

Instructions for Form 4595

Michigan Business Tax (MBT) Renaissance Zone Credit Schedule

Purpose

To allow eligible taxpayers to calculate and claim the Renaissance Zone Credit. For standard taxpayers and financial institutions, the credit is calculated on Form 4595 and then carried to the *MBT Miscellaneous Nonrefundable Credits* (Form 4573). Insurance companies will carry this credit to the *Miscellaneous Credits for Insurance Companies* (Form 4596).

NOTE: If a person is located and has business activity in more than one Renaissance Zone, use a separate Form 4595 to calculate the credit for each Zone. For each line that requires Zone-specific data, enter data based only on business activity in the Zone identified on line 2 of this copy of the form.

Renaissance Zone Credit

The Renaissance Zone Credit encourages businesses and individuals to help revitalize a designated Zone by providing a credit for businesses located and conducting business activity within the Zone. The method of calculating the credit is different for businesses first locating and conducting business activity within the Renaissance Zone before December 31, 2002, and those businesses first locating and conducting business activity within the Renaissance Zone after December 30, 2002.

Use this form to calculate both a certificated and non-certificated renaissance zone credit. Check the certificated credit box if the credit being calculated is a certificated renaissance zone credit. File a separate Form 4595 for each zone and type (certificated or non-certificated) of credit.

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. A taxpayer with a certificated renaissance zone credit may make the election to remain taxable under the MBT for its first tax year ending after December 31, 2011.

The certificated renaissance zone credits are the following types of zones for which the taxpayer has a development agreement with the Michigan Strategic Fund (MSF) before January 1, 2012:

- agricultural processing,
- border crossing,
- forest products processing,
- Michigan strategic fund designated renewable energy renaissance zones,
- AND the tool and die renaissance zones for which the taxpayer has entered into a qualified collaborative agreement with the MSF before January 1, 2012.

A taxpayer located in a designated renaissance zone that does not have a certificated renaissance zone credit but which makes the election to remain taxable under the MBT on the basis of another certificated credit may also claim this credit. For more information on certificated credits see the *Schedule of*

Certificated Credits (Form 4947).

EXAMPLE 1: Taxpayer enters into a qualified collaborative agreement with the MSF and locates and begins conducting business in a tool and die renaissance zone on January 1, 2011. Taxpayer may elect to continue under the MBT on the basis of this certificated renaissance zone credit.

EXAMPLE 2: Taxpayer located and began conducting business in a designated renaissance zone on January 1, 2011; however, the renaissance zone does not qualify as a certificated credit for purposes of the MBT election (see the certificated renaissance zone credits listed previously in these instructions). The taxpayer also holds a certificated anchor company credit. Taxpayer may make the election to remain taxable under the MBT on the basis of its certificated anchor company credit and continue to claim the non-certificated renaissance zone credit once it has properly elected the MBT.

To obtain the credit an otherwise qualified taxpayer must file an MBT annual return. The credit is equal to the lesser of the following:

- The tax liability attributable to business activity conducted within the Renaissance Zone in the tax year.
- 10 percent of adjusted services performed in the designated Renaissance Zone.
- For a taxpayer located and conducting business activity in the Renaissance Zone before December 1, 2002, **the credit is equal to the greater of the two results below:**

Result 1

- The lesser of 1) the business activity conducted within the zone (from line 15) OR 2) the adjusted services performed in the zone (from line 21)

Result 2

- The product of the following:
 - The Single Business Tax (SBT) Renaissance Zone Credit claimed for the tax year ending in 2007.
 - The ratio of the taxpayer's payroll in this State in the tax year divided by the taxpayer's payroll in this State in its SBT tax year ending in 2007.
 - The ratio of the taxpayer's Renaissance Zone Business Activity Factor for the tax year divided by the taxpayer's Renaissance Zone Business Activity Factor for its SBT tax year ending in 2007.

The credit allowed continues through the tax year in which the Renaissance Zone designation expires and is nonrefundable.

Business activities relating to a casino, including operating a parking lot, hotel, motel, or retail store, cannot be used to calculate this credit. Businesses delinquent in filing or paying Property Tax, SBT, MBT or City Income Tax as of December 31 of the prior tax year are not eligible for this credit. Taxpayers will be notified if a claimed credit is disallowed.

For more information on Renaissance Zones, contact

the Michigan Economic Development Corporation (MEDC) at (517) 373-9808 or visit their website at <http://www.michiganadvantage.org/>. For information on the MBT credit, contact the Michigan Department of Treasury, Customer Contact Division, MBT Unit, at (517) 636-6925.

Special Instructions for Unitary Business Groups

If the entity located and conducting business activity in the Renaissance Zone is a member of a Unitary Business Group (UBG), the Renaissance Zone Credit must be calculated at the member entity level. Calculation of the Renaissance Zone Credit should be done before elimination of intercompany transactions, such as rent payments by the member claiming this credit to another member of the UBG.

Include this form as part of the UBG's combined annual return. If more than one member is eligible for this credit, complete one Form 4595 for each eligible member (or multiple forms for a member that is located and has business activity in multiple Zones) and include all of them as part of the UBG's annual return. If filing multiples of Form 4595, enter the total of line 25b for all members on Form 4573, line 14.

When this form refers to "taxpayer," it is referring to the UBG member completing this form.

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 annual return.

UBGs: Complete one form for each member for whom this schedule applies (or multiple forms for a member that is located and has business activity in more than one Zone). Enter the Designated Member (DM) name in the Taxpayer Name field, followed by the DM's Federal Employer Identification Number (FEIN), and the specific member of the UBG for which this form is filed, and its FEIN, 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: Enter the tax liability before the Renaissance Zone Credit.

UBGs: This must be a pro forma tax liability of the member whose activity is represented on the form. See guidance on pro forma calculations in the "Supplemental Instructions for Standard Members in UBGs" section in the *MBT Forms and Instructions for Standard Taxpayers* (Form 4600).

Line 2: Enter the street address and parcel number of the property. Enter the name of the Zone or Subzone in which the property is included.

Check the certificated credit box if the Renaissance Zone designation is based on a Development Agreement or a Qualified Collaboration Agreement.

BUSINESS ACTIVITY CONDUCTED WITHIN THE RENAISSANCE ZONE

Line 3: Determine the **average value** of property by averaging the values at the start and end of the tax period. The State

Treasurer may require the periodic averaging of values during the tax year if reasonably required to reflect properly the average value of a taxpayer's property. Property owned by the taxpayer is valued at its original cost.

Line 4: Property rented by the taxpayer is valued at eight (8) times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from subrentals.

ADJUSTED SERVICES PERFORMED IN THE RENAISSANCE ZONE

Line 17: Enter the amount deducted in arriving at federal taxable income (as defined for MBT purposes) for the tax year for depreciation, amortization, or accelerated write-off for tangible property in a Zone exempt under Michigan Compiled Law (MCL) 211.7ff. Claim property exempt in the tax year; also claim new property that will be exempt in the immediately following tax year (i.e., property that has not been subject to, or exempt from, the collection of taxes under the General Property Tax Act and has not been subject to, or exempt from, ad valorem property taxes levied in another state, except that receiving an exemption as inventory property does not disqualify property).

Line 19: Only a person reporting under an MBT organization type of Individual, Partnership, or S Corporation should complete line 19. This includes a Limited Liability Company (LLC) that files its federal return as a Partnership or S Corporation.

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. This means that a disregarded entity for federal tax purposes, including a single member LLC or Q-Sub, must 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 19a: UBGs: Enter the business income from the *MBT UBG Combined Filing Schedule for Standard Members*, Form 4580, Part 2A, line 30, for the member whose activity is reported on this copy of Form 4595.

Insurance companies and financial institutions: These types of taxpayers do not calculate business income as their tax base. For Renaissance Zone credit purposes, however, they must calculate and enter here pro forma business income. Use the *Business Income Worksheet* (Worksheet 4746), in Form 4600, to calculate business income. Attach that worksheet to the return. See MCL 208.1201 for further guidance.

Line 19b: UBGs: Enter the pro forma apportionment percentage from Form 4580, Part 2A, line 16a, for the member whose activity is reported on this copy of Form 4595.

Insurance companies and financial institutions: Unlike standard taxpayers, these types of taxpayers do not apportion their tax base by a sales factor. For Renaissance Zone credit purposes, however, they must calculate pro forma sales in Michigan and sales everywhere, and enter here a pro forma apportionment percentage based on those figures. See instructions for Form 4567 for guidance on the definition of sales and applicable sourcing provisions.

Line 20: Enter amount from line 18, or, if the taxpayer is an Individual, Partnership, S Corporation, or an LLC federally taxed as a Partnership or S Corporation, enter amount from line 19e.

TAXPAYERS FIRST LOCATED WITHIN THE RENAISSANCE ZONE BEFORE 12-31-2002 ONLY

Due to **Public Act 282 of 2014**, instructions that applied to taxpayers first located within the Renaissance Zone before 12-31-2002 now apply to taxpayers first located within the Renaissance Zone **BEFORE 12-01-2002**.

Line 22: Taxpayers first located within the Renaissance Zone before December 1, 2002, **ONLY** (all others, leave lines 22a through 22e blank). A taxpayer that is located and conducting business activity in two Zones will prepare two copies of Form 4595. Base each copy on the taxpayer's history in the Zone being reported.

Line 24: The following is an adjustment due to **Public Act 282 of 2014**.

For taxpayers first located within the Zone before December 1, 2002

Step 1: Determine the lesser of line 15 and line 21.

Step 2: Determine the greater of line 23 and the result of Step 1. Enter this amount on line 24.

All other taxpayers

Enter the lesser of line 15 and line 21.

Lines 25a and 25b: For a tax year that begins within one of the last three years of the Zone's designation, a reduced credit is allowed, as follows:

- For a tax year that begins within the second year before the final year of designation as a Renaissance Zone, 75 percent of the normally calculated credit is allowed.
- For a tax year that begins within the year before the final year of designation as a Renaissance Zone, 50 percent of the normally calculated credit is allowed.
- For a tax year that begins within the final year of designation as a Renaissance Zone, 25 percent of the normally calculated credit is allowed.

Line 25b: Multiply line 24 by the reduced credit percentage provided in the Reduced Credit Table. Carry amount to line 14 of the *MBT Miscellaneous Nonrefundable Credits* (Form 4573), or line 15 of the *MBT Miscellaneous Credits for Insurance Companies* (Form 4596).

If filing multiple 4595 forms, enter the total of line 25b for all Zones on Form 4573, line 14, or Form 4596, line 15, as applicable.

Include completed Form 4595 as part of the tax return filing.