



**PART 1B: MEMBER IDENTIFICATION**

Complete a separate copy of Part 1B for each member listed in Part 1A.

2. Member Name			5. Organization Type  <input type="checkbox"/> Individual <input type="checkbox"/> C Corporation / LLC C Corporation <input type="checkbox"/> Fiduciary <input type="checkbox"/> S Corporation / LLC S Corporation <input type="checkbox"/> Partnership / LLC Partnership	
3. Member FEIN or TR Number				
4. Member Address (Street)				
City	State	ZIP/Postal Code		
6. Federal Tax Period Included in Return (MM-DD-YYYY).....		Beginning	Ending	10. <input type="checkbox"/> Check if Nexus with Michigan  11. <input type="checkbox"/> Check if Registered for MBT  12. <input type="checkbox"/> Check if New Member
7. If part-year member, enter membership dates (MM-DD-YYYY) .....				
8. NAICS Code	9. If discontinued, effective date			
13. Nature of business activities or operations resulting in a flow of value between members, or integration, dependence or contribution to other members				

**PART 2A: MEMBER DATA FOR COMBINED RETURN OF STANDARD TAXPAYER**

Enter data for the member listed in Part 1B. Enter whole dollars only.

14. Michigan sales. (If no Michigan sales enter zero) .....	14.	00
15. Total sales.....	15.	00

**Member Modified Gross Receipts**

16. Gross receipts .....	16.	00
17. Inventory acquired during the tax year .....	17.	00
18. Depreciable assets acquired during the tax year .....	18.	00
19. Materials and supplies not included in inventory or depreciable property .....	19.	00
20. Staffing company: Compensation of personnel supplied to customers.....	20.	00
21. Deduction for contractors in SIC Codes 15, 16 and 17 (see instructions).....	21.	00
SIC Code: <input style="width: 50px;" type="text"/>		
22. Film rental or royalty payments paid by a theater owner to a film distributor and/or film producer .....	22.	00
23. Qualified Affordable Housing Project (QAHP) buyer's deduction		
a. Gross receipts attributable to residential rentals in Michigan .....	23a.	00
b. Number of residential rent restricted units in Michigan owned by QAHP.....	23b.	
c. Total number of residential rental units in Michigan owned by QAHP...	23c.	
d. Divide line 23b by line 23c and enter as a percentage.....	23d.	%
e. Multiply line 23a by line 23d .....	23e.	00
f. Limited dividends or other distributions made to project owners.....	23f.	00
g. QAHP Deduction. Subtract line 23f from line 23e .....	23g.	00
24. 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.....	24.	00
25. Miscellaneous subtractions (see instructions) .....	25.	00
26. Modified gross receipts. Subtract lines 17 through 22 and 23g through 25 from line 16 .....	26.	00
27. Enrichment prohibition for dealer of personal watercraft or new motor vehicles. Enter amount collected during tax year. If zero, enter zero and skip line 28. If greater than zero, enter number here, then see instructions for how to complete line 28 .....	27.	00
28. Excess enrichment prohibition tax collected (see instructions) .....	28.	00

Designated Member FEIN or TR Number	
Member FEIN or TR Number	

**PART 2A: MEMBER DATA FOR COMBINED RETURN (Cont.)**

**Member Business Income**

29. Business income (If business activity protected under PL 86-272, complete and attach Form 4586; see instructions) .....				00
30. Interest income and dividends derived from obligations or securities of states other than Michigan .....				00
31. Taxes on or measured by net income.....				00
32. Tax imposed under MBT.....				00
33. Any carryback or carryover of a federal NOL .....				00
34. Losses attributable to other taxable flow-through entities .....				00
Account No. <input style="width: 200px;" type="text"/>				
35. Royalty, interest, and other expenses paid to a related person (see instructions) .....				00
36. Miscellaneous additions (see instructions) .....				00
37. Dividends and royalties received from persons other than U.S. persons and foreign operating entities .....				00
38. Income attributable to other taxable flow-through entities .....				00
Account No. <input style="width: 200px;" type="text"/>				
39. Interest income derived from U.S. obligations.....				00
40. Net earnings from self-employment. If less than zero, enter zero.....				00
41. Miscellaneous subtractions (see instructions).....				00
42. Business Income Tax Base. Add lines 29 through 36 and subtract lines 37 through 41 .....				00
43. Available MBT business loss from previous period MBT return (DM or new member only).....				00
44. Qualified Affordable Housing Deduction. Members claiming the seller's deduction, skip lines 44a through 44h and carry the amount from Form 4579, line 5, to line 44i. Members claiming the buyer's deduction, complete lines 44a through 44i.				
a. Gross rental receipts attributable to residential units in Michigan (purchased pursuant to an operation agreement).....	44a.			00
b. Rental expenses attributable to residential rental units in Michigan ...	44b.			00
c. Taxable income attributable to residential rental units. Subtract line 44b from line 44a.....	44c.			00
d. Number of residential rent restricted units in Michigan owned by the QAHP .....	44d.			
e. Total residential rental units in Michigan owned by the QAHP .....	44e.			
f. Divide line 44d by line 44e and enter as a percentage.....	44f.		%	
g. Multiply line 44c by line 44f.....	44g.			00
h. Limited dividends, other distributions made to project owners.....	44h.			00
i. Qualified Affordable Housing Deduction. Subtract line 44h from line 44g .....	44i.			00
45. Unused SBT Investment Tax Credit carryforward .....	45.			00
46. Unused SBT Historic Preservation Credit carryforward .....	46.			00
47. Unused SBT Low-Grade Hematite Pellet Credit carryforward .....	47.			00
48. Unused SBT Pharmaceutical Credit carryforward .....	48.			00
49. Unused SBT Created Jobs Credit carryforward .....	49.			00
50. Unused SBT "Old" Brownfield Credit carryforward.....	50.			00
51. Unused SBT "New" Brownfield Credit carryforward .....	51.			00
52. Unused SBT MEGA Business Activity Credit carryforward .....	52.			00
53. Unused MBT Basic/Enhanced Historic Preservation Credit carryforward.....	53.			00
54. Unused MBT Special Consideration Historic Preservation Credit carryforward.....	54.			00
55. Unused MBT Low-Grade Hematite Credit carryforward.....	55.			00
56. Unused MBT Anchor Company Taxable Value Credit carryforward .....	56.			00
57. Unused MBT Anchor Company Payroll Credit carryforward .....	57.			00
58. Unused MBT MEGA Federal Contract Credit carryforward.....	58.			00
59. Unused MBT Individual or Family Development Credit carryforward.....	59.			00
60. Unused MBT Brownfield Redevelopment Credit carryforward .....	60.			00
61. Unused MBT Film Job Training Credit carryforward.....	61.			00
62. Unused MBT Film Infrastructure Credit carryforward .....	62.			00
63. Overpayment credited from prior MBT return.....	63.			00
64. Estimated tax payments .....	64.			00
65. Tax paid with request for extension .....	65.			00

**PART 2B: SUMMARY OF BUSINESS ACTIVITY FOR COMBINED RETURN**

	A Combined Total Before Eliminations	B Eliminations	C Combined Total After Eliminations	D Carry to form, line
14. Michigan sales.....				4567, 11a
15. Total sales .....				4567, 11b
16. Gross receipts .....				4567, 12
17. Inventory acquired during the tax year .....				4567, 13
18. Depreciable assets acquired during the tax year .....				4567, 14
19. Materials and supplies not included in inventory or depreciable property.....				4567, 15
20. Staffing company: Compensation of personnel supplied to customers.....				4567, 16
21. Deduction for contractors in SIC Codes 15, 16 and 17 (see instructions) .....				4567, 17
22. Film rental or royalty payments paid by a theater owner to a film distributor and/or film producer .....				4567, 18
23g. QAHP Deduction .....				4567, 19g
24. 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.....				4567, 20
25. Miscellaneous subtractions (see instructions).....				4567, 21
26. Modified gross receipts (Gross receipts line minus all subtraction lines) .....		X X X X X X X		N/A
27. Enrichment prohibition for dealer of personal watercraft or new motor vehicles. Enter amount collected during tax year.....				N/A
28. Excess enrichment prohibition tax collected.....				See instr.
29. Business income .....				4567, 28
30. Interest income and dividends derived from obligations or securities of states other than Michigan .....		X X X X X X X		4567, 29
31. Taxes on or measured by net income.....		X X X X X X X		4567, 30
32. Tax imposed under MBT.....		X X X X X X X		4567, 31
33. Any carryback or carryover of a federal NOL .....		X X X X X X X		4567, 32
34. Losses attributable to other taxable flow-through entities .....				4567, 33
35. Royalty, interest and other expenses paid to a related person.....		X X X X X X X		4567, 34
36. Miscellaneous (see instructions).....				4567, 35
37. Dividends and royalties received from persons other than U.S. persons and foreign operating entities .....		X X X X X X X		4567, 38
38. Income attributable to other taxable flow-through entities .....				4567, 39
39. Interest income derived from U.S. obligations.....		X X X X X X X		4567, 40
40. Net earnings from self-employment. If less than zero, enter zero .....		X X X X X X X		4567, 41
41. Miscellaneous (see instructions) .....				4567, 42
42. Business Income Tax Base .....				4567, 44
43. Available MBT business loss from previous period MBT return(s) .....				4567, 46
44i. Qualified Affordable Housing Deduction .....				4567, 48i

**PART 2B: SUMMARY OF BUSINESS ACTIVITY FOR COMBINED RETURN (CONT.)**

	A Combined Total Before Eliminations	B Eliminations	C Combined Total After Eliminations	D Carry to form, line
45. Unused SBT Investment Tax Credit carryforward ....		X X X X X X X		4569, 2
46. Unused SBT Historical Preservation Credit carryforward.....		X X X X X X X		4569, 5
47. Unused SBT Low-Grade Hematite Pellet Credit carryforward.....		X X X X X X X		4569, 9
48. Unused SBT Pharmaceutical Credit carryforward....		X X X X X X X		4569, 12
49. Unused SBT Created Jobs Credit carryforward.....		X X X X X X X		4569, 15
50. Unused SBT "Old" Brownfield Credit carryforward...		X X X X X X X		4569, 18
51. Unused SBT "New" Brownfield Credit carryforward...		X X X X X X X		4569, 21
52. Unused SBT MEGA Business Activity Credit carryforward.....		X X X X X X X		4569, 28
53. Unused MBT Basic/Enhanced Historic Preservation Credit carryforward.....		X X X X X X X		4584, 4
54. Unused MBT Special Consideration Historic Preservation Credit carryforward.....		X X X X X X X		4584, 7
55. Unused MBT Low-Grade Hematite Credit carryforward.....		X X X X X X X		4573, 20
56. Unused MBT Anchor Company Taxable Value Credit carryforward.....		X X X X X X X		4584, 31
57. Unused MBT Anchor Company Payroll Credit carryforward.....		X X X X X X X		4584, 39
58. Unused MBT MEGA Federal Contract Credit carryforward.....		X X X X X X X		4584, 47
59. Unused MBT Individual or Family Development Credit carryforward.....		X X X X X X X		4573, 64
60. Unused MBT Brownfield Redevelopment Credit carryforward.....		X X X X X X X		4584, 57
61. Unused MBT Film Job Training Credit carryforward...		X X X X X X X		4573, 80
62. Unused MBT Film Infrastructure Credit carryforward..		X X X X X X X		4573, 86
63. Overpayment credited from prior MBT return.....		X X X X X X X		4567, 58
64. Estimated tax payments.....		X X X X X X X		4567, 59
65. Tax paid with request for extension.....		X X X X X X X		4567, 60

Check all that apply to the Unitary Business Group.

- 66.  Group identified consists of a group of U.S. persons, one of which owns or controls, directly or indirectly, more than 50% of the ownership interests with voting or comparable rights of the others.
- 67.  Some or all members are included on a consolidated federal income tax return. If checked, attach a copy of U.S. *Form 851*.
- 68.  Each member of the group has business activities or operations resulting in a flow of value between the members or has business activities or operations that are integrated with, dependent upon, or contribute to each other.
- 69.  All members of the Unitary Business Group are included in this combined unitary filing.



# Instructions for Form 4580

## Michigan Business Tax (MBT) Unitary Business Group Combined Filing Schedule for Standard Members

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### Purpose

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The purpose of this form is to:

- Identify all members of a Unitary Business Group (UBG)
- Gather tax return data for each standard member included in the combined return on a separate basis, make appropriate eliminations, and determine combined UBG data for the tax return.

**NOTE:** This is not the primary return. It is designed to support the *MBT Annual Return* (Form 4567) submitted on behalf of the UBG by the Designated Member (DM).

**Refund Only:** If combined apportioned or allocated gross receipts of all UBG 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. See Form 4567 for instructions on completing that form.

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### General Information About UBGs in MBT

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*Unitary Business Group* means a group of United States persons, other than a foreign operating entity, that satisfies the following criteria:

- **Control Test.** One of the persons owns or controls, directly or indirectly, more than 50 percent of the ownership interest with voting rights or ownership interests that confer comparable rights to voting rights of the other persons.
- **Relationship Test.** The UBG has business activities or operations which result in a flow of value between or among persons included in the UBG or has business activities or 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.

*United States person*, as defined in Internal Revenue Code (IRC) § 7701(a)(30), means:

- A citizen or resident of the United States,
- A domestic Partnership,
- A domestic Corporation,
- Any estate (other than a foreign estate, within the meaning of IRC § 7701(a)(31)), and
- Any Trust if:
  - A court within the United States is able to exercise primary supervision over the administration of the Trust; AND
  - One or more United States persons have the authority to control all substantial decisions of the Trust.

**NOTE:** The IRC defines Partnership and Corporation to include a Limited Liability Company (LLC) taxed federally as such.

A *foreign operating entity* means a United States person that satisfies each of the following:

- Would otherwise be a part of a UBG that has at least one

person included in the UBG who 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 any of the foregoing.
- At least 80 percent of its income is active foreign business income as defined in IRC § 861(c)(1)(B).

**Control Test.** The control test is satisfied when one person owns or controls, directly or indirectly, more than 50 percent of the ownership interest with voting or comparable rights of the other person or persons. A person owns or controls more than 50 percent of the ownership interest with voting rights or ownership interest that confer comparable rights to voting rights of another person if that person owns or controls:

- More than 50 percent of the total combined voting power of all ownership interests with voting (or comparable) rights, or
- More than 50 percent of the total value of all ownership interests with voting (or comparable) rights.

**Parent-Subsidiary Controlled Group of Entities.** A parent-subsidiary controlled group of entities satisfies the control test. A *parent-subsidiary controlled group of entities* means any group of one or more chains of entities connected through ownership with a common parent if:

- The common parent directly owns more than 50 percent of the ownership interest with voting or comparable rights of at least one other entity, and
- More than 50 percent of the ownership interest with voting or comparable rights of each entity other than the common parent is owned directly by one or more of the entities.

**Brother-Sister Controlled Group of Entities.** A brother-sister group of entities may also satisfy the control test. An individual that is not a sole proprietor or owner of a disregarded entity or otherwise engaged in a trade or business resulting in business income or gross receipts under the MBT is not unitary with the entities in which that individual has a controlling interest. However, a brother-sister group of entities may satisfy the control test through indirect ownership rules. This is referred to as a brother-sister controlled group of entities.

**Combined Controlled Group of Entities.** A combined controlled group of entities satisfies the control test. A *combined controlled group of entities* means three or more entities, each of which is a member of a parent-subsidiary controlled group of entities or brother-sister controlled group of entities and one of which is a common parent entity of a parent-subsidiary controlled group of entities and also is included in a brother-sister controlled group of entities.

**Excluded Ownership Interests.** For purposes of determining ownership or control under the control test, the Department will apply IRC § 1563(c) to exclude certain ownership interests from determination of ownership and control, except that the Department will apply IRC § 1563(c) to all forms of ownership

interests and not just corporate stock.

**Relationship Tests.** *Flow of value* is established when members of the group demonstrate one or more of functional integration, centralized management, and economies of scale. Examples of functional integration include common programs or systems and shared information or property. Examples of centralized management include common management or directors, shared staff functions, and business decisions made for the UBG rather than separately by each member. Examples of economies of scale include centralized business functions and pooled benefits or insurance. Groups that commonly exhibit a flow of value include vertically or horizontally integrated businesses, conglomerates, parent companies with their wholly owned subsidiaries, and entities in the same general line of business. Flow of value must be more than the mere flow of funds arising out of passive investment.

Businesses are integrated with, are dependent upon, or contribute to each other under many of the same circumstances that establish flow of value. However, this alternate relationship test is also commonly satisfied when one entity finances the operations of another or when there exist intercompany transactions, including financing.

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### Filing Procedures for UBGs

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By definition, a UBG can include standard taxpayers, insurance companies, and financial institutions. (Note that an entity that is standard but is owned by and unitary with a financial institution is defined by statute to be a financial institution.) In some cases, however, not all members of the UBG will be included on the same return. Standard members (not owned by and unitary with a financial institution in the UBG) file a combined return on Form 4567. Form 4580 must be filed in support of this return.

**Note:** A UBG may not file Form 4583.

Form 4580 is used to gather and combine data from each standard member of the UBG to support the group's Form 4567 and related forms. This form must be completed before the group's Form 4567 and related forms are completed. If this UBG also includes financial institutions and/or insurance companies, those members will not report tax data on this form, but will be listed as excluded affiliates in Part 3.

Financial institution members will combine and report their data using *MBT Unitary Business Group Combined Filing Schedule for Financial Institutions* (Form 4752) and *MBT Annual Return for Financial Institutions* (Form 4590).

Financial institutions include any of the following:

- A bank holding company, a national bank, a state chartered bank, an office of thrift supervision chartered bank or thrift institution, or a savings and loan holding company other than a diversified savings and loan holding company as defined in 12 USC 1467a(a)(1)(F).
- Any person, other than a person subject to the tax imposed under Chapter 2A of the MBT Act (Insurance Companies), that is directly or indirectly owned by an entity described above and is a member of the UBG.
- A UBG of entities described in either or both of the preceding two bullets.

Each insurance company member will file separately, using *Insurance Company Annual Return for Michigan Business and Retaliatory Taxes* (Form 4588). Because insurance companies always file separately, rather than on a combined return, there is no MBT insurance form that serves a function similar to that of Forms 4580 and 4752.

**Example A:** UBG A is composed of the following:

- Four standard members
- Three financial institutions
- Two insurance companies.

All members of UBG A are owned by and unitary with one of the standard members of the UBG. UBG A will need to file Form 4580 and Form 4567 containing the four standard members and Form 4752 and Form 4590 containing the three financial institutions. In Part 1 of each form, only the members that are included on that form (either the four standard members, or the three financial institutions) will be listed. Form 4580 with standard members will be filed under the name and Federal Employer Identification Number (FEIN) of the group's standard DM. One of the financial institutions will serve as DM for those three members and file Form 4752 and Form 4590. On Part 3 of Form 4580, list all financial and insurance members. On Part 3 of Form 4752, list all standard and insurance members. The two insurance companies each will file a stand-alone Form 4588.

**Example B:** UBG B is composed of the following:

- Four members that are superficially "standard" (see below)
- Three financial institutions
- Two insurance companies.

All members of UBG B are owned by and unitary with one of the financial institutions in the UBG. Due to this ownership by a financial institution, the four members that otherwise would be standard are defined by statute to be financial institutions. (See definition of financial institution earlier in these instructions.) Therefore, this UBG will not file a Form 4580 or 4567. Seven members will file a combined return on Form 4590 and 4752, listing the two insurance members as excluded affiliates on Part 3 of Form 4752. The two insurance companies each will file a stand-alone Form 4588

To complete this form and prepare a combined return, the UBG must select a DM.

For purposes of a combined return filed by standard members of a UBG, *Designated Member* means a standard member that has nexus with Michigan and that will file the combined MBT return on behalf of all standard members of the UBG. If the standard member that owns or controls the other standard members has nexus with Michigan, that controlling member must serve as DM.

If that controlling member does not have nexus with Michigan, it may appoint any standard member of the UBG with nexus to serve as DM. That DM must continue to serve as such every

year, unless it ceases to be a UBG member or the controlling member attains Michigan nexus.

If a UBG is comprised of both standard taxpayers (not owned by and unitary with a financial institution in the UBG) and financial institutions, the UBG will have two DMs (one for the standard taxpayer members completing the *MBT Annual Return* (Form 4567) and related forms, and one for the financial institution members completing the *MBT Annual Return for Financial Institutions* (Form 4590) and related forms).

**Role of the Designated Member:** The DM speaks, acts, and files the MBT return on behalf of the UBG for MBT purposes. Only the DM may file a valid extension request for the UBG. The Department maintains the UBG's MBT tax data (e.g., prior MBT returns, business loss carryforward, tax credit carryforward, overpayment credit forward) under the DM's name and account number.

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## Line-by-Line Instructions

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*Lines not listed are explained on the form.*

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

Do not enter data in boxes filled with Xs.

For additional guidance, see the "Supplemental Instructions for Standard Members in UBGs" on page 141.

### Part 1A: Unitary Business Group Members

**Lines 1A and 1B:** Beginning with the DM, list the UBG standard members and their corresponding FEIN or Michigan Treasury (TR) assigned number. Use additional Part 1A, Form 4580 pages as needed.

**NOTE:** A taxpayer that is a UBG must file a combined return using the tax year of the DM. The combined return of the UBG must include each tax year of each member whose tax year ends with or within the tax year of the DM. For example, Taxpayer ABC is a UBG comprised of three standard members: Member A, the DM with a calendar tax year, and Members B and C with fiscal years ending March 31, 2009, and September 30, 2009, respectively. Taxpayer ABC's tax year is that of its DM. Thus, Taxpayer ABC's tax year ends December 31, 2009, and its annual return is due April 30, 2010. That annual return must include the tax years of Members B and C ending March 31, 2009, and September 30, 2009.

If, in the previous example, Member A, the DM, instead had a fiscal year ending July 31, 2010, the UBG's tax year would end July 31 and its annual return would be due November 30, 2010. The 2010 combined return for the UBG would include Member A's fiscal year ending July 31, 2010, Member B's fiscal year ending March 31, 2010 and Member C's fiscal year ending September 30, 2009.

### Part 1B: Member Identification

Include a separate copy of Parts 1B and 2A for each standard member whose business activity is reported on this return. If a member (other than the DM) has two or more federal tax periods ending with or within the filing period of this return, use a separate copy of Parts 1B and 2A for each of that member's federal periods.

**Line 5:** Identify the organization type of this member:

- Individual;
- C Corporation (including an LLC, Trust, or other entity taxed federally as a Corporation under Subchapter C of the IRC);
- Fiduciary (a decedent's estate, and a Trust taxed federally as a Trust under Subchapter J of the IRC. A grantor Trust or "revocable living Trust" established by an Individual is not taxed as a separate entity, and should be listed as an Individual.);
- S Corporation (including an LLC, Trust, or other entity taxed federally as a Corporation under Subchapter S of the IRC)
- Partnership (including an LP, LLP, LLC, Trust, or any other entity taxed federally as a Partnership).

**Line 6:** List the member's tax year, for federal income tax purposes, from which business activity is being reported on this copy of Parts 1B and 2A.

**Line 7:** If ownership of this member did not satisfy the ownership test in the UBG definition above for this member's entire tax year, enter the beginning and ending dates within this member's tax year during which that ownership test was satisfied. These dates constitute a short tax period for MBT purposes, even if there is no corresponding short federal tax period. This member must prepare a pro forma federal return for the portion of its federal year during which it was a UBG member, and use that pro forma return as the basis for reporting the tax data required by Part 2A.

This question of partial year membership **does not** arise with respect to the flow of value, integration, dependence, or contribution tests that make up the second part of the UBG definition. If the flow of value, etc., test is satisfied at any time during this member's tax year, it is satisfied for the entire tax year.

**Line 8:** Enter the taxpayer'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/](http://www.census.gov/eos/www/naics/). Enter the same NAICS code used when filing U.S. Form 1120S, U.S. Form 1065, *Schedule C* of U.S. Form 1040, or *Schedule K* of U.S. Form 1120.

**Line 9:** Enter the date, if applicable, on which this member went out of existence. Examples include death of an Individual, dissolution of an entity, and a merger in which this member was not the surviving entity. Include any event in which the FEIN ceases to be used by this entity. If this member continues to exist, **DO NOT** use this line to report that this member has stopped doing business in Michigan.

**Line 10:** If this member has nexus with Michigan, check this box. Guidance in determining nexus can be found in Revenue Administrative Bulletin (RAB) 2007-6 and 2008-4, available online at [www.michigan.gov/taxes](http://www.michigan.gov/taxes) (see "Reference Library" link at left edge of page).

**Line 12:** This line does not apply to the first MBT return filed by this UBG. For subsequent tax periods, check this box if this member was not included in the UBG's preceding MBT return.

**Line 13:** Enter a concise description of the activities or operations of this member that result in a flow of value between this member and others in the UBG, or integration, dependence, or contribution to other members. This is not limited to transactions that are recognized for tax or accounting purposes. It may include sharing of assets, employees, data, business opportunities, or other resources.

## Part 2A: Member Data for Combined Return of Standard Taxpayers

**Line 14:** *Sale* or *Sales* means amounts received by a member as consideration from the following:

- 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 member if on hand at the close of the tax period, or property held by the member 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.
- Rental, leasing, licensing, or use of tangible or intangible property, including interest, that constitutes business activity.
- Any combination of business activities described above.
- For a member 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.

If a member's business activity is confined solely to Michigan and the member does not establish nexus in another state, all sales are allocated to Michigan. *State* is defined to include a foreign country. A member is treated as if subject to tax in another state if, in that state, the member is subject to a business privilege tax, a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, a Corporation stock tax, a tax of the type imposed under the MBT Act, or that state has jurisdiction to subject the member to one or more of such taxes regardless of whether the tax is imposed. A member will be treated as subject to a tax in another state for these purposes if the member has due process and commerce clause nexus with that state.

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

If this member is subject to tax in another state, as described above, use the Sourcing of Sales to Michigan information in the Form 4567 instructions, 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, include on Line 14 a sales amount calculated 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 this member has no Michigan sales, enter zero.

**Line 16:** *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 the 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 the *Gross Receipts Worksheet* (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 circumstances. 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.

**NOTE:** Health Maintenance Organizations (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.

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

**Line 17:** Enter inventory acquired during the tax year, including freight, shipping, delivery, or engineering charges included in the original contract price for that inventory.

*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 includes shipping and engineering charges so long as such charges are included in the original contract price for the associated inventory. Inventory also includes floor plan interest for new motor vehicle dealers licensed under the Michigan vehicle code 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 16 of Form 4580.

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 the MBT Act than to a person not subject to this tax is considered interest paid by a manufacturer, distributor, or supplier, and is not considered floor plan interest.

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 18:** 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 19:** 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 20:** A staffing company may deduct compensation (including wages, benefits, and certain payroll taxes) paid to personnel supplied to its clients. *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 21:** 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.

**NOTE:** 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](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 to an independent contractor for general labor services not specific to a particular construction 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 at 2400 Main Street) do constitute purchases from other firms. There is no requirement 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 23:** On lines 23a-23g, calculate a deduction from gross receipts for a member that is a limited dividend housing association that owns and operates a Qualified Affordable Housing Project.

MCL 208.1203(6) provides a deduction, in calculating the modified gross receipts tax base, for the buyer of affordable rental units so long as certain criteria are met. (A deduction from the apportioned business income tax base also is available. See below.) 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 bought as rent restricted units for a minimum of 15 years. The buyer must be a Qualified Affordable Housing Project.

*Qualified Affordable Housing Project (QAHP)* 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 QAHP multiplied by a fraction, in which the numerator is the number of rent restricted units in Michigan owned by the QAHP, and the denominator is the number of all rental units owned in Michigan. This deduction is reduced by the amount of limited dividends or other distributions made to the QAHP's owners. 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 QAHP is entitled to this deduction so long as it continues to offer any of the residential rental units purchased as rent restricted units in accordance with the operation agreement.

**Line 23a:** Gross receipts attributable to residential rentals in Michigan do not include amounts received by the management, construction, or development company for completion and operation of the project and those rental units.

**Line 23b:** Rent restricted unit means any residential rental unit that has a rental rate restricted in accordance with IRC § 42(g)(1) as if it was a qualified low-income housing project, or that receives rental assistance from Housing and Urban Development (HUD) section 8 subsidies, HUD housing assistance program subsidies, U.S. Department of Agriculture rural housing programs, or from any of the programs described in MCL 208.1203(8)(b).

**Line 23c:** This includes rent restricted and unrestricted residential rental units owned by the QAHP in Michigan.

**Line 24:** If the member is 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], enter payments made to independent contractors licensed under Articles 25 or 26.

**Line 25:** There currently are no subtractions allowed that are recorded on this line. Leave this line blank.

**Line 27:** Enter amount of the MBT Modified Gross Receipts (MGR) Tax collected in the tax year.

MCL 208.1203(5) 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 MGR Tax in addition to the sales price. The statute states that the "amount remitted to the Department for the [MGR Tax] ... shall not be less than the stated and collected amount." Therefore, the entire amount of the MGR Taxes stated and collected by new motor vehicle dealers and new and used personal watercraft dealers must be remitted to the Department. There should be no instance in which a dealer collects amounts of the MGR Tax from customers in excess of the amount of MGR taxes remitted to the Department. Eligible taxpayers that elect to separately collect the MGR Tax from customers in addition to sales price may include the collected tax as part of their estimated payments.

**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 MGR Tax imposed and levied under MCL 208.1203. The statute does not authorize separate itemizing and collection of the Business Income Tax or surcharge by any person.

**Line 28:** A member that is a dealer of personal watercraft or new motor vehicles that collected MGR Tax from customers by separate statement on the invoice during the tax year, as entered in line 27, should complete the following worksheet to determine excess MGR Tax collected.

**WORKSHEET –  
EXCESS MGR TAX COLLECTED**

<b>A.</b> Michigan sales from Form 4580, Part 2A, line 14 .....	<b>00</b>
<b>B.</b> Total sales from Form 4580, Part 2A, line 15.....	<b>00</b>
<b>C.</b> Apportionment percentage. Divide line A by line B, enter as a percent.....	<b>%</b>
<b>D.</b> Modified gross receipts from Form 4580, Part 2A, line 26 .....	<b>00</b>
<b>E.</b> Apportioned modified gross receipts tax base. Multiply line D by line C.....	<b>00</b>
<b>F.</b> Pro forma MGR Tax before credits. Multiply line E by 0.8% (0.008) .....	<b>00</b>
<b>G.</b> Enrichment prohibition, amount from Form 4580, Part 2A, line 27 .....	<b>00</b>
<b>H.</b> Excess MGR Tax collected. If line F is less than line G, enter the difference. Otherwise, enter zero. Carry amount to Form 4580, Part 2A, line 28 .....	<b>00</b>

**Line 29:** *Business income* means that part of federal taxable income derived from business activity. For MBT purposes, *federal taxable income* means taxable income as defined in IRC § 63, except that federal taxable income shall be calculated as if section 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 circumstances. 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 member'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 member's regular trade or business operations.
- Gains or losses incurred in the member'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 member'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 persons identified above. Investment income and any other types of income earned or received by all other types of persons not specifically referenced must be included in the business income of the member.

**IMPORTANT:** If business activity is protected under PL 86-272 for any member of the UBG, then the member must claim protection by filing Form 4586 (if member is the DM) or Form 4581 (if member is not the DM) and reporting its individual activity. Unless all members of the UBG have PL 86-272 protection, a member claiming protection must complete lines 29 through 44. If all members of the UBG are claiming PL 86-272 protection, leave lines 29 through 44 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. (In other words, 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.) The inclusion of the business income of members that fall under PL 86-272 in the tax base of the UBG and the subsequent apportionment of such income does not constitute taxation upon those PL 86-272 members. Rather, this method is required for properly determining the Michigan income of the UBG.

**Line 30:** 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). Include only the income derived from business activity. Reduce this addition by any expenses related to the foregoing income that were disallowed on the federal return by IRC § 265 or 291.

**Line 31:** 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 32:** Enter the Michigan Business Tax, including surcharge, claimed as a deduction on this member's federal return (or this member's allocable share, if claimed on a federal consolidated return).

**Line 33:** Enter any net operating loss carryover or carryback that was deducted in arriving at this member's federal taxable income (as defined for MBT purposes) reported on line 29. Enter this amount as a positive number.

If all members of a federal consolidated group are members of this UBG and all members of that federal group are reporting on the MBT return supported by this form, a federal net operating loss (NOL) carryback or carryover of that federal consolidated group may be entered as a single figure on this line of the federal parent's Form 4580, Part 2A. If the entire

federal consolidated group is not represented on the MBT return supported by this form, create separate pro forma federal return calculations to determine the amount of federal NOL carryback or carryover attributable to each member of the federal group that is reporting on this return.

**Line 34:** 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 MBT business income tax if the business activities were in Michigan. If this member owns an interest in only one such entity, list that entity's FEIN or TR Number on the form. If this member owns interests in more than one such entity, attach a statement listing the FEINs or TR Numbers of those entities. This addition includes a loss attributable to this member's ownership interest in another member of the UBG, to the extent that loss was included in this member's federal taxable income (as defined for MBT purposes).

**Line 35:** 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 MBT, 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 purposes of this subparagraph, 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 36:** There currently are no subtractions allowed that are recorded on this line. Leave this line blank.

**Line 37:** To the extent included in federal taxable income (as defined for MBT purposes), 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 38:** 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 MBT business income tax if their business activities were in Michigan. If this member owns an interest in only one such entity, list that entity's FEIN or TR Number on the form. If this member owns interests in more than one such entity, attach a statement listing the FEINs or TR Numbers of those entities. This subtraction includes income attributable to this member's ownership interest in another member of the UBG, to the extent that income was included in this member's federal taxable income (as defined for MBT purposes).

**Line 39:** To the extent included in federal taxable income (as defined for MBT purposes), deduct interest income derived from United States obligations.

**Line 40:** 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 UBG member reporting here, or a partner or LLC member of the UBG member reporting here, 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 41:** There currently are no subtractions allowed that are recorded on this line. Leave this line blank.

**Line 43:** Enter any unused MBT business loss carryforward from the MBT return for the preceding year. Deduct any available business loss incurred after December 31, 2007. *Business loss* means a negative business income tax base after allocation or apportionment. The business loss will 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.

When membership of a UBG changes, the business loss carryforward of the UBG is divided among the UBG and the departing member(s) in proportion to the losses the members would have generated had each member filed separately for all MBT periods that contribute to the loss.

**NOTE:** MBT business loss carryforward is not the same as the federal net operating loss carryforward or carryback, or the SBT business loss carryforward.

**IMPORTANT:** Line 43 is for reporting the DM's and all members' credit carryforwards remaining from a previous year. If the group created a carryforward in the immediately preceding tax period, the Department will have maintained that credit on the DM's account. All individual members' credit carryforwards are still being retained at the member level until fully consumed. Enter the amount of credit carryforward that any member brought into the group from filing periods preceding its filing with the group. This is in the event if a member with unused credit carryforward leaves the group, the credit carryforward created before becoming a member of the group will remain with that individual member.

**Line 44:** Qualified Affordable Housing deductions. Members claiming the seller's deduction, skip lines 44a-44h and carry the amount from Form 4579, line 5, to line 44i. Members claiming the buyer's deduction, complete lines 44a-44i.

The MBT Act provides separate deductions from the apportioned Business Income Tax base to a buyer (MCL 208.1201(7)) and seller (MCL 208.1201(6)) of residential rental units purchased and operated by a QAHP for certain amounts associated with the sale or operation of those units so long as certain criteria are met. Specifically, the buyer must be a QAHP and must enter into an operation agreement with the seller in which the buyer agrees to operate a specific number of the units as rent restricted units for a minimum of 15 years. QAHP is further defined under line 23 instructions.

The buyer/QAHP may deduct from its apportioned Business Income Tax base an amount equal to the product of its taxable income attributable to residential rental units it owns in Michigan multiplied by a fraction, in which the numerator is the number of rent restricted units it owns in Michigan, and the denominator is the number of all residential rental units it owns in Michigan. The buyer is entitled to this deduction so long as it continues to offer any of the units purchased as rent restricted units in accordance with the operation agreement.

The seller's deduction is described in the instructions to Line 44i.

**Lines 44a-44c:** 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. 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.

A Partnership or S Corporation may use *Rental Real Estate Income and Expenses of a Partnership or an S Corporation* (U.S. Form 8825) to determine its income and expenses attributable to residential rental units in Michigan. To the extent that the QAHP is taxed as something other than a Partnership or S Corporation, it may use *Supplemental Income and Loss* (U.S. Form 1040, Schedule E) or relevant portions of *U.S. Corporation Income Tax Return* (U.S. Form 1120), as appropriate. If the QAHP is a Corporation, the expenses permitted should be limited to those also listed on *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, allocated amounts from flow-through entities in which the QAHP is an owner 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 QAHP's federal return also apply for purposes of MCL 208.1201(7).

**Line 44d:** *Rent restricted unit* means a residential rental unit's rental income is restricted in accordance with IRC § 42(g)(1) as if it was a qualified low-income housing project, or receives rental assistance in the form of HUD section 8 subsidies or HUD housing assistance program subsidies, or rental assistance from the U.S. Department of Agriculture rural housing programs, from any of the other programs described in MCL 208.1203(8)(b).

**Line 44e:** This includes rent restricted and unrestricted residential rental units owned by the QAHP in Michigan.

**Line 44h:** The buyer's deduction is reduced by the amount of limited dividends or other distributions made to owners of the QAHP.

**Line 44i:** The seller may take a deduction from its apportioned Business Income Tax base equal to the gain from sale of the rent restricted units to the QAHP, as calculated on the *MBT Qualified Affordable Housing Seller's Deduction* (Form 4579). Enter the amount from Form 4579, line 5.

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, within 15 years after the purchase, the buyer fails to qualify as a QAHP or fails to operate any of the units as rent restricted units in accordance with the operation agreement, this lien becomes payable to the State. The lien is payable through an addition to the buyer's tax liability 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).

**Lines 45-62:** These lines are for reporting each member's tax credit carryforwards remaining from a previous year. If the group created a carryforward in a preceding tax period, the Department will have maintained that carryforward on the DM's account. Enter unused carryforwards of this type on the DM's copy of Part 2A.

If a member created a carryforward prior to joining the UBG, the Department will maintain that carryforward on that member's account, subject to use by the group, until it is fully consumed or that member leaves the group. Enter unused carryforwards of this type on the copy of Part 2A filed for the member that brought the carryforward to the group.

Available credit carryforwards, regardless of whether they arose within the group or outside of it, are applied against the UBG's tax liability on the basis of age (oldest first). If two members each created a carryforward of the same credit and the same

age, and together they exceed the amount allowable in this filing period, those members' respective credit carryforwards are used in proportion to the amount they contributed to the group. If a member that generated a carryforward in a prior period leaves the group, that member will take with it an amount equal to the group's remaining carryforward from that period multiplied by the amount that member contributed relative to the total amount contributed by all group members for the same credit in that same period.

It is important to review a carryforward for the possibility that some or all of it has expired, or that some or all of it was withdrawn from the group by a departing member.

Each of these lines for a tax credit carryforward is the amount of the identified item that may be claimed in this filing period.

See the "Supplemental Instructions for Standard Members in UBGs" on page 141 for information on the effects of members leaving or joining a UBG on credit carryforwards.

**Line 63:** Enter overpayment credited from prior MBT return. When membership of a UBG changes from one filing period to the next, carryforward of an overpayment from the prior return remains with the DM's account.

**Line 64:** All MBT estimated payments for a UBG should be made by the DM. Enter estimates paid by the DM on this line of the DM's copy of Part 2A. If any other member paid estimates attributable to this group return, enter those estimates on that member's copy of Part 2A. Include all payments made by that member for any portion of its federal filing period that is included on this group return. For example, if a non-DM member has a 12 month fiscal year beginning April 1, 2008 and is a member of the UBG throughout that period, its business activity from April 1, 2008, through March 31, 2009, will be reported on the group's December 31, 2009, return. If that member pays MBT quarterly estimates, it will make two estimates during 2008, before the DM's filing period begins. Because those estimates are attributable to activity that will be reported on the group's December 31, 2009, return, they should be included on the paying member's copy of Part 2A for the December 31, 2009, group return.

**Line 65:** Only the DM may request a filing extension for a UBG. If any other member submits an extension request, it will not create a valid extension for the UBG, but any payment attached to such a request can be credited to the UBG by entering that payment on this line in that member's copy of Part 2A.

## **Part 2B: Summary of Business Activity for Combined Return of Standard Taxpayers**

Part 2B supports, line by line, the combination of all members' entries for each corresponding line in Part 2A, and elimination of intra-group transaction data where appropriate. In general, see instructions for corresponding line numbers in Part 2A. Guidance specific to the combination and elimination process is provided below.

**NOTE:** Elimination, where allowed, applies to transactions between any members of the UBG – not just members that report on this return. For example, if the UBG includes standard taxpayers (not owned by and unitary with a financial

institution in the UBG), an insurance company, and a financial institution, transactions between a standard taxpayer member and an insurance or financial member are eliminated whenever elimination is allowed, despite the fact that the insurance and financial members are not reported on this return with standard taxpayer members. If a transaction occurs between two members of a UBG on a date that is included in this return for one member but included on the preceding or succeeding UBG return for the other member (due to differing year ends of these members), the group is entitled to eliminate the side of that transaction that is included on this return. The other side of the same transaction will be eliminated on the group return for the filing period in which the other member reports the transaction.

However, there is no elimination with an otherwise related entity if the related entity is excluded from the UBG. For example, consider a group with a U.S. parent, a U.S. subsidiary, and a foreign operating entity subsidiary that would otherwise be a UBG, but the foreign operating entity is excluded from the UBG by definition. The U.S. parent filing a UBG return may not eliminate intercompany transactions between itself and the foreign operating entity.

In column B for each line, eliminate the tax consequences of intra-group transactions that are included in column A of that line. Tax consequences of a transaction include, for example, gross receipts, subtractions from gross receipts, income, and deductions. Elimination of intra-group transactions does not apply where boxes are filled with Xs in column B.

**Line 28C:** Add the combined total after eliminations from line 28C to the number on Form 4567, line 25, and carry the sum to Form 4567, line 26.

**Line 66:** U.S. persons is defined in these form instructions under General Information About UBGs in MBT.

**Line 68:** Flow of value, integration, dependence, and contribution in a UBG context are described under "General Information About UBGs in MBT," at the beginning of these instructions for Form 4580.

## **Part 3: Affiliates Excluded From This Combined Return**

The statutory test for membership in a UBG is a group of U.S. persons (other than a foreign operating entity):

- One of which owns or controls, directly or indirectly, more than 50 percent of the ownership interest with voting rights or ownership interests that confer rights comparable to voting rights of the other U.S. persons; and
- That has business activities or operations which result in a flow of value between or among persons included in the UBG or has business activities or 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 person that would be a standard taxpayer if viewed separately is defined as a financial institution if it is owned, directly or indirectly, by a financial institution and is in a UBG with its owner.

The purpose of Part 3 is to identify persons for which the ownership test described above is satisfied, but which are not

included on this combined return, either because the flow of value/integration/dependence/contribution test is not satisfied or because the person is excluded by statute. A new member whose business activity is not included in this return because its tax year ends after the filing period of the UBG should also be listed here.

**Line 70A:** If a person being listed here is listed on U.S. Form 851, enter the identifying number for that person that is called “Corp. No.” at the left edge of pages 1, 2, and 3 of U.S. Form 851.

**Line 70D:** If you have questions, call the Michigan Department of Treasury, Technical Services Division, at (517) 636-4230, to discuss an appropriate entry.

**Line 70E:** If this person has nexus with Michigan, enter a check in this box.

**Line 70F:** Enter the person’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/](http://www.census.gov/eos/www/naics/), or enter the same NAICS code used when filing the U.S. Form 1120, *Schedule K*; U.S. Form 1120S; U.S. Form 1065; or U.S. Form 1040, *Schedule C*.

**Part 4: Affiliates Included in the Prior Combined Return, but Excluded From This Return**

The purpose of Part 4 is to assist the Department in tracking membership changes of a UBG from year to year. If the reason the person is not on this return is because it did not satisfy the flow of value/etc. test at any time during this filing period, list the person on line 70, and do not enter it here.

**Line 71C:** Reason codes for a person being included in last year’s return but not on this return:

10	The member no longer meets the control test, but the ownership interest is still greater than zero.
12	The member no longer meets the control test and the ownership interest is zero.
14	Before the beginning of the group’s filing period for this return, the person ceased to exist due to dissolution.
16	Before the beginning of the group’s filing period for this return, the person ceased to exist due to a merger or similar combination.

If the reason is not listed among these reason codes, describe the reason in 21 characters or less in the space provided.

**Attachments**

If the MBT combined return membership is identical to the federal consolidated return membership, provide the same federal return attachments required for a taxpayer that files separately. See the “Attachments” section in the Form 4567 instructions.

If members reporting on the this combined MBT return file more than one federal return:

1. For each person that files a separate federal return, attach the same pages of that person’s federal return, and any other items (for example, financial statements) as are required for a separate filer in similar circumstances. See the “Attachments

section” of Form 4567 instructions for guidance on standard required pages of federal returns.

2. If some or all of the members reporting on this combined MBT return also are members of a federal consolidated group (but membership is not identical), attach standard required pages of federal consolidated return, and any other items required for a separate filer in similar circumstances, PLUS a worksheet showing removal of data for federal members that are not on the combined MBT return.

3. In all cases in which members reporting on this combined MBT return file more than one federal return, attach worksheet showing intra-group eliminations.

***Include completed Form 4580 as part of the tax return filing.***