

Instructions for Form 4583

Michigan Business Tax (MBT) Simplified Return

Purpose

This form allows qualifying standard taxpayers to claim the Small Business Alternative Credit and to file and pay the MBT due without computing the Business Income Tax or Modified Gross Receipts Tax imposed under Sections 201 and 203 of the MBT Act. Qualified taxpayers may also use this form to claim the Gross Receipts Filing Threshold Credit and any refundable credits for which they are eligible.

NOTE: The *MBT Election of Refund or Carryforward of Credits* (Form 4584) cannot be used in conjunction with this form.

Eligibility for the Small Business Alternative Credit

Standard taxpayers (all taxpayers who are not financial institutions or insurance companies) are eligible to use this form if all of the following conditions apply:

- Gross receipts do not exceed \$19,000,000.
- Adjusted business income does not exceed \$1,329,900.
- Adjusted business income does not exceed \$160,000 for Individuals or Fiduciaries.
- Filer is not a Unitary Business Group (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. Partnerships must attach the *MBT Schedule of Partners* (Form 4578).
- No individual, shareholder, or officer has allocated income over \$160,000. Corporations must attach the *MBT Schedule of Shareholders and Officers* (Form 4577). (Does not apply to Individuals and Fiduciaries filing as Individuals.)

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 file this form.

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

Even if eligible to file this form, a taxpayer may pay a lower tax by filing the *MBT Annual Return* (Form 4567) and taking the Small Business Alternative Credit using the *MBT Common Credits for Small Businesses* (Form 4571). This is especially true if any of the following applies:

- An MBT business loss carryforward exists, or
- A nonrefundable or hybrid (Form 4584) credit may be claimed.

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 a 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.

Line-by-Line Instructions

Lines not listed are explained on the form.

Dates must be entered in MM-DD-YYYY format.

For periods less than 12 months, see the "General Information for Standard Taxpayers" in the *MBT Forms and Instructions for Standard Taxpayers* (Form 4600).

A taxpayer, other than a UBG, that does not file a separate federal return (e.g., a taxpayer that is a federally disregarded entity and not part of a UBG with its owner, or that is a member of a federal consolidated group) must prepare a pro forma federal return or equivalent schedule and use it as the basis for preparing its MBT return. A taxpayer (other than a UBG) that owns one or more federally disregarded entities must prepare a pro forma federal return or equivalent schedule that excludes the activity of the disregarded entity(ies), and use it as the basis for preparing its MBT return. For standard members of a UBG, this pro forma requirement is addressed in the *MBT UBG Combined Filing Schedule for Standard Members* (Form 4580), Part 2A, and its instructions.

Amended Returns: To amend a current or prior year annual return, complete the Form 4583 that is applicable for that year, check the 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 filed with the original return, even if not amending that schedule. Enter the figures on the amended return as they

should be. Do not include a copy of the original return with your amended return.

Refund Only: For taxpayers with allocated gross receipts less than \$350,000, who are otherwise eligible to use this form and are filing this form to claim a refund of estimates paid, skip lines 10 through 21 and lines 28 through 31.

Line 1: If not a calendar year taxpayer, enter the beginning and ending dates that correspond to the taxable period reported to the IRS.

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 part of a year, tax year means the period for which the return is made. Generally, a taxpayer's tax year is for the same period as is covered by its federal income tax return.

Line 2: Enter the complete address and, if other than the United States, enter the two-digit abbreviation for the country code. See the list of country codes in Form 4600.

Correspondence about and any refund from this return will be sent to the address used here. Check the new address box if the address used on this line has changed from last filing. The taxpayer's primary address in Department of Treasury (Treasury) files, identified as the legal address and used for all purposes other than refund and correspondence on a specific MBT return, will not change unless the taxpayer files a *Notice of Change or Discontinuance* (Form 163). **Exception:** If mail sent to the legal address has been returned to Treasury by the United States Postal Service, Treasury will update the taxpayer's legal address with the address used on this line in the most recent MBT return.

Line 3: Enter a brief description of business activity (for example, forestry, fisheries, mining, construction, manufacturing, transportation, communication, electric, gas, sanitary services, wholesale trade, retail trade, finance, or services, etc.).

Line 4: Enter the start date of first business activity in Michigan.

Line 5: Enter the entity's six-digit North American Industry Classification System (NAICS) code. For a complete list of six-digit NAICS codes, see the U.S. Census Bureau Web site at www.census.gov/eos/www/naics/, or enter the same NAICS code used when filing the entity's U.S. Form 1120, *Schedule K*, U.S. Form 1120S, U.S. Form 1065 or U.S. Form 1040, *Schedule C*.

Line 6: Enter the date, if applicable, on which taxpayer went out of existence. To complete the discontinuance for Michigan taxes, file Form 163, which is available on Treasury's Web site at www.michigan.gov/treasuryforms. If the taxpayer is still subject to another tax administered by Treasury, do not use this line.

Line 7: Use the taxpayer's Federal Employer Identification Number (FEIN) or the Michigan Treasury (TR) assigned number. Be sure to use the same account number on all forms.

If the taxpayer does not have an FEIN or TR number, the taxpayer **MUST** register before filing this form. Taxpayers are encouraged to register online at www.michigan.gov/businessstaxes. The Web site provides information on obtaining an FEIN, which is required to submit taxes through e-file. Taxpayers usually can obtain an FEIN from the IRS within 48 hours. Taxpayers

registering with the State online usually receive an account number within seven days.

Returns received without a registered account number will not be processed until such time as a number is provided.

Line 8: Check the box that describes the organization type. A Trust or LLC should check the appropriate box based on its federal return.

NOTE: Federally disregarded LLCs (and Qualified Subchapter S Subsidiaries, or Q-Subs) are required to file separate MBT returns if they do not meet the UBG relationship tests and thus do not file as part of a UBG return with their owner. A federally disregarded LLC or Q-Sub that files MBT as a distinct entity is classified for MBT purposes according to the federal tax classification of its owner.

Part 1: Calculation of Tax

Line 9: *Gross receipts* means the entire amount received by the taxpayer, as determined by using the taxpayer's method of accounting for federal income tax purposes, from any activity, whether in intrastate, interstate, or foreign commerce, carried out for direct or indirect gain, benefit, or advantage to the taxpayer or to others, with certain exceptions.

Calculation of gross receipts also involves a phased-in deduction (60 percent in the 2010 and 75 percent in the 2011 tax years) of any amount deducted as bad debt for federal income tax purposes that corresponds to items of gross receipts included in the modified gross receipts tax base for the current tax year or past tax years. This partial reduction is reflected in the *Gross Receipts Worksheet* (Worksheet 4700) discussed below. Receipts include, but are not limited to:

- Receipts (sales proceeds) from the sale of assets used in a business activity
- Sale of products
- Services performed
- Gratuities stipulated on a bill
- Sales tax collected on the sale of tangible personal property, subject to a phase-out schedule
- Dividend and interest income
- Gross commissions earned
- Rents
- Royalties
- Sales of scrap and other similar items
- Client reimbursed expenses not obtained in an agency capacity
- Gross proceeds from sales between affiliated companies, including members of a UBG.

Use Worksheet 4700, in Form 4600, to calculate gross receipts. Attach this worksheet to the return. Gross receipts are not necessarily derived from the federal return; however, this worksheet will calculate gross receipts as defined by law in most instances. Taxpayers and tax professionals are expected to be familiar with uncommon situations within their experience, which produce gross receipts not identified by specific lines on this form, and report that amount on the most appropriate line. Treasury may adjust the amount resulting from this worksheet to account properly for such uncommon situations.

Line 10: *Business income* means that part of federal taxable income derived from business activity. For MBT purposes, *federal taxable income* means taxable income as defined in Internal Revenue Code (IRC) § 63, except that federal taxable income shall be calculated as if IRC § 168(k) [as applied to qualified property placed in service after December 31, 2007] and IRC § 199 were not in effect. For a Partnership or S Corporation (or LLC federally taxed as such), business income includes payments and items of income and expense that are attributable to business activity of the Partnership or S Corporation and separately reported to the partners or shareholders.

Use the *Business Income Worksheet* (Worksheet 4746), in Form 4600, to calculate business income. Attach this worksheet to the return. This worksheet will calculate business income as defined by law in most circumstances. Taxpayers and tax professionals are expected to be familiar with uncommon situations within their experience, which produce business income not identified by specific lines on this worksheet, and report that amount on the most appropriate line. Treasury may adjust the amount resulting from this worksheet to account properly for such uncommon situations.

For an organization that is a mutual or cooperative electric company exempt under IRC § 501(c)(12), business income equals the organization's excess or deficiency of revenues over expenses as reported to the federal government, less capital credits paid to members of that organization, less income attributed to equity in another organization's net income, and less income resulting from a charge approved by a state or federal regulatory agency that is restricted for a specified purpose and refundable if it is not used for the specified purpose.

For a tax-exempt person, *business income* means only that part of federal taxable income (as defined for MBT purposes) derived from unrelated business activity.

For an Individual or an Estate, or for a Partnership or Trust organized exclusively for estate or gift planning purposes, business income is that part of federal taxable income (as defined for MBT purposes) derived from transactions, activities, and sources in the regular course of the taxpayer's trade or business, including the following:

- All income from tangible and intangible property if the acquisition, rental, management, or disposition of the property constitutes integral parts of the taxpayer's regular trade or business operations.
- Gains or losses incurred in the taxpayer's trade or business from stock and securities of any foreign or domestic Corporation and dividend and interest income.
- Income derived from isolated sales, leases, assignment, licenses, divisions, or other infrequently occurring dispositions, transfers, or transactions involving property if the property is or was used in the taxpayer's trade or business operation.
- Income derived from the sale of a business.

NOTE: Personal investment income, gains from the sale of property held for personal use and enjoyment or other assets not used in a trade or business, and any other income not specifically derived from a trade or business that is earned, received, or otherwise acquired by an Individual, an Estate,

or a Trust or Partnership organized or established exclusively for estate or gift planning purposes, are not included in the Business Income Tax base. This exclusion only applies to the specific types of taxpayers identified above. Investment income and any other types of income earned or received by all other types of persons or taxpayers not specifically referenced must be included in the business income of the taxpayer.

Line 11: Enter all capital losses that were used federally to offset capital gain. This is not the net amount found on the U.S. Schedule D lines identified below, but rather the amount of capital losses that were used in reaching the net amount on those federal return lines. If filing U.S. Form 1040 or 1041, include the capital loss amount that the Individual or Fiduciary was able to use against the capital gain and the capital loss amount that the Individual or Fiduciary was permitted to deduct from ordinary income (\$3,000 or less). Use both long-term and short-term capital losses here.

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

Also include on this line the net operating loss carryback or carryover from the federal schedule that was included in the business income reported on line 10. Report each of these amounts as a positive number.

Line 17: For tax periods less than 12 months, enter annualized gross receipts.

Part 2: Payments and Refundable Credits

Line 23: Enter the total tax paid with the *MBT Quarterly Tax Return* (Form 4548), or the estimated MBT paid with the *Combined Return for Michigan Taxes* (Form 160), or the amount paid through Electronic Funds Transfer. Include all payments made on returns that apply to the current tax year. For example, calendar-year filers include money paid with Form 160 for return periods January through December.

Amended Returns Only:

Line 27a: Enter payment made with original return.

Line 27b: Enter overpayment received (refund received plus credit forward created) on the original return.

Line 27c: Add lines 26 and 27a and subtract line 27b from the sum.

Part 3: Tax Due / Overpayment

Line 29: If penalty and interest are owed for not filing estimated returns or for underestimating a tax, complete the *MBT Penalty and Interest Computation for Underpaid Estimated Tax* (Form 4582) to compute penalty and interest due. If a taxpayer prefers not to file this form, Treasury will compute the penalty and interest and bill for payment.

Line 30: Enter the annual return penalty rate in line 30a. Add the overdue tax penalty in line 30b to the overdue tax interest in line 30c. Enter total in line 30d.

Refer to the "Computing Penalty and Interest" section in Form 4600 to determine the annual return penalty rate and applicable

daily interest rate. Then use the following “Overdue Tax Penalty” and “Overdue Tax Interest” worksheets.

WORKSHEET – OVERDUE TAX PENALTY

A. Tax due from Form 4583, line 28		00
B. Late/extension or insufficient payment penalty percentage		%
C. Multiply line A by line B.....		00

Carry amount from line C to Form 4583, line 30b.

WORKSHEET – OVERDUE TAX INTEREST

A. Tax due from Form 4583, line 28		00
B. Applicable daily interest percentage ..		%
C. Number of days return was past due ...		
D. Multiply line B by line C		%
E. Multiply line A by line D		00

Carry amount from line E to Form 4583 line 30c.

Line 30c: NOTE: If the late period spans more than one interest rate period, divide the late period into the number of days in each of the interest rate periods identified in the “Computing Penalty and Interest” section in Form 4600, and apply the calculations in the “Overdue Tax Interest” worksheet separately to each portion of the late period. Combine these interest subtotals and carry the total to Form 4583, line 30c.

Line 32: If the amount of the overpayment, less any penalty and interest due on lines 29 and 30d is less than zero, enter the difference (as a positive number) on line 31. If the amount is greater than zero, enter on line 32.

NOTE: If an overpayment exists, a taxpayer must elect a refund of all or a portion of the amount and/or designate all or a portion of the overpayment to be used as an estimate for the next MBT tax year. Complete lines 33 and 34 as applicable.

Line 33: If the taxpayer anticipates an MBT liability in the filing period subsequent to this return, some or all of any overpayment from line 32 may be credited forward to the next tax year as an estimated payment. Enter the desired amount to use as an estimate for the next MBT tax year.

Reminder: Taxpayers must sign and date returns. Tax preparers must provide a Preparer Taxpayer Identification Number (PTIN), FEIN or Social Security number (SSN), a business name, and a business address and phone number.

Attachments

Federal Forms: Attach copies of these forms to the return.

- **C Corporations:** U.S. Form 1120 (pages 1 through 4), Schedule D, Form 851, Form 4562, and Form 4797. If filing as part of a consolidated federal return, attach a pro forma or consolidated schedule.
- **S Corporations:** U.S. Form 1120-S (pages 1 through 4)*, Schedule D, Form 851, Form 4562, Form 4797, Form 8825.
- **Individuals:** U.S. Form 1040 (pages 1 and 2), Schedules C, C-EZ, D, E, and Form 4797.
- **Fiduciaries:** U.S. Form 1041 (pages 1 through 4), Schedule D, and Form 4797.

- **Partnerships:** U.S. Form 1065 (pages 1 through 5)*, Schedule D, Form 4797, and Form 8825.

- **Limited Liability Companies:** Attach appropriate schedules shown above based on federal return filed.

- **Federally Exempt Entities:** In certain circumstances, a federally tax exempt entity must file an MBT return. In those cases, attach U.S. Form 990-T (pages 1 through 4).

NOTE: Federally disregarded LLCs (and Q-Subs) are required to file separate MBT returns if they do not meet the UBG relationship test and thus do not file as part of a UBG return with their owner. A federally disregarded entity filing MBT separately will prepare its MBT return on the basis of a pro forma federal return or equivalent schedule, using the same federal return type as its owner. Attach a copy of the applicable pro forma return and schedules listed above.

* Do not send copies of K-1s. Treasury will request them if necessary.