Instructions for *2021 Sales, Use and Withholding Taxes 4% and 6% Monthly/Quarterly Worksheet* (Form 5099)

For information about determining whether a person has nexus with Michigan, see Revenue Administrative Bulletins (RABs) 1999-1, 2015-22, and 2018-16. Please also visit **www.michigan.gov/remotesellers** for guidance, including FAQs.

PURPOSE: Taxpayers that provide electricity, natural or artificial gas, or home heating fuels for residential use are eligible to report and pay tax at a 4% rate on those sales. This worksheet allows those taxpayers to report both their sales subject to the 4% rate and any other sales of tangible personal property or taxable services, rentals of accommodations or use, storage, or consumption of tangible personal property, all of which are taxed at 6%.

PART 1: SALES TAX 4%

Line 1: Total Gross Sales for Tax Period Being Reported. Enter total Michigan sales, including cash, credit and installment transactions, of electricity, natural or artificial gas, or home heating fuel for residential use. Include any costs incurred before ownership of the property is transferred to the buyer, including shipping, handling, and delivery charges.

Lines 2a – 2l: Allowable Exemptions and/or Deductions. Use lines 2a – 2l to deduct from gross sales the nontaxable sales included in line 1. Deductions taken for tax exempt sales must be substantiated in business records. A copy of *Michigan Sales and Use Tax Certificate of Exemption* (Form 3372) or the same information in another format must be obtained from the purchaser. For more information on exemption documentation, see Revenue Administrative Bulletin (RAB) 2016-14.

Line 2a: Resale, Sublease or Subrent. Enter resale, sublease or subrent exemption claims.

Line 2d: Interstate Commerce. Enter sales made in interstate commerce. To claim such a deduction, the property or service must be delivered by the business to the out-of-state purchaser. Property transported out-of-state by the purchaser does not qualify as interstate commerce. Documentation of out-of-state shipments must be retained in business records to support this deduction.

Line 2e: Nontaxable Services Billed Separately. Enter charges for nontaxable services billed separately, such as repair or maintenance, if these charges were included in gross receipts on line 1. Costs, such as delivery or installation charges, that are incurred before the completion of the transfer of ownership of taxable property are included in the tax base and may not be subtracted.

Line 2f: Bad Debts. Bad debts may be eligible for deduction if:

- The debts are charged off as uncollectable on business records at the time the debts become worthless
- The debts are deducted on the return for the period during which the bad debts are written off as uncollectible
- The debts are eligible to be deducted for federal income tax purposes.

A bad debt deduction may also be claimed by a third-party lender provided the retailer who reported the tax and the lender financing the sale executed and maintained a separate written election designation which party may claim the deduction. Certain additional conditions must be met. See MCL 205.54g and MCL 205.99a.

Line 2h: Government Exemption. Direct sales to the United States Government, State of Michigan, or its political subdivisions are exempt.

Line 2k: Other Exemptions and/or Deductions. Identify exemptions or deductions not covered in items 2a through 2j on this line. Examples of exemptions or deductions are:

- Direct sales, not for resale, to certain nonprofit agencies, churches, schools, hospitals, and homes for the care of children and the aged, to the extent the property is used to carry out the nonprofit purpose of the organization. For sales to certain nonprofit agencies, the exemption is limited based on the sales price of property used to raise funds or obtain resources. All sales must be paid for directly from the funds of the exempt organization to qualify.

Line 2l: Tax Included in Gross Sales. If tax was included on line 1 of this form, divide gross sales by 17.6667 and enter the amount.

PART 2: SALES TAX 6% AND USE TAX

Line 9A: Total Gross Sales for the Tax Period Being Reported. *This line should be used by sellers with nexus to report sales of tangible personal property where ownership transfers in Michigan. This includes sellers with nexus through physical presence or economic presence (remote sales).*

Enter total sales, including cash, credit and installment transactions, of tangible personal property other than electricity, natural or artificial gas, or home heating fuels for residential use. Include any costs incurred before ownership of the property is transferred to the buyer, including installation, shipping, handling, and delivery charges.

Providers of nontaxable services (that do not involve the sale or lease of tangible personal property) should not report those sales.

Line 9B: USE TAX - Total Sales for the Tax Period Being Reported. *This line should be used by:*

- *Sellers with nexus to report sales of tangible personal property sourced to Michigan, for which ownership transfers outside Michigan, or*
- *Remote sellers without nexus who voluntarily collect Michigan tax.*

Enter total sales, including cash, credit, and installment transactions.

Line 10B: USE TAX - Rentals of Tangible Personal Property and Accommodations.

- Lessors of tangible personal property: Lessors that have made a valid election under MCL 205.95(4) and MAC R 205.132(1) should report receipts from rental of that tangible personal property under the election.
- Persons providing accommodations: This includes but is not limited to total hotel, motel and vacation home rentals, and assessments imposed under the Convention and Tourism Act, the Convention Facility Development Act, the Regional Tourism Marketing Act, and the Community Convention or Tourism Marketing Act.

Line 11B: USE TAX - Telecommunication Services. Enter gross income from telecommunications services.

Lines 13a – 13l: Allowable Exemptions and/or Deductions. Use line 13m to deduct from gross sales the nontaxable sales included in line 12. Deductions taken for tax exempt sales must be substantiated in business records. A completed copy of *Michigan Sales and Use Tax Certificate of Exemption* (Form 3372) or the same information in another format must be obtained from the purchaser. For more information on exemption documentation, see Revenue Administrative Bulletin (RAB) 2016-14.

Line 13a: Resale, Sublease or Subrent. Enter resale, sublease or subrent exemption claims.

Line 13b: Industrial Processing Exemption. The sale or lease of tangible personal property ultimately used in industrial processing by an industrial processor is exempt. "Industrial processing" is the activity of converting or conditioning tangible personal property by changing its form, composition, quality, combination, or character. In general, all of the following must be met:

- Property must be used in producing a product for ultimate sale at retail,
- Property must be sold or leased to an "industrial processor," including a person that performs industrial processing on behalf of another industrial processor or performs industrial processing on property that will be incorporated into a product for ultimate sale at retail, and
- Activity starts when property begins moving from raw materials storage to begin industrial processing and ends when finished goods first come to rest in finished goods inventory.

If property is used for both an exempt and a taxable purpose, the property is only exempt to the extent that it is used for an exempt purpose. In such cases, the exemption is limited to the percentage of exempt use to total use determined by a reasonable formula or method approved (but not required to be pre-approved) by Treasury. For exceptions and exclusions, see MCL 205.54t and 205.94o.

Line 13c: Agricultural Production Exemption. Property must be directly or indirectly used in agricultural production. Generally, the following non-exhaustive list ***may be*** **exempt:**

(i) Tangible personal property sold or leased to a person engaged in a business enterprise that uses or consumes the property for either:

- Tilling, planting, draining, caring for, maintaining, or harvesting things of the soil, or
- Breeding, raising, or caring for livestock, poultry, or horticultural products.

(ii) To the extent that the property is affixed to and made a structural part of the real estate for others and used for an exempt purpose in (i), tangible personal property sold to a contractor that is one of the following:

- Agricultural land tile
- Subsurface irrigation pipe
- Portable grain bins
- Grain drying equipment and its fuel or energy source

However, the following sales from (i) or (ii) ***are not*** **exempt:**

- Food, fuel, clothing, or similar property for personal living or human consumption, or
- Property permanently affixed to and becoming a structural part of real estate unless it is agricultural land tile, subsurface irrigation pipe, a portable grain bin, or grain drying equipment. Certain property that can be disassembled and reassembled may be exempt.

Some specific types of exempt property and exempt uses or property are clarified in the statue. If property is used for both an exempt and a taxable purpose, the property is only exempt to the extent that it is used for an exempt purpose.

In such cases, the exemption is limited to the percentage of exempt use to total use determined by a reasonable formula or method approved (but not required to be pre-approved) by Treasury. For more information, see MCL 205.54a and 205.94.

Line 13d: Interstate Commerce. Enter sales made in interstate commerce. To claim such a deduction, the property or service must be delivered by the business to the out-of-state purchaser. Property transported out-of-state by the purchaser does not qualify as interstate commerce. Documentation of out-of-state shipments must be retained in business records to support this deduction.

Line 13e: Nontaxable Services Billed Separately. Enter charges for nontaxable services billed separately, such as repair or maintenance, if these charges were included in gross receipts on line 12. Costs, such as delivery or installation charges, that are incurred before the completion of the transfer of ownership of taxable property are included in the tax base and may not be subtracted.

Line 13f: Bad Debts. Bad debts may be eligible for deduction if:

- The debts are charged off as uncollectable on business records at the time the debts become worthless
- The debts are deducted on the return for the period

during which the bad debts are written off as uncollectible

- The debts are or would be eligible to be deducted for federal income tax purposes.

A bad debt deduction may be claimed by a third-party lender if the retailer who reported the tax and the lender financing the sale timely execute and maintain a separate written election designating which party may claim the deduction. Certain additional conditions must be met. See MCL 205.54i, 205.99a, and RAB 2019-3.

Line 13g: Food for Human/Home Consumption. Enter total of retail sales of grocery-type food, excluding tobacco, marihuana products, and alcoholic beverages. Prepared food is subject to tax. See MCL 205.54g and MCL 205.94d for more information.

Line 13h: Government Exemption. Direct sales to the United States government or the State of Michigan or its political subdivisions are exempt.

Line 13i: Michigan Motor Fuel Tax. Motor fuel retailers may deduct the Michigan motor fuel taxes that were included in gross sales on line 12 and paid to the State or the distributor.

Line 13j: Direct Payment Deduction. Enter sales made to purchasers that claimed direct pay exemption from sales and use taxes. If you accepted *Michigan's Sales and Use Tax Certificate of Exemption* (Form 3372), the box in Section 3 for "Other" should substantially include the following statement: "Direct pay authorized under Account Number [listing either the Federal Employer Identification Number or the Michigan Treasury Registration Number]." MCL 205.98.

Line 13k: Other Exemptions and/or Deductions. Identify exemptions or deductions not covered in items 13a through 13j on this line. Examples of exemptions or deductions are:

- Allowable trade-in values on vehicle sales. Motor vehicle, recreational vehicle, and watercraft dealers may be eligible to deduct the value of a trade-in under MCL 205.51(d). Deduction for motor vehicles is subject to limitation. **Taxes paid to Secretary of State are not reported here.** Instead, they are reported on the *Vehicle Dealer Supplemental Schedule* (Form 5086, e-file only).
- Credit for the core charge attributable to a recycling fee, deposit, or disposal fee for a motor vehicle or recreational vehicle part or battery if the recycling fee, deposit, or disposal fee is separately stated on the invoice, bill of sale, or similar document given to the purchaser.
- Direct sales, not for resale, to certain nonprofit agencies, churches, schools, hospitals, and homes for the care of children and the aged, to the extent the property is used to carry out the nonprofit purpose of the organization. For sales to certain nonprofit agencies, the exemption is limited based on the sales price of property used to raise funds or obtain resources. All sales must be paid for directly from the funds of the exempt organization to qualify.
- Assessments imposed under the Convention and Tourism Act, the Convention Facility Development Act, the Regional Tourism Marketing Act, or the Community Convention or Tourism Marketing Act. Hotels and motels may deduct the assessments included in gross sales and rentals provided use tax on the assessments was not charged to the customers.
- Credits allowed to customers for sales tax originally paid on merchandise voluntarily returned, provided the return is made within the time period for returns stated in the taxpayer's refund policy or 180 days after the initial sale, whichever is earlier. Repossessions are not allowable deductions.
- Sales to contractors of materials which will become part of a finished structure for a qualified exempt nonprofit hospital, qualified exempt nonprofit housing entity or church sanctuary, or materials to be affixed to and made a structural part of real estate located in another state. The purchaser will provide a *Michigan Sales and Use Tax Contractor Eligibility Statement* (Form 3520). See RAB 1999-2.
- Vehicle sales to non-reciprocal states for which no tax was paid to Secretary of State.
- Qualified nonprofit organizations with aggregate sales in the calendar year of less than $25,000 may exempt the first $10,000 of sales for fundraising purposes. Separately, veterans organizations exempt under IRC 501(c)(19) may exempt sales for the purpose of raising funds for the benefit of an active duty service member or veteran, up to $25,000 per event.

Line 13l: Tax Included in Gross Sales. If you have tax included in your gross sales, divide your gross sales by 17.6667 and enter the amount. Example: Line 12 is 25,000 and line 13a is $8,000 (customer provided Form 3372 and claimed resale) ($25,000 - $8,000= $17,000)

$17,000 divide by 17.6667 = $962.26

$962.26 is entered on line 13l