

Instructions for Form 4577

Michigan Business Tax (MBT) Schedule of Shareholders and Officers

For all Corporations claiming the Small Business Alternative and Start-Up Business Credits

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 federally taxed as such) and claiming a Small Business Alternative Credit, complete this form and attach it to the annual return to report:

- Shareholder and C Corporation officer qualifications for the Small Business Alternative Credit;
- Compensation and director fees of active shareholders and all C Corporation officers for the computation of the Small Business Alternative Credit.

This form also is required to be completed and attached whenever a corporation claims a Start-Up Business Credit. To qualify for the Start-Up Business Credit, the compensation, directors' fees, or distributive shares paid by the taxpayer to a shareholder of a C Corporation or S Corporation, or an officer of a C Corporation, cannot exceed \$135,000.

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) or the *MBT Simplified Return* (Form 4583).

Unitary Business Groups (UBGs): Complete one form for each member for whom this schedule applies. Enter the Designated Member 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. (Repeat this numbering in Part 1, line 1H, and Part 2, line 2O. It is essential that this numbering system is followed.) All family members, as defined by IRC § 318(a)(1), that receive compensation from the business are considered shareholders and must be listed in Part 1. 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 owned, directly or indirectly, by or for family members as defined by IRC § 318(a)(1). An officer of a C Corporation includes the chairperson of the board, president, vice president,

secretary and treasurer, or persons performing similar duties.

Outstanding stock means all stock of record, regardless of class, value, or voting rights, but outstanding stock does not include treasury stock.

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.

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

Columns B and C: Identify each shareholder (including Corporations, Trusts or Partnerships) and officer by name and Social Security number. Corporations, Trusts and Partnerships should be identified using the Federal Employer Identification Number (FEIN) or Michigan Treasury (TR) assigned number.

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 in the Part 3 instructions. For the purposes of determining disqualification for the Small Business Alternative Credit, 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>

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 percentage in column G by line 5 on the *MBT Common Credits for Small Businesses* (Form 4571) OR the sum of lines 10 and 11 on Form 4583.

UBGs: Multiply the percentage in column G by the sum of the *MBT Unitary Business Group Combined Filing Schedule* (Form 4580), Part 2A, lines 29 and 33, 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. For example, if a family member has three children, each child’s member number should appear in the “Child” column with dashes separating them (“2-3-4”).

Do not use a dash to imply included numbers (such as “5-8” meaning “5 through 8”), but instead include each member number (“5-6-7-8”). Do not use commas.

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

NOTE: If the space provided in the line 2 columns is not adequate to list all of the corresponding relationships, attach a separate sheet of paper with the member number from column O, the corresponding relationship, and the number of the member(s) with that relationship.

Column T: Check column T for each shareholder listed only if columns P through S are blank (no attributable relationship exists).

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:

ATTRIBUTION EXAMPLE:

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

Part 1: Shareholders and officers - See instructions

Part 2: List of family members and their corresponding relationships

1. A Member Number	B Name of shareholder (including corporation, trust or partnership), officer, or family member receiving compensation from the business (Last, First, Middle)	2. O Member Number	P Spouse	Q Parent	R Child	S Grandchild	T 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

- 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. See page 14 for complete annualization instructions.

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: Active shareholders of an S Corporation are included in the line 3 calculation, even if the shareholder is also an officer. Shareholders of an S Corporation are not included in the line 4 calculation, whether or not the shareholder is also an officer.

Include completed Form 4577 as part of the tax return filing.