Instructions for Form 4578, Michigan Business Tax (MBT) Schedule of Partners

For all Partnerships claiming the Small Business Alternative Credit or Start-Up Business Credit

Purpose

To determine eligibility for the Partnership's Small Business Alternative Credit. *Partnership* means a taxpayer that is required to, or has elected to, file as a Partnership for federal income tax purposes.

This form also is required to be completed and included as part of the return whenever a Partnership claims a Start-Up Business Credit. A partnership cannot qualify for the Start-Up Business Credit if any partner has a distributive share of more than $135,000.

NOTE: A member of a Limited Liability Company (LLC) is characterized for MBT purposes as a partner if the LLC is taxed as a Partnership for federal purposes.

NOTE: A federally disregarded entity is required to file as if it were a sole proprietorship if owned by an individual, or a branch or division if owned by another business entity.

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).

If more lines are needed for listing the partners, include additional copies of this form and complete the name, account number, and line 1 for each copy.

Unitary Business Groups: Complete one form for each member that is a partnership (including an entity taxed federally as such). Enter the Designated Member name in the Taxpayer Name field and the member to whom the schedule applies on the line below. On the copy filed to report the DM's data (if applicable), enter the DM's name and account number on each line.

Line 1: Partner Identification

- **Columns A and B:** Identify each partner (including Corporation, Partnership, and Trust) by name. Identify partners who are individuals by Social Security number. Partners that are Corporations, Partnerships, or Trusts should be identified using a Federal Employer Identification Number (FEIN) or Michigan Treasury (TR) assigned number.

NOTE: Column B: An individual or foreign entity that does not have a Social Security number or FEIN may enter in Column B "APPLD FOR" (an abbreviation for "applied for") or "FOREIGNUS" (an abbreviation for "foreign filer").

- **Column C:** Enter the percentage of profits or capital interest of this Partnership owned by each partner. If a partner owned this interest for a period less than the Partnership's tax year, multiply that partner's percentage of ownership by the number of months owned and divide the result by the number of months in this Partnership's tax year**.**
- **Column D:** Enter each partner's distributive share of income, losses, and deductions from U.S. Form *1065*, *Schedule K-1*. Use the *Business Income Worksheet* (Worksheet 4746) in the *MBT Forms and Instructions for Standard Taxpayers* (Form 4600) to calculate partnership business income. Attach Worksheet 4746 to the filing. Each partner's distributive share includes guaranteed payments to partners that are made to that partner. If any partner has a share of business income in column D of over $180,000 after loss adjustment, the Partnership is not eligible for the Small Business Alternative Credit. If any partner has a share of business income in Column D of over $135,000, the Partnership is not eligible for the Start-Up Business Credit.

IMPORTANT: For short-period returns, each partner's share of business income must be annualized to meet these requirements.

Annualizing

Multiply each applicable amount by 12 and divide the result by the number of months the business operated or the person was a partner. Generally, a business is considered in business for one month if the business operated for more than half the days of the month.

NOTE: If the business was in operation for less than a month it is considered to have been in business for 1 month.

Line 2: If multiple pages of Form 4578 are included for one separately filing taxpayer, or one member of a UBG, bring the total of all line 1C entries to the main Form 4578.

Line 3: If multiple pages of Form 4578 are included for one separately filing taxpayer, or one member of a UBG, bring the total of all line 1D entries to the main Form 4578.

Include completed Form 4578 as part of the tax return filing.