





# Instructions for Form 4577

## Michigan Business Tax (MBT) Schedule of Shareholders and Officers

### For all Corporations claiming the Small Business Alternative Credit

**Fiscal Year Filers:** See “Supplemental Instructions for Initial Fiscal MBT Filers” on page 133.

#### **Purpose**

To determine eligibility for all Corporations to qualify for the Small Business Alternative Credit. *Corporation* means a taxpayer that is required or has elected to file as a Corporation under the Internal Revenue Code (IRC).

If filing as a Corporation (including Limited Liability Companies (LLCs) federally taxed as such) and claiming a Small Business Alternative Credit, complete this form and attach it to the annual return to report:

- Shareholders and officers qualifications for the Small Business Alternative Credit
- Compensation and director fees of active shareholders and all officers for the computation of the Small Business Alternative Credit.

#### **Line-by-Line Instructions**

*Lines not listed are explained on the form.*

**Name and Account Number:** Enter name and account number as reported on page 1 of the *MBT Annual Return* (Form 4567).

**Unitary Business Groups (UBGs):** Complete one form for each member for whom this schedule applies. Enter the Designated Member (DM) name in the Taxpayer Name field and the member to whom the schedule applies on the line below.

#### **PART 1: SHAREHOLDERS AND OFFICERS**

**Line 1 (Columns A through N):** In column 1A, assign numbers (beginning with 1) to all shareholders and officers in order of percentage of stock ownership (percentage in column G), highest percentage first. (It is essential that this numbering system is followed through Part 2.) List and describe all shareholders and officers who:

- Are employees of the Corporation;
- Are directors of the Corporation; or
- Own 10 percent or more of the stock of the Corporation, including those by attribution.

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

**NOTE:** All family members receiving compensation must be listed in Part 1. If more lines are needed for listing the shareholders and officers, attach additional forms and complete the name and account number for each form and lines 1 and 2 as necessary.

**Columns B and C:** Identify each shareholder (including Corporations, Trusts or Partnerships), officer, or family member receiving compensation from the business by name and Social

Security number (SSN). Corporations, Trusts, and Partnerships should be identified using the Federal Employer Identification Number (FEIN) or Michigan Treasury (TR) assigned number.

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

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

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

**Column F:** Enter the percentage of outstanding stock each shareholder owns, including attribution of ownership from family members under IRC 318(a)(1). If no attribution exists, enter the percentage from column E in column G and leave column F blank.

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

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

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

**Columns I through K:** Fiscal year filers, see “Supplemental Instructions for Initial Fiscal MBT Filers” on page 133.

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

**Column J:** Enter salaries, wages and director fees that are attributable to each shareholder or officer. Compensation paid by a professional employer organization to the officers of a client and to employees of the professional employer

organization who are assigned or leased to and perform services for a client must be included in determining the eligibility of the client for this credit.

**NOTE:** All compensation must be included, whether the shareholder or officer worked in Michigan or not.

**Column K:** Enter employee insurance payments and pensions that are attributable to each shareholder or officer.

**Column M:** Multiply the amount in column G by line 5c on the *MBT Common Credits for Small Businesses* (Form 4571) OR the sum of lines 10 and 11 on the *MBT Simplified Return* (Form 4583).

**UBGs:** Multiply the amount in column G by the sum of the *MBT Unitary Business Group Combined Filing Schedule* (Form 4580), Part 2A, lines 21 and 25, plus capital loss from the federal return.

**PART 2: LIST OF FAMILY MEMBERS AND THEIR CORRESPONDING RELATIONSHIP TYPE**

Columns P through S represent relationships affected by attribution.

For each shareholder listed in Part 1, column A, enter the corresponding number of the shareholder’s spouse, parent, child or grandchild, if any, listed in Part 1, column A.

If more than one number is entered in boxes P through S, separate numbers with a dash.

**EXAMPLE:** Kathy Rock’s (6) parents (4 and 5) work for the company. Kathy will list “4-5” in column Q.

**Column T:** Check column T only if P through S are blank, and list each shareholder listed in Part 1, column A, with no attributable relationship.

**ATTRIBUTION EXAMPLE:**

<b>Larry David Stone</b>	Husband of Betty Stone, Father of Mary Stone, Stepfather of Tammie Rock, Step Grandfather of Kathy Rock
<b>Betty Ann Stone</b>	Daughter of Bob Pebble, Wife of Larry Stone, Mother of Tammie Rock, Stepmother of Mary Stone, Grandmother of Kathy Rock
<b>Mary Elizabeth Stone</b>	Daughter of Larry Stone, Stepdaughter of Betty Stone
<b>Tammie Marie Rock</b>	Daughter of Betty Stone, Stepdaughter of Larry Stone, Spouse of Steve Rock, Mother of Kathy Rock, Granddaughter of Bob Pebble
<b>Steve Carl Rock</b>	Spouse of Tammie Rock, Father of Kathy Rock, Brother of Mike Rock
<b>Kathy Evelyn Rock</b>	Daughter of Tammie and Steve Rock, Granddaughter of Betty Stone, Step Granddaughter of Larry Stone
<b>Mike Joseph Rock</b>	Brother of Steve Rock
<b>Bob Kenneth Pebble</b>	Father of Betty Stone, Grandfather of Tammie Rock
<b>Terry Robert Marble</b>	Friend

**Part 1: Shareholders and officers - See instructions**

**Part 2: list of family members and their corresponding re**

1. A	B	2. O	P	Q	R	S	T
Member Number	Name of shareholder (including Corporation and Trust) officer, or family member receiving compensation from the business (Last, First, Middle)	Member Number	Spouse	Parent	Child	Grandchild	Check (X) if No Attributable Relationship
1	Stone, Larry David	1	2		3		
2	Stone, Betty Ann	2	1	8	4	6	
3	Stone, Mary Elizabeth	3		1			
4	Rock, Tammie Marie	4	5	2	6		
5	Rock, Steve Carl	5	4		6		
6	Rock, Kathy Evelyn	6		4-5			
7	Rock, Mike Joseph	7					X
8	Pebble, Bob Kenneth	8			2	4	
9	Marble, Terry Robert	9					X

**PART 3: Small Business Alternative Credit**

**Line 3:** Add compensation and director fees in column L for each active shareholder and enter the result on line 3 and on Form 4571, line 6, or Form 4583, line 12.

An active shareholder:

- Is a shareholder of the Corporation, including through attribution, AND
- Owns at least 5 percent of outstanding stock, including through attribution (column E or F = 5 percent or more), AND
- Receives at least \$10,000 in compensation, director fees or dividends from the business (sum of columns I and L = \$10,000

or more). **Important:** For short-period returns or a part-year shareholder, the shareholder’s compensation, director fees and dividends must be annualized to meet this requirement.

**Line 4:** Add the compensation and director fees in column L for each officer who is not an active shareholder and enter the result on line 4 and on Form 4571, line 7, or Form 4583, line 13.

**REMINDER:** Officers of an S Corporation are not included in this calculation.

*Attach this schedule to the return.*