MI-1040CR-5

Farmland Preservation Tax Credit

MICHIGAN 2022

- When e-filing your *2022 Farmland Preservation Tax Credit Claim* (MI-1040CR-5) with your *Michigan Individual Income Tax Return* (MI-1040), you must also file a completed *Homestead Property Tax Credit Claim* (MI-1040CR or MI-1040CR-2) or *Home Heating Credit Claim* (MI-1040CR-7), even if you are not qualified to receive these credits.
- E-filed returns are usually processed within 14 business days. Allow 14 days before checking the status of your e-filed return.
- You may e-file if you are filing for Property Development Rights.
- E-filers may now include copies of your property tax statements and the "Farmland *Schedule K-1* Worksheet."
- Note: If you have more than 24 agreements, we recommend filing a paper return with the appropriate property tax statements to ensure the most efficient processing.
- Visit **www.MIfastfile.org** for a list of e-file resources, how to find an e-file provider, and more information on free e-file services.

WWW.MIFASTFILE.ORG

MAILING ADDRESS. Mail your return and attachments to the address on your *2022 Michigan Individual Income Tax Return* (MI-1040).

FILE EARLY! File your return early; it will be processed in the order received. Include all the requested information to prevent delays in processing your refund (see page 15).

WWW.MICHIGAN.GOV/TAXES

This booklet is intended as a guide to help complete your return. It does not take the place of the law.

Important Information

Tax Assistance

The Michigan Department of Treasury (Treasury) offers a variety of services designed to assist you, and most are available 24 hours a day, seven days a week.

IMPORTANT: To obtain information about your account using the Internet and Telephone Options listed below, you will need the following information from your return:

- Social Security number (SSN) of the primary filer (the filer listed first on the return)
- Tax year of the return
- Adjusted gross income (AGI) or total household resources
- Filing status (single, married filing jointly, married filing separately).

Internet Options

www.michigan.gov/iit

Find the following information on this website:

- Current year forms and instructions
- Answers to many tax preparation questions
- Most commonly used tax forms
- Free assistance in preparing your return
- Other tax resources.

Select "eServices Individual Income Tax" where you can:

- Select "Guest Services" to:
  - Check the status of your return
  - Check estimated payments you made during the year
- Select "Account Services" to:
  - Change your address
  - Access letters sent by Treasury
  - Check responses to letters you have sent to Treasury
  - Submit specific account requests
    - You have the option to ask a question by choosing "Create a service request"
    - You must provide a valid email address to submit a question.

Telephone Options

517-636-4486

Automated Information Service

With Treasury's automated phone system, you can:

- Request the status of your refund
- Check the status of letters you have sent to Treasury
- Request information on estimated payments
- Order current tax year forms.

While most questions can be answered by the Automated Information Service, customer service representatives are available from 8 a.m. to 4:30 p.m., Monday through Friday.

Assistance is available using TTY through the Michigan Relay Service by calling 711.

MI-1040CR-5 Filing Requirements

The following forms **must** be filed with your MI-1040CR-5:

- *Schedule of Taxes and Allocation to Each Agreement* (Schedule CR-5). The Schedule CR-5 lists all your agreements and corresponding taxes. Processing of your refund will be delayed if the Schedule CR-5 is not filed.
- *Michigan Individual Income Tax Return* (MI-1040). The MI-1040 must be filed, even if you are not otherwise required to file this form.
- *Michigan Homestead Property Tax Credit Claim* (MI-1040CR) or *Michigan Homestead Property Tax Credit Claim for Veterans and Blind People* (MI-1040CR-2) or *Michigan Home Heating Credit Claim* (MI-1040CR-7) must be filed to include your total household resources, even if you are otherwise not entitled to these credits.

Important Reminders

- Include all applicable federal returns and schedules (U.S. Forms *1040, Schedule 1, 1065, 1120S, K-1*, etc). E-filers may include "Farmland *Schedule K-1* Worksheet."
- Include in federal AGI the total Farmland Preservation Tax Credit received during the tax year.
- Include copies of your 2022 property tax statements that show the taxable value and an itemized listing by millage rate of the property taxes levied. Some e-file software products may allow you to include copies of your property tax statements, which may reduce correspondence with Treasury and processing delays.
- Ownership on property tax statements must match ownership on agreements.
- Enter the most current agreement numbers on the Schedule CR-5 and also write them on your property tax statements.
- The agreement number consists of three components: (1) the first two digits represent the county code where the property is located, (2) the middle portion is the actual contract number, and (3) the last six numbers are the expiration date. If the agreement has been split, it will have a letter added after the contract numbers.
- Check the expiration date in the agreement number (last six digits). Do not use an agreement number with an expired date. If you extended the agreement, use the new expiration date. Enter the expiration year as a four digit number.
- List each agreement once (add multiple parcels' taxable values and taxes together for an agreement and list on one line).
- Include the entire taxable value of the agreement regardless of the percentage you are claiming.
- Claim only the portion of the property tax statement qualified as agricultural. If less than 100 percent, claim the lower percentage less the school operating taxes.
- Deduct all special assessments, penalties, interest, and other non-allowable charges from property tax statements.

Where to Mail Your Return

Review your return carefully and make sure it is complete. Assemble your returns and attachments in the order shown on pages 4 and 5 of the MI-1040 booklet. Mail your return and attachments to the address under "Where to Mail Your Return" on page 5 of the MI-1040 booklet.

General Information

What is the Farmland Preservation Tax Credit?

The Farmland and Open Space Preservation Act (Public Act 116 of 1974, as amended) Tax Credit gives back to farmland owners a share of the property tax they pay on their farmland. Farmland owners qualify for credit by agreeing to keep the land as farmland and not develop it for another use.

Farmland Preservation Tax Credit Qualifications

You qualify if you meet **all** of these requirements:

- You own farmland, and
- You have entered into a Farmland Development Rights Agreement (FDRA) with the Michigan Department of Agriculture and Rural Development (MDARD).

Farmland Development Rights Agreement

Through an FDRA you receive property tax relief in return for your pledge not to change the use of your land.

Caution: The FDRA restricts development of your land. Before making any changes to property covered under this agreement or to its ownership, consult the MDARD. Some changes may make your property ineligible for credit.

Property Development Right

A Property Development Right (PDR) is an easement purchased from the landowner by MDARD on behalf of the State of Michigan to protect development of prime farmland.

How to Claim the Credit

Complete the forms and file them with your MI-1040. Include a copy of pages 1 and 2 of your U.S. Form *1040* and copies of U.S. *Schedules 1, A, B, C, D, E, F;* and U.S. Forms *4797, 4835, 1065, 1120S,* and *K-1s* if you needed to complete them for your federal tax return. If you are not required to file a federal return, include a schedule showing farm income and expenses used to arrive at net income.

Note: You must include copies of the federal schedules that show the income and expense of the farming operation regardless of what kind of entity reports them (e.g., S corporation, trust, or partnership). You must also include the following:

- Copies of your 2022 property tax statements that show the taxable value, an itemized listing by millage rate of the property taxes levied, and the corresponding agreement numbers.
- A 2022 MI-1040CR, MI-1040CR-2 or MI-1040CR-7 with a completed schedule of total household resources **even if you are not qualified to receive the credit** (see line 8 instructions on page 7).
- A copy of the receipt showing your 2021 or 2022 property taxes were paid. If your property taxes have not been paid, you do not include your receipt(s) or you do not check the box in Column C on the Schedule CR-5 indicating your 2021 or 2022 taxes are paid, Treasury will mail you a check made jointly payable to you and the county treasurer for the county where the property is located. **(A new check payable only to you will not be issued if you later prove the taxes have been paid.)**

Note: If a claimant falsely specifies the property taxes were paid and the property taxes are not paid before the return is filed, all future payments of credits to the claimant will be made payable jointly with the treasurer of the county in which the property under agreement is located (Section 324.36109(7)).

- If your property tax statement includes property that is not covered under an FDRA or PDR, you must show what portion of your taxable value and property tax is for land enrolled in the FDRA or PDR. Your local equalization officer or your local assessor must provide this information on official letterhead.
- If you farmed under a partnership, include a copy of your U.S. Form *1065* and *Schedules K* and *K-1.*
- If you farmed under an S corporation, include a copy of your U.S. Form *1120S* and *Schedules K* and *K-1.*
- Joint ownerships must include a statement signed by all owners specifying each owner's percentage of income and expenses or complete the *Michigan Signed Distribution Statement for Joint Owners of Farmland Development Rights Agreements* (Form 5678)

Note for E-filers: The "Farmland *Schedule K-1* Worksheet" allows claimants to identify the percentages they are allowed to claim for a farmland preservation tax credit. This worksheet is available on Treasury's website. Although this worksheet is not required, submitting the worksheet could reduce the need for further correspondence with Treasury and avoid processing delays.

When to Claim a New Agreement

New agreements must be approved by your local government by November 1, 2022, for you to claim a 2022 credit for that agreement. The new FDRA is not final until MDARD receives a copy that has been recorded at the Register of Deeds. If MDARD has not received a recorded copy by April 18, 2023, file your return without claiming credit for the new agreement. Once MDARD receives a recorded copy, file an MI-1040CR-5 with a new MI-1040. Check the Amended Return box at the top of page 1 of the MI-1040 form, and file the Schedule AMD and supporting documentation. If the property was purchased in 2022, you must prorate the 2022 taxes for the period you owned the land and claim your credit based only on those taxes.

Which Form to File

You may file one of two forms depending on the type of farm ownership.

The following should file using an MI-1040CR-5 with their income tax return:

- Individuals who own a farm independently
- An individual in possession under a life estate with remainder to another person
- Representatives of deceased single persons. Include property taxes and income from January 1 to the date of death
- Partnerships
- Joint owners
- Limited liability companies

- S corporation shareholders, **except** shareholders of S corporations who had an FDRA before January 1, 1989, and in 1991 elected to file under the Single Business Tax (SBT) Act on C-8022
- Grantor trusts (if treated as an owner under Internal Revenue Code (IRC) Sections 671 through 679)
- Trusts created by the death of a spouse if the trust requires 100 percent of the income from the trust to be distributed each year to the surviving spouse.

The following should file a *Farmland Preservation Tax Credit* (Form 4594) with a Michigan Business Tax (MBT) return:

- Estates, including property taxes from the date of death, and farm income required to be reported on the entity's U.S. Form *1041.*
- Corporations other than S corporations who made the election to file and pay under the MBT beginning with the taxpayer's first tax year ending after December 31, 2011.
- S corporations that had an FDRA before January 1, 1989, and in 1991 elected to file C-8022.
- Trusts, except as noted previously, who made the election to file and pay under the MBT beginning with the taxpayer's first tax year ending after December 31, 2011, or who had claimed the credit in a previous year under the Income Tax Act but are no longer eligible as a result of the death of the owner of the grantor trust.

Form 4594 is available at **www.michigan.gov/taxes** or by calling 517-636-4486.

What to Do With a Jointly Payable Check

Take the check, remittance advice, and a copy of your FDRA(s) to your county treasurer(s). He or she will ask you to endorse the check, then use the refund to pay any delinquent taxes. Any amount left will be refunded to you.

Property Taxes That Can Be Claimed for Credit

The property taxes levied in 2022 on enrolled land can be claimed for the 2022 credit, regardless of when they are paid. The one percent collection fee may be included. Special assessments (those not based on State equalized or taxable value), penalties, and interest cannot be claimed.

Taxes on land not eligible for either the principal residence or qualified agricultural property exemption usually are not eligible for a Farmland Preservation Tax Credit. The exception is rental property where the tenant participates in the farming operation at least 1,040 hours per year. To compute the taxes that can be claimed for credit, exclude the school operating tax and multiply the balance by the percentage of exemption allowed by the local taxing authority. See example below:

Taxes levied.....$2,000
School operating tax.....$350
Principal residence exemption.....60%

$2,000	$1,650	
- 350	x 60%	
$1,650	$990	*May be claimed for credit*

If you have entered into more than one agreement with the MDARD, the sum of the taxes under each agreement is used to compute your credit. The amount of credit you will receive is based on total household income.

Computing the Homestead Property Tax Credit

You must include your total Farmland Preservation Tax Credit received during the tax year in total household resources. Enter the amount of credit you received in 2022 on the MI-1040CR, line 16, MI-1040CR-2, line 15, or MI-1040CR-7, line 21. Homestead Property Tax Credits are not included in Michigan total household resources. If you included this amount in your taxable farm income, you may subtract it from your total household resources.

Effect on Your 2022 Taxable Farm Income

The portion of your Homestead Property Tax Credit that is for farm buildings and land is business related. To determine the portion that is business income, divide the taxable value of your buildings and farmland by the total taxable value of your property, then multiply by the credit (see below). Your local assessor can show you how your total taxable value was determined.

$$\frac{\text{TV of farmland portion of homestead and buildings}}{\text{Total taxable value}} \times \text{Homestead Property Tax Credit amount} = \text{Portion of Homestead Property Tax Credit that is business income}$$

You must include the total Farmland Preservation Tax Credit and the business portion of your Homestead Property Tax Credit received during the tax year in your 2022 federal AGI. If you own your property as an individual but the farming activity is operated under a partnership, S-Corp or LLC, report the Farmland Preservation Tax Credit on your personal return.

Was your 2021 tax refund (MI-1040, line 34) greater than the amount of your 2021 *Farmland Preservation Tax Credit* (MI-1040, line 26) plus the business portion of your Homestead Property Tax Credit? If yes, you may subtract on Schedule 1, line 16, the excess refund amount you received in 2022 to the extent it was included in federal AGI.

Land Owned by a Person Under a Life Estate

A person in possession for life under a life estate with remainder interest to another person may claim all the property taxes to compute the credit. However, the life estate holder and the person(s) holding the remainder interest may choose to divide the property taxes in the same manner as they divide revenue and expenses. A written agreement must be included with each return.

Land Owned by a Partnership

Property taxes on land owned by a partnership are allocated to the partners based on the partner's percent of income or ownership. All partners must use the same basis for filing.

If the partnership files a U.S. Form *1065,* the percent is on each partner's *Schedule K-1.* If the partnership is not required to file a U.S. Form *1065*, the percentage of income

is on the partnership agreement or on a statement signed by all the partners. If no U.S. Form *1065* is required, complete Form 5678 to show the percentage of income or ownership. The percentage of income or ownership being claimed for credit must be carried to Column E of the Schedule CR-5.

Land Owned With Someone Other Than a Spouse

Taxes on land owned jointly are allocated to each owner. If co-owners divide each item of revenue and expenses and choose to allocate the property taxes the same way, they may do so only if they include a copy of a signed statement by each owner. The statement must show each owner's share of the revenues and expenses. This requirement can be met by completing Form 5678. If a signed distribution statement is not included, the taxes must be allocated equally among the owners, with two exceptions:

- A husband and wife are considered one owner.
- An owner eligible to be claimed as a dependent by another owner cannot receive a share of the taxes and cannot claim a credit for that farmland.

Land Owned by a Limited Liability Company

Property taxes on land owned by a limited liability company are allocated to each member in a percentage equal to the member's share of ownership or distributive share of ordinary income as reported by the limited liability company to the Internal Revenue Service (IRS).

Land Owned by an S Corporation

Taxes on land owned by an S corporation are allocated to each shareholder based on the shareholder's share of the corporation's stock. This percentage is on U.S. Form *1120S, Schedule K-1.* **Exception:** If the S corporation had an FDRA before 1989, and in 1991 elected to file under the SBT Act on C-8022, the S corporation must continue to file under the Michigan Business Tax (MBT). If the FDRA was not in the S corporation's name before January 1, 1989, the taxes on land covered by this agreement must be claimed on the shareholders' Michigan income tax return using an MI-1040CR-5. These taxes must be claimed by the shareholders even if the S corporation elected to file C-8022 for other agreements that the S corporation entered into before January 1, 1989.

Land Owned by a Trust

For farmland owned by a grantor trust, if you are treated as the owner of that trust under IRC sections 671 through 679, you must include a copy of that portion of the trust agreement that shows you are the owner of a grantor trust holding title to the farmland.

If the trust was created by the death of a spouse and requires 100 percent of the income to be distributed to the surviving spouse, you must include a copy of U.S. Form *1041* and *Schedule K-1*, if required.

Claiming a Credit on a Farm Purchased in 2022 That Was Already Enrolled in the Farmland Program

Your farmland preservation tax credit will be processed only if there is a farmland agreement on file with the MDARD **in the same name as your deed.** You are not eligible to claim a farmland preservation tax credit until the transfer of ownership of the FDRA is completed. The FDRA is not final until MDARD receives a copy that has been recorded at the Register of Deeds. If MDARD has not received a copy by April 18, 2023, file your return without claiming credit for that agreement. Once MDARD has received a copy, file an MI-1040CR-5 with a new MI-1040. Check the Amended Return box at the top of page 1 of the MI-1040 form, and file the Schedule AMD and supporting documentation. You must prorate the 2022 taxes for the period you owned the land and claim your credit based only on those taxes.

Filed for Bankruptcy

If you are enrolled in the Farmland and Open Space Preservation Act program and have petitioned for bankruptcy (under U.S. Bankruptcy Code, chapters 7, 11, 12, or 13), claim your credit on MI-1040CR-5 and include it with your Michigan income tax return.

You must prorate your credit for the part of the year ending when the petition in bankruptcy was filed. The trustee in bankruptcy or the landowner as Debtor in Possession may file a claim for the portion of the year following the date of petition. Bankruptcy estates are also required to file a *Fiduciary Income Tax Return* (MI-1041).

Transferring an Agreement

To transfer an agreement, you must show that all of the land described under the agreement has been conveyed. The MDARD will need a copy of the legal document (e.g., deed, land contract) used for conveyance and the new owner's name and address.

For more information on the Farmland Development Rights Agreement contact:

Farmland and Open Space Preservation Unit
Environmental Stewardship Division
Michigan Department of Agriculture and Rural Development
P.O. Box 30449
Lansing, Michigan 48909

Net Operating Loss

The farmland preservation tax credit is computed using household income which allows for a net operating loss (NOL) deduction (instead of using total household resources which does not allow for an NOL deduction).

The NOL deduction allowed in household income is the lesser of the federal NOL deduction or Federal Modified Taxable Income (FMTI) in the year to which it is being carried back or carried forward as defined in IRC 172(b)(2). FMTI is computed by modifying federal taxable income by recalculating taxable social security, itemized deductions and other required modifications without the consideration of the federal net operating loss deduction. Adjustments also include the removal of the federal standard or itemized deduction and the capital loss deduction. For more information about FMTI, see IRS Publication 536.

Example: Your 2022 FMTI is $20,000, and your 2022 federal NOL deduction is $50,000. The amount of the 2022 NOL deduction of $50,000 that may be used in 2022 household income for a farmland preservation tax credit is limited to $20,000.

The amount of the NOL deduction available for use in household income is calculated on page 2 of the MI-1040CR-5. There must be a federal NOL deduction in AGI in order to claim an NOL deduction in household income.

When filing a refund claim due to the carryback of a federal NOL for the farmland preservation tax credit, prepare an amended Form MI-1040CR-5 for each year the loss is being carried back and include with *Michigan Farming Loss Carryback Refund Request* (Form 5603).

MICHIGAN Signed Distribution Statement for Joint Owners of Farmland Development Rights Agreements (Form 5678)

If you own farmland jointly with someone other than your spouse, complete Form 5678. For each agreement, enter the information for each owner. Partners may use Form 5678 to show the percentage of income or ownership if no U.S. Form *1065* was required. All partners must sign and use the same basis for filing. The percentage of income or ownership being claimed for credit must be carried to column E of the Schedule CR-5.

Line-by-Line Instructions for Schedule CR-5 and MI-1040CR-5

Lines not listed are explained on the forms.

Schedule CR-5

Column A: The agreement or contract number is located at the top and lower left corner of each agreement. The first two numbers represent the county where the property is located. The middle set of numbers is the actual contract number. The last six numbers are the date of expiration, (i.e., 123122 is December 31, 2022). The contract number retains its original series throughout the term of the agreement. However, a letter may be added to indicate the agreement was split into multiple agreements. The final six numbers change when the agreement is reduced or extended. Always use the contract number on your most recently recorded agreement and include a copy of each 2022 tax statement that corresponds to the agreement number listed. The expiring year must be entered as a four-digit number. The expiring year for a PDR should be entered as 9999.

Column B: List the 2022 taxable value for each agreement you owned in 2022. The taxable value is found on your property tax statement(s) for each parcel. The total taxable value for each agreement must be listed; do not list each individual parcel.

Note: If the property tax statement includes taxable value for land not covered by an FDRA or PDR, the taxable value reported in column B must be adjusted accordingly. The taxable value that cannot be claimed must be determined by the local assessor's office and submitted on official letterhead.

If the property tax statement includes taxable value for land on more than one agreement, the taxable value reported in column B must be separated according to the land in each agreement. The local assessor will be able to determine what the breakdown is based on the legal descriptions of the land enrolled under each agreement.

The entire taxable value for the agreement must be entered in column B even if you are eligible to claim only a portion of the property taxes because of joint ownership(s), partnership(s), or multiple shareholders.

Column C: For each agreement, check the box if the property taxes are paid for 2021 or 2022. If the property taxes are not paid, do not check the box. Your farmland preservation tax credit will be issued jointly to you and the treasurer for the county where the property is located if you do not indicate the property taxes are paid. **Note: Copies of your 2022 property tax statements must be included regardless of whether the box is checked in column C. E-filers are not required to send property tax statements unless requested to do so by Treasury at a later date. Some e-file software products may allow you to include copies of your property tax statements, which may reduce the need for further correspondence with Treasury and avoid processing delays.**

Column D: Enter "I" if you are the individual owner or co-own the land with your spouse, "J" if you are a joint owner with someone other than your spouse, "P" if the land is owned by a partnership, or "S" if the land is owned by an S corporation.

Column E: If the land is owned by you and someone other than your spouse, enter your percent of income from the signed statement or your percent of ownership. If the land is owned by a partnership, enter your percent of income or ownership. All partners must use the same basis for filing. If the land is owned by an S corporation, enter your percent of stock ownership.

Note for E-filers: The "Farmland *Schedule K-1* Worksheet" allows claimants to identify the percentages they are allowed to claim for a farmland preservation tax credit. This worksheet is available on Treasury's website. Although this worksheet is not required, submitting the worksheet could reduce the need for further correspondence with Treasury and avoid processing delays.

Column F: Individuals enter the taxes from each tax statement for the portion of land enrolled under an agreement. **Joint owners, partners, and shareholders** enter only their allocated share of taxes from each tax statement for the portion of land enrolled under an agreement.

Note: If the property tax statement includes taxes for land not covered by an FDRA or PDR, the taxes reported in column F must be reduced accordingly. The amount of taxes that cannot be claimed must be determined by the local assessor's office and submitted on official letterhead.

The 1 percent collection fee may be included. Do not include penalties, interest, or special assessments.

If the property tax statement includes taxes for land on more than one agreement, the taxes reported in column F must be separated according to land in each agreement. The local assessor will be able to determine what the breakdown is based on the legal descriptions of the land enrolled under each agreement.

Column H: Multiply line 15 or 20 from the MI-1040CR-5, whichever applies, by the percentage computed in column G for each agreement and enter in column H.

MI-1040CR-5

Part 1: Computation of Credit

Line 5: Check the box if all of the taxes that qualify for a Homestead Property Tax Credit are included in the total on line 4.

Before completing line 8, read "Computing the Homestead Property Tax Credit" on page 4.

Line 8: Enter your total household resources from your MI-1040CR, MI-1040CR-2, or MI-1040CR-7. If you are a part-year or nonresident, include **your entire** 2022 total household resources, regardless of source.

Line 9: If you had net losses from business (including farm) after netting all business income and loss, net rental or royalty losses, or net operating loss deductions, complete Part 2, 3 and/or 4 on page 2. Enter amount here from line 33.

Line 13: Enter amount of property tax from line 4. This line **must be completed.**

Line 17: If line 17 is less than line 7, carry amount from line 15 to Form MI-1040, line 26. If line 17 is greater than line 7, complete lines 18 through 20. Carry the amount from line 20 to Form MI-1040, line 26.

Part 2: Net Business/Farm Loss

Line 21: Enter amounts to the extent included in AGI from:

- U.S. *Schedule C* (Profit or Loss from Business).
- Part II (Ordinary Gains and Losses) of the U.S. Form *4797.*
- Part II (Income or Loss from Partnership and S Corporations) and Part III (Income or Loss from Estates and Trusts) of the U.S. *Schedule E*.
- Include income or loss items reported as a distributive share.

Line 22: Enter income or loss from U.S. Schedule F to the extent included in AGI (Profit or Loss from Farming).

Line 23: Total must be less than zero. If the total is positive enter "0."

Part 3: Net Royalty/Rent Loss

Line 24: Enter amounts to the extent included in AGI from:

- Part I (Income or Loss from Rental Real Estate and Royalties) of the U.S. *Schedule E*.
- Part IV (Income or Loss from Real Estate Mortgage Investment Conduits (REMIC)) of the U.S. *Schedule E* (rents, royalties).
- Part V (Net farm rental income or (loss) from Form 4835) of the U.S. *Schedule E*.

Total must be less than zero. If the total is positive enter "0."

Part 4: Net Operating Loss

The NOL deduction allowed in household income is the lesser of the federal NOL deduction or Federal Modified Taxable Income (FMTI). There must be a federal NOL deduction in AGI in order to claim an NOL deduction in household income. A Michigan NOL cannot be claimed as an NOL deduction from household income.

Line 27a: Adjustments to AGI for taxable Social Security benefits and IRA deductions must be recalculated based on modified federal AGI.

Lines 29a through 29f: If itemized deductions were claimed on U.S. Form *1040 Schedule A*, they must be recalculated based on modified federal AGI. Enter the recalculated deductions on lines 29a through 29f.

Line 29a: Medical deduction adjustments. Recalculate your medical expense deduction based on modified federal AGI and the federal limitation in effect for the tax year.

Line 29d: Recalculate your charitable contributions based on modified federal AGI using the applicable percentage limitation for the tax year.

Line 29g: Enter the standard deduction if it was claimed on U.S. Form *1040.* Also, include the charitable contribution deduction if it was claimed on U.S. Form *1040.*

Line 31: This is your FMTI. This amount cannot be less than zero.

Line 32: Enter the lesser of your federal net operating loss deduction (NOL) or federal modified taxable income (FMTI).

Is Your Return Filing Complete?

To help reduce processing delays, review the following list to ensure all applicable documents are included when filing your Farmland Preservation Tax Credit Claim.

- ❒ *Michigan Individual Income Tax Return* (MI-1040)
- ❒ *Farmland Preservation Tax Credit Claim* (MI-1040CR-5)
- ❒ *Schedule of Taxes and Allocation to Each Agreement* (Schedule CR-5)
- ❒ A completed *Homestead Property Tax Credit Claim* (Forms MI-1040CR or MI-1040CR-2) or *Home Heating Credit* (Form MI-1040CR-7), even if you are not qualified to receive a credit. **The total household resources section must be completed.**
- ❒ A copy of your 2022 summer and winter property tax statements showing the taxable value, millage rates and the property taxes levied with the corresponding agreement numbers
- ❒ An official assessor breakdown for property tax statements covering multiple FDRAs and/or including land not enrolled in an FDRA
- ❒ A copy of your property tax receipts showing payment of your 2021 or 2022 property taxes
- ❒ A copy of pages 1 and 2 of your 2022 U.S. *1040*. (If you are not required to file a federal return, attach a schedule showing farm income and expenses used to arrive at net income.)
- ❒ Copies of federal schedules and forms if you completed them for your federal return (*Schedules 1, A, B, C, D, E* and *F*, and U.S. Forms *4797* and *4835*)
- ❒ Partnerships must include U.S. *1065* and *Schedule K-1*. S corporations must include U.S. *1120S* and *Schedule K-1*. E-Filers may include the *Schedule K-1* Worksheet.
- ❒ Joint owners must attach a statement signed by all owners specifying each owner's percent of ownership or income and expenses, or complete the *Michigan Signed Distribution Statement for Joint Owners of Farmland Development Rights Agreements* (Form 5678).

www.MIfastfile.org

- E-filing your return is easy, fast and secure!
- E-filed returns are usually processed within 14 business days. Allow 14 days before checking the status of your e-filed return.
- Free e-file is available. Do you qualify?
- Visit **www.MIfastfile.org** for a list of e-file resources, how to find an e-file provider, and more information on free e-file services.

Mail your return to the address on your MI-1040 Individual Income Tax Return.