as identified by information received by the seller from its service provider if system used to transport telecommunication signals is not the seller's) is located in this State.

Sale of prepaid telecommunications service or prepaid mobile telecommunications service

Purchaser obtains the prepaid card or similar means of conveyance at a location in this State.

Recharging a prepaid telecommunications service or mobile telecommunications service

Purchaser's billing information indicates a location in this State.

Sale of private communication services

100 percent of the receipts from the sale of each channel termination point within this State.

100 percent of the receipts from the sale of the total channel mileage between each termination point within this State.

50 percent of the receipts from the sale of service segments for a channel between two customer channel termination points, one of which is located in this State and the other is located outside of this State, which segments are separately charged.

Receipts from the sale of service for segments with a channel termination point located in this State and in two or more other states or equivalent jurisdictions, and which segments are not separately billed, are in this State based on a percentage determined by dividing the number of customer channel termination points in this State by the total number of customer channel termination points.

Sale of billing services and ancillary services for telecommunications service

Based on the location of the purchaser's customers.

If the location of the purchaser's customers is not known or cannot be determined, the sale of billing services and ancillary services for telecommunications service are in this State based on the location of the purchaser.

To access a carrier's network or from the sale of telecommunications services for resale

100 percent of the receipts from access fees attributable to intrastate telecommunications service that both originates and terminates in this State.

50 percent of the receipts from access fees attributable to interstate telecommunications service if the interstate call either originates or terminates in this State.

100 percent of receipts from interstate end user access line charges, if customer's service address is in this State. As used here, "interstate end user access line charges" includes, but is not limited to, the surcharge approved by the federal communications commission and levied pursuant to 47 CFR 69.

Gross receipts from sales of telecommunications services to other telecommunication service providers for resale will be sourced to this State using the apportionment concepts used for non-resale receipts of telecommunications services if the information is readily available to make that determination. If the information is not readily available, then the taxpayer may use any other reasonable and consistent method.

Taxpayer whose business activities include live radio or television programming as described in Subsector Code 7922 of Industry Group 792 or are included in Industry Groups 483, 484, 781, or 782, under the SIC Code as compiled by the U.S. Department of Labor, or any combination of the business activities included in those groups

Media receipts are attributable to this State only if the commercial domicile of the customer is in this State and the customer has a direct connection or relationship with the taxpayer pursuant to a contract under which the media receipts are derived.

Media receipts from the sale of advertising are attributable to this State if the customer of that advertising is commercially domiciled in this State and receives some of the benefit of the sale of that advertising in this State. Sales are included in proportion to the extent that the customer receives the benefit of the advertising in this State.

If the taxpayer is a broadcaster and if the customer receives some of the benefit of the advertising in this State, the media receipts for that sale of advertising from that customer will be proportioned based on the ratio that the broadcaster's viewing or listening audience in this State bears to its total viewing or listening audience everywhere.

Media property means motion pictures, television programs, internet programs and Web sites, other audiovisual works, and any other similar property embodying words, ideas, concepts, images, or sound without regard to the means or methods of distribution or the medium in which the property is embodied.

Media receipts means receipts from the sale, license, broadcast, transmission, distribution, exhibition, or other use of media property and receipts from the sale of media services. Media receipts do not include receipts from the sale of media property that is a consumer product that is ultimately sold at retail.

Media services means services in which the use of the media property is integral to the performance of those services.

NOTE: Terms used to describe the sale of telecommunications service or mobile telecommunications service have the same meaning as those terms defined in the streamlined sales and use tax agreement administered under the Streamlined Sales and Use Tax Administration Act, PA 174 of 2004, MCL 205.801 to 205.833.

OTHER

Default for all other receipts not otherwise sourced here

Sourced based on where the benefit to the customer is received, or if where the benefit to the customer is received cannot be determined, sourced to the customer's location.