Attachment 06

2024 MICHIGAN Business Tax Common Credits for Small Businesses

Issued under authority of Public Act 36 of 2007.

Taxpayer Name	Federal Employer Identification Number (FEIN) or TR Number

The Small Business Alternative Credit is NOT available if any of the following conditions exist:

- Gross receipts exceed $20,000,000.
- Adjusted business income after loss adjustment exceeds $1,843,400.
- Any individual, shareholder or officer has allocated income after loss adjustment of over $180,000, or any partner has distributive share of income after loss adjustment of over $180,000, as determined on Form 4577 or 4578.
- Compensation and director fees of a shareholder or officer of a C Corporation exceed $180,000.

The Small Business Alternative Credit must be reduced if any of the following conditions exist:

- Any individual, shareholder or officer has allocated income after loss adjustment of over $160,000 but not over $180,000, or any partner has distributive share of income after loss adjustment of over $160,000 but not over $180,000, as determined on Forms 4577 or 4578.
- Gross receipts exceed $19,000,000 but are not more than $20,000,000.

Taxpayers claiming the small business alternative credit, other than individuals and fiduciaries filing as individuals MUST complete and include Form 4577 or 4578, as applicable.

1.	Tax liability prior to this credit from Form 4568, line 6	1.	00

PART 1: SMALL BUSINESS ALTERNATIVE CREDIT

If not claiming a Small Business Alternative Credit, skip to Part 2.

Adjusted Business Income

2.	Business Income from Form 4567, line 28 (see instructions)	2.	00
3.	Gross capital loss utilized on federal return (see instructions)	3.	00
4.	Federal net operating loss carryover or carryback from Form 4567, line 32	4.	00
5.	Add lines 2, 3, and 4	5.	00
6.	Compensation and director fees of active shareholders from Form 4577, line 3	6.	00
7.	Compensation and director fees of officers from Form 4577, line 4	7.	00
8.	Adjusted Business Income. Add lines 5, 6 and 7	8.	00

Small Business Alternative Credit Calculation

9.	Small Business Alternative Tax. Multiply line 8 by 1.8% (0.018). If less than zero, enter zero	9.	00
10.	**Small Business Alternative Credit**. Subtract line 9 from line 1. If less than zero, enter zero	10.	00
11.	Allocated income/distributive share of income used for reduction (see instructions)	11.	00
12.	Reduction percentage from Reduced Credit Table on page 2 (based on amount from line 11)	12.	%
13.	**Reduced Credit.** Multiply line 12 by line 10. If gross receipts from Form 4567, line 12, are less than or equal to $19,000,000, carry amount to Form 4568, line 7 (see instructions)	13.	00
14.	Tax After Small Business Alternative Credit. Subtract line 13 from line 1	14.	00

Reduction Based on Gross Receipts

Complete this section if gross receipts are more than $19,000,000 but not more than $20,000,000.

15.	Gross receipts from Form 4567, line 12 (see instructions)	15.	00
16.	Excess gross receipts. Subtract $19,000,000 from line 15	16.	00
17.	Excess percentage. Divide line 16 by $1,000,000, and enter as a percentage	17.	%
18.	Allowable percentage. Subtract line 17 from 100%	18.	%
19.	**Small Business Alternative Credit.** Multiply percentage on line 18 by the credit on line 13. Carry amount to Form 4568, line 7	19.	00
20.	Tax After Small Business Alternative Credit. Subtract line 19 from line 1	20.	00

Continue on Page 2

FEIN or TR Number

PART 2: GROSS RECEIPTS FILING THRESHOLD CREDIT

Complete this section if apportioned gross receipts are equal to or greater than $350,000 but less than $700,000. See instructions for tax years less than 12 months.

21.	Tax before credit from line 1, 14 or 20, whichever applies	21.	00
22.	Threshold Ceiling	22.	700,000 00
23.	Gross Receipts from Form 4567, line 12 (see instructions)	23.	00
24.	Apportioned Gross Receipts. Multiply line 23 by percentage from Form 4567, line 11c	24.	00
25.	Excess Gross Receipts. Subtract line 24 from line 22. If negative, enter zero on line 27 (no credit allowed)	25.	00
26.	Gross Receipts Filing Threshold Credit Percentage. Divide line 25 by $350,000, and enter as a percentage	26.	%
27.	**Gross Receipts Filing Threshold Credit**. Multiply line 26 by line 21. Carry amount to Form 4568, line 8	27.	00
28.	Tax After Gross Receipts Filing Threshold Credit. Subtract line 27 from line 21. (This line must be equal to Form 4568, line 9.)	28.	00

REDUCED CREDIT TABLE

If allocated* income is:	The reduced credit is:
$0 - $160,000	100% of the Small Business Alternative Credit
$160,001 - $164,999	80% of the Small Business Alternative Credit
$165,000 - $169,999	60% of the Small Business Alternative Credit
$170,000 - $174,999	40% of the Small Business Alternative Credit
$175,000 - $180,000	20% of the Small Business Alternative Credit

* See instructions for tax years less than 12 months.

Instructions for Form 4571
Michigan Business Tax (MBT) Common Credits for Small Businesses

Purpose

To allow taxpayers to calculate the Small Business Alternative Credit and the Gross Receipts Filing Threshold Credit. Credits are calculated here and then carried to the *MBT Nonrefundable Credits Summary* (Form 4568).

A taxpayer is disqualified from taking the Small Business Alternative Credit under certain circumstances, which are detailed below.

A taxpayer with gross receipts allocated or apportioned to Michigan equal to or greater than $350,000, but less than $700,000, may claim a Gross Receipts Filing Threshold Credit.

Unitary Business Groups (UBGs): Taxpayers that are part of a UBG must use the gross receipts of the entire group before eliminations to determine if the gross receipts allocated or apportioned to Michigan are between $350,000 and $700,000.

NOTE: Beginning January 1, 2012, only those taxpayers with a certificated credit, which is awarded but not yet fully claimed or utilized, may elect to be MBT taxpayers. If a taxpayer files an MBT return and claims a certificated credit, the taxpayer makes the election to file and pay under the MBT until the certificated credit and any carryforward of that credit are exhausted. A taxpayer making a valid certificated credit election may also claim the credits on this form.

NOTE: A member of a Limited Liability Company (LLC) is characterized for MBT purposes as a partner, shareholder, or owner, based on the federal tax classification of the LLC. An LLC taxed as a Partnership for federal purposes is required to file as a Partnership for MBT. Similarly, an LLC taxed as a C Corporation or an S Corporation for federal purposes must file under that same entity type for MBT.

NOTE: A person that is a disregarded entity for federal income tax purposes under the internal revenue code shall be classified as a disregarded entity for the purposes of filing the MBT annual return.

Fiscal Year Filers: See "Supplemental Instructions for Standard Fiscal MBT Filers" in the *MBT Forms and Instructions for Standard Taxpayers* (Form 4600).

Eligibility for the Small Business Alternative Credit

Taxpayers are not eligible for the Small Business Alternative Credit if any of the following conditions exist:

- Gross receipts exceed $20,000,000.
- Adjusted business income after loss adjustment exceeds:
  - $1,843,400 for Corporations or Partnerships (and LLCs federally taxed as such).
  - $180,000 for Individuals or Fiduciaries.
- Any shareholder or officer has allocated income after loss adjustment of over $180,000 or any partner has distributive share of income after loss adjustment of over $180,000, as determined on the *MBT Schedule of Shareholders and Officers* (Form 4577) or the *MBT Schedule of Partners* (Form 4578).

In addition, the Small Business Alternative Credit is reduced if an Individual, a partner in a Partnership, a shareholder of a Corporation, or an officer of a C Corporation has allocated income (or distributive share of income, for a partner) after loss adjustment of more than $160,000. This reduction is based on the individual/partner/officer/shareholder with the largest allocated or distributive share of income.

The Small Business Alternative Credit also is reduced if gross receipts exceed $19,000,000 but are not more than $20,000,000.

C Corporations

Allocated income for C Corporations is either:

(a) A shareholder or officer's compensation and director fees from Form 4577, column L, or

(b) A shareholder's compensation, director fees, and share of business income (or loss) after loss adjustment, from Form 4577, column N.

If either (a) or (b) is greater than $180,000 for any shareholder or officer, the Corporation is not eligible for the Small Business Alternative Credit. In addition, if either (a) or (b) is more than $160,000 but not more than $180,000 for any shareholder or officer, the Corporation must reduce the Small Business Alternative Credit based on the officer or shareholder with the largest allocated income.

S Corporations

Allocated income for S Corporations is shareholder's compensation, director fees, and share of business income (or loss), after loss adjustment, from Form 4577, column N.

NOTE: Individuals and Fiduciaries filing as Individuals do not need to file Form 4577 or Form 4578.

NOTE: Taxpayers leasing employees from professional employer organizations must include the compensation of officers (of the operating company) and shareholders who receive compensation in determining the eligibility for the Small Business Alternative Credit even though their compensation is paid by the professional employer organization.

NOTE: If a shareholder owned stock for less than the entire tax year of the corporation, or an officer served as an officer less than the entire tax year, shareholder compensation amounts must be annualized when determining disqualifiers.

Tax Years Less Than 12 Months

If the reported tax year is less than 12 months, gross receipts, adjusted business income, partners' distributive share of business income, and shareholders' and officers' allocated or distributive share of income must be annualized to determine eligibility. If annualized gross receipts exceed $19,000,000 but do not exceed $20,000,000, annualize figures to compute the Reduction Based on Gross Receipts, lines 15 through 20.

Annualizing

Multiply each applicable amount, total gross receipts, adjusted business income, and shareholder, officer, and partner income by 12 and divide the result by the number of months the business operated. Generally, a business is considered in business for one month if the business operated for more than half the days of the month. If the tax year is less than one month, consider the tax year to be one month for the purposes of the calculation.

Loss Adjustment

If taxpayers are not eligible for the full Small Business Alternative Credit due to an adjusted business income or allocated income disqualifier, they may benefit from the *MBT Loss Adjustment for the Small Business Alternative Credit* (Form 4575). If the adjusted business income was less than zero in any of the five years immediately preceding the tax year for which a taxpayer is claiming a credit and an MBT Small Business Alternative Credit was received for that same year, the taxpayer may be able to reduce the current year's adjusted business income or allocated income amounts by the loss. See Form 4575 for more details.

A loss adjustment will not prevent a reduction to the Small Business Alternative Credit based on gross receipts that exceed $19,000,000. It will also not change the amount of compensation on Form 4577, column L, for a C Corporation.

Special Instructions for UBGs

UBGs calculate the gross receipts and adjusted business income disqualifiers at the UBG level without eliminating intercompany transactions. For a UBG to claim a small business alternative credit, each member of the UBG that is a corporation (including an entity taxed federally as such) must file Form 4577. Each member of the UBG that is a partnership (including an entity taxed federally as such) must file Form 4578. The disqualifier that is based on allocated or distributive share of income is applied on a separate entity basis using a pro forma calculation for business income and is not a combined amount received from all members of a UBG. See the "Supplemental Instructions for Standard Members in UBGs" section in Form 4600.

Line-by-Line Instructions

Lines not listed are explained on the form.

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

UBGs: Complete one form for the group. Enter the Designated Member (DM) name in the Name field and the DM account number in the Federal Employer Identification Number (FEIN) or TR Number field.

PART 1: SMALL BUSINESS ALTERNATIVE CREDIT

Skip to Part 2 of this form if not claiming a Small Business Alternative Credit.

Business income is adjusted by federal net operating loss carryover or carryback from Form 4567, line 32. It is also adjusted by compensation and director fees of active shareholders and officers from Form 4577 and by capital losses.

Adjusted Business Income

Line 2: Enter business income from Form 4567, line 28. If not subject to Business Income Tax, enter business income from the *Business Income Worksheet* (Worksheet 4746) in Form 4600. Attach this worksheet to the return.

UBGs: Enter the business income before eliminations from Form 4580, Part 2B, line 30A.

Line 3: Enter all capital losses that were used federally to offset capital gain. This is not the net figure found on the Schedule D lines identified below. It is the amount of capital losses that were used in reaching the net figure on the federal return lines. If filing a U.S. Form 1040 or 1041, include the capital loss amount that the Individual or Fiduciary was able to use against the capital gain and the capital loss amount that the Individual or Fiduciary was permitted to deduct from ordinary income ($3,000 or less). Use both long-term and short-term capital losses here.

Include the capital losses used in calculating the net figure using "Net short-term capital gain or (loss)" and "Net long-term capital gain or (loss)" from Schedule D of federal Forms 1040, 1041, 1065, 1120 and 1120S as applicable.

UBGs: Combine all capital losses for all members and enter on line 3.

Line 6 and line 7: Fiscal Year Filers: See "Supplemental Instructions for Standard Fiscal MBT Filers" in Form 4600.

Small Business Alternative Credit Calculation

Line 11: The Small Business Alternative Credit is reduced if an Individual, a partner in a Partnership, a shareholder of a Corporation, or an officer of a C Corporation has allocated income (or distributive share of income, for a partner) after loss adjustment of more than $160,000. This reduction is based on the individual/partner/officer/shareholder with the largest allocated or distributive share of income. Enter the allocated income of the shareholder or officer with the highest allocated income after loss adjustment or the highest distributive share of income assigned to a partner or individual, even if that figure is $160,000 or less.

If loss adjustment is successfully applied to fully or partially cure an owner's allocated or distributive income disqualifier, enter on line 11 the number from Form 4575, line 5.

Line 12: For a taxpayer whose owners or officers all have allocated or distributive share of income after loss adjustment of $160,000 or less, enter 100 percent. All other taxpayers, see the table at the bottom of page 2 of this form to determine what percent to enter on this line.

Line 13: All taxpayers must complete this line.

If gross receipts from Form 4567, line 12, are $19,000,000 or less, carry the amount on line 13 to Form 4568, line 7. For tax years less than 12 months, use annualized gross receipts. For guidance, see the "Annualizing" section at the beginning of these instructions.

UBGs: For the purpose of calculating the credit reduction based on gross receipts, the UBG combined gross receipts must reflect the sum of every member's gross receipts on a 12-month basis, before eliminations. Therefore, if no members of the UBG are short-year filers, use the amount from the

MBT Unitary Business Group Combined Filing Schedule for Standard Members (Form 4580), Part 2B, line 17A. Otherwise, for all short-year members of the group, annualize their gross receipts amount from Form 4580, Part 2A, line 17A, and then combine the annualized amounts with the gross receipts (Form 4580, Part 2A, line 17A) for the remaining group members.

Reduction Based on Gross Receipts

Line 15: For tax periods less than 12 months, enter annualized gross receipts to determine if annualized gross receipts are more than $19,000,000 but not more than $20,000,000.

UBGs: To calculate the entry for this line, see the UBG guidance under line 13. Enter the sum of all members' 12-month basis gross receipts, before eliminations, on line 15 of this form.

PART 2: GROSS RECEIPTS FILING THRESHOLD CREDIT

Complete Part 2 if apportioned gross receipts are equal to or greater than $350,000 but less than $700,000.

Line 23: For tax periods less than 12 months, enter annualized gross receipts. For guidance, see the "Annualizing" section at the beginning of these instructions.

UBGs: To calculate the entry for this line, see the UBG guidance under line 13. Enter the sum of all members' 12-month basis gross receipts, before eliminations, on line 23 of this form.

Include completed Form 4571 as part of the tax return filing.