Important Information for 2025 — Michigan Business Tax, Standard Taxpayer

Michigan Business Tax (MBT) Election

Only those taxpayers that have been approved to receive, have received, or have been assigned a certificated credit that has not yet fully been claimed or utilized may elect to be MBT taxpayers. If a taxpayer files an MBT return for its first tax year beginning after December 31, 2011, the taxpayer makes the election to file and pay under the MBT until the certificated credit and any carryforward of that credit are exhausted. Except for taxpayers with certain *qualifying* historic preservation, brownfield redevelopment, or farmland credits, the election must be made for the first tax year beginning after December 31, 2011. Once the election is made and the return is submitted, the taxpayer may not amend the return to revoke the election. If the taxpayer is not subject to the Corporate Income Tax (CIT) and does not have a certificated credit or does not elect to remain under the MBT election, that taxpayer will not have a business tax liability for the periods beginning on and after January 1, 2012. Find a list of certificated credits in the General Information for Standard Taxpayers in the *MBT Forms and Instructions for Standard Taxpayers* (Form 4600).

Information for Completing an MBT Return

MBT Annual Return (Form 4567)

The definition of gross receipts is not the same as the definition of sales. Refer to MCL 208.1111 for the definition of gross receipts and MCL 208.1115 for the definition of sales.

Taxpayers claiming the deduction for contractors must be persons included in SIC codes 15, 16, or 17 and the entity claiming the deduction does not claim the SBAC. Refer to **https://www.osha.gov/data/sic-manual** for a list of SIC codes.

The staffing company deduction is allowed for those taxpayers whose business activities are included in Industry Group 736 under the SIC Code. This deduction is not available for professional employer organizations (PEOs); only Staffing Companies are eligible for the deduction.

"Net Earnings from Self Employment" for purposes of the business income tax base deduction, is the amount properly reported on a schedule K-1 Form 1065 as self-employment earnings for federal income tax purposes for the tax year.

When filing a return for a Unitary Business Group (UBG), only one Form 4567 is required for the entire group. Separate entity information will be included with the Michigan Business *Unitary Business Group Combined Filing Schedule for Standard Members*, Form 4580.

MBT Credits for Compensation, Investment, and Research and Development (Form 4570)

When filling out Form 4570 to claim the ITC Credit, make sure to include the description, location, and date acquired for each asset listed. Use additional sheets if necessary; **"See Attached" is not acceptable.**

MBT Schedule of Shareholders and Officers (Form 4577) and *MBT Schedule of Partners* (Form 4578)

When claiming the Small Business Alternative Credit (SBAC), Form 4577 or 4578 (whichever is applicable) is required to be included for any taxpayer that is not an individual/fiduciary.

A UBG that is claiming an SBAC is required to attach Form 4577 or 4578, whichever is applicable, for each member that is not an individual/fiduciary.

MBT UBG Combined Filing Schedule for Standard Members (Form 4580)

Members of a UBG will report their data on Form 4580. Once all member data is combined and eliminations are calculated, these final figures will carry to Form 4567. All credits claimed on Form 4580 must be supported by the applicable forms and these forms must be included when filing the return.

UBG members may have different tax year-ends. The combined return must include each member whose tax year ends with or within the tax year of the designated member.

Estimates/Extensions

- All estimated payments, extension payments, and tax returns must be filed under the name and account number of the UBG's designated member.
- If making estimated or extension payments by EFT, the associated vouchers are not required to be submitted.

Amended Returns

NOTE: A taxpayer may not amend to revoke the election to remain taxable under the MBT. Once the taxpayer makes a valid election to claim a certificated credit, the taxpayer must remain in the MBT until the certificated credit and any carryforward of that credit are exhausted. Most certificated credits must be claimed for the taxpayer's first tax year ending after December 31, 2011.

When amending, complete *Michigan Business Tax Annual Return* (Form 4567) and check the "Amended" box in the upper-right corner of the return, and attach a separate sheet explaining the reason for the changes. Include an amended federal return or a signed and dated Internal Revenue Service (IRS) audit document. Include all schedules and forms filed with the original return, even if not amending that schedule or form. Do not include a copy of the original return with your amended return.

To amend an annual return **for years prior to 2012**, complete either the *MBT Annual Return* (Form 4567) or *MBT Simplified Return* (Form 4583) that is applicable for that year, check the "Amended" box in the upper-right corner of the return, and attach the required documents.

Accelerated Credits

A taxpayer with a certificated credit under section 435 (Historic) or 437 (Brownfield) of the Michigan Business Tax Act (MBTA), or any unused carryforward of such certificated credit that may be claimed in a tax year ending after December 31, 2011, may elect to pay the tax imposed by the MBTA in the tax year in which that certificated credit may be claimed in lieu of the CIT. If a person with a certificated credit under section 435 or 437 that elects to pay the MBT is a member of a UBG, the designated member of the UBG, and not the member, shall file a UBG return and pay the tax, if any, under the MBTA and claim that certificated credit.

For a tax year beginning after December 31, 2011, if a certificate of completion, assignment certificate, or component completion certificate is issued under section 437 to a taxpayer, or if a certificate of completed rehabilitation, assignment certificate, or reassignment certificate is issued under section 435 to a taxpayer, beginning on and after January 1, 2012, the taxpayer may elect to claim an accelerated refund for 90 percent of the amount of that certificate.

If section 437 or 435 provides that payment of a credit will be made over a period of years or limits the annual amount of a payment, an accelerated refund may only be claimed for the amount payable in the year claimed.

However, a taxpayer claiming the Special Consideration Historic Preservation Credit under section 435(20) may elect to claim an accelerated refund for the balance of the credit, but the amount of that refund shall be equal to 86 percent of the amount of the credit.

For more details, see the *Request for Reduced Refundable Credit Payout for the Brownfield Redevelopment Credit and Historic Preservation Credit* (Form 4889). Michigan tax Forms are online at **www.michigan.gov/taxes**. An accelerated credit refund will be paid within 60 days after Form 4889 is filed.

If a taxpayer files Form 4889 and claims an accelerated 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 claiming an accelerated credit on Form 4889 must also file an annual MBT return.

2025 General Information for Standard Taxpayers

Insurance Companies and Financial Institutions: See the Michigan Business Tax (*MBT) Instruction Booklet for Insurance Companies* (Form 4592) or the *MBT Instruction Booklet for Financial Institutions* (Form 4599) at **www.michigan.gov/taxes.**

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

Who Files a Standard Return?

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. Once the election is made and the return is submitted, the taxpayer may not amend the return to revoke the election. For most certificated credits, the election must have been made for the taxpayer's first tax year ending after December 31, 2011.

Insurance companies and financial institutions will calculate tax liability using specialized tax bases and rules, which are covered in separate booklets (see the *Insurance Company Annual Return for Michigan Business and Retaliatory Taxes* (Form 4588) and *Annual Return for Financial Institutions* (Form 4590), respectively). A person that would be a standard taxpayer if viewed separately is defined and taxed as a financial institution if it is owned, directly or indirectly, by a financial institution and is unitary with that owner.

Using This Booklet

This MBT booklet includes forms and instructions for all "standard taxpayers" (all filers except insurance companies and financial institutions). These forms are designated for 2023 calendar year filers, and fiscal filers with tax years ending in 2024.

Read the "General Information" section first. The Michigan Department of Treasury (Treasury) recommends taxpayers and tax preparers also briefly review the instructions for all forms. A taxpayer might qualify for a credit and yet be unaware of it.

Overview of MBT for Standard Taxpayers

MBT imposes both a Modified Gross Receipts Tax and a Business Income Tax on all standard taxpayers with apportioned or allocated gross receipts (annualized, if applicable) equal to $350,000 or more, where:

- The Modified Gross Receipts Tax rate is 0.8 percent, and
- The Business Income Tax rate is 4.95 percent.

The statute then offers credits that reduce the initial calculation of tax.

The Modified Gross Receipts Tax base consists of gross receipts less purchases from other firms and other subtractions. Gross receipts are defined as the entire amount received by a taxpayer from any activity carried on for direct or indirect gain, benefit, or advantage to the taxpayer or to others, with certain specific exceptions. (See the instructions for the *MBT Annual Return* (Form 4567) for additional guidance.)

For most taxpayers, the Business Income Tax base is that part of federal taxable income (as defined for MBT purposes) derived from business activity, with certain additions and subtractions.

Required Corporate Income Tax Comparison

MBT liability is calculated as the higher of MBT or hypothetical CIT liability under the certificated credit election. If both taxes result in a refund, the taxpayer must take the lesser refund.

Taxpayers calculate their business income and modified gross receipts tax bases, and MBT tax liability applying all credits, deductions, and exemptions available under the MBT act. Then, as if they were subject to the CIT, taxpayers calculate their business income tax base, and CIT liability applying all credits and deductions available under the Income Tax Act. The hypothetical CIT liability is then reduced (not below zero) by the amount of certificated nonrefundable credits used to offset the MBT liability. The hypothetical CIT liability is further reduced by the total amount of certificated refundable credits claimed under the MBT liability calculation, resulting in the taxpayers' final hypothetical CIT liability. Taxpayers' final MBT liability consists of the higher of the calculated MBT and hypothetical CIT liabilities. If both MBT and hypothetical CIT liabilities result in tax refunds (negative liability), taxpayers are entitled to the lower refund amount.

Specific forms are provided to perform the MBT to CIT comparison and determine the tax liability or refund. The *Michigan Schedule of Corporate Income Tax Liability for a Michigan Business Tax Filer* (Form 4946) is used for the standard taxpayer comparison. The *Michigan Schedule of Corporate Income Tax Liability for a Michigan Business Tax Insurance Filer* (Form 4974) is used for the insurance company's comparison. The *Michigan Schedule of Corporate Income Tax Liability for a Michigan Business Tax Financial Filer* (Form 4975) is used for the financial institution's comparison.

Certificated Credits

Certificated credits are those listed at MCL 208.1107.

Nonrefundable Certificated Credits

- Renaissance Zone Credit (Forms 4595 and 4573)
- Historic Preservation Credit (Forms 4573 and 4584)
- MEGA Federal Contract Credit (Forms 4584 and 4573)
- Brownfield Redevelopment Credit (Forms 4584 and 4573)
- Film Infrastructure Credit (Form 4573)
- MEGA Plug-In Traction Battery Manufacturing Credit (Form 4573)
- Anchor Company Payroll Credit (Forms 4584 and 4573)
- Anchor Company Taxable Value Credit (Forms 4584 and 4573)
- MEGA Poly-Silicon Energy cost Credit and Miscellaneous MEGA Battery Credits (Forms 4584 and 4573).

Certificated Refundable Credits

- MEGA Employment Tax Credit (Form 4574)
- Hybrid Technology Research and Development Credit (Form 4574)
- Farmland Preservation Credit (Forms 4594 and 4574)
- MEGA Federal Contract Credit (Forms 4584 and 4574)
- MEGA Photovoltaic Technology Credit (Form 4574)
- Film Production Credit (Form 4574)
- Anchor Company Payroll Credit (Forms 4584 and 4574)
- Anchor Company Taxable Value Credit (Forms 4584 and 4574)
- MEGA Poly-Silicon Energy cost Credit and Miscellaneous MEGA Battery Credits (Forms 4584 and 4574).

Filing MBT/CIT Quarterly Tax Estimates for 2024

If estimated liability for the year is reasonably expected to exceed $800, a taxpayer must file estimated returns. A taxpayer may remit quarterly estimated payments by check with a *Corporate Income Tax Quarterly Return* (Form 4913) or may remit monthly or quarterly estimated payments electronically by Electronic Funds Transfer (EFT). When payments are made by EFT, Form 4913 is not required.

Estimated returns and payments for calendar year taxpayers are due to Treasury by April 15, July 15, October 15, and January 15 of the following year. Fiscal year taxpayers should make returns and payments by the appropriate due date which is fifteen days after the end of each fiscal quarter. The sum of estimated payments for each quarter must always reasonably approximate the liability for the quarter.

NOTE: Your debit transaction will be ineligible for EFT if the bank account used for the electronic debit is funded or otherwise associated with a foreign account to the extent that the payment transaction would qualify as an International ACH Transaction (IAT) under NACHA Rules. Contact your financial institution for questions about the status of your account. Contact Treasury at 517-636-6925 for alternate payment methods.

The estimated payment made with each quarterly return must be computed on the actual MBT for the quarter, or 25 percent of the estimated total liability if paying an MBT liability.

To avoid interest and penalty charges, estimated payments must equal at least 85 percent of the total liability for the tax year and the amount of each estimated payment must reasonably approximate the tax liability for that quarter. If the prior year's tax under the MBT Act is $20,000 or less, estimated tax may be based on the prior year's total tax liability paid in four equal installments. ("Four equal installments" describes the minimum pace of payments that will satisfy this safe harbor.) If the prior year's tax liability was reported for a period less than 12 months, this amount must be annualized for purposes of both the $20,000 ceiling and calculating the quarterly payments due under this method. Payments at a more accelerated pace also will qualify. If the year's tax liability is $800 or less, estimates are not required.

NOTE: For those continuing to file MBT, reliance on the tax liability of the prior year as a means to avoid interest and penalty charges is only allowed if you had business activity in Michigan in that prior year. A return must be filed to establish the tax liability for that prior year, even if gross receipts in the prior year were less than $350,000. In addition, if your business was not in existence in the preceding year, no safe harbor exists. In such a case, estimates must be based on the MBT liability for the current year. For those filing CIT, there is no safe harbor in this first year of CIT filing. The estimates must equal at least 85 percent of the total liability as stated above.

Amending Estimates

If, after making payments, the estimated tax is substantially different than originally estimated, recompute the tax and adjust the payment in the next quarter.

Electronic Filing of MBT Returns

Michigan has an enforced MBT e-file mandate. Software developers producing MBT tax preparation software and computer-generated forms must support e-file for all eligible Michigan forms that are included in their software package. All eligible MBT returns prepared using tax preparation software or computer-generated forms must be e-filed.

Treasury will be enforcing the MBT e-file mandate. The enforcement includes not processing computer-generated paper returns that are eligible to be e-filed. A notice will be mailed to the taxpayer, indicating that the taxpayer's return was not filed in the proper form and content and must be e-filed. Payment received with a paper return will be processed and credited to the taxpayer's account even when the return is not processed.

Treasury will continue to accept certain Portable Document Format (PDF) attachments with MBT e-filed returns. A current list of defined attachments is available in the CIT "Michigan Tax Preparer Handbook for Electronic Filing Programs" at **www.MIfastfile.org**. Follow your software instructions for submitting attachments with an e-filed return.

If the MBT return includes supporting documentation or attachments that are not on the predefined list of attachments, the return can still be e-filed. Follow your software instructions for including additional attachments. The tax preparer or taxpayer should retain file copies of all documentation or attachments.

For more information and program updates, including exclusions from e-file, visit **www.MIfastfile.org**.

Complete Federal Tax Forms First

Before preparing MBT returns, complete all federal tax forms. These forms may include:

- Individuals, Partnerships, or Fiduciaries — U.S. Form 1040, 1041, 1065 and related Schedules C, C-EZ, D, E, K, 4797, and 8825.
- Corporations — U.S. Form 1120, 1120-S, and Schedules D, K, 851, 940, 4562, 4797, and 8825.
- Limited Liability Companies (LLCs) — Federal forms listed above, depending on how federal returns have been filed.

Reference these federal forms to complete Form 4567.

Copies of certain pages from these federal forms must also be attached to the annual return filed. See the instructions for the annual return for further details.

Completing Michigan Forms

Treasury captures the information from paper MBT returns using an Intelligent Character Recognition process. If completing a paper return, avoid unnecessary delays caused by manual processing by following the guidelines below so the return is processed quickly and accurately.

- **Use black or blue ink.** Do not use pencil, red ink, or felt tip pens. Do not highlight information.
- **Print using capital letters** (UPPER CASE). Capital letters are easier to recognize.
- **Print numbers like this:** 0123456789. Do not put a slash through the zero (∅) or seven (⧸).
- **Fill check boxes with an [X].** Do not use a check mark [✔].
- **Leave lines/boxes blank** if they do not apply or if the amount is zero, unless otherwise instructed.
- **Do not enter data in boxes filled with Xs.**
- **Do not write extra numbers, symbols, or notes** on the return, such as cents, dashes, decimal points (excluding percentages), or dollar signs, unless otherwise instructed. Enclose any explanations on a separate sheet unless instructed to write explanations on the return.
- **Date format,** unless otherwise specified, should be in the following format: MM-DD-YYYY. Use dashes (-) rather than slashes (/).
- **Enter phone numbers using dashes** (e.g., 517-555-5555); do not use parentheses.
- **Stay within the lines** when entering information in boxes.
- **Report losses and negative amounts** with a negative sign in front of the number (do not use parentheses). For example, a loss in the amount of $22,459 should be reported as -22,459.
- **Percentages should be carried out four digits** to the right of the decimal point. Do not round percentages. For example, 24.154266 percent becomes 24.1542 percent. When converting a percentage to a decimal number, carry numbers out six digits to the right of the decimal point. For example, 24.154266 percent becomes 0.241542.
- **Report all amounts in whole dollars.** Round down amounts of 49 cents or less. Round up amounts of 50 cents or more. If cents are entered on the form, they will be treated as whole dollar amounts.

Suggested Order of Analysis and Preparation of an MBT Annual Return

First, determine whether the taxpayer has a certificated credit. If the taxpayer does not have a certificated credit, it may not file MBT and may be subject to the CIT. Additionally, for all certificated credits other than *qualifying* historic preservation, brownfield redevelopment, or farmland credits, the taxpayer must have made the election for its first tax year ending after December 31, 2011, in order to continue under the MBT.

If the taxpayer determines it is eligible and wishes to file an MBT return, then standard taxpayers will use Form 4567. It is available to all standard taxpayers, and allows for the calculation of all credits, including credits that can be claimed only by using this form. To calculate gross receipts (Part 1 of the form) and business income (Part 2), use *Gross Receipts Worksheet* (Form 4700) and the *Business Income Worksheet* (Form 4746), based on organization type of the taxpayer.

For a taxpayer using Form 4567, first complete lines 1 through 53 to calculate total liability before all credits. At that point, if any nonrefundable credits will be claimed, begin the *MBT Nonrefundable Credits Summary* (Form 4568), which serves several important functions:

- Acts as a checklist of nonrefundable credits
- Identifies the order in which nonrefundable credits must be claimed
- Identifies the form on which each nonrefundable credit is calculated
- Tracks tax liability as it is reduced by each credit in proper order
- Identifies (where applicable) the point at which tax liability reaches zero and no further nonrefundable credits may be claimed in the current filing period.

Complete Form 4568 from top to bottom. For each credit the taxpayer qualifies for, calculate the credit on the corresponding form and record the result on the appropriate line on Form 4568.

After total nonrefundable credits are determined on Form 4568, line 40, carry the figure to Form 4567, line 54. The lines following are straightforward, but take care to consider any available refundable credits on Form 4567, Part 4.

The *MBT Simplified Return* (Form 4583) is no longer provided as the simplified return to calculate the Small Business Alternative Credit and the Gross Receipts Filing Threshold Credit. Instead, the simplified calculation can be computed using Form 4567. Eligibility requirements to use the simplified calculation on Form 4567 are described below under the heading "Eligibility for the Simplified Calculation."

Eligibility for the Simplified Calculation

The simplified calculation for qualified standard taxpayers can only be calculated on Form 4567. Standard taxpayers are eligible to use the simplified calculation if all of the following requirements are met:

- Gross receipts do not exceed $19,000,000.
- Adjusted business income does not exceed $1,440,400.
- Adjusted business income does not exceed $160,000 for Individuals or Fiduciaries.
- Filer is not a UBG or member of a UBG.
- Filer does not have to complete the *MBT Schedule of Recapture of Certain Business Tax Credits and Deductions* (Form 4587), and does not have net investment tax credit recapture from the *MBT Credits for Compensation, Investment, and Research and Development* (Form 4570).
- Filer is not apportioning business activity.
- No partner has distributive income of more than $160,000. Partnership must include the *MBT Schedule of Partners* (Form 4578).
- No individual, shareholder, or officer has allocated income over $160,000. Corporations must include the *MBT Schedule of Shareholders and Officers* (Form 4577). (Does not apply to individuals and fiduciaries filing as individuals.)
- Filer is not a fiscal filer.

NOTE: Taxpayers leasing employees from professional employer organizations must include the compensation of officers and shareholders (of the operating company) who receive compensation from the professional employer organizations in determining the taxpayers' eligibility for Small Business Alternative Credit.

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 must file as a Partnership for MBT. Similarly, an LLC taxed as a C Corporation or S Corporation for federal purposes must file under that same status for MBT.

Corporations: Allocated income in the case of a C Corporation is either:

a) Shareholder or officer compensation and director fees from Form 4577, column L, or

b) Shareholder or officer compensation, director fees, and share of business income or loss from Form 4577, column N.

If either (a) or (b) is greater than $160,000, the Corporation is not eligible to use the simplified calculation.

Allocated income for an S Corporation is shareholder compensation, director fees, and share of business income or loss from Form 4577, column N.

Tax Period Less Than 12 Months: If a business operates less than 12 months, annualize gross receipts, business income, and all income of shareholders, officers, and partners to determine the eligibility for the Small Business Alternative Credit. Do not use annualized numbers on the return, unless requested; use them only to determine filing requirements and qualifications for credits.

Computing the Simplified Calculation on Form 4567

Eligible standard taxpayer may use Form 4567 to compute the Simplified Calculation by using the following instructions:

- Complete lines 1 through 10 of Form 4567, leave line 11 blank.
- Complete only lines 12 and 28, and leave blank lines 13 through 27, and lines 29 through 50 on Form 4567.
- Complete Form 4577 if the taxpayer is either an S Corporation or a C Corporation and complete Form 4578 if the taxpayer is a Partnership.
- Complete lines 2 through 9 on Form 4571. Carry the amount from line 9 to line 14, line 20, and line 21 on Form 4571. Leave blank lines 10 through 13 and 15 through 19 on Form 4571.
- Complete lines 22 through 28 on Form 4571 to calculate the Gross Receipts Filing Threshold Credit.
- Carry the amount on line 28 of Form 4571 to line 9 and line 41 of Form 4568. Carry the same amount to line 55 of Form 4567. This is the total tax after the Gross Receipts Filing Threshold Credit based on the Simplified Calculation.
- Leave line 56 blank, and complete lines 57 through 73 as applicable on form 4567.

Further General Guidance

For purposes of MBT, person means an individual, firm, bank, financial institution, insurance company, limited partnership, limited liability partnership, copartnership, partnership, joint venture, association, corporation, S Corporation, LLC, receiver, Estate, Trust, or any other group or combination of groups acting as a unit.

A taxpayer includes a single person or a UBG liable for tax, interest, or penalty. A UBG must file a combined MBT return. (For a definition of UBG, and details on filing a combined MBT return, see "UBGs and Combined Filing" in this General Information.)

Businesses reporting less than 12 months must annualize gross receipts to determine which forms to file, and the eligibility for a Small Business Alternative Credit. (See "Filing if Tax Year Is Less Than 12 Months" in this "General Information" section for more guidance on annualization.)

Individual. If a person owns more than one business that is registered as Individual (e.g., a convenience store and rental property), file one MBT return.

A husband and wife who file their U.S. 1040 as "married filing jointly" but own separate businesses, maintain separate records and file separate federal Schedule C forms, will file separate MBT returns if they do not meet the definition of a UBG (as defined in "UBGs and Combined Filing" in this "General Information" section).

Limited Liability Company. An LLC is classified for MBT purposes according to its federal tax classification. The following terms, whenever used in MBT forms, instructions, and statute, include LLCs as indicated:

Partnership includes an LLC federally taxed as a Partnership, and a member of this LLC is a partner.

S Corporation includes an LLC federally taxed as an S Corporation, and a member of this LLC is a shareholder.

C Corporation includes an LLC federally taxed as a C Corporation, and a member of this LLC is a shareholder. A member or other person performing duties similar to those of an officer in an incorporated entity is an "officer" in this LLC.

NOTE: In this booklet, the term "corporation," used without a C or S, generally refers to both types.

Disregarded Entity. A person that is a disregarded entity for federal income tax purposes under the internal revenue code must file as a disregarded entity for MBT purposes. 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.

REMINDER: Partners and S Corporation shareholders (including LLC members treated as such) may have to pay tax on their share of income from a Partnership or S Corporation. For a partner or S Corporation shareholder who is an individual, this share of business income is taxed under the Michigan Individual Income Tax Act. For a partner or S Corporation shareholder that is subject to MBT (individual or entity), this income must be included in the Business Income Tax base, but then is subtracted (a loss will be added) on the MBT annual return filed for the partner or shareholder to the extent that it was included in arriving at the partner's or shareholder's business income.

EXCEPTION: If this partner or shareholder does not have a certificated credit, the partner or shareholder is not permitted to file the MBT (unless the partner or shareholder is a member of a UBG that has elected to file MBT). However, the partner or shareholder, if an individual, may be subject to Michigan Individual Income Tax.

UBGs and Combined Filing

NOTE: UBGs are addressed here, in general. In the instructions for each form, "Special Instructions for Unitary Business Groups" are located directly before "Line-by-Line Instructions." The areas in the "Line-by-Line Instructions" that apply only to UBGs are labeled **"UBGs."** Additional direction is found in the "Supplemental Instructions for Standard Members in UBGs" section in Form 4600.

Determining the Existence and Membership of a UBG

Unitary Business Group means a group of United States persons, other than a foreign operating entity, that satisfies the control test and relationship test.

United States person is defined in Internal Revenue Code (IRC) § 7701(a)(30). A foreign operating entity is defined by statute in Michigan Compiled Laws (MCL) 208.1109(5).

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.

Relationship Tests. The definition of a Unitary Business Group requires that the group of persons have business activities or operations that either:

1) Result in a flow of value between or among persons in the group, or
2) Are integrated with, dependent upon, or contribute to each other.

A taxpayer need only meet one of the two alternative tests to satisfy the relationship test.

1) *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.

2) The alternate *"contribution/dependency"* relationship test asks whether business activities are integrated with, dependent upon, or contributed to each other. 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.

For more information on the control and relationship tests for UBGs, see Revenue Administrative Bulletin (RAB) 2010-1, MBT—Unitary Business Group Control Test, and RAB

2010-2, MBT—Unitary Business Group Relationship Tests at **www.michigan.gov/treasury/** under "Reports and Legal."

Exemption Guidelines for MBT

Certain exemptions may exist for those taxpayers electing to remain in the MBT. They may include:

- Most persons who are exempt from federal income tax under the IRC
- Nonprofit cooperative housing corporations
- Foreign persons domiciled in a subnational jurisdiction that does not impose an income or other business tax on a similarly situated person domiciled in Michigan. For purposes of this provision, foreign person is defined in MCL 208.1207(8).
- If a taxpayer is exempt under either of the first two bullets above, but has unrelated business taxable income as defined in the IRC, that business activity is subject to the MBT and a return will be required if the apportioned or allocated gross receipts are $350,000 or more from the unrelated business activity.
- Receipts from the production of agricultural goods constitute gross receipts for MBT purposes, including the gross receipts filing threshold of $350,000. Farmers whose primary activity is the production of agricultural goods must combine the apportioned or allocated gross receipts from agricultural activity and any other activities other than agricultural production to determine the filing requirement based on the gross receipts threshold. MBT filing is required if the total combined allocated or apportioned gross receipts are over $350,000. Total combined gross receipts must be included in line 12 of Form 4567. A subtraction from gross receipts for the total gross receipts from the agricultural activity of a person whose primary activity (i.e., more than 50 percent of gross receipts) is the production of agricultural goods is allowed in determining modified gross receipts for the tax base.

Foreign persons that are not exempt from the MBT must calculate business income, gross receipts, the Business Income and Modified Gross Receipts Tax bases, and the sales factor differently than domestic taxpayers. Refer to MCL 208.1207(4)-(8) for details.

For a complete list of exemptions, consult the MBT Act (PA 36 of 2007, as amended) at **www.legislature.mi.gov**. If a taxpayer is exempt and has no unrelated business taxable income, filing an MBT return is not required unless filing to utilize a certificated credit.

Filing the Correct Form

The *MBT Simplified Return* (Form 4583) is no longer provided for filing the simplified return to calculate the Small Business Alternative Credit and the Gross Receipts Filing Threshold Credit. Instead, the simplified calculation can be computed using Form 4567. Eligibility to use the simplified calculation on Form 4567 are described under the heading "Eligibility for the Simplified Calculation."

Only file the MBT using Form 4567 if::

- the taxpayer has a qualified certificated credit and elects to remain taxed under the MBT; or
- the taxpayer has claimed a certificated credit using the *2014 Request for Accelerated Payment for the Brownfield Redevelopment Credit and the Historic Preservation Credit* (Form 4889).

If the taxpayer does not satisfy one or both criteria, the taxpayer cannot file the MBT.

Different primary returns and instruction booklets are available for insurance companies (Form 4588) and financial institutions (Form 4590). The tax base for each of these special taxpayer categories is fundamentally different than for standard taxpayers.

Filing if Tax Year Is Less Than 12 Months

In most cases, annual returns must be filed for the same period as federal income tax returns. If the filing period is less than 12 months, annualize to determine which forms to file, and the eligibility for a Small Business Alternative Credit. Do not use annualized numbers on a return unless specified; use them only to determine filing requirements and qualifications for credits.

Tax year means the calendar year, or the fiscal year ending during the calendar year, upon the basis of which the tax base of a taxpayer is computed. If a return is made for a fractional part of a year, tax year means the period for which the return is made.

A taxpayer that has a 52- or 53-week tax year beginning not more than seven days before December 31 of any year is considered to have a tax year beginning after December of that tax year.

Example 1: A taxpayer with a federal tax year beginning on Monday, December 26, 2023, will be treated as follows:

- 2023 tax year end of December 31, 2023.
- Due date of April 30, 2024.
- 2024 tax year beginning January 1, 2024.

Example 2: A taxpayer with a federal tax year ending on Friday, January 6, 2024, will be treated as follows:

- 2023 tax year end of December 31, 2023.
- Due date of April 30, 2024.
- 2024 tax year beginning on January 1, 2024.

Example 3: A 52- or 53-week year closing near the end of January is common in the retail industry. Such a taxpayer will be treated as follows:

- 2023-24 fiscal year end will be January 31, 2024.
- Due date will be May 31, 2024.
- 2024-25 fiscal year will begin on February 1, 2024.

Annualizing

Multiply each amount required, including gross receipts, business income, and prior year's tax liability, 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. A business whose entire tax year is 15 days or less, however, is considered in business for one month.

Annualize prior year's tax liability to determine whether estimates may be based on that liability. If the prior year's annualized liability is $20,000 or less, estimates may be based on the annualized amount if paid in four equal installments.

Example: A fiscal year taxpayer with a tax year ending in June files a six-month return ending June 2010 reporting a tax liability of $9,000. Estimates for the tax year ending June 2011 may be based on the annualized liability of $18,000. Estimates must be paid in four equal installments of $4,500.

See appropriate forms (*MBT Common Credits for Small Business* (Form 4571); *MBT Schedule of Shareholders and Officers* (Form 4577); and *MBT Schedule of Partners* (Form 4578)) for annualization instructions pertaining to the Small Business Alternative Credit.

Individuals and Fiduciaries: A business registered as an Individual or Fiduciary that is in business less than 12 months is not required to annualize.

Due Dates of Annual Returns

Annual returns are due on or before the last day of the fourth month after the end of the tax year. For example, a return for calendar year 2023 is due April 30, 2024. A return for a fiscal year ending June 30, 2024, is due October 31, 2024.

Additional Filing Time

If additional time is needed to file an annual tax return, request a Michigan extension by filing an *Application for Extension of Time to File Michigan Tax Returns* (Form 4).

UBG NOTE: Extension requests must be filed under the name and account number of a UBG's designated member to be a valid request for extension.

Filing a federal extension request with the IRS does not automatically grant an MBT extension. The IRS does not notify state governments of extensions.

Extension applications must be postmarked on or before the due date of an annual return.

Although Treasury may grant extensions for filing MBT returns, it will not extend the time to pay. Extension applications received without proper payment will not be processed. Penalty and interest will accrue on the unpaid tax from the original due date of the return.

Properly filed and paid estimates along with the amount included on the extension application will be accepted as payment on a tentative return, and an extension may be granted. It is important that the application is completed correctly.

Once a properly prepared and timely filed application along with appropriate estimated tax payments is received, Treasury will grant an extension of eight months to file the tax return.

Any estimated tax that may be due with the request should be paid in the same manner as estimated payments were paid during the year.

A written response will be sent to the legal address on file when a valid extension application is received.

If an MBT extension is filed on time but the total payments received by the original due date are less than 90 percent of the tax liability, a 10 percent negligence penalty may apply.

An extension of time to file will also extend the statute of limitations.

Amending a Return

NOTE: A taxpayer may not amend to revoke the election to remain taxable under the MBT. Once the taxpayer makes a valid election to claim a certificated credit, the taxpayer must remain in the MBT until the credit and any carryforward of that credit are exhausted.

If amending the 2021 tax year, complete *MBT Annual Return* (Form 4567) and check the "Amended" box in the upper-right corner of the return, and attach a separate sheet explaining the reason for the changes. Include an amended federal return or a signed and dated Internal Revenue Service (IRS) audit document. Include all schedules and forms filed with the original return, even if not amending that schedule or form. Do not include a copy of the original return with your amended return.

To amend a return to claim a refund, file within four years of the due date of the original return (including valid extensions). Interest will be paid beginning 45 days after the claim is filed or the due date, whichever is later. Most certificated credits must be claimed for the taxpayer's first tax year ending after December 31, 2011.

If amending a return to report a deficiency, penalty and interest may apply from the due date of the original return.

If any changes are made to a federal income tax return that affect an MBT tax base, filing an amended return is required. To avoid penalty, file the amended return within 120 days after the final determination by the IRS.

Computing Penalty and Interest

Annual and estimated returns filed late or without sufficient payment of the tax due are subject to a penalty of 5 percent of the tax due, for the first two months. Penalty increases by an additional 5 percent per month, or fraction thereof, after the second month, to a maximum of 25 percent.

Compute penalty and interest for underpaid estimates using the *MBT Penalty and Interest Computation for Underpaid Estimated Tax* (Form 4582). If a taxpayer prefers not to file this form, Treasury will compute the penalty and interest and send a bill.

The following chart shows the interest rate that applies to each filing period. A new interest rate is set at 1 percent above the adjusted prime rate for each six-month period.

Beginning Date	Rate	Daily Rate
January 1, 2025	9.47%	0.0002595
July 1, 2025	8.66%	0.0002373
January 1, 2026	8.48%	0.0002324

For a complete list of interest rates, see the Revenue Administrative Bulletins on Treasury's website at

www.michigan.gov/treasury/ under "Reports and Legal Resources."

Signing the Return

All returns must be signed and dated by the taxpayer or the taxpayer's authorized agent. This may be the owner, partner, corporate officer, or association member. The corporate officer may be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer (such as tax officer) authorized to sign the corporation's tax return.

If someone other than the above prepared the return, the preparer must give his or her business address and telephone number.

Print the name of the authorized signer and preparer in the appropriate area on the return.

Assemble the returns and attachments (in sequence order) and staple in the upper-left corner. (Do not staple a check to the return.) In an e-filed return the preparation software will assemble the forms and PDF attachments in the proper order automatically.

IMPORTANT REMINDER: Failure to include all the required forms and attachments will delay processing and may result in reduced or denied refund or credit forward or a bill for tax due.

SIGNING AN E-FILED RETURN: As with any tax return submitted to Treasury on paper, an electronic tax return must be signed by an authorized tax return signer, the Electronic Return Originator (ERO), if applicable, and the paid tax preparer, if applicable. NOTE: If the return meets one of the exceptions to the e-file mandate and is being filed on paper, it must be manually signed and dated by the taxpayer or the taxpayer's authorized agent.

The MBT Fed/State e-file signature process is as follows:

Fed/State Returns: Michigan will accept the federal signature method. Michigan does not require any additional signature documentation.

State Stand Alone Returns: State Stand Alone returns must be signed using Form MI-8879 (also called the *Michigan e-file Authorization for Business Taxes MI-8879*, Form 4763). Returns are signed by entering the taxpayer PIN in the software after reading the perjury statement displayed in the software. The taxpayer PIN will be selected by the taxpayer, or the taxpayer may authorize his or her tax preparer to select the taxpayer PIN.

Form MI-8879 will be printed and contain the taxpayer PIN. The tax preparer will retain Form MI-8879 in his or her records as part of the taxpayer's printed return. MBT State Stand Alone e-filings submitted without a taxpayer PIN will be rejected by Treasury. Do not mail Form MI-8879 to Treasury and do not include Form MI-8879 as an attachment with the e-file return.

Mailing Addresses

Mail the annual return and all necessary schedules to:

With payment:
Michigan Department of Treasury
PO Box 30113
Lansing MI 48909

Without payment:
Michigan Department of Treasury
PO Box 30783
Lansing MI 48909

Mail an extension application (Form 4) to:
Michigan Department of Treasury
PO Box 30774
Lansing MI 48909-8274

Mail MBT quarterly estimate payments (Form 4913) to:
Michigan Department of Treasury
PO Box 30774
Lansing MI 48909-8274

Courier delivery service mail should be sent to:
Michigan Department of Treasury
7285 Parsons Dr.
Dimondale MI 48821

Make all checks payable to "State of Michigan." Print taxpayer's Federal Employer Identification Number (FEIN) or Michigan Treasury (TR) assigned number, the tax year, and "MBT" on the front of the check. Do not staple the check to the return.

Correspondence

An address change or business discontinuance can be reported online by using Michigan Treasury Online (MTO), Business Tax Services. See **www.michigan.gov/mtobusiness** for information. In the alternative, *Notice of Change or Discontinuance* (Form 163), can be found online at **www.michigan.gov/treasuryforms**.

Mail correspondence to:
Business Tax Division, MBT Unit
Michigan Department of Treasury
PO Box 30059
Lansing MI 48909

To Request Forms

Internet

Current and past year forms are available at **www.michigan.gov/treasuryforms**.

Alternate Format

Printed material in an alternate format may be obtained by calling (517) 636-6925.

TTY

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

2025 Supplemental Instructions for Standard Members in Unitary Business Groups (UBGs)

NOTE: These instructions for Unitary Business Groups (UBGs) are meant to supplement general instructions and form-specific instructions for standard taxpayers of the Michigan Business Tax (MBT), not to replace them.

Standard taxpayers and standard members refer to all taxpayers or UBG members, respectively, other than financial institutions or insurance companies. Financial institutions that are members of a UBG should see "Supplemental Instructions for Financial Institution Members in UBGs" in the *MBT Forms and Instructions for Financial Institutions* (Form 4599).

There is not a corresponding supplement for insurance companies because, although they can be members of a UBG, they do not file combined returns.

Introductory pages of this MBT instruction booklet contain general information designed to assist in identifying the existence and membership of a UBG. The following instructions address:

- Filing combined returns by different member types within a UBG.
- Understanding the role of the Designated Member (DM).

For each type of UBG member that is reported on a combined return (standard and financial institution), there is a required form that collects data that is necessary for preparation of a combined return:

- The *MBT Unitary Business Group Combined Filing Schedule for Standard Members* (Form 4580) supports a combined return of standard members to be filed on the *MBT Annual Return* (Form 4567).
- The *MBT Unitary Business Group Combined Filing Schedule for Financial Institutions* (Form 4752) supports a combined return of financial institution members to be filed on the *MBT Annual Return for Financial Institutions* (Form 4590).

Guidance that is specific to only one form is contained in the instructions for that form, in sections titled either "Special Instructions for Unitary Business Groups" or simply "UBGs." With the exception of a section providing supplemental instructions for the *MBT Tax Loss Adjustment for the Small Business Alternative Credit* (Form 4575), the following are instructions that apply to more than one form.

Special Instructions and the Designated Member

Special Instructions for the Annual Return

By definition, a UBG can include standard members, insurance companies, and financial institutions. However, in some cases not all members of the UBG will be included on the same return. All standard members in a UBG (except those owned by and unitary with a financial institution) file a single combined return on Form 4567. Financial institution members of a UBG (and any standard member owned by and unitary with a financial institution in the group) file a combined return on Form 4590. Insurance company members of a UBG each file separately on Form 4588.

Before completing a combined return, UBGs should first complete the Form 4580 or Form 4752. These forms are used to gather and combine data from each member included in the combined filing schedule and eliminate intercompany transactions where applicable, to support the primary return. Insurance companies that are part of a UBG will each file a separate Form 4588, but should be listed as an excluded affiliate with an incompatible tax base on Form 4580 or Form 4752, as applicable.

NOTE: If a member of a UBG holds a certificated credit and wishes to claim that credit, the group and not the member, must make the election to remain taxable under the MBT. The entire UBG will remain taxable until the certificated and any carryforward of that credit is exhausted.

The Designated Member (DM)

A UBG combined return of standard members is filed under the name and Federal Employer Identification Number (FEIN) or Michigan Treasury (TR) assigned number of the DM of the standard member group. Designated Member means a UBG member that has nexus with Michigan and will file the combined MBT return on behalf of the standard members of the group. In a brother-sister controlled group, any member with nexus may be designated to serve as DM. In a parent-subsidiary controlled group or a combined controlled group (an interlocking combination of a parent-subsidiary group and a brother-sister group), the controlling member must serve as DM if it has nexus with Michigan. If it does not have nexus, the controlling member may appoint any member with nexus with Michigan to serve as DM. That DM must continue to serve as such every year, unless it ceases to be a group member or the controlling member attains Michigan nexus. The filing period of a combined return is based on the tax year of the DM.

If a UBG is comprised of both standard members and financial institutions, the UBG will have two DMs (one for the standard members completing Form 4567 and related forms, and one for the financial institution members completing Form 4590 and related forms). If the standard members are owned by a financial institution, they will file on the financial UBG return, Form 4590.

NOTE: If the UBG filed MBT in 2011 and elected to file MBT in 2012, then the UBG must use the same DM if the DM still has nexus and is still a member of the UBG in 2012. If the DM no longer has nexus or is no longer a member of the UBG, then the UBG must select a new DM.

Role of the DM: The DM speaks, acts, and files the MBT return on behalf of the group for MBT purposes. Only the DM may file a valid extension request for the group. Treasury maintains the group'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. The designated member must be of the same taxpayer type (standard or financial institution) as the members for which it files a combined return.

Special Instructions for Supporting Forms

Most forms are completed by UBGs on a group basis. However, the following forms must be completed with entity-specific data, rather than groupwide data:

- *Michigan Historic Preservation Tax Credit* (Form 3581)
- *MBT Loss Adjustment for the Small Business Alternative Credit* (Form 4575). (In some circumstances, a separate copy of Form 4575 also is completed with groupwide data.)
- *MBT Schedule of Shareholders and Officers* (Form 4577)
- *MBT Schedule of Partners* (Form 4578)
- *MBT Qualified Affordable Housing Seller's Deduction* (Form 4579)
- *MBT Investment Tax Credit Recapture From Sale of Assets Acquired Under Single Business Tax* (Form 4585)
- *MBT Schedule of Business Activity Protected Under Public Law 86-272* (Form 4586) or *MBT Schedule of Business Activity for Non-Designated Members of a Unitary Business Group Protected Under Public Law 86-272* (Form 4581), as applicable.
- *Michigan Farmland Preservation Tax Credit* (Form 4594)
- *MBT Renaissance Zone Credit Schedule* (Form 4595)
- *Gross Receipts Worksheet* (Worksheet 4700)
- *Business Income Worksheet* (Worksheet 4746).

If more than one member completes one of these forms, multiple copies of that form must be included in the group's combined return.

In addition, many credits require an entity-specific calculation of a credit amount. The following table provides a summary of UBG credit calculations, where:

A) The test or criteria to qualify for the credit should be applied on a group basis (G) or a separate entity basis (E),

B) If the qualification test is satisfied, the calculation of the available credit amount should be on a group basis (G) or a separate entity basis (E),

C) Calculation of the credit should be done after elimination of intercompany transactions (Y or N). Note: This applies only to the calculation of the credit. The tax liability of the UBG against which the credit will be applied is calculated after elimination of all intercompany transactions from the tax bases and apportionment.

Credit	(A)	(B)	(C)
Anchor Company Payroll Credit	E	E	N
Anchor Company Taxable Value Credit	E	E	N
Arts and Culture Credit	G	G	N
Bottle Deposit Administration Credit	E	E	N
Brownfield Redevelopment Credit	E	E	N
Community or Education Foundation Credit	G	G	N
Compensation Credit	G	G	N
Farmland Preservation Credit	E	E	N
Film Infrastructure Credit	E	E	N
Film Job Training Credit	E	E	N
Film Production Credit	E	E	N
Gross Receipts Filing Threshold Credit	G	G	N
Historic Preservation Credit	E	E	N
Homeless Shelter/Food Bank Credit	G	G	N
Hybrid Technology Research and Development Credit	E	E	N
Individual or Family Development Account Credit	G	G	N
International Auto Show Credit	E	E	N
Investment Tax Credit	G	G	*
Large Food Retailer Credit	G	G	N
Low-Grade Hematite Credit	G	G	N
MEGA Advanced Lithium Ion Battery	E	E	N
MEGA Battery Cell Sourcing	E	E	N
MEGA Employment Tax Credit	E	E	N
MEGA Federal Contract Credit	E	E	N
MEGA Photovoltaic Credit	E	E	N
MEGA Plug-In Traction Battery Integration	E	E	N
MEGA Plug-In Traction Battery Manufacturing Carryforward	E	E	N
MEGA Poly-silicon Energy Cost Credit	E	E	N
Mid-size Food Retailer Credit	G	G	N
NASCAR Speedway Credit	E	E	N
New Motor Vehicle Dealer Inventory Credit	E	E	N
Next Energy Business Activity Credit	E	E	N
Next Energy Payroll Credit	E	E	N
Personal Property Tax Credit	G	G	N
Private Equity Fund Credit	E	E	N
Public Contribution Credit	G	G	N
Renaissance Zone Credit	E	E	N
Research and Development Credit	G	G	N
Small Business Alternative Credit	G	G	N
Start-up Business Credit	E	E	N
Workers' Disability Supplemental Benefit Credit	G	G	N

* Assets transferred between members of the group are not a capital investment in qualifying assets for purposes of calculating this credit. Intercompany eliminations are otherwise not applicable.

The available amount of each of the above credits is taken against the entire group's tax liability. Additional UBG instructions are provided on forms where these credits are calculated.

If the UBG is comprised of both standard members and financial institutions, two copies of supporting forms will be completed (one group of supporting forms for the standard members' annual return and one group of supporting forms for the financial institutions' annual return).

Pro Forma Calculations for Certain Credits

For some credits, evaluation of whether a UBG is qualified to claim the credit is based on characteristics and activities of a

single member, rather than the group as a whole. Similarly, for some credits, after it is determined that a UBG is qualified to claim the credit, calculation of the amount of credit available is based on data of a single member, rather than the group. Each credit requiring this method is identified on the form on which it is calculated. A pro forma MBT liability is required for the member generating the credit.

Where a pro forma calculation is required, the underlying objective is to determine what the tax liability (immediately prior to the credit) of the UBG member generating the credit would have been if that member was not included in the group. Therefore, the member generating the credit must calculate its pro forma tax liability as if it was a singular, stand-alone taxpayer in all aspects. This supporting pro forma calculation should be provided in a statement attached to the return. However, this calculation and its results should never be transferred to Form 4567 or displayed in a layout similar to Form 4567.

Effects of Members Joining a Group

When an entity becomes a member of a UBG part way through the member's tax year, for MBT purposes the new member will experience a short tax year beginning on the date the member joins the group, even if it does not have a short period for federal purposes.

For both the UBG return and the new member's separate short period return, tax bases will be calculated using actual numbers from the applicable short period of the new member.

If a member that is new to the group brings with it a certificated credit or carryforward of a certificated credit, the UBG taxpayer will continue to apply the choice it made for the first tax year ending after December 31, 2011, concerning the MBT election. Or, in the case of a *qualifying* historic preservation, brownfield redevelopment, or farmland credit, the election made by the group at a later time. If the joining member brings a qualifying brownfield or historic preservation credit for which credit amount remains available, the UBG taxpayer may make the election to be taxable under the MBT in a year in which credit amount is available and must remain taxable under the MBT for all years in which brownfield or historic preservation credit amount is available if the election is made.

Effects of Members Leaving a Group

When a member of a UBG ceases to be a member part way through the member's tax year, for MBT purposes the departing member will experience a short tax year ending on the departure date, even if it does not have a short period for federal purposes.

For both the UBG return and the departing member's separate short period return, tax bases will be calculated using actual numbers from the applicable short period of the departing member.

When a member leaves the UBG other than at the end of its federal tax year, any available certificated credit generated by the member will be allocated to the period that includes the effective date of the certificate. A credit carryforward attributable to the departing member and existing in the departing member's (or the group's) account prior to leaving the group typically will be applied first to the group return for the group filing period that includes the end of the departing member's short state tax year that ended upon leaving the group. Any carryforward remaining after that application (i.e., neither consumed or expired) will, generally, be fully available for use by the departing member.

If the remaining UBG does not hold a certificated credit after the departing member leaves with credit then the group is no longer eligible to continue under the MBT. If the departing member joins another UBG, bringing the certificated credit, the UBG taxpayer will continue to apply the choice it made concerning the credit election. (In the case of qualifying brownfield and historic preservation certificated credits, see "Effects of Joining a Group" for more detail.) If the departing member becomes a solo filer with remaining certificated credit, that member will continue to file under the MBT until the credit is used up. These results do not change if the departing member is the DM.

Other UBG-Related Issues

An affiliated person that is excluded from membership in a UBG because it is a foreign person, which has nexus and meets the applicable filing threshold, must file a separate MBT return.

Supplemental Instructions for the MBT Loss Adjustment for the Small Business Alternative Credit, Form 4575

For the purpose of applying loss adjustment from a member's separately filed year, when members' separate years share a common year end and the amount of available loss from a single tax year exceeds the amount needed to offset the UBG's adjusted business income (ABI) disqualifier, the portion of available loss from that tax year used by each member to offset the group's disqualifier must reflect the proportion of each member's total loss available from that tax year with respect to the total loss available to the UBG from the same tax year.

EXAMPLE: (Note that while the dates in the following example don't apply to a tax year 2021 return, the concept remains the same.) The total loss adjustment needed to reduce a UBG's ABI disqualifier is $65. The UBG has loss available in the amount of $50 from its 2008 tax year, which had a tax year end of December 31, 2008. Member A, who was included in the UBG's 2008 tax year return, has loss available in the amount of $20 from its 2006 SBT tax year which ended September 30, 2006. Member B, who became a member of the UBG during the current tax year due to a change in ownership, has loss available in the amount of $25 from its 2006 SBT tax year which ended September 30, 2006, and loss available in the amount of $25 from its separate 2008 tax year which ended September 30, 2008. Member C also became a member of the UBG during the current tax year and has loss available in the amount of $75 from its separate 2008 tax year which ended September 30, 2008.

In this example, three columns of the table will be populated: one column with a tax year end of 09-30-2006 and available loss of $45; a second column with a tax year end of 09-30-

2008 and available loss of $100; and a third column with a tax year end of 12-31-2008 and available loss of $50. Because loss is used on a first-in, first-out basis, the group will use the entire amount of loss available ($45) from the column with the 09-30-2006 tax year end; that is, all of Member A's available loss ($20) from its 2006 SBT year, as well as all of Member B's available loss from its 2006 SBT year ($25). The use of the members' losses must be maintained in the taxpayer's records. The remaining $20 of loss adjustment needed to reduce the groups' ABI disqualifier will be subtracted from the loss available in the second column with the 09-30-2008 year end. Members B and C will account for this adjustment in their records in a proportional manner. That is, Member B will record a $5 loss adjustment used from its 2008 separate tax year, or the remaining loss adjustment needed to reduce the group's ABI disqualifier ($20) multiplied by a fraction, the numerator of which is Member B's available loss ($25) and the denominator of which is the total loss available in the second column ($100). Likewise, Member C will record a loss adjustment used of $15. Thus, in subsequent tax years, the UBG will have the following remaining loss available to reduce its ABI disqualifier: Member B's available loss in the amount of $20 from its 2008 separate tax year; Member C's available loss in the amount of $60 from its 2008 separate tax year, and the UBG's available loss in the amount of $50 from its 2008 tax year. The loss available to the UBG to reduce its ABI disqualifier will not be affected by Member B's or C's use, if any, of available loss from their separate tax years to reduce their respective shareholder income disqualifiers.

Further Guidance on Existence and Membership of a UBG

For further guidance, please consult the following:

- Online at **www.michigan.gov/treasury/.** Click on "Reports and Legal Resources" for information on Revenue Administrative Bulletins (RABs). Of particular interest are RAB 2010-1, MBT—Unitary Business Group Control Test, and RAB 2010-2, MBT—Unitary Business Group Relationship Tests.

Country Codes

Countries are identified by two-letter codes – Country Codes – which are required on some Michigan Business Tax (MBT) forms, including the annual returns. The following is a list of countries and their codes.

AF Afghanistan	CK Cook Islands	IN India	NR Nauru	SB Solomon Islands
AX Åland Islands	CR Costa Rica	ID Indonesia	NP Nepal	SO Somalia
AL Albania	CI Côte D'ivoire	IR Iran	NL Netherlands	ZA South Africa
DZ Algeria	HR Croatia	IQ Iraq	AN Netherlands Antilles	GS S. Georgia, Sandwich
AS American Samoa	CU Cuba	IE Ireland	NC New Caledonia	KR South Korea
AD Andorra	CY Cyprus	IM Isle Of Man	NZ New Zealand	ES Spain
AO Angola	CZ Czech Republic	IL Israel	NI Nicaragua	LK Sri Lanka
AI Anguilla	CD Dem. Rep. of Congo	IT Italy	NE Niger	SD Sudan
AQ Antarctica	DK Denmark	JM Jamaica	NG Nigeria	SR Suriname
AG Antigua & Barbuda	DJ Djibouti	JP Japan	NU Niue	SJ Svalbard, Jan Mayen
AR Argentina	DM Dominica	JE Jersey	NF Norfolk Island	SZ Swaziland
AM Armenia	DO Dominican Republic	JO Jordan	KP North Korea	SE Sweden
AW Aruba	EC Ecuador	KZ Kazakhstan	MP N. Mariana Islands	CH Switzerland
AU Australia	EG Egypt	KE Kenya	NO Norway	SY Syrian Arab Republic
AT Austria	SV El Salvador	KI Kiribati	OM Oman	TW Taiwan
AZ Azerbaijan	GQ Equatorial Guinea	KW Kuwait	PK Pakistan	TJ Tajikistan
BS Bahamas	ER Eritrea	KG Kyrgyzstan	PW Palau	TZ Tanzania
BH Bahrain	EE Estonia	LA Laos	PS Palestinian Occ. Terr.	TH Thailand
BD Bangladesh	ET Ethiopia	LV Latvia	PA Panama	TL Timor-Leste
BB Barbados	FK Falkland Islands	LB Lebanon	PG Papua New Guinea	TG Togo
BY Belarus	FO Faroe Islands	LS Lesotho	PY Paraguay	TK Tokelau
BE Belgium	FJ Fiji	LR Liberia	PE Peru	TO Tonga
BZ Belize	FI Finland	LY Libya	PH Philippines	TT Trinidad & Tobago
BJ Benin	FR France	LI Liechtenstein	PN Pitcairn	TN Tunisia
BM Bermuda	GF French Guiana	LT Lithuania	PL Poland	TR Turkey
BT Bhutan	PF French Polynesia	LU Luxembourg	PT Portugal	TM Turkmenistan
BO Bolivia	TF Fr. Southern Terr.	MO Macao	PR Puerto Rico	TC Turks & Caicos
BA Bosnia, Herzegovina	GA Gabon	MK Macedonia	QA Qatar	TV Tuvalu
BW Botswana	GM Gambia	MG Madagascar	RE Réunion	UG Uganda
BV Bouvet Island	GE Georgia	MW Malawi	RO Romania	UA Ukraine
BR Brazil	DE Germany	MY Malaysia	RU Russian Federation	AE United Arab Emir.
IO Brit. Ind. Ocean Terr.	GH Ghana	MV Maldives	RW Rwanda	GB United Kingdom
BN Brunei Darussalam	GI Gibraltar	ML Mali	BL St. Barthélemy	US United States
BG Bulgaria	GR Greece	MT Malta	SH St. Helena	UM U.S. Minor Out. Isl.
BF Burkina Faso	GL Greenland	MH Marshall Islands	KN St. Kitts & Nevis	UY Uruguay
BI Burundi	GD Grenada	MQ Martinique	LC St. Lucia	UZ Uzbekistan
KH Cambodia	GP Guadeloupe	MR Mauritania	MF St. Martin	VU Vanuatu
CM Cameroon	GU Guam	MU Mauritius	PM St. Pierre & Miquelon	VE Venezuela
CA Canada	GT Guatemala	YT Mayotte	VC St. Vincent, Grenad.	VN Vietnam
CV Cape Verde	GG Guernsey	MX Mexico	WS Samoa	VG Virgin Islands, British
KY Cayman Islands	GN Guinea	FM Micronesia	SM San Marino	VI Virgin Islands, U.S.
CF Cent. African Repub.	GW Guinea-Bissau	MD Moldova	ST Sao Tome & Principe	WF Wallis & Futuna
TD Chad	GY Guyana	MC Monaco	SA Saudi Arabia	EH Western Sahara
CL Chile	HT Haiti	MN Mongolia	SN Senegal	YE Yemen
CN China	HM Heard, McDonald Isl.	ME Montenegro	RS Serbia	ZM Zambia
CX Christmas Island	VA Holy See (Vatican)	MS Montserrat	SC Seychelles	ZW Zimbabwe
CC Cocos Islands	HN Honduras	MA Morocco	SL Sierra Leone	
CO Colombia	HK Hong Kong	MZ Mozambique	SG Singapore	XX Countries-Other
KM Comoros	HU Hungary	MM Myanmar	SK Slovakia	
CG Congo	IS Iceland	NA Namibia	SI Slovenia	