

# Corporate Income Tax

## STANDARD TAXPAYERS

**This booklet contains information on completing a Michigan Corporate Income Tax return for calendar year 2022 or a fiscal year ending in 2023.**

- ⚡ E-filing your return is easy, fast, and secure!
- ⚡ Visit Treasury's Web site at [www.MIfastfile.org](http://www.MIfastfile.org) for a list of e-file resources and how to find an e-file provider.



**WWW.MIFASTFILE.ORG**



### FILING DUE DATE:

**CALENDAR FILERS — APRIL 30, 2023**

**FISCAL FILERS — THE LAST DAY OF THE FOURTH MONTH AFTER THE END OF THE TAX YEAR.**

**WWW.MICHIGAN.GOV/TAXES**

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

# 2022 General Information for Standard Taxpayers

**Insurance Companies and Financial Institutions:** See the *Corporate Income Tax (CIT) Instruction Booklet for Insurance Companies* (Form 4904) or the *CIT Instruction Booklet for Financial Institutions* (Form 4907) at [www.michigan.gov/taxes](http://www.michigan.gov/taxes).

This booklet is intended as a guide to help complete the Corporate Income Tax (CIT) return. It does not take the place of the law.

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## Who Files a Standard Return?

Under the CIT, taxpayer means a C Corporation, insurance company, financial institution, or a Unitary Business Group (UBG) liable for tax, interest, or penalty. All taxpayers (described here as standard taxpayers) other than financial institutions and insurance companies with apportioned or allocated gross receipts equal to \$350,000 or more and whose CIT liability is greater than \$100 must file a CIT Annual Return (Form 4891). (See “Filing if Tax Year Is Less Than 12 Months” in this “General Information” section.) The law does not require the filing of the CIT return by a taxpayer whose gross receipts apportioned or allocated to Michigan are less than \$350,000 or whose CIT liability is less than or equal to \$100. There is not a separate form for reporting that a taxpayer has no filing requirement. However, taxpayers without a filing requirement may choose to file a return to claim a refund of the estimated payments made or create and carry forward an available business loss.

**Public Law 86-272:** If a taxpayer’s activity is protected under Public Law (PL) 86-272, but the taxpayer wishes to claim a refund, the taxpayer must file a Form 4891. When filing this form, leave lines 12 through 41 and lines 49 through 53 blank, and include an attachment explaining the circumstances of the PL 86-272 protection. Line 42 and line 43 must be completed to report any recapture of credits.

**UBGs:** If all members of the UBG are claiming PL 86-272 protection, then the UBG will leave lines 12 through 41 and lines 49 through 53 blank and include a statement explaining the circumstances of the PL 86-272 protection for each member. Lines 42 and 43 of form 4891 must be completed to report any recapture of credits by the group. (Each member will leave lines 21 through 35 blank on the *CIT Data on Unitary Business Group Members*, Form 4897.) However, as long as one member of a UBG has nexus with Michigan and exceeds the protections of PL 86-272, all members of the UBG — including members protected under PL 86-272 — must be included when calculating the UBG’s CIT tax base and apportionment formula. PL 86-272 will only remove income from the apportionable CIT tax base when all members of the UBG are protected under PL 86-272.

**EXCEPTION:** 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 in a UBG with its owner. A person in this situation will report on the *CIT UBG Combined Filing Schedule for Financial Institutions* (Form 4910), which supports the *CIT Annual Return for Financial Institutions* (Form 4908).

**UBGs:** For a UBG (discussed in greater detail below), the \$350,000 filing threshold is calculated by adding gross receipts of every member and after elimination of intercompany

transactions. The tax liability threshold of \$100 is determined on a group basis.

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 Corporate Income and Retaliatory Taxes*, Form 4905, and *CIT Annual Return for Financial Institutions*, Form 4908, respectively).

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## Using This Booklet

This CIT booklet includes forms and instructions for all “standard taxpayers” (all filers except insurance companies and financial institutions). These forms are designed for calendar year 2022 and for a fiscal filer with a tax year ending in 2023.

Read the “General Information” section first. The Michigan Department of Treasury (Treasury) recommends taxpayers and tax preparers also review the instructions for all forms.

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## Overview of CIT for Standard Taxpayers

The CIT imposes a tax on all standard taxpayers with apportioned or allocated gross receipts (annualized, if applicable) equal to \$350,000 or more and whose CIT liability is more than \$100. The CIT tax rate is 6 percent.

The statute offers one non-refundable credit that is available for standard taxpayers. The Small Business Alternative Credit is available for qualifying standard taxpayers by calculating the credit on the *CIT Small Business Alternative Credit* (Form 4893).

For standard taxpayers, the CIT tax base is the taxpayer’s federal taxable income (as defined for CIT purposes), with certain additions and subtractions.

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## Filing CIT Quarterly Tax Estimates

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.

**NOTE:** Formerly, taxpayers could pay by check on a monthly or quarterly basis by remitting a check with a Combined Return for Michigan Tax (Form 160). Form 160 was replaced. The new form no longer accommodates CIT payments. As a result, Form 4913 is the only form that supports a CIT estimated payment.

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 the Michigan Department of Treasury's (Treasury) Corporate Income Tax Division at 517-636-6925 for alternate payment methods.

The estimated payment made with each quarterly return must be computed on the actual CIT for the quarter, or 25 percent of the estimated total liability if paying a CIT 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 Income Tax 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:** 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 and filed a CIT return for 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 CIT liability for the current year. There is no prior-year safe harbor for a taxpayer's first CIT tax period. For a taxpayer's first CIT tax period the estimates must equal at least 85 percent of the total CIT liability, as explained 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.

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### Electronic Filing of CIT Returns

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

Treasury will be enforcing the CIT 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 CIT e-filed returns. A current list of defined attachments is available in the CIT "Michigan Tax Preparer Handbook for Electronic Filing Programs," which is available on the Treasury Web site at [www.Mifastfile.org](http://www.Mifastfile.org) by clicking on "Corporate Income Tax-Michigan Business Tax," then "Corporate Income Tax Handbook" for the applicable tax year. Follow your software instructions for submitting attachments with an e-filed return.

If the CIT 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 the e-file Web site at [www.Mifastfile.org](http://www.Mifastfile.org).

The taxpayer may be required to e-file its federal return. Visit the Internal Revenue Service (IRS) Web site at [www.irs.gov](http://www.irs.gov) for more information on federal e-file requirements and the IRS Federal/State Modernized e-File (MeF) program.

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### Complete Federal Tax Forms First

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

- C Corporations — U.S. Form 1120 and Schedules D, K, 851, 940, 4562, 4797, and 8825.
- Limited Liability Companies (LLCs) — Federal forms listed above if LLC files as a C Corporation for federal return purposes.

Reference these federal forms to complete Form 4891.

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.

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### Completing Michigan Forms

Treasury captures the information from paper CIT 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 (Ø) or seven (7).
- **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.

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### **Suggested Order of Analysis and Preparation of a CIT Annual Return**

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First, determine whether the taxpayer has nexus with Michigan. Nexus is a legal term that expresses whether a taxpayer has sufficient connection to Michigan to justify subjecting the taxpayer to Michigan tax. See Revenue Administrative Bulletins (RAB) 2013-9 and 2014-5 on Treasury's Web site at [www.michigan.gov/treasury](http://www.michigan.gov/treasury).

Next, determine whether the taxpayer has \$350,000 or more of gross receipts that are apportioned or allocated to Michigan. (See "Filing if Tax Year Is Less Than 12 Months" in this "General Information" section, if applicable.)

*Gross receipts* means the entire amount received by the taxpayer 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. Gross receipts also include the imputed gross receipts from any (unitary or non-unitary) flow-through entity that is not electing to be taxed under MBT and from which the taxpayer receives a distributive share of income or loss. The statutory definition of gross receipts is found in Michigan Compiled Laws (MCL) 206.607(4). Guidance on gross receipts can be found in the instructions for the *CIT Annual Return* (Form 4891).

Gross receipts is a worldwide figure. For a taxpayer that has nexus only with Michigan, all gross receipts are allocated to Michigan. A taxpayer that has nexus with Michigan and at least one other state or foreign country must calculate its apportionment percentage and multiply its total gross receipts by that apportionment percentage. See Form 4891, lines 9a through 9g, and accompanying instructions for this calculation.

The resulting figure is the taxpayer's gross receipts apportioned to Michigan.

Gross receipts include the imputed gross receipts from any (unitary or non-unitary) flow-through entity not electing to be taxed under MBT and from which the taxpayer receives a distributive share of income or loss. The imputed gross receipts attributed to the taxpayer are the apportioned or allocated gross receipts based on the flow-through entity's apportionment percentage multiplied by the percentage of the taxpayer's share of distributive income as compared to the total distributive income of that flow-through entity.

If all of the foregoing considerations determine that a taxpayer must file a CIT return, standard taxpayers will use Form 4891 to file for CIT. It is available to all standard taxpayers, and allows for the calculation of the Small Business Alternative Credit.

For a taxpayer using Form 4891, first complete lines 1 through 39 to calculate Corporate Income Tax Before Credit. At that point, if the Small Business Alternative Credit will be claimed, complete the *CIT Small Business Alternative Credit* (Form 4893). In addition, a taxpayer that is claiming the Small Business Alternative Credit will need to complete the *Schedule of Shareholders and Officers* (Form 4894) to determine if they qualify for the credit.

After the Small Business Alternative Credit has been determined on Form 4893, line 14 or line 18, carry the figure to Form 4891, line 40. Follow the Form 4891 instructions for the remaining lines.

If preparing a UBG return for a standard taxpayer, complete the *CIT Data on Unitary Business Group Members* (Form 4897) for each member first, as this form provides the data that is required on Form 4891.

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### **Further General Guidance**

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A UBG must file a combined CIT return. (For a definition of UBG, and details on filing a combined CIT return, see "UBGs and Combined Filing" in this "General Information" section.)

**Producers of oil and gas** must add back expenses and subtract income that was included in federal taxable income and resulted from the production of oil and gas if that production of oil and gas is subject to the Severance Tax on Oil or Gas, 1929 PA 48., and from the production of minerals if that production is subject to severance tax in PA 410 of 2012. Expenses should be added back on line 23, and income should be reported on line 30.

**Businesses reporting less than 12 months** must annualize gross receipts to determine whether they are required to file. (See "Filing if Tax Year Is Less Than 12 Months" in this "General Information" section for more guidance on annualization.)

If apportioned or allocated gross receipts are below the filing requirement, there is no legal obligation to file a return or pay the tax. If you are not legally required to file a return but you wish to preserve the carryforward of a business loss or claim a refund of estimated payments or overpayment creditforward from a prior year, a return must be filed. There is no form to notify Treasury that the taxpayer has no CIT filing requirement.

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

- 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 refers to a C Corporation.

**NOTE:** A person that is a disregarded entity for federal income tax purposes, including a single member LLC or qualified subchapter S subsidiary (Q-Sub), is disregarded for purposes of CIT. If the owner of the disregarded entity files CIT, the activity of the disregarded entity must be included on that return.

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## UBGs and Combined Filing

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**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 of this instruction booklet.

### General Overview of Unitary Taxation

More than 20 states have adopted unitary taxation. Unitary taxation is a method of taxing related persons that, if it applies, generally treats those related persons as if they were one. There are specific tests, discussed below, to determine whether two or more business entities are sufficiently connected by ownership and business relationships to be treated as a group.

If those tests are satisfied and a UBG is found to exist, in most cases the members of that UBG will file a single CIT return.

One member will be designated as the group’s representative for filing the return and corresponding with Treasury. This member is referred to throughout these instructions as the designated member (DM). Included in that return will be separate forms that report income, deductions, and activities separately by member, and then the combined amounts are entered on the Form 4891. References in the instructions to “the taxpayer” generally will refer to the group rather than any one of its members.

This is a simplification for introductory purposes, and there are many details and exceptions described throughout the CIT forms and instructions. In particular, tax credits, transactions between members, and the presence of financial institutions or insurance companies in the group require careful attention.

One key issue in dealing properly with unitary taxation is to recognize that it is not limited to large, multi-state companies. Businesses of any size and any geographic extent may find that they are members of a UBG.

### Determining the Existence and Membership of a UBG

Unitary Business Group means a group of United States

persons that are corporations, insurance companies, or financial institutions, 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) 206.607(3).

**Control Test and Relationship Tests.** For information on CIT topics, see the Treasury Web site at [www.michigan.gov/treasury](http://www.michigan.gov/treasury). Revenue Administrative Bulletin (RAB) 2018-12 addresses the UBG Control Test and Relationship Tests.

**Role of the Designated Member:** The DM speaks, acts, and files the CIT return on behalf of the UBG for CIT purposes. Only the DM may file a valid extension request for the UBG. Treasury maintains the UBG’s CIT tax data (e.g., prior CIT returns, overpayment credit forward) under the DM’s name and Federal Employer Identification Number (FEIN).

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## Exemption Guidelines for CIT

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The following may be exempt from CIT:

- Most persons who are exempt from federal income tax under the IRC.
- Nonprofit cooperative housing corporations.
- Foreign person that is domiciled in a member country of the North American free trade agreement if the foreign person is domiciled in a subnational jurisdiction that does not impose an income tax on a similarly situated person domiciled in Michigan. For purposes of this provision, foreign person is defined in MCL 206.625(5)(c).
- Domestic International Sales Corporations (DISCs) as defined in IRC 992.
- A person that is a self-insurer group operating under an agreement entered pursuant to section 611(2) of the worker’s disability compensation act of 1969, 1969 PA 317, MCL 418.611.

If a taxpayer is exempt under the first bullet above, but has unrelated business taxable income as defined in the IRC; that business activity is subject to the CIT and a return will be required if the apportioned or allocated gross receipts are \$350,000 or more from the unrelated business activity.

Foreign persons that are not exempt from the CIT must calculate business income, gross receipts, CIT tax base, and the sales factor differently than domestic taxpayers. Refer to MCL 206.625(2)-(4) for details.

For a complete list of exemptions, consult the CIT (PA 38 of 2011, as amended) at [www.legislature.mi.gov](http://www.legislature.mi.gov).

If a taxpayer is exempt and has no unrelated business taxable income, filing a CIT return is not required.

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## What Lead Form to File

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### File Form 4891 if:

- Apportioned or allocated gross receipts (annualized, if applicable) are \$350,000 or more and the standard taxpayer’s CIT tax liability is greater than \$100.
- Apportioned or allocated gross receipts (annualized, if applicable) are less than \$350,000, and:

- A refund is claimed, or
- A loss was generated during the filing period and will create a carry forward to the next year, or
- A CIT business loss carryforward from a prior year is reported (filing in this case is necessary to move the carryforward to the following year).

This list does not cover all situations. See instructions for each form for more information.

Different primary returns and instruction booklets are available for insurance companies (Form 4905) and financial institutions (Form 4908). The tax base for each of these special taxpayer categories is fundamentally different than for standard taxpayers.

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## Filing if Tax Year Is Less Than 12 Months

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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 if there is a filing requirement, which forms to file, and eligibility for a Small Business Alternative Credit. Do not use annualized numbers on a return unless specified; use them only to determine annual return and estimated payment filing requirements, and qualifications for the Small Business Alternative Credit.

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 or after December 31 of any year is considered to have a tax year beginning after December of that tax year. (**NOTE:** While the examples below are for a prior tax year, the concepts apply to the current tax year.)

**Example 1:** A taxpayer with a federal tax year beginning on Saturday, December 26, 2022, will be treated as follows:

- 2022 tax year end of December 31, 2022.
- Due date of April 30, 2023.
- 2023 tax year beginning January 1, 2023.

**Example 2:** A taxpayer with a federal tax year ending on Sunday, January 3, 2023, will be treated as follows:

- 2022 tax year end of December 31, 2022.
- Due date of April 30, 2023.
- 2023 tax year beginning on January 1, 2023.

**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:

- 2022-23 fiscal year end will be January 31, 2023.
- Due date will be May 31, 2023.
- 2023-24 fiscal year will begin on February 1, 2023.

## 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.

- If annualized apportioned or allocated gross receipts are \$350,000 or more and the CIT tax liability is greater than \$100, file an annual return.
- Annualize prior year's CIT 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 2014 reporting a tax liability of \$9,000. Estimates for the tax year ending June 2015 may be based on the annualized liability of \$18,000. Estimates must be paid in four equal installments of \$4,500.

See appropriate forms (*CIT Small Business Alternative Credit* (Form 4983), and *CIT Schedule of Shareholders and Officers* (Form 4894)) for annualization instructions pertaining to the Small Business Alternative Credit.

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## Due Dates of Annual Returns

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For the 2022 calendar year, all annual returns are due April 30, 2023. All fiscal filers with a federal tax year ending in 2023, will be required to file the 2022-2023 fiscal year return by the last day of the fourth month after the end of the tax year. **An extension of time to file is not an extension of time to pay.**

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## Additional Filing Time

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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).

Filing a federal extension request with the IRS does not automatically grant a CIT 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 CIT 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 are received, Treasury will grant an extension of eight months to file the tax return.

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

If a CIT 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.

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## Amending a Return

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To amend a current or prior year annual return, complete the *Michigan CIT Amended Return* (Form 4892) that is applicable for that year and attach a separate sheet explaining the reason for the changes. Include all schedules filed with the original return, even if not amending that schedule. Do not include a copy of the original return with your amended return.

Current and past year forms are available on Treasury's Web site at [www.michigan.gov/treasuryforms](http://www.michigan.gov/treasuryforms).

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.

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 the CIT 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.

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## Computing Penalty and Interest

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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 *CIT Penalty and Interest Computation for Underpaid Estimated Tax* (Form 4899). 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, 2022	4.25%	0.0001164
July 1, 2022	4.27%	0.0001170
January 1, 2023	5.65%	0.0001548

For a list of interest rates, click on "Reports and Legal" on the Treasury Web site at [www.michigan.gov/treasury/](http://www.michigan.gov/treasury/). Interest rates are updated in Revenue Administrative Bulletins (RABs).

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## Signing the Return

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All returns must be signed and dated by the taxpayer or the taxpayer's authorized agent. This may be the owner, corporate officer, or association member. The corporate officer may be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any 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

use a clip in the upper-left corner or rubber band the pages together. (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:** 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 CIT 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.

The MI-8879 (Form 4763) 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. CIT 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.

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## Mailing Addresses

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Mail the annual return and all necessary schedules to:

**With payment:**

Michigan Department of Treasury  
PO Box 30804  
Lansing MI 48909

**Without payment:**

Michigan Department of Treasury  
PO Box 30803  
Lansing MI 48909

**Mail an extension application (Form 4) to:**

Michigan Department of Treasury  
PO Box 30774  
Lansing MI 48909-8274

**Mail CIT 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 FEIN or Michigan Treasury (TR) assigned number, the tax year, and “CIT” on the front of the check. Do not staple the check to the return.

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**Correspondence**

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An address change or business discontinuance can be reported online by using Michigan Treasury Online (MTO), Business Tax Services. See **[www.michigan.gov/mtobusiness](http://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](http://www.michigan.gov/treasuryforms)**.

**Mail correspondence to:**

Michigan Department of Treasury  
Business Taxes Division, CIT Unit  
PO Box 30059  
Lansing MI 48909

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**To Request Forms**

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**Internet**

Current and past year forms are available on Treasury’s Web site at **[www.michigan.gov/treasuryforms](http://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.

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**Revenue Administrative Bulletins (RABs)**

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Treasury provides updates via RABs on the Treasury Web site at **[www.michigan.gov/treasury/](http://www.michigan.gov/treasury/)**. Currently relevant RABs for the CIT are:

- 2013-9, CIT Definition of “Actively Solicits”
- 2018-12, CIT Unitary Business Group Control Test and Relationship Tests
- 2014-5, Michigan CIT Nexus Standards
- 2015-20, Where Benefit of Services is Received
- Interest Rates: For a list of interest rates, go to **[www.michigan.gov/treasury/](http://www.michigan.gov/treasury/)** and click on “Reports and Legal.”

# Sourcing of Sales to Michigan under the Corporate Income Tax (CIT)

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## TANGIBLE AND REAL PROPERTY

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### Sale of tangible personal property

Property is shipped or delivered, or, in the case of electricity and gas, the contract requires the property to be shipped or delivered, to any purchaser within this State based on the ultimate destination at the point that the property comes to rest regardless of the free on board point or other conditions of the sales. Property stored in transit for 60 days or more prior to receipt by the purchaser or the purchaser's designee, or in the case of a dock sale not picked up for 60 days or more, shall be deemed to have come to rest at this ultimate destination. Property stored in transit for fewer than 60 days prior to receipt by the purchaser or the purchaser's designee, or in the case of a dock sale picked up before 60 days, is not deemed to have come to rest at this ultimate destination.

**NOTE:** *Tangible personal property* means that term as defined in Section 2 of the Use Tax Act, Public Act (PA) 94 of 1937, MCL 205.92.

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### Sale, lease, rental or licensing of real property

Property is located in this State.

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### Lease or rental of tangible personal property

To the extent the property is used in this State. Extent of use is determined by multiplying the receipts by a fraction, the numerator is the number of days of physical location of the property in this State during the lease or rental period in the tax year and the denominator is the number of days of physical location of the property everywhere during all lease or rental periods in the tax year.

If the physical location of the property during the lease or rental period is unknown or cannot be determined, the tangible personal property is used in the state in which the property was located at the time the lease or rental payer obtained possession.

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### Lease or rental of mobile transportation property owned by the taxpayer

To the extent property is used in this State. For example, the extent an aircraft will be deemed to be used is determined by multiplying all the receipts from the lease or rental of the aircraft during the tax year by a fraction, the numerator of the fraction is the number of landings of the aircraft in this State in the tax year and the denominator of the fraction is the total number of landings of the aircraft in the tax year.

If the extent of use of any transportation property within this State cannot be determined, the receipts are in this State if the property has its principal base of operations in this State.

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## INTANGIBLE PROPERTY (IN GENERAL)

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**Royalties and other income received for use of or for the privilege of using intangible property including patents, knowhow, formulas, designs, processes, patterns, copyrights, trade names, service names, franchises, licenses, contracts, customer lists, custom computer software, or similar items**

Property is used by the purchaser in this State. If property is used in more than one state, royalties or other income will be apportioned to this State pro rata according to the portion of use in this State.

If the portion of use in this State cannot be determined, the royalties or other income will be excluded from both the numerator and the denominator.

If the purchaser of intangible property uses it or the rights to the intangible property, in the regular course of its business operations in this State, regardless of the location of the purchaser's customers.

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## SALES FROM PERFORMANCE OF SERVICES (IN GENERAL)

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### Receipts from performance of services, in general

Recipient of services receives all of the benefit of the services in this State.

If the recipient of the services receives some of the benefit of the services in this State, receipts are included in the numerator of the apportionment factor in proportion to the extent that the recipient receives benefit of the services in this State.

For more information regarding how a taxpayer determines where the recipient of services performed receives the benefit of those services and on other CIT topics, see the Michigan Department of Treasury (Treasury) Web site at [www.michigan.gov/treasury/](http://www.michigan.gov/treasury/). Review "Corporate Income Tax" under "Taxes." Treasury also posts updates via Revenue Administrative Bulletin (RAB). Also see RAB 2015-20, Where Benefit of Services is Received,

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## FINANCIAL SERVICES

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**Sales derived from securities brokerage services including commissions on transactions, the spread earned on principal transactions in which broker buys or sells from its account, total margin interest paid on behalf of brokerage accounts owned by broker's customers, and fees and receipts of all kinds from underwriting of securities**

Multiply the total dollar amount of receipts from securities brokerage services by a fraction, the numerator of which is the sales of securities brokerage services to customers within this State, and the denominator of which is the sales of securities brokerage services to all customers.

If receipts from brokerage services can be associated with a particular customer, but it is impractical to associate the receipts with the address of the customer, then the address of the customer will be presumed to be the address of the branch office that generates the transactions for the customer.

**Sales of services derived directly or indirectly from sale of management, distribution, administration, or securities brokerage services to, or on behalf of, a regulated investment company or its beneficial owners, including receipts derived directly or indirectly from trustees, sponsors, or participants**

## **of employee benefit plans that have accounts in a regulated investment company**

To the extent the shareholders of the regulated investment company are domiciled within this State. For this purpose, *domicile* means the shareholder's mailing address on the records of the regulated investment company.

If the regulated investment company or the person providing management services to the regulated investment company has actual knowledge that the shareholder's primary residence or principal place of business is different than the shareholder's mailing address, then the shareholder's primary residence or principal place of business is the shareholder's domicile.

A separate computation must be made with respect to receipts derived from each regulated investment company. Total amount of sales attributable to this State must be equal to total receipts received by each regulated investment company multiplied by a fraction determined as follows:

- The numerator of the fraction is the average of the sum of the beginning-of-year and end-of-year number of shares owned by the regulated investment company shareholders who have their domicile in this State.
- The denominator of the fraction is the average of the sum of the beginning-of-year and end-of-year number of shares owned by all shareholders.
- For purposes of the fraction, the year will be the tax year of the regulated investment company that ends with or within the tax year of the taxpayer.

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## **Receipts from the origination of a loan or gains from sale of a loan secured by residential real property**

Only if one or more of the following apply:

- Real property is located in this State.
- Real property is located both within this State and one or more other states and more than 50 percent of the fair market value of the real property is located within this State.
- More than 50 percent of the real property is not located in any one state and the borrower is located in this State.\*

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## **Interest from loans secured by real property**

Property is located in this State.

If property is located both in this State and one or more other states, and more than 50 percent of the fair market value of the real property is located within this State.

If more than 50 percent of the fair market value of the real property is not located within any one state, if the borrower is located in this State.\*

The determination of whether the real property securing a loan is located in this State will be made at the time the original agreement was made and any and all subsequent substitutions of collateral will be disregarded.

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## **Interest from a loan not secured by real property**

Borrower is located in this State\*

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## **Gains from sale of a loan not secured by real property, including income recorded under coupon stripping rules of IRC 1286**

Borrower is located in this State\*

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## **Credit card receivables, including interest, fees, and penalties from credit card receivables and receipts from fees charged to cardholders, such as annual fees**

Billing address of the cardholder is located in this State

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## **Sale of credit card or other receivables**

Billing address of the customer is located in this State

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## **Credit card issuer's reimbursements fees**

Billing address of the cardholder is located in this State.

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## **Merchant discounts, computed net of any cardholder chargebacks, but not reduced by any interchange transaction fees or by any issuer's reimbursement fees paid to another for charges made by its cardholders**

Commercial domicile of the merchant is located in this State.

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## **Loan servicing fees derived from loans of another secured by real property**

Real property is located in this State.

Real property is located both in and out of this State and one or more states if more than 50 percent of the fair market value of the real property is located in this State.

More than 50 percent of the fair market value of the real property is not located in any one state, and the borrower is located in this State.\*

If the location of the security cannot be determined, then loan servicing fees for servicing either the secured or the unsecured loans of another are in this State if the lender to whom the loan servicing service is provided is located in this State.

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## **Loan servicing fees derived from loans of another not secured by real property**

Borrower is located in this State.\*

If location of the security cannot be determined, then loan servicing fees for servicing either the secured or the unsecured loans of another are in this State if the lender to whom the loan servicing service is provided is located in this State.

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## **Sale of securities and other assets from investment and trading activities, including, but not limited to, interest, dividends, and gains**

Attributable to the State if the person's customer is in this State, or if the location of the person's customer cannot be determined, both of the following:

- Interest, dividends, and other income from investment assets and activities and from trading assets and activities, including, but not limited to, investment securities; trading

\*A borrower is considered located in this State if the borrower's billing address is in this State.

account assets; federal funds; securities purchased and sold under agreements to resell or repurchase; options; futures contracts; forward contracts; notional principal contracts such as swaps; equities; and foreign currency transactions are in this State if the average value of the assets is assigned to a regular place of business of the taxpayer within this State.

- o Interest from federal funds sold and purchased and from securities purchased under resale agreements and securities sold under repurchase agreements are in this State if the average value of the assets is assigned to a regular place of business of the taxpayer within this State.
- o Amount of receipts and other income from investment assets and activities is in this State if assets are assigned to a regular place of business of the taxpayer within this State.
- Amount of receipts from trading assets and activities, including, but not limited to, assets and activities in the matched book, in the arbitrage book, and foreign currency transactions, but excluding amounts otherwise sourced in this section, are in this State if the assets are assigned to a regular place of business of the taxpayer within this State.

## TRANSPORTATION SERVICES

### Receipts from transportation services

Generally, receipts will be proportioned based on the ratio that revenue miles of the person in this State bear to the revenue miles of the person everywhere. *Revenue mile* means the transportation for consideration of 1 net ton in weight or 1 passenger the distance of 1 mile.

For transportation services that source sales based on revenue miles, enter a sales amount on Form 4891, Line 9a, by multiplying total sales of the transportation service by the ratio of Michigan revenue miles over revenue miles everywhere for that type of transportation service. *Revenue mile* means the transportation for a consideration of one net ton in weight or one passenger the distance of one mile.

Receipts from maritime transportation services will be attributable to this State as follows:

- 50 percent of those receipts that either originate or terminate in this State.
- 100 percent of those receipts that both originate and terminate in this State.

Receipts attributable to this State of a person whose business activity consists of the transportation of:

- Property and individuals – Proportioned based on the total receipts for passenger miles and ton mile fractions, separately computed and individually weighted by the ratio of receipts from passenger transportation to total receipts from all transportation, and by the ratio of receipts from freight transportation to total receipts from all transportation, respectively.

Michigan Ton Miles			Receipts from
Total Ton Miles	X		Transportation of Property
		+	
Michigan Passenger Miles			Receipts from
Total Passenger Miles	X		Transportation of Passengers
= Michigan Sales from Transportation Services			

- Oil by pipeline – Proportioned based on the ratio that the receipts for the barrel miles transported in this State bear to the receipts for the barrel miles transported by the person everywhere.
- Gas by pipeline – Proportioned based on the ratio that the receipts for the 1,000 cubic feet miles transported in this State bear to the receipts for the 1,000 cubic feet miles transported by the person everywhere.

**NOTE:** If a taxpayer can show that revenue mile information is not available or cannot be obtained without unreasonable expense to the taxpayer, receipts attributable to this State will be that portion of the revenue derived from transportation services performed everywhere that the miles of transportation services performed in this State bears to the miles of transportation services performed everywhere. If Treasury determines that the information required for the calculations above are not available or cannot be obtained without unreasonable expense to the taxpayer, Treasury may use other available information that in the opinion of Treasury will result in an equitable allocation of the taxpayer's receipts to this State.

**NOTE:** Only transportation services are sourced using revenue miles. To the extent the taxpayer has business activities or revenue streams not from transportation services, those receipts should be sourced accordingly.

## TELECOMMUNICATIONS SERVICES

**NOTE:** Terms used to describe the sale of telecommunications service or mobile telecommunications service have the same meaning as those terms defined in the Streamlined Sales and Use Tax Agreement administered under the Streamlined Sales and Use Tax Administration Act, PA 174 of 2004, MCL 205.801 to 205.833.

### Sale of telecommunications service or mobile telecommunications service, in general

Customer's place of primary use of the service is in this State. As used here, *place of primary use* means the customer's residential street address or primary business street address where the customer's use of the telecommunications service primarily occurs.

For mobile telecommunications service, the customer's residential street address or primary business street address is the place of primary use only if it is within the licensed service area of the customer's home service provider.

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**Sale of telecommunications service sold on an individual call-by-call basis**

Call both originates and terminates in this State.

Call either originates or terminates in this State and the service address is located in this State.

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**Sale of postpaid telecommunications service**

Origination point of the telecommunication signal (as first identified by the service provider's telecommunication system or as identified by information received by the seller from its service provider if the system used to transport telecommunication signals is not the seller's) is located in this State.

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**Sale of prepaid telecommunications service or prepaid mobile telecommunications service**

Purchaser obtains the prepaid card or similar means of conveyance at a location in this State.

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**Recharging a prepaid telecommunications service or mobile telecommunications service**

Purchaser's billing information indicates a location in this State.

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**Sale of private communication services**

100 percent of the receipts from the sale of each channel termination point within this State.

100 percent of the receipts from the sale of the total channel mileage between each termination point within this State.

50 percent of the receipts from the sale of service segments for a channel between two customer channel termination points, one of which is located in this State and the other is located outside of this State, which segments are separately charged.

Receipts from the sale of service for segments with a channel termination point located in this State and in two or more other states or equivalent jurisdictions, and which segments are not separately billed, are in this State based on a percentage determined by dividing the number of customer channel termination points in this State by the total number of customer channel termination points.

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**Sale of billing services and ancillary services for telecommunications service**

Based on the location of the purchaser's customers.

If the location of the purchaser's customers is not known or cannot be determined, the sale of billing services and ancillary services for telecommunications service are in this State based on the location of the purchaser.

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**To access a carrier's network or from the sale of telecommunications services for resale**

100 percent of the receipts from access fees attributable to intrastate telecommunications service that both originates and terminates in this State.

50 percent of the receipts from access fees attributable to interstate telecommunications service if the interstate call either originates or terminates in this State.

100 percent of receipts from interstate end user access line charges, if customer's service address is in this State. As used here, "interstate end user access line charges" includes, but is not limited to, the surcharge approved by the federal communications commission and levied pursuant to 47 CFR 69.

Gross receipts from sales of telecommunications services to other telecommunication service providers for resale will be sourced to this State using the apportionment concepts used for non-resale receipts of telecommunications services if the information is readily available to make that determination. If the information is not readily available, then the taxpayer may use any other reasonable and consistent method.

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**Taxpayer whose business activities include live radio or television programming as described in Subsector Code 7922 of Industry Group 792 or are included in Industry Groups 483, 484, 781, or 782, under the SIC Code as compiled by the U.S. Department of Labor, or any combination of the business activities included in those groups**

Media receipts are attributable to this State only if the commercial domicile of the customer is in this State and the customer has a direct connection or relationship with the taxpayer pursuant to a contract under which the media receipts are derived.

Media receipts from the sale of advertising are attributable to this State if the customer of that advertising is commercially domiciled in this State and receives some of the benefit of the sale of that advertising in this State. Sales are included in proportion to the extent that the customer receives the benefit of the advertising in this State.

If the taxpayer is a broadcaster and if the customer receives some of the benefit of the advertising in this State, the media receipts for that sale of advertising from that customer will be proportioned based on the ratio that the broadcaster's viewing or listening audience in this State bears to its total viewing or listening audience everywhere.

*Media property* means motion pictures, television programs, Internet programs and Web sites, other audiovisual works, and any other similar property embodying words, ideas, concepts, images, or sound without regard to the means or methods of distribution or the medium in which the property is embodied.

*Media receipts* means receipts from the sale, license, broadcast, transmission, distribution, exhibition, or other use of media property and receipts from the sale of media services. Media receipts do not include receipts from the sale of media property that is a consumer product that is ultimately sold at retail.

*Media services* means services in which the use of the media property is integral to the performance of those services.

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**OTHER**

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**Default for all other receipts not otherwise sourced here**

Sourced based on where the benefit to the customer is received, or if where the benefit to the customer is received cannot be determined, sourced to the customer's location.

# Instructions for Form 4891

## Corporate Income Tax Annual Return

### Purpose

To calculate the Corporate Income Tax (CIT) for standard taxpayers. Insurance companies should file the *Insurance Company Annual Return for Michigan Corporate Income and Retaliatory Taxes* (Form 4905) and Financial Institutions should file the *CIT Annual Return for Financial Institutions* (Form 4908).

A *standard taxpayer* is an entity that is a C Corporation, an entity that has elected to be taxed federally as a C Corporation for the tax year, or a Unitary Business Group (UBG) that includes members that are C Corporations or entities that have elected to be taxed federally as a C Corporation for the tax year.

### Instructions for UBGs

**NOTE:** UBGs must complete a copy of the *Michigan Corporate Income Tax Data on Unitary Business Group Members* (Form 4897) for each member of the UBG before completing Form 4891. Amounts reported for all members on Form 4897 must be summed and carried to the corresponding line on Form 4891.

Under the CIT, *corporation* means an entity that is a C Corporation or has elected to file federally as a C Corporation for the tax year. A *taxpayer* is a corporation, an insurance company, a financial institution, or a UBG that is liable for tax, interest, or penalty.

A *UBG* is a group of United States persons that are corporations, insurance companies, or financial institutions, other than a foreign operating entity, that satisfies the following criteria:

- **Control Test:** One of the persons owns or controls, directly or indirectly, more than 50 percent of the ownership interest with voting rights (or rights comparable to voting rights) of the other members; AND
- **Relationship Test:** The UBG has operations which result in a flow of value between the members in the UBG or has operations that are integrated with, are dependent upon, or contribute to each other. Flow of value is determined by reviewing the totality of facts and circumstances of business activities and operations.

*United States person* is defined in the Internal Revenue Code (IRC) § 7701(a)(30).

A *foreign operating entity* means a United States corporation that would otherwise be a part of a UBG that is taxable in Michigan; has substantial operations outside the United States, the District of Columbia, any territory or possession of the United States except for the commonwealth of Puerto Rico, or a political subdivision of the foregoing; and at least 80 percent of its income is active foreign business income as defined in IRC § 871(l)(1)(B)(ii).

A UBG may alternatively be determined by making an

### *Affiliated Group Election.*

In Michigan, a UBG with members that are corporations must file Form 4891. A Designated Member (DM) must file the return on behalf of the standard members of the group. In a parent-subsidary controlled group, the controlling member must serve as DM if it has nexus with Michigan. If it does not have nexus with Michigan, the controlling member may appoint any member with nexus to serve as DM. When filling out the forms supporting this return, fields that require “taxpayer” information should be filled with the name and Federal Employer Identification Number (FEIN) of the DM.

**Tax Year of a UBG:** A taxpayer that is a UBG must file a combined return using the tax year of the DM. The combined return of the UBG must include each tax year of each member whose tax year ends with or within the tax year of the DM. For example, Taxpayer ABC is a UBG comprised of three standard members: Member A, the DM with a calendar tax year, and Members B and C with fiscal years ending March 31 and September 30, respectively. Taxpayer ABC’s tax year is that of its DM. For this group in 2022, that annual return will include Member A’s calendar year ending December 31, 2022, the tax year of Member B ending March 31, 2022, and the tax year of Member C ending September 30, 2022.

The gross receipts of a UBG is the sum of the gross receipts of each member included in the UBG, other than a person subject to the tax as an insurance company or financial institution, less any gross receipts arising from transactions between members included in the UBG. Gross receipts of each member should reflect the accounting method that member used to compute its federal taxable income.

The business income of a UBG is the sum of the business income of each member included in the UBG, other than a person subject to the tax as an insurance company or financial institution, less any items of income and related deductions arising from transactions (including dividends) between members included in the UBG. Business income of each member should reflect the accounting method that member used to compute its federal taxable income.

In general, components used to determine tax liability relate to the group as a single taxpayer, not to the individual members that comprise the group. Exceptions to this general rule are noted in instructions to the applicable forms. The group of members on the combined return is treated as the taxpayer (a distinct entity) for purposes of the Income Tax Act.

Additional information can be found at [www.michigan.gov/taxes](http://www.michigan.gov/taxes). Select “Business Taxes” from the items near the top of the page, and click on “Corporate Income Tax.” Also review Revenue Administrative Bulletin (RAB) 2018-12, *Unitary Business Group Control Test And Relationship Tests*. Click on “Reports and Legal” from the items near the top of the page, then click on “Revenue Administrative Bulletins.”

Also see “Notice to Taxpayers Regarding Labelle Management Inc v Department of Treasury.” This notice is found under

“News and Information” at [www.michigan.gov/taxes](http://www.michigan.gov/taxes).

## Taxpayer Certification

A return filed by a UBG must be signed by an individual authorized to sign on behalf of the DM. Provide a telephone number for that individual at the DM’s office. Treasury will only discuss the return with the authorized signer.

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## The Affiliated Group Election

The affiliated group election allows a group of persons that satisfy the definition of “affiliated group,” (see below) to elect to be treated as a UBG under the CIT even if those persons do not satisfy the relationship test of MCL 206.611(6). The relationship test is discussed in the Instructions for UBGs on this form and online at [www.michigan.gov/taxes](http://www.michigan.gov/taxes).

The term “affiliated group” means that term as defined in section 1504 of the IRC except that 1) the term includes all United States persons that are corporations, insurance companies, or financial institutions, other than a foreign operating entity, and 2) the entities listed in (1) are commonly owned, directly or indirectly, by any member of such affiliated group and other members of which more than 50 percent of the ownership interests with voting rights or ownership interests that confer comparable rights to voting rights of the member is directly or indirectly owned by a common owner or owners.

A taxpayer makes the election by affirmatively indicating so on the annual return (see line 7b). The affiliated group members are treated as members of a UBG for all purposes. However, the affiliated group election does not affect the determination of the flow-through entities with which the taxpayer is unitary for apportionment purposes. **Once an election is made, it is irrevocable and binding for the tax year plus the next 9 tax years.** See MCL 206.691(2) for more information.

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## General Instructions

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

For periods less than 12 months, see the “General Information for Standard Taxpayers” section in the Michigan CIT for Standard Taxpayers booklet (Form 4890).

Every standard taxpayer with nexus in Michigan and with apportioned or allocated gross receipts of \$350,000 or more and whose CIT tax liability is greater than \$100 must file an annual CIT return. (The gross receipts filing threshold does not apply to insurance companies or financial institutions.) Businesses that operate less than 12 months must annualize their gross receipts to determine if a filing requirement exists. For a UBG, the \$350,000 filing threshold is calculated after elimination of intercompany transactions. See the instructions for line 11 on calculating gross receipts for filing threshold purposes.

If the taxpayer is operating business for a period less than 12 months, the apportioned or allocated gross receipts for filing purposes must be annualized and then compared to the \$350,000 threshold.

**UBGs:** Complete Form 4897 and, if necessary, Form 4896 before beginning Form 4891. Answer lines 1 through 7 of Form

4891 as they apply to the DM.

**Amended Returns:** To amend a current or prior year annual return: complete the *CIT Amended Annual Return* (Form 4892) that is applicable for the year that is being amended. Include a copy of an amended federal return or a signed and dated Internal Revenue Service (IRS) audit document, if applicable. Complete and file all schedules, all forms and all attachments filed with the original return, even if not amending information on those schedules. **Do not include a copy of the original return with the amended return.**

**Refund Only:** If apportioned or allocated gross receipts are less than \$350,000 and there is no recapture of any credits, and the taxpayer is filing Form 4891 to claim a refund of estimates paid, skip lines 12 through 43 and lines 49 through 53.

**UBGs:** If combined apportioned or allocated gross receipts of all members is less than \$350,000 after eliminations and there is no recapture of any credits and the taxpayer is filing Form 4891 solely to claim a refund of estimates paid, the UBG may follow the “Refund Only” instructions for claiming a refund. However, the DM must include a Form 4896, if necessary, and a Form 4897 for each member included in the UBG.

**Public Law 86-272:** If a taxpayer’s business activity is protected under Public Law (PL) 86-272, and the taxpayer wishes to claim a refund, the taxpayer must file a Form 4891. When filing this form, leave lines 12 through 41 and lines 49 through 53 blank and include an attachment explaining the circumstances of the PL 86-272 protection. Lines 42 and 43 must be completed to report any recapture of credits.

**UBGs:** If all members of the UBG are claiming PL 86-272 protection, then the UBG will leave lines 12 through 41 and lines 49 through 53 blank and include a statement explaining the circumstances of the PL 86-272 protection for each member. Lines 42 and 43 must be completed to report any recapture of credits. However, as long as one member of a UBG has nexus with Michigan and exceeds the protections of PL 86-272, all members of the UBG — including members protected under PL 86-272 — must be included when calculating the UBG’s Corporate Income Tax base and apportionment formula. As a result, all UBG members must complete Form 4897 for the purpose of this return. Members with PL 86-272 protection are not taxable; however, PL 86-272 will only remove income from the apportionable CIT tax base when all members of the UBG are protected under PL 86-272.

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## Line-by-Line Instructions

*Lines not listed are explained on the form.*

**Line 1:** If not a calendar-year taxpayer, enter the beginning and ending dates (MM-DD-YYYY) that correspond to the taxable period included in this return.

*Tax year* means the calendar year, or the fiscal year ending during the calendar year, on 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 taxpayer's name. If a UBG, enter the name of the DM.

**Line 3:** Use the taxpayer's FEIN. Be sure to use the same account number on all forms. Also, the taxpayer's FEIN from line 3 must be repeated in the proper location on page 2.

**NOTE:** Unless already registered, taxpayers must register with the Michigan Department of Treasury before filing a tax return. Taxpayers are encouraged to register online at [www.michigan.gov/businessstaxes](http://www.michigan.gov/businessstaxes). Taxpayers that register with Treasury online receive their registration confirmation within seven days.

If the taxpayer does not have an FEIN, the taxpayer must obtain an FEIN before filing the CIT. The Web site [www.michigan.gov/businessstaxes](http://www.michigan.gov/businessstaxes) provides information on obtaining an FEIN (under "New Business Registration").

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

**UBGs:** Enter the FEIN of the DM for this UBG.

**Line 4:** Enter the complete address, including the two-letter country code. See the list of country codes in Form 4890.

**NOTE:** Any correspondence regarding the return filed and/or refund will be sent to the address provided on this form. The taxpayer's primary address in Treasury files, identified as the legal address and used for all purposes other than refund and correspondence on a specific CIT return, will not change unless the taxpayer files a *Notice of Change or Discontinuance* (Form 163) with Treasury.

**UBGs:** Enter the address of the DM for this UBG.

**FOREIGN FILERS:** Complete the address fields as follows:

**Address:** Enter the postal address for this taxpayer.

**City:** Enter the city name for this taxpayer. DO NOT include the country name in this field.

**State:** Enter the two-letter state or province abbreviation. If there is no applicable two-letter abbreviation, leave this field blank.

**ZIP/Postal Code:** Enter the ZIP Code or Postal Code.

**Country Code:** Enter the two-letter country code provided in Form 4890.

**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/](http://www.census.gov/eos/www/naics/), or enter the same NAICS code used when filing the entity's federal Form 1120, Schedule K.

**UBGs:** Enter here the NAICS code for the principal activity of the group. If no principal activity is available, enter the NAICS code used when filing the DM's federal Form 1120, Schedule K.

**Line 6:** Enter the date, if applicable, on which the taxpayer discontinued its business in Michigan or went out of existence.

**NOTE:** If the taxpayer is still subject to another tax

administered by Treasury, or continues to exist but has stopped doing business in Michigan, do not use this line. A discontinuance may be processed by updating the account by using the Michigan Treasury Online (MTO) Web site. Visit [michigan.gov/mtobusiness](http://michigan.gov/mtobusiness) for more information.

**UBGs:** Leave this line blank. This information will be included, if needed, on Form 4897.

**Line 7a:** Check this box if filing a UBG return and include a Form 4897 for every member (including the DM) whose activity is included in this UBG return. Also file a Form 4896, if necessary.

**NOTE:** Every UBG **must check** this box, regardless of whether it has elected under PA 266 of 2013, as described in the line 7b instructions.

**Line 7b:** Enter here the end date — in an MM-DD-YYYY format — of the tax year in which the affiliated group election is first made. The election lasts 10 years and is irrevocable.

Calendar year filers that made this election beginning 2013, and fiscal filers that made this election beginning with the 2013-14 fiscal year, completed the *Michigan Corporate Income Tax Affiliated Group Election to File as a Unitary Business Group* (Form 5114) to make the election. Enter here the end date — in an MM-DD-YYYY format — of the tax year for which Form 5114 was filed.

Taxpayers that first make this election beginning calendar year 2014 or later **do not use Form 5114**, which is now discontinued. Instead, make the election on this line of the return filed for the first year of the election, by entering the end date of that filing period in an MM-DD-YYYY format.

**Line 8:** Check this box if the taxpayer has sales from transportation services. Taxpayers that check this box also must complete lines 9a through 9g. To calculate Michigan Sales from Transportation Services, see the instructions for line 9 and the table in the "Sourcing of Sales to Michigan" section of the general instructions in Form 4890.

**UBGs:** If at least one member of the UBG has sales from transportation services, check this box.

**Line 9:** For a Michigan-based taxpayer, all sales are Michigan sales unless the taxpayer is subject to tax in another state or foreign country. A taxpayer is subject to a tax in another state or foreign country if the taxpayer is subject to a business privilege tax, a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, a corporate stock tax, or if the state or foreign country has jurisdiction to subject the taxpayer to one or more of the above listed taxes, regardless of whether the tax is actually imposed on the taxpayer.

The CIT is based only on business activity apportioned or allocated to Michigan. A taxpayer that is not subject to tax in one other state or foreign country is subject to CIT on its entire corporate income tax base.

If the taxpayer is able to apportion its tax base, then its tax base will be apportioned to Michigan based on sales. *Sale* or *Sales* means the amounts received by the taxpayer as consideration from the following:

- The transfer of title to, or possession of, property that is stock in trade or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the tax period, or property held by the taxpayer primarily for sale to customers in the ordinary course of its trade or business. For intangible property, the amounts received will be limited to any gain received from the disposition of that property.
- Performance of services which constitute business activities.
- The rental, leasing, licensing, or use of tangible or intangible property, including interest that constitutes business activity.
- Any combination of business activities described above.
- For taxpayers not engaged in any other business activities, sales include interest, dividends, and other income from investment assets and activities and from trading assets and activities.

Complete the Apportionment Calculation using amounts for the taxpayer's business activity only. Do not include amounts received from an interest in a Partnership, S Corporation, or LLC.

Use the information in the "Sourcing of Sales to Michigan" section of the general instructions in Form 4890.

**NOTE:** Only transportation services are sourced using revenue miles. To the extent the taxpayer has business activities or revenue streams not from transportation services, those sales should be sourced according to the applicable guidance in the "Sourcing of Sales to Michigan" section of Form 4890.

**Line 9a-9e: NOTE:** If any amount in line 9a through 9e is zero, enter zero. All lines must be completed.

**Line 9a:** Enter the Michigan sales that are directly attributable to the taxpayer.

Transportation services that source sales based on revenue miles: Enter on this line the taxpayer's total sales multiplied by the ratio of Michigan revenue miles over revenue miles everywhere as provided in the "Sourcing of Sales to Michigan" chart for that type of transportation service. Revenue mile means the transportation for consideration of one net ton in weight or one passenger the distance of one mile.

**UBGs:** Enter on this line the entire amount of Michigan sales of all members in the group after eliminations. For more information see the instructions for Form 4897.

For each member reported on Form 4897, calculate the member's Michigan sales as follows: from the amount reported on Form 4897, line 13, subtract the amount reported on Form 4897, line 15. Add the calculated Michigan sales amount of all members of the group, and enter the total sum here.

**Taxpayers that have a unitary relationship with a Flow-Through Entity (FTE), but are not part of a CIT unitary group of corporations (i.e., line 7a is not checked):** Do not include on this line Michigan sales made by the taxpayer to an FTE that is unitary with the taxpayer and is included on *FTEs that are Unitary with the Taxpayer* (Form 4900). In other words, enter this line net of eliminations with the FTE. For more

information on eliminations, see the instructions to line 17.

An *FTE* is an entity that, for the applicable tax year, is treated as a subchapter S Corporation under section 1362(a) of the IRC, a general partnership, a trust, a limited partnership, a limited liability partnership, or a limited liability company that is not taxed as a C Corporation for federal income tax purposes.

#### **A taxpayer is unitary with an FTE if the taxpayer:**

- Owns or controls, directly or indirectly, more than 50% of the ownership interests with voting rights (or ownership interests that confer comparable rights to voting rights) of the FTE; AND
- The taxpayer and FTE have activities or operations which result in a flow of value between the taxpayer and the FTE, or between the FTE and another FTE unitary with the taxpayer, or has business activities or operations that are integrated with, are dependent upon, or contribute to each other.

The determination of whether a taxpayer is unitary with an FTE is made at the taxpayer level. If the taxpayer at issue is a UBG, the ownership requirement will be made at the UBG level. So, if the combined ownership of the FTE by the UBG is greater than 50%, then the ownership requirement will be satisfied.

**NOTE:** PA 266 of 2013 authorizes an affiliated group election that applies an alternate test for finding a unitary relationship between corporations. This act DID NOT create a corresponding "affiliated group" test for finding a unitary relationship between a corporation and an FTE. The existence of a unitary relationship between a corporation and an FTE is still based exclusively on the two-part test described in the preceding bullet points.

**Line 9b:** If the taxpayer is unitary with an FTE or FTEs, enter on this line the total proportionate amount of Michigan sales attributed to these flow-through entities in column J on Form 4900. For more information see the instructions for Form 4900. If an amount is entered on this line, then Form 4900 must be completed and included with the filing of this form.

**UBGs:** Enter on this line the entire amount of total Michigan sales attributed to all flow-through entities that are unitary with a member of the group. For each member of the group, add the amount reported on Form 4897, line 14, of all members of the group, and enter the sum here.

**Line 9d:** Enter the total sales that are directly attributable to the taxpayer.

Transportation services that source sales based on revenue miles: Enter on this line the total sales that are directly attributable to the taxpayer.

**NOTE:** Only transportation services are sourced using revenue miles. To the extent the taxpayer has business activities or revenue streams not from transportation services, those sales should be sourced according to the applicable guidance in the "Sourcing of Sales to Michigan" section of Form 4890.

**UBGs:** Enter on this line the entire amount of total sales of all members in the group after eliminations. For more information see the instructions for Form 4897. For each member reported on Form 4897, calculate the member's total sales as follows:

from the amount reported on Form 4897, line 16, subtract the amount on Form 4897, line 18. Add the calculated total sales amount of all members of the group, and enter the total here.

**Taxpayers that have a unitary relationship with an FTE, but are not part of a CIT unitary group of corporations (i.e., line 7a is not checked):** Do not include on this line sales made by the taxpayer to an FTE that is unitary with the taxpayer and is included on Form 4900. In other words, enter this line net of eliminations with the FTE. For more information on eliminations, see the instructions to line 17.

**Line 9e:** If the taxpayer is unitary with an FTE or FTEs, enter on this line the total proportionate amount of total sales attributed to these FTEs in column O on Form 4900. For more information see the instructions for Form 4900. If an amount is entered on this line, then Form 4900 must be completed and included with the filing of this form.

**UBGs:** Enter on this line the entire amount of total sales attributed to all flow-through entities that are unitary with a member of the group. Add the amount reported on Form 4897, line 17 of all members of the group, and enter the sum here.

**Line 10a:** Enter the amount of total, unapportioned gross receipts received by the taxpayer. **DO NOT** include flow-through gross receipts on this line.

*Gross receipts* means the entire amount received by the taxpayer 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. Use the checklist in the instructions to line 10b as a guide to be sure receipts have been totaled correctly. Taxpayers and tax professionals are expected to be familiar with uncommon situations within their experience, which produce gross receipts not identified by the checklist.

**Non-UBG taxpayers reporting for a period of less than 12 months:** Report actual gross receipts on this line.

**UBGs:** Enter on this line the entire amount of gross receipts of all members in the group **after** eliminations. For each member reported on Form 4897, calculate the member's gross receipts net of eliminations as follows: from the amount reported on Form 4897, line 19a, subtract the amount reported on Form 4897, line 19b. Combine the resulting gross receipts net of eliminations amounts of all members of the group, and enter the total here.

**UBG members reporting for a period of less than 12 months** must report actual gross receipts on Form 4897 line 19a, and then annualize their gross receipts net of eliminations on a member by member basis. For each member reporting a period of less than 12 months, from the amount reported on Form 4897, line 19a, subtract line 19b, and annualize the result using that member's number of months reported in the group's tax year. Once all applicable members' gross receipts net of elimination are annualized, carry the sum of all members' gross receipts net of eliminations, annualized as applicable, to Form 4891, line 10a.

**Line 10b:** Enter the allocated or apportioned imputed gross receipts from all unitary or non-unitary FTEs from which the taxpayer receives a distributive share of income.

**EXCEPTION:** Do not include imputed gross receipts from any FTE in which the taxpayer is a non-unitary owner, and the FTE has made a valid election to file the Michigan Business Tax (MBT) for a tax year that ends with or within the taxpayer's tax year. See instructions for line 12 for explanation of 2013 PA 233.

Single filers, use the "Worksheet on Flow-Through Gross Receipts" (at the end of the following "Gross Receipts Checklist") to calculate the imputed apportioned or allocated gross receipts from each FTE.

**UBGs:** Add the amount on Form 4897, line 20, reported for all members of the group, and enter the sum here. UBG members reporting a period of less than 12 months with this group return must annualize their apportioned FTE gross receipts on a member by member basis. Use each member's number of months reported in the group's tax year. Once all applicable members' FTE gross receipts are annualized, carry all members' gross receipts from line 20 of Form 4897 to line 10b.

### Gross Receipts Checklist

**NOTE:** This checklist is not intended to be all encompassing.

Receipts include, but are not limited to:

- Receipts (sales price) 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.
- Dividend and interest income.
- Gross commissions earned.
- Rents.
- Royalties.
- Professional services provided.
- Sales of scrap and other similar items.
- Receipts from the production of oil and gas.
- Client reimbursed expenses not obtained in an agency capacity.

Receipts exclude:

- Proceeds from sales by a principal that are collected in an agency capacity solely on behalf of the principal and delivered to the principal.
- Amounts received as an agent solely on behalf of the principal that are expended by the taxpayer under certain circumstances.
- Amounts excluded from gross income of a foreign corporation engaged in the international operation of aircraft under section 883(a) of the IRC.
- Amounts received by an advertising agency used to acquire advertising media time, space, production, or talent on behalf of another person.
- Amounts received by a person that manages real property owned by a client that are deposited into a separate account kept in the name of the client and that are not reimbursed and are not indirect payments for management services provided to that client.

- Proceeds from the original issue of stock, equity instruments, or debt instruments.
- Refunds from returned merchandise.
- Cash and in-kind discounts.
- Trade discounts.
- Federal, State or local tax refunds.
- Security deposits.
- Payment of the principal portion of loans.
- Value of property received in a like-kind exchange.
- Proceeds from a sale, transaction, exchange, involuntary conversion, or other disposition of tangible, intangible, or real property that is a capital asset as defined in section 1221(a) of the IRC or land that qualifies as property used in the trade or business as defined in section 1231(b) of the IRC, less any gain from the disposition to the extent that gain is included in federal taxable income.
- Proceeds from an insurance policy, settlement of a claim, or judgment in a civil action, less any proceeds that are included in federal taxable income.
- Proceeds from the taxpayer's transfer of an account receivable, if the sale that generated the account receivable was included in gross receipts for federal income tax purposes. This provision will not apply to a taxpayer that both buys and sells any receivables during the tax year.

## WORKSHEET ON FLOW-THROUGH GROSS RECEIPTS

A taxpayer must complete the following calculation for each Flow-Through Entity (FTE), whether unitary or not, that does not elect to file an MBT return for this tax year and from which the taxpayer receives distributive share of income. The amount in line 5 of this worksheet for each FTE must be added, and the sum carried to Form 4891, line 10b.

**Do not include** imputed gross receipts from any FTE in which the taxpayer is a non-unitary owner and the FTE has made a valid election to file the MBT for a tax year that ends with or within this member's tax year.

1. FTE's gross receipts that fall with or within the taxpayer's tax year included in this return .....	1.		00
2. Percentage of the FTE's income or loss received by the taxpayer.....	2.		%
3. Gross receipts amount before apportionment. Multiply line 1 by line 2 .....	3.		00
4. FTE's apportionment percentage (Michigan sales divided by total sales)*.....	4.		%
5. Flow-through gross receipts to be imputed to the taxpayer. Multiply line 3 by line 4 .....	5.		00

\*Line 4: If the FTE is unitary with the taxpayer, use the apportionment percentage from line 9g. Otherwise, use the FTE's apportionment percentage.

**Line 11:** Calculate the taxpayer's total apportioned gross receipts for filing threshold by multiplying Line 10a by the percentage on Line 9g, and adding that amount to Line 10b. **Do not** leave this field blank.

**Gross Receipts Filing Threshold:** Taxpayers with allocated or apportioned gross receipts of less than \$350,000 do not have to file a CIT return and do not have to pay the tax imposed by the CIT. For periods less than 12 months, this amount must be annualized. To annualize this amount, multiply the taxpayer's total apportioned or allocated gross receipts by 12 and divide the result by the number of months in the taxpayers' tax year. **Do not** enter annualized figures on this line.

**UBGs:** Calculate the apportioned gross receipts for filing threshold purposes by multiplying the amount on line 10a by the apportionment percentage on line 9g, and adding to that product the amount on line 10b. Because amounts entered on lines 10a and 10b represent the sum of annualized member figures (when applicable), no further annualization is required on line 11.

## PART 1: CORPORATE INCOME TAX

**Line 12:** Federal taxable income, as reported on this line, is defined for CIT purposes to include carryback and carryover of federal net operating losses. Note that these amounts will be added back, for CIT purposes, in the Additions to Business Income section, below.

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

**Agricultural activities:** Include income from agricultural activities on line 12. Farm activity by entities subject to the CIT is not exempt.

**Exempt income (loss) from certain flow-through entities (FTEs):** 2013 Public Act 233 provides that, in the case of an FTE that made the election to remain taxable under the MBT, each member of the FTE that does not file as a member of a unitary business group with the FTE shall disregard all items attributable to that member's ownership interest in the electing FTE for all purposes of the CIT. If the taxpayer filing this form owns an interest in an FTE that files an MBT return for the FTE's tax year that ends with or within this taxpayer's tax year, the taxpayer's distributive share of income (loss) from such FTE will be exempt from the taxpayer's corporate income tax. However, **do not exclude the exempt income (loss) on line 12.** The corporate income tax base attributable to such FTE will be removed via Form 4891, line 26, and Form 4898.

**UBGs:** Add Form 4897, line 21, of all members and enter sum here.

**Line 13:** There are currently no miscellaneous items to be entered on this line. Leave this line blank.

**Line 14:** Adjustments are required for all assets placed into service after December 31, 2007, for which bonus depreciation was taken.

**UBGs:** Add Form 4897, line 23, of all members and enter sum here.

**Line 14a:** For the computation of business income for CIT, persons who claimed a federal bonus depreciation deduction under IRC § 168(k) on property first placed in service in 2008 or later must calculate the net bonus depreciation adjustment on those assets as follows: net bonus depreciation adjustment in tax year equals the total federal depreciation claimed in tax

year less the total amount of depreciation that would be claimed in the federal return in the tax year if the person had elected not to utilize the bonus depreciation allowance under IRC § 168(k). A person may not elect IRC § 179 expensing of an asset for MBT or CIT purposes if it did not elect to use IRC § 179 for that asset federally.

**Line 14b:** For the computation of business income for CIT purposes, persons who claimed a federal bonus depreciation deduction under IRC § 168(k) on property first placed in service in 2008 or later and subsequently disposed of that property in the current tax year must calculate the gain/loss adjustment on the sale of those assets as follows: gain/loss adjustment in tax year equals the total amount of federal depreciation that would be claimed on the federal return over the years (starting the year the asset was placed in service and ending in the current tax year) if the person had elected not to utilize the bonus depreciation allowance under IRC § 168(k) on the property being disposed LESS the total federal depreciation claimed over the years (starting the year asset was placed in service and ending in the current tax year). A person may not elect IRC § 179 expensing of an asset for MBT or CIT purposes if it did not elect to use IRC § 179 for that asset federally.

**Line 14c: UBGs:** Add Form 4897, line 23c, of all members and enter sum here.

**Line 16: UBGs:** Add Form 4897, line 24, of all members and enter sum here.

**NOTE:** Elimination, where required, applies to transactions between any members of the UBG. For example, if the UBG includes standard taxpayers (not owned by and unitary with a financial institution in the UBG), an insurance company, and two financial institutions, transactions between a standard taxpayer member and an insurance or financial member are eliminated whenever elimination is required, despite the fact that the insurance and financial members are not reported on the combined return filed by standard taxpayer members.

However, there is no elimination with an otherwise related entity if the related entity is excluded from the UBG. For example, consider a group with a U.S. parent, a U.S. subsidiary, and a foreign operating entity subsidiary that would otherwise be a UBG, but the foreign operating entity is excluded from the UBG by definition. The U.S. parent filing a UBG return may not eliminate intercompany transactions between itself and the foreign operating entity.

If a transaction between two members of a UBG is reported on the group's current return by one member but reported on the preceding or succeeding group return by the other member (due to differing year ends or accounting methods of the members), the side of that transaction that is included in the group's current filing period must be eliminated. The other side of the same transaction will be eliminated on the group return for the filing period in which the other member reports the transaction.

### **Additions to Business Income**

**Line 18:** Enter any interest income and dividends from bonds and similar obligations or securities of states other than Michigan and their political subdivisions in the same amount that was excluded from federal taxable income (as defined for

CIT purposes). Reduce this addition by any expenses related to the foregoing income that were disallowed on the federal return by IRC § 265 and § 291.

**UBGs:** Add Form 4897, line 26 of all members and enter sum here.

**Line 19:** Enter all taxes on or measured by net income that are deducted on the taxpayer's federal return, including city and state taxes, Foreign Income Tax, and Federal Environmental Tax. This includes, but is not limited to, the following, to the extent deducted in arriving at federal taxable income for this tax period:

- Tax imposed under the Michigan CIT
- The Business Income Tax portion imposed under the MBT
- The taxpayer's direct or indirect share of income taxes paid by a flow-through entity and deducted by that flow-through entity in arriving at the net income included in this taxpayer's federal taxable income.

**UBGs:** Add Form 4897, line 27, of all members and enter sum here.

**Line 20:** Enter any net operating loss carryback or carryover that was deducted in arriving at federal taxable income (as defined for CIT purposes). Enter this amount as a positive number.

**UBGs:** Add Form 4897, line 28, of all members and enter sum here.

**Line 21:** Enter, to the extent deducted in arriving at federal taxable income (as defined for CIT purposes), any royalty, interest, or other expense paid to a person related to the taxpayer by ownership or control for the use of an intangible asset if the person is not included in the taxpayer's UBG. Royalty, interest, or other expense described here is not required to be included if the taxpayer can demonstrate that the transaction has a nontax business purpose other than avoidance of this tax, is conducted with arm's-length pricing and rates and terms as applied in accordance with IRC § 482 and § 1274(d), and satisfies one of the following:

- Is a pass through of another transaction between a third party and the related person with comparable rates and terms.
- Results in double taxation. For this purpose, double taxation exists if the transaction is subject to tax in another jurisdiction.
- Is unreasonable as determined by the state treasurer.
- The related person (recipient of the transaction) is organized under the laws of a foreign nation which has in force a comprehensive income tax treaty with the United States.

**UBGs:** Add Form 4897, line 29, of all members and enter sum here.

**Line 22:** Enter on this line the expenses included on line 12 that resulted from the production of oil and gas if that production of oil and gas is subject to Michigan severance tax on oil or gas in 1929 PA 48. Also enter expenses related to the income derived from a mineral to the extent that income is included on line 30 and that expense was deducted in arriving at federal taxable income.

**UBGs:** Add the amount on Form 4897, line 30 of all members

and enter the sum here.

**Line 23:** There are currently no miscellaneous items to be entered on this line. Leave this line blank.

### **Subtractions from Business Income**

*Subtractions* are generally available to the extent included in arriving at federal taxable income (as defined for CIT purposes).

**Line 26:** Complete all other subtractions from business income, lines 27 through 30, before completing line 26. Enter on this line the sum of all entries in Column C of *Non-Unitary Relationships with Flow-Through Entities* (Form 4898). If an amount is entered on this line, Form 4898 must be completed and included with the filing of this form.

**To calculate apportionment properly,** line 26 removes from the corporate income tax base the taxpayer's distributive share of income (loss) attributable to a non-unitary flow-through entity (FTE). Income or loss received as a distributive share from a non-unitary FTE is subtracted here (prior to apportionment of the CIT tax base on line 33), and apportioned on Form 4898 according to the FTE's apportionment factor. The resulting amount from Form 4898 is then added back on line 34.

*Flow-through entity* means an entity that for the applicable tax year is treated as a subchapter S corporation under section 1362(a) of the IRC, a general partnership, a trust, a limited partnership, a limited liability partnership, or a limited liability company, that for the tax year is not taxed as a C corporation for federal income tax purposes.

See the General Information section of the instructions for Form 4898 for an explanation of FTEs with which a taxpayer is not unitary.

**UBGs:** The amount entered on line 26 must equal the sum of all entries in Column C of all Forms 4898 that were filed by the UBG. The amount also will equal the sum of all group members' Forms 4897, line 31.

**Line 27:** Enter, to the extent included in federal taxable income (as defined for CIT purposes), any dividends and royalties received from persons other than United States persons and foreign operating entities, including, but not limited to, amounts determined under IRC § 78 or IRC § 951 to 965.

**NOTE:** To the extent deducted in arriving at federal taxable income, any deduction under IRC 250(a)(1)(B) should be added back on this line (i.e., netted against subtractions made on this line).

**UBGs:** Add Form 4897, line 32, of all members and enter sum here.

**Line 28:** To the extent included in federal taxable income (as defined for CIT purposes), deduct interest income derived from United States obligations.

**UBGs:** Add Form 4897, line 33, of all members and enter sum here.

**Line 29:** Enter on this line income from the production of oil and gas if that production of oil and gas is subject to Michigan severance tax on oil and gas in 1929 PA 48, to the extent that income was included in federal taxable income. Also enter

income derived from a mineral to the extent included in federal taxable income.

**UBGs:** Enter here the sum of Form 4897, line 34 of all members.

**Line 30:** Eligible licensed marihuana trades or businesses may subtract ordinary and necessary expenses paid or incurred during the tax year that would be allowed if section 280E of the internal revenue code were not in effect. Under the Michigan Regulation and Taxation of Marihuana Act (which allows for what is often referred to as "recreational" or "adult use" marihuana), a marihuana establishment licensed under that act is allowed a deduction from Michigan income tax for certain expenses not allowed in arriving at federal taxable income. IRC 280E prohibits a deduction for any amount paid or incurred in carrying on a trade or business that consists of trafficking in Schedule I and II controlled substances (e.g., marihuana). However, the IRC is also structured to recognize the cost of goods sold before reaching gross profit, regardless whether taxpayer is in the business of trafficking in marihuana. Therefore, any expenses related to cost of goods sold (and any other expenses already allowed in reaching federal taxable income) may not be subtracted from the Michigan base.

**There are no other miscellaneous subtractions that can be entered on this line.**

**Line 34:** Enter on this line the sum of entries from Column E of Form 4898. If an amount is entered on this line, Form 4898 must be completed and included with the filing of this form.

**UBGs:** The amount entered on Line 34 must equal the sum of all entries in Column E of all Forms 4898 that were filed by the UBG.

**Line 36a:** Enter any unused CIT business loss carryforward that was reported on the CIT return for the immediately preceding tax period on the appropriate group member copy of this form as explained below. Only CIT business loss incurred after December 31, 2011, may be entered on this line.

*Business loss* means a negative business income tax base after allocation or apportionment. The business loss will be carried forward to the year immediately succeeding the loss year as an offset to the allocated or apportioned Business Income Tax base, then successively to the next nine taxable years following the loss year or until the business loss is used up, whichever occurs first, but for not more than ten taxable years after the loss year.

Under PA 13 of 2014, a taxpayer that acquires the assets of another corporation in a transaction described under section 381(a)(1) or (2) of the Internal Revenue Code (IRC) may deduct any CIT business loss carryforward attributable to that other corporation. Losses acquired via IRC § 381(a) (1) or (2) are reported on this line.

**NOTE:** CIT business loss carryforward is not the same as a federal net operating loss carryover or a Michigan Business Tax (MBT) business loss carryforward, neither of which can be claimed as a deduction on a CIT return.

**UBGs:** If the group created a business loss carryforward in a preceding CIT tax period, Treasury will have maintained that

carryforward on the DM’s account. Enter unused carryforwards of this type from line 11 of the DM’s copy of Form 4897.

If a member created a CIT business loss carryforward from a CIT tax period prior to joining the UBG, Treasury will maintain that carryforward on that member’s account, subject to use by the group, until it is fully consumed or that member leaves the group. Enter unused carryforwards of this type on the copy of Form 4897 filed for the member that brought the carryforward to the group.

Business loss carryforward consumed on a return is always the oldest available on that return, regardless of whether the oldest business loss carryforward was generated by the group, brought by an incoming member, or acquired by a member of the group via IRC § 381. For a business loss carryforward acquired via IRC § 381 transaction, the years of carryforward consumed before acquisition should be counted when determining the carryforward period remaining. Business loss carryforward of a UBG, including business loss carryforward brought by an incoming member and business loss carryforward acquired by the group or its members via IRC § 381, ages according to the tax years of the group, rather than tax years of any particular member.

If two members each created carryforwards that are the same age, and together they exceed the amount allowable in this filing period, those members’ respective carryforwards are used in proportion to the amount they contributed to the group. If a member that generated a carryforward in a prior period leaves the group, that member will take with it an amount equal to the group’s remaining carryforward from that period multiplied by the amount that member contributed relative to the total amount contributed by all group members for the carryforward in that same period. It is important to review a carryforward for the possibility that some or all of it has expired, or that some or all of it was withdrawn from the group by a departing member.

Line 36a is the amount of the business loss carryforward that may be claimed in this filing period. See the “Supplemental Instructions for Standard Members in UBGs” in Form 4890 for more information on the effects of members leaving or joining a UBG.

**Line 36b:** Check this box if any of the business loss reported on line 36a was distributed or transferred to this taxpayer in an IRC 381(a) transaction during this filing period. Attach to the return a statement of the name, FEIN, business loss amount of each such distributor or transferor corporation, and year the business loss was created.

**Line 37:** Subtract line 36a from line 35. Any negative amount on line 37 is a CIT business loss which may be carried forward to the next filing period, except to the extent that all or some portion of this business loss has exceeded its usable life of ten tax years.

**PART 2: TOTAL CORPORATE INCOME TAX**

**Line 40: IMPORTANT:** If apportioned or allocated gross receipts are less than \$350,000, enter zero on this line. If a business operated less than 12 months, annualize gross receipts to determine if a filing requirement exists. For instructions on how to calculate the taxpayer’s allocated or apportioned gross receipts, see the instructions to Line 11.

**NOTE:** If calculated annual liability is less than or equal to \$100, enter zero.

**UBGs:** If apportioned or allocated gross receipts **after** intercompany eliminations are less than \$350,000, enter zero on this line. For guidance on how to calculate the taxpayer’s allocated or apportioned gross receipts, see the instructions to Line 11.

**Line 41:** If not claiming the CIT Historical Preservation Tax Credit, carry the amount from line 40 to line 41.

**Line 42:** Enter the amount of recapture from line 16 of Form 4902. A taxpayer subject to recapture is required to report and pay the amount of recapture due regardless of whether the taxpayer has \$350,000 or more of apportioned or allocated gross receipts.

**PART 3: PAYMENTS AND TAX DUE**

**Line 45:** Enter the total estimated CIT tax paid with the *CIT Quarterly Tax Return* (Form 4913) or the amount of estimated CIT tax paid through Electronic Funds Transfer. Include all payments made on returns that apply to the tax year included in this return. For example, calendar year filers include money paid with the above listed returns for return periods January through December.

**UBGs:** Include all applicable estimated payments made by the members of the UBG for the tax year included in this return. The amount entered on this line will equal the sum of Form 4897, line 36, for all members.

**Line 47:** Report here Michigan Tax withheld for deferred compensation plans, life insurance and/or lottery annuities issued to a business account number through MCL 206.703(1). Taxpayers can enter the Michigan Tax withheld reported on the W-2G and/or 1099R.

Also report any credit for the taxpayer’s allocated share of Michigan flow-through entity (FTE) tax levied on and paid by an electing flow-through entity. Such an electing flow-through entity should be indirectly owned by this taxpayer. Include a copy of the Schedule K-1 with the Schedule K-1 notes, or other supporting documentation received from the electing flow-through entity, to support the credit claimed on this line.

**UBGs:** Total the entry for all members on Form 4987, line 37, and carry to Form 4891, line 47.

**Line 50:** If penalty and/or interest are owed for not filing estimated returns or for underestimating tax, complete the *CIT Penalty and Interest Computation for Underpaid Estimated Tax* (Form 4899), to compute penalty and interest due. If a taxpayer chooses not to file Form 4899, Treasury will compute penalty and interest and bill for payment.

**Line 51:** Enter the overdue tax penalty. Use the following “Overdue Tax Penalty” worksheet. Refer to the “Computing Penalty and Interest” section in Form 4890 to determine the appropriate penalty percentage.

WORKSHEET – OVERDUE TAX PENALTY		
A. Tax due from Form 4891, line 49.....		00
B. Late/extension or insufficient payment penalty percentage .....		%
C. Multiply line A by line B.....		00

Carry amount from line C to Form 4891, line 51.

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

**Line 52:** Enter the overdue tax interest. Use the following “Overdue Tax Interest” worksheet. Refer to the “Computing Penalty and Interest” section in Form 4890 to determine the appropriate penalty percentage.

WORKSHEET – OVERDUE TAX INTEREST		
A. Tax due from Form 4891, line 49.....		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 4891, line 52.

**Line 52 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 4890, 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 line 52.

**PART 4: REFUND OR CREDIT FORWARD**

**Line 54:** If the amount of the tax overpayment, less any penalty and interest due on lines 43, 50, 51 and 52, enter the difference (as a positive number) on line 53. If the amount is greater than zero, enter on this line.

**NOTE:** If an overpayment exists, a taxpayer may 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 CIT tax year. Complete lines 55 and 56 as applicable.

**Line 55:** If the taxpayer anticipates a CIT liability in the filing period subsequent to this return, some or all of any overpayment from line 54 may be credited forward to the next tax year as an estimated payment. Enter on this line the desired amount to use as an estimate for the next CIT tax year.

**Line 56:** Enter the amount of refund requested.

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

**Other Supporting Forms and Schedules**

**Federal Forms:** Include copies of these forms with the return.

- **C Corporations:** Federal Form 1120 (pages 1 through 6), Schedule D, Form 851, Form 965, Form 4562, Form 4797, and Form 5471. If filing as part of a consolidated federal return, attach a pro forma or consolidated schedule.
- **Limited Liability Companies:** Attach appropriate schedules listed above if the business has elected to be taxed as a C Corporation.
- **Federally Exempt Entities:** In certain circumstances, a federally tax exempt entity must file a CIT return. In those cases, attach federal Form 990-T (pages 1 through 5).

## Calculation of MBT ITC Recapture Amount

### Calculation of MBT ITC Recapture Bases

For each category of assets disposed of (or moved out of Michigan) that triggers an MBT ITC recapture, enter the information requested below.

In each category of disposed of/moved asset, group assets by taxable year in which they were acquired. All events that have varying dates must be listed separately. Multiple dispositions (or transfers) may be combined as one entry, subject to the following: all combined events must satisfy the terms of the table in which they are entered. "Taxable Year in which disposed of assets were acquired" must be the same for all events combined on a single line.

**UBGs:** If capital asset subject to recapture is from a member that was not part of the group in the tax year the asset was acquired, make a separate line entry for the tax year the member filed outside of the group. Take care to report in this line information requested in each column only from the member's single filings, not the group's.

**NOTE:** A sale of qualifying property reported on the installment method for federal income tax purposes causes a recapture based upon the *entire* gross proceeds in the year of the sale. The recapture is reduced by any gain reported in federal taxable income (as defined for MBT purposes) in the year of the sale. The gain attributable to the installment sale that is reported in subsequent years increases the credit base (or reduces other sources of recapture) for those years, and must be reported on column C of the appropriate Worksheet based on the type of asset.

**UBGs:** The recapture of capital investments for UBGs is calculated on combined assets of standard members of the UBG. Assets transferred between members of the group are not a capital investment in qualifying assets for purposes of calculating this credit or its recapture. Disposing of or transferring an asset outside of the UBG triggers recapture. Also, moving an asset outside of Michigan creates recapture, even if the transfer is to a member of the UBG.

### Worksheet 1a — Depreciable Tangible Assets

Enter all dispositions of depreciable tangible assets located in Michigan that were acquired or moved into Michigan after acquisition in a tax year beginning after 2007 and were sold or otherwise disposed of during the current filing period. Give all information required for each disposition in columns A through F. In column A, enter the taxable year in which the disposed of assets were acquired. Enter combined gross sales price (net of costs of sale) in column B, and in column C, enter total gain or loss included in calculating federal taxable income (as defined for MBT purposes).

**NOTE:** Sales price includes any benefit derived from the sale.

### Worksheet 1b — Depreciable Mobile Tangible Assets

Enter all dispositions of depreciable mobile tangible assets that were acquired after 2007 and were sold or otherwise disposed of during the current filing period. Give all information required for each disposition in columns A through F. In column A, enter the taxable year in which the disposed of assets were acquired. Enter gross sales price (net of costs of sale) in column B, and in column C, enter total gain or loss included in calculating federal taxable income (as defined for MBT purposes).

### Worksheet 1a — Depreciable Tangible Assets

A	B	C	D	E	F
Taxable Year (End Date) In Which Disposed Assets Were Acquired (MM-DD-YYYY)	Combined Sales Price of Disposed Assets by Year of Acquisition	Net Gain/Loss From Sale of Assets	CIT Apportionment Percentage from Form 4891, line 9g, or Form 4908, line 9c	Apportioned Gain/Loss <i>Multiply Column C by Column D</i>	MBT ITC Recapture (Base 1) <i>Subtract Column E From Column B</i>

### Worksheet 1b — Depreciable Mobile Tangible Assets

A	B	C	D	E	F
Taxable Year (End Date) In Which Disposed Assets Were Acquired (MM-DD-YYYY)	Combined Sales Price of Disposed Assets by Year of Acquisition	Net Gain/Loss From Sale of Assets	Adjusted Proceeds <i>Subtract Column C From Column B</i>	CIT Apportionment Percentage from Form 4891, line 9g, or Form 4908, line 9c	MBT ITC Recapture (Base 2) <i>Multiply Column D by Column E</i>

### Worksheet 1c — Assets Transferred Outside Michigan

A	B
Taxable Year (End Date) In Which Disposed Assets Were Acquired (MM-DD-YYYY)	MBT ITC Recapture Combined Adjusted Federal Basis of Disposed Assets by Year of Acquisition (Base 3)

For property placed in service after December 31, 2007, gain reflected in federal taxable income (as defined for MBT purposes) is the gain reported federally except that it shall be calculated as if IRC § 168(k) were not in effect.

**NOTE:** Sales price includes any benefit derived from the sale.

#### **Worksheet 1c — Assets Transferred Outside Michigan**

Enter all depreciable tangible assets other than mobile tangible

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#### **Calculation of MBT ITC Recapture Rates and Amounts**

Complete Worksheet 2 (on the following page), entering each tax year (End Date) in which the disposed of assets that triggered MBT ITC recapture were acquired.

**NOTE: Line references on columns below are based on the 2010 and 2011 MBT Form 4570. Lines for 2008 and 2009 MBT forms are different, so if copying information from a 2008 and 2009 MBT form, choose the appropriate lines.**

#### **Worksheet 2**

- Column A: Enter in chronological order, beginning with the earliest, the tax year end date of each acquisition year of disposed of assets that triggered MBT ITC recapture from Worksheet 1a through 1c.

**UBGs:** If capital asset subject to recapture is from a member that was not part of the group in the tax year the asset was acquired, make a separate line entry for the tax year the member filed outside of the group. Take care to report in this line information requested in each column only from the member's single filings, not the group's.

- Column B: Enter allowable MI compensation and ITC amount from Form 4570, line 26 with the corresponding acquisition year in column A.

- Column C: Enter the MI compensation credit amount from Form 4570, line 3 with the corresponding acquisition year in column A.

- Column D: Calculate net ITC amount: subtract column C from column B for each tax year. If difference is negative, enter zero. This is the amount of ITC that offsets MBT liability.

- Column F: MBT capital investment amount. Enter total amount of capital investment reported on Form 4570, line 8, for each tax year listed on column E.

- Column G: ITC rate. Enter 2.32% for tax years on column E that end with 2008, otherwise enter 2.9%.

assets acquired after 2007 that were eligible for ITC and were transferred outside Michigan during the filing period. Give all information required for each disposition in column A and B. In column A, enter the taxable year in which the disposed of assets were acquired, and in column B, enter adjusted basis as used for federal purposes. Do not use a recomputed MBT basis for this purpose.

- Column H: Calculate gross ITC amount: multiply column F by column G for each tax year.

- Column J: MBT recapture of capital investment. Enter total amount of recapture of capital investment reported on Form 4570, line 16, for each tax year listed on column I.

- Column L: Gross MBT ITC recapture amount. Multiply column J by column K. This represents the total amount of ITC recapture available to be reported in the tax year.

- Column M: MBT ITC recapture amount offset by credit. Enter the lesser of columns H and L. This is the amount of available ITC recapture that was offset by the total amount of available ITC in the year.

- Column O: SBT credit recapture amount. Enter total amount from Form 4570, line 19 for each tax year listed on column N.

- Column P: SBT ITC recapture amount offset by credit. Enter lesser of the amount on column O, and the amount of column H minus column M. This is the amount of SBT ITC recapture that was offset by the total amount of available ITC in the tax year.

- Column Q: Total MBT ITC used. Add columns D, M, and P. The total amount of MBT ITC used equals to the amount of credit that offsets MBT ITC recapture, SBT ITC recapture, and the MBT liability.

- Column R: Extent used rate. Divide amounts on column Q by amounts on column H.

- Column T: MBT recapture base. Enter total amount of MBT ITC recapture base from Worksheet 1a, column F; Worksheet 1b, column F and Worksheet 1c, column B.

- Column U: MBT recapture amount. Multiply amount in column T by rates in column G, and in column R.

Add up figures in each row of column U, and carry that amount to Form 4902, line 1. If the total of all rows in column U is less than zero, enter zero on Form 4902, line 1.

**Worksheet 2 — Calculation of MBT ITC Recapture Rates and Amounts**

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
Taxable Year (End Date) in which MBT ITC Disposed Assets were acquired	Allowable Michigan compensation and ITC credit amount from Form 4570, line 26	Michigan Compensation Credit Amount from Form 4570, line 3	ITC that offsets MBT liability Subtract column C from column B (Enter 0 if less than 0)

<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
Taxable Year (repeat from column A)	MBT Capital Investment Amount from Form 4570, line 8	ITC rate (2.32% for tax years ending in 2008, or 2.9% otherwise)	Gross ITC Credit Amount Multiply column F by column G

<b>I</b>	<b>J</b>	<b>K</b>	<b>L</b>	<b>M</b>
Taxable Year (repeat from column A)	MBT Recapture of Capital Investment Amount from Form 4570, line 16	ITC rate (2.32% for tax years ending in 2008, or 2.9% otherwise)	Gross MBT ITC Recapture Multiply column J by column K	MBT ITC Recapture Amount Offset by Credit Lesser of column L and H

<b>N</b>	<b>O</b>	<b>P</b>	<b>Q</b>	<b>R</b>
Taxable Year (repeat from column A)	SBT ITC Credit Recapture Amount from Form 4570, line 19	SBT ITC Recapture Amount Offset by Credit Lesser of column O, and column (H – M)	Total MBT ITC Credit Used Add columns D, M, and P	Extent Credit Used Rate Divide column Q by column H

<b>S</b>	<b>T</b>	<b>U</b>
Taxable Year (repeat from column A)	Recapture base. Enter total amount of recapture from Worksheet 1a, column F; Worksheet 1 b, column F; and Worksheet 1c, column B.	Recapture Amount. Multiply column T by column G and by column R

## Calculation of SBT ITC Recapture Amount

### Calculation of SBT ITC Recapture Bases

For each category of asset disposed of (or moved out of Michigan) that triggers an SBT ITC recapture, enter the information requested below.

In each category of disposed of/moved asset, group assets by taxable year in which they were acquired. All events that have varying dates must be listed separately. Multiple dispositions (or transfers) may be combined as one entry, subject to the following: all combined events must satisfy the terms of the table in which they are entered. "Taxable Year in which disposed assets were acquired" must be the same for all events combined on a single line.

**NOTE:** A sale of qualifying property reported on the installment method for federal income tax purposes causes a recapture of the entire gross proceeds in the year of the sale. The recapture is reduced by any gain reported in federal taxable income in the year of the sale. The gain attributable to the installment sale that is reported in subsequent years increases the credit base (or reduces SBT ITC recapture) for those years, and must be reported on column C of the appropriate Worksheet based on the type of asset.

**UBGs:** Fill necessary Worksheets 3a, 3b, and 3c for each member of the group who has disposed of assets that triggered an SBT ITC recapture in the current filing period.

### Worksheet 3a Depreciable Tangible Assets

For depreciable tangible assets located in Michigan that were acquired or moved into Michigan after acquisition in a tax year beginning after 1999 and prior to 2008, and were sold or otherwise disposed of during the tax year, enter the following:

**Line 1, Column A:** Group the depreciable tangible assets that were disposed of during the current filing period by the tax year in which they were acquired. Use a separate row for each acquisition year. Enter the tax years of acquisition (end dates only) in chronological order, starting with the first tax year beginning after 1999. An acquisition year for which there were no dispositions of depreciable tangible assets during the filing period may be omitted. However, do not omit the acquisition year of depreciable tangible assets that have been sold on an installment method if gains attributable to installment payments received during the current filing period must be reported.

**Line 1, Column B:** Total gross proceeds from all depreciable tangible assets that were acquired in the same taxable year and disposed of during the filing period. If a qualifying asset was sold on an installment sale in a prior filing period, the entire sale price was reported for recapture purposes in the year of sale. Therefore, if a payment was received on that installment sale in the current filing period, do not report that amount as gross proceeds for this period. See instructions for column C, however, with respect to the gain from that installment payment.

### Worksheet 3a — Depreciable Tangible Assets

1. <b>A</b> Taxable Year (End Date) In Which Disposed Assets Were Acquired (MM-DD-YYYY)	<b>B</b> Combined Sales Price of Disposed Assets by Year of Acquisition	<b>C</b> Net Gain/Loss From Sale of Assets	<b>D</b> Apportionment Percentage from Form 4891, line 9g, or Form 4908, line 9c	<b>E</b> Apportioned Gain/Loss Multiply Column C by Column D	<b>F</b> SBT ITC Recapture (Base 1) Subtract Column E From Column B

### Worksheet 3b — Depreciable Mobile Tangible Assets

2. <b>A</b> Taxable Year (End Date) In Which Disposed Assets Were Acquired (MM-DD-YYYY)	<b>B</b> Combined Sales Price of Disposed Assets by Year of Acquisition	<b>C</b> Net Gain/Loss From Sale of Assets	<b>D</b> Adjusted Proceeds Subtract Column C From Column B	<b>E</b> Apportionment Percentage from Form 4891, line 9g, or Form 4908, line 9c	<b>F</b> SBT ITC Recapture (Base 2) Multiply Column D by Column E

### Worksheet 3c — Assets Transferred Outside Michigan

3. <b>A</b> Taxable Year (End Date) In Which Disposed Assets Were Acquired (MM-DD-YYYY)	<b>B</b> SBT ITC Recapture Combined Adjusted Federal Basis of Disposed Assets by Year of Acquisition (Base 3)

**Line 1, Column C:** Net total gains/losses reflected in federal taxable income from all depreciable tangible assets that were acquired in the same taxable year and disposed of during the filing period. Report also in column C any gain reflected in federal taxable income that is attributed to an installment payment received during the current CIT filing period, from a prior installment sale of an asset that was of a type and acquisition date covered in this table. For property placed in service prior to January 1, 2008, gain reflected in federal taxable income is equal to the gain reported for federal purposes. Keep in your files a separate worksheet with the appropriate information regarding each depreciable tangible asset located in Michigan that was acquired or moved into Michigan after acquisition in a tax year beginning after 1999 and prior to 2008, and was sold or otherwise disposed of during the tax year. Sum the total gross proceeds and gain or loss for all disposed of assets acquired in the same taxable year. Enter in this form only the total sum of gross proceeds and gain/loss grouped by taxable year the assets were acquired. Use one row per group of disposed of assets acquired in the same taxable year. Start from the earliest acquisition year.

**Line 1, Column D:** Enter the apportionment percentage from Form 4891, line 9g, or Form 4908, line 9c. If not apportioning, enter 100 percent. Enter the same apportionment percentage for each row completed.

**Line 1, Column F:** Subtract column E from column B for each row. If column E is a loss, add its positive value to column B for each appropriate row. A loss in column E will increase the recapture base.

### Worksheet 3b — Depreciable Mobile Tangible Assets

Mobile tangible assets are all of the following:

- Motor vehicles that have a gross vehicle weight rating of 10,000 pounds or more and are used to transport property or persons for compensation;
- Rolling stock (railroad freight or passenger cars, locomotives or other railcars), aircraft, and watercraft used by the owner to transport property or persons for compensation or used by the owner to transport the owner's property for sale, rental, or further processing;
- Equipment used directly in completion of, or in construction contracts for, the construction, alteration, repair, or improvement of property.

For depreciable mobile tangible assets that were acquired in a tax year beginning after 1999 and prior to 2008, and were sold or otherwise disposed of during the tax year, enter the following:

**Line 2, Column A:** Group the depreciable mobile tangible assets that were disposed of during the filing period by the tax year in which they were acquired. Use a separate row for each acquisition year. Enter the tax years of acquisition (end dates only) in chronological order, starting with the first tax year beginning after 1999. An acquisition year for which there were no dispositions of depreciable mobile tangible assets during the filing period may be omitted. However, do not omit the acquisition year of depreciable mobile tangible assets that have been sold on an installment method if gains attributable to

installment payments received during the current filing period must be reported.

**Line 2, Column B:** Total gross proceeds from all depreciable mobile tangible assets that were acquired in the same taxable year and disposed of during the filing period. If a qualifying asset was sold on an installment sale in a prior filing period, the entire sale price was reported for recapture purposes in the year of sale. Therefore, if a payment was received on that installment sale in the current filing period, do not report that amount as gross proceeds for this period. See column C, however, with respect to the gain from that installment payment.

**Line 2, Column C:** Net total gains/losses reflected in federal taxable income from all depreciable mobile tangible assets that were acquired in the same taxable year and disposed of during the filing period. Report also in column C any gain reflected in federal taxable income that is attributed to an installment payment received during the current CIT filing period, from a prior installment sale of an asset that was of a type and acquisition date covered in this table. For property placed in service prior to January 1, 2008, gain reflected in federal taxable income is equal to the gain reported for federal purposes. Keep in your files a separate worksheet with the appropriate information regarding each depreciable mobile tangible asset acquired in a tax year beginning after 1999 and prior to 2008, and sold or otherwise disposed of during the tax year. Sum the total gross proceeds and gain or loss for all disposed of assets acquired in the same taxable year. Enter in this form only the total sum of gross proceeds and gain or loss grouped by taxable year the assets were acquired. Use one row per group of disposed of assets acquired in the same taxable year.

**Line 2, Column D:** Subtract figures in column C from amounts in column B for each row. If column C is a loss, add its positive value to column B for each appropriate row. A loss in column C will increase the recapture.

**Line 2, Column E:** Enter the apportionment percentage from Form 4891, line 9g, or Form 4908, line 9c. If not apportioning, enter 100 percent. Enter the same apportionment percentage for each row completed

**Line 2, Column F:** Multiply amounts in column D by column E for each row.

### Worksheet 3c — Assets Transferred Outside Michigan

For depreciable tangible assets other than mobile tangible assets acquired in tax years beginning after 1999 and prior to 2008, that were eligible for the ITC in tax years beginning after 1999 and prior to 2008, and were transferred outside Michigan during the tax year, enter the following:

**Line 3, Column A:** Group the depreciable tangible assets other than mobile tangible assets that were transferred out of Michigan during the filing period by the tax year in which they were acquired. Use a separate row for each acquisition year. Enter the tax years of acquisition (end dates only) in chronological order, starting with the first tax year beginning after 1999. An acquisition year for which there were no transfers of depreciable tangible assets out of Michigan during

the filing period may be omitted.

**Line 3, Column B:** Total sum of adjusted federal basis from all depreciable tangible assets acquired in the same taxable year and transferred out of Michigan during the filing period. Keep in your files a separate worksheet with the appropriate information regarding each depreciable tangible asset other than mobile tangible assets acquired in tax years beginning

after 1999 and prior to 2008, that were eligible for the ITC in tax years beginning after 1999 and prior to 2008, and were transferred outside Michigan during the tax year. Sum the total adjusted federal basis for all such transferred assets acquired in the same taxable year. Enter in this form only the total sum of adjusted federal basis grouped by the taxable year the assets were acquired. Use one row per group of such transferred assets acquired in the same taxable year. Start from the earliest taxable year.

### Calculation of SBT ITC Recapture Rates

Recapture rates can be calculated using any of 3 methods described in the "Method Summary Table" below. The Table highlights the methods' pros and cons. Choose your method, and follow the appropriate instructions to calculate the rates on Worksheet 4a, line 4, column E.

**NOTE:** Whichever method is used, the calculated effective recapture rate of SBT ITC by year cannot be higher than the figure calculated under Method A for any year.

**NOTE ON USING THE SIMPLEST METHOD:** When the amount of SBT ITC used equals the amount of SBT ITC created, the three methods yield the same result. This occurs in either of the following situations:

**Calendar year filer(\*):** 2009 MBT Form 4569, lines 2 and 3, are equal for the latest 2009 tax year return filed;

**Fiscal year filer(\*):** 2008 MBT Form 4569, line 4, equals zero for the latest 2009 tax year return filed;

• Filers(\*\*) who have filed an MBT Form 4583 for either 2008 or 2009 tax year; or

• Filers(\*\*) who have NOT filed 2008 or 2009 MBT return, and have filed MBT return(s) for tax year(s) after 2009.

*(\*) For UBGs, the condition applies only for groups where all members were included in every 2008 and 2009 MBT return filed by the group.*

*(\*\*) Filers refers to single filers (non-UBGs) or UBG members in the current tax year who were not part of a group in 2008 or 2009 and were single-filers then. Not filing a Form 4567 does not allow a taxpayer to preserve SBT credit carryforward from one year to the next.*

The simplest method that can be used is Method A. Taxpayers that meet either of the situations above should use Method A. It provides correct results using the least amount of data input from the taxpayer.

### METHOD SUMMARY TABLE

TYPE OF METHOD	PROS	CONS
<b>Method A</b>	<ul style="list-style-type: none"> <li>• Easy to calculate.</li> <li>• Works for all types of taxpayers, including any type of UBG groups.</li> <li>• Taxpayer or UBG member disposing of ITC asset only need to enter information on Worksheet 4a for years in which assets that trigger recapture were acquired.</li> </ul>	<ul style="list-style-type: none"> <li>• Method does not take into account the extent to which the ITC credit was used.</li> </ul>
<b>Method B</b>	<ul style="list-style-type: none"> <li>• Takes into account the extent to which the ITC was used.</li> </ul>	<ul style="list-style-type: none"> <li>• Taxpayers must fill Worksheets 4a, 4b, and 4c and enter necessary information in Treasury webtool.</li> <li>• Information on Worksheet 4a must be entered for all years in which assets were bought and ITC was claimed, whether or not those assets were disposed of in the current tax year.</li> </ul>
<b>Method C</b>	<ul style="list-style-type: none"> <li>• Taxpayers fill only Worksheet 4a, line 4, column E.</li> </ul>	<ul style="list-style-type: none"> <li>• Taxpayer needs to develop own calculation procedure that reflects the MBT statute. Retain records to substantiate calculation.</li> </ul>

**UBGs:** Fill necessary Worksheets 3a, 3b, and 3c for each member of the group who has disposed of assets outside of the group, which triggered an SBT ITC recapture in the current filing period.

• **Method A:**

- **Worksheet 4a, line 4, columns A through D:** Enter in the tax year end date of each acquisition year of disposed assets that triggered SBT ITC recapture. (Those dates should be the same as appear in column A of Worksheet 3a through 3c.)

For each year displayed in column A, enter Form C-8000ITC information required in the appropriate column, using return data specific from each applicable tax year. If the amount of column C is zero for a particular year, and the amount on C-8000ITC, line 10 for that year is larger than zero, taxpayers may not enter zero on column E if the taxpayers fall in either of the two categories explained below, and must do the appropriate calculations as follows:

1) Taxpayers who used the straight method to calculate the SBT liability for that taxable year: calculate the credit rate as instructed on C-8000ITC, line 26 for that taxable year, and enter the result on column E; or

2) Taxpayer who used the excess compensation reduction method to calculate the SBT liability for that taxable year: calculate the credit rate on C-8000ITC, line 26, for that taxable year; subtract the percentage found on C-8000S, line 6, from 100%, and multiply the result of that subtraction by the calculated credit rate on C-8000ITC, line 26. Enter the result on column E.

- **Worksheet 4b, line 5, columns A and B:** Leave lines blank.
- **Worksheet 4a, line 4, Column E:** Divide the amount in column C by the amount in column B, for each taxable year in column A, and enter as a percentage.
- **Worksheet 4c, lines 6, 7, and 8:** leave all columns blank.

• **Method B:**

- **Worksheet 4a, line 4, columns A through D:** Gather all C-8000ITC forms filed for tax years beginning on or after January 1, 2000. (If an amended C-8000ITC was filed, use the figures from the amended form, not the original.) Sort all the returns in chronological order of taxable year end date, from earliest to latest date. Starting with the Form C-8000ITC for the earliest applicable SBT filing period, enter the information requested on the table for each taxable year (use one row for each return).

**NOTE:** For SBT tax years when the taxpayer filed a C-8000 with no C-8000ITC, or a C-8030, enter on line 4A the taxable year end date, and enter zero for lines 4B, 4C, and 4D. Do not enter any information on lines 4A through 4D for SBT tax years in which the taxpayer filed nothing OR filed a C-8044. If more than one return was filed for the same tax year (that is, the taxpayer filed an amended return), use only the information

from the latest return filed for that tax year.

**UBGs:** Fill set of Worksheets 4a, 4b, and 4c for each member of the group who disposed of assets that triggered SBT ITC recapture in the current tax year.

- **Worksheet 4b, line 5, columns A and B:** Starting with Form 4569 for the earliest 2008 and latest 2009 applicable MBT filing period, enter the information requested on table. If more than one return was filed for the same tax year (that is, the taxpayer filed an amended return), use only the information from the latest return filed for that tax year.

**NOTE:** For MBT tax years that the taxpayer filed Form 4567 and no Form 4569, enter on line 5A the taxable year end date, and enter zero for line 5B. Do not enter any information on lines 5A and 5B for MBT years in which the taxpayer filed nothing or filed a Form 4583. See **Note on Using the Simplest Method** under the heading **Calculation of SBT ITC Recapture Rates** in these instructions. Not filing a Form 4567 does not allow a taxpayer to preserve SBT credit carryforward from one year to the next.

**UBGs:** During tax years ending in 2008 and 2009, UBG groups were allowed to offset the group liability by claiming member's SBT ITC carryforward. When completing Worksheet 4b, line 5, column B, enter the portion of the total group SBT ITC carryforward used by the group for each year that pertains to the specific member that is disposing of SBT ITC asset in the current tax year, as calculated in the example below. If the member completing Worksheet 4b was not part of a UBG in 2008 and/or 2009 tax years, and filed as a stand alone filer, take care to report on Worksheet 4b, lines 5A and 5B information from the member's singly filed returns.

**Example:** In 2008, group ABC files MBT return claiming \$1,000,000 in SBT ITC carryforward. The group consisted of Company 1, Company 2, Company 3, and Company 4. Company 4's tax year ended after the tax year of the group's Designated Member, so Company 4's data was not included in group ABC's 2008 MBT return, even though Company 4 was part of the UBG. The total \$1,000,000 in SBT ITC carryforward resulted from the sum of \$200,000 in SBT ITC carryforward from Company 1, \$300,000 from Company 2, and \$500,000 from Company 3. In the current year, companies 2, 3 and 4 dispose of capital investment outside of the group, which triggers SBT ITC recapture. Therefore, Group ABC fills a Form 4902 to report the sum of SBT ITC recapture from Company 2, Company 3, and Company 4. When filling the Worksheet 4b, line 5, column B for Company 2, report \$200,000 – which represents the portion of the total SBT ITC carryforward claimed by the group in 2008 that corresponds only to Company 2's SBT ITC carryforward in 2008. When filling Worksheet 4b, line 5, column B for Company 3, report \$500,000 – which represents Company 3's portion of the total SBT ITC carryforward claimed by the group in 2008. When filling Worksheet 4b, line 5, column B for Company 4, report \$0 – which represents Company 4's portion of the total SBT ITC carryforward claimed by the group in 2008.

- **Worksheet 4a, Column E:** For each taxable year, enter the rates calculated on Worksheet 4c, line 8, column M.

- **Worksheet 4c** (lines and columns not listed are explained on the table):

- **Line 6, column A:** Enter only taxable years in which SBT ITC disposed assets were acquired. Dates should match those listed on Worksheets 3a, 3b, and 3c, columns A. List each date only once.
- **Line 6, column C:** For each taxable year on line 6, column A, find the corresponding SBT ITC amount reported on worksheet 4a, line 4, column C, and Net

Capital Investment amount reported on Worksheet 4a, line 4, column B. Divide amounts from Worksheet 4a, line 4, column C by amounts from worksheet 4a, line 4, column B for each taxable year and enter results here. If the quotient of that division for a particular tax year on line 6, column A equals zero, and the amount on Worksheet 4c, line 6, column B is positive, instead of zero, enter the following on line 6, column C as appropriate:

#### Worksheet 4a

4. A	B	C	D	E
Return For Taxable Year Ending (MM-DD-YYYY)	Net Capital Investment (C-8000ITC, Line 24)	SBT ITC (C-8000ITC, Line 33)	SBT ITC Used (C-8000ITC, Line 36)	Maximum or Actual Calculated Effective Recapture Percentage Rate of SBT ITC by Year
				%
				%
				%

#### Worksheet 4b

5. A	B
Return For Taxable Year Ending (MM-DD-YYYY)	SBT ITC Carryforward Used (Form 4569, line 3)

#### Worksheet 4c

6. A	B	C	D
Taxable Year (End Date) In Which Disposed Asset Were Acquired (MM-DD-YYYY)	SBT Capital Investment Amount (C-8000ITC, line 10)	SBT ITC Credit Rate Divide line 4, column C, by line 4, column B (See Instructions if zero)	Gross SBT ITC Credit Amount Multiply column B by column C

7. E	F	G	H
Taxable Year (repeat from column A)	SBT Recapture Capital Investment Amount (C-8000ITC, line 23)	Gross SBT ITC Credit Recapture Multiply column F by column C	SBT Recapture Amount Offset by Credit Lesser of columns D and G

8. I	J	K	L	M
Taxable Year (repeat from column A)	SBT ITC Credit Amount That offsets SBT liability (from webtool)	Total SBT ITC Credit Amount Used Add columns J and H	Extent Credit Used Rate Divide column K by column D (cannot be more than 1)	SBT ITC Recapture Rate Multiply columns C and L. Carry amount to Worksheet 4a, line 4, column E

- 1) Taxpayer used the straight method to calculate the SBT liability for that taxable year: calculated the credit rate on C-8000ITC, line 26 for that taxable year, and enter the result here;
  - 2) Taxpayer used the excess compensation reduction method to calculate the SBT liability for that taxable year: calculate the credit rate on C-8000ITC, line 26, for that taxable year; subtract the percentage found on C-8000S, line 6, from 100%, and multiply the result of that subtraction by the calculated credit rate on C-8000ITC, line 26. Enter the result here.
- **Line 8, column J:** Enter amount of ITC used provided by the webtool that corresponds to each taxable year displayed on line 8, column I. Access the Michigan Department of Treasury (Treasury) Web tool by going to the Treasury site ([www.michigan.gov/mbt4585tool](http://www.michigan.gov/mbt4585tool)), and enter the necessary information as instructed.

- **Line 8, column M:** For each taxable year on line 8, column I, multiply line 6, column C by line 8, column L. Enter results here. Match the taxable year on line 8, column I with the taxable year on Worksheet 4a, line 4, column A, and carry amount from line 8, column M to Worksheet 4a, line 4, column E for each appropriated tax year line.

• **Method C:**

- **Worksheet 4a, columns A through D:** Fill column A, and leave all others blank.
- **Worksheet 4b, columns A and B:** Leave lines blank.
- **Worksheet 4a, Column E:** Enter results from the taxpayer's own software of choice (that is, a non-Treasury Web tool) or the taxpayer's own calculation that reflects the MBT statute. Retain records to substantiate figures entered in the filed return.

### Calculation of SBT ITC Recapture Amounts

To complete Worksheet 5, follow the instructions below:

**Line 9, Column A:** Enter in chronological order, beginning with the earliest, the tax year end date of each acquisition year of disposed assets that triggered SBT ITC recapture from Worksheets 3a through 3c.

**Line 9, Column B:** Separately for each acquisition year listed in column A, combine the corresponding amounts in Worksheet 3a, column F, Worksheet 3b, column F, and Worksheet 3c, column B for all disposed assets that triggered SBT ITC recapture.

**Line 9, Column C:** For each acquisition year listed in

column A, enter the corresponding SBT ITC effective rate from Worksheet 4a, column E. Match the acquisition year in Worksheet 5, column A, with the corresponding acquisition year in Worksheet 4a, column A.

**Line 9, Column D:** Multiply column B by column C for each acquisition year.

Add up figures in each row of Worksheet 5, column D, and carry that amount to Form 4902, line 2.

**UBGs:** Add up figures in each row of Worksheet 5, line 9, column D from every group member that has disposed assets that triggered SBT ITC recapture. Carry the sum of all years, for all group members, to form 4902, line 2.

### Worksheet 5 — Calculation of SBT ITC Recapture Amounts

9. A	B	C	D
Taxable Year (End Date) In Which Disposed Assets Were Acquired (MM-DD-YYYY)	Total SBT ITC Recapture Base by Year of Acquisition <i>Add amounts from Worksheet 3a, column F; Worksheet 3b, column F; and Worksheet 3c, column B</i>	Year-Specified Recapture Percentage Rate from Line 4, Column E	Recapture Amount <i>Multiply Column B by Column C</i>

10. TOTAL. Enter total of line 9, column D. Carry total to Form 4902, line 2. If less than zero, enter zero. ....

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## 2022 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 Corporate Income Tax (CIT), 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 *CIT Forms and Instructions for Financial Institutions* (Form 4907).

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 CIT 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 are required forms that collect data necessary for preparation of a combined return:
  - The *CIT Unitary Business Group Affiliates Excluded from the Return of a Standard Taxpayer* (Form 4896) and *CIT Data on Unitary Business Group Members* (Form 4897) support a combined return of standard members to be filed on the *CIT Annual Return* (Form 4891).
  - The *CIT Unitary Business Group Combined Filing Schedule for Financial Institutions* (Form 4910) supports a combined return of financial institution members to be filed on the *CIT Annual Return for Financial Institutions* (Form 4908).

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 *Corporate Income Tax Loss Adjustment for the Small Business Alternative Credit* (Form 4895), 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 4891. 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 4908. Insurance company members of a UBG each

file separately on Form 4905.

Before completing a combined return, UBGs should first complete Forms 4896 and 4897 or Form 4910. These forms are used to gather 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 4905, but should be listed as an excluded affiliate with an incompatible tax base on Form 4896 or Form 4910, as applicable, if they are unitary with a standard taxpayer or a financial institution.

#### 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 CIT 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 4891 and related forms, and one for the financial institution members completing Form 4908 and related forms). If the standard members are owned by a financial institution, they will file on the financial UBG return, Form 4910.

**Role of the DM:** The DM speaks, acts, and files the CIT return on behalf of the group for CIT purposes. Only the DM may file a valid extension request for the group. Treasury maintains the group’s CIT data (e.g., prior CIT returns, business loss 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 three forms must be completed with entity-specific data, rather than groupwide data:

- *CIT Schedule of Shareholders and Officers* (Form 4894)
- *CIT Loss Adjustment for the Small Business Alternative Credit* (Form 4895). (In some circumstances, a separate copy of Form 4895 also is completed with groupwide data.)
- *CIT Data on UBG Members* (Form 4897).

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

#### **CIT Small Business Alternative Credit (Form 4893):**

For the Small Business Alternative Credit, the criteria to qualify for the credit should be applied on a group basis. The adjusted business income disqualifier is calculated at the group level after intercompany eliminations. The allocated income disqualifier is based on all items paid or allocable to a shareholder or officer by all members of the UBG. All items paid or allocable to a single individual from members of the UBG must be combined when calculating this disqualifier. This is a change from the comparable calculation under MBT. In addition, a disqualifier applies to a UBG at the group level if such disqualifier applies to any member of the UBG. The reduction percentages for the credit also apply to the entire group if they apply to any one member of the group. If the qualification is satisfied, the calculation of the available credit amount should also be on a group basis. The calculation of the credit should also be done after eliminations of intercompany transactions. The available amount of the Small Business Alternative Tax Credit is taken against the entire group's tax liability. Additional UBG instructions are provided on forms where the Small Business Alternative Credit is 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).

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#### **Effects of Members Joining a Group**

When an entity becomes a member of a UBG part way through the member's tax year, for CIT 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 carryforward of a business loss, combine that amount with any carryforward of business loss that was generated by the group or brought to the group by another member. The group must then use the oldest available business loss carryforward first, regardless of source. If two members each created (or brought) a business loss carryforward of the same age, and together those exceed the amount allowable in this filing period after use of older carryforwards, those members' respective business loss carryforwards are used in proportion to the amount they created for, or brought to, the group.

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#### **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 CIT 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.

In most cases, when a member leaves the group, any business loss carryforward of the unitary business group is divided among the unitary business group and the departing members in proportion to the losses the members would have generated had each member filed separately. Specifically, the portion of the business loss carryforward of a taxpayer that is a unitary business group attributable to a departing member is an amount equal to the business loss carryforward of the unitary business group multiplied by a fraction, the numerator of which is what would have been the business loss of that member had that member filed a separate return, and the denominator of which is the sum of what would have been the separate business losses of all members of the group in that year having business losses if those members filed separate returns.

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#### **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 CIT return.

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#### **Further Guidance on UBGs**

For information on CIT issues, see the Treasury Web site at [www.michigan.gov/treasury/](http://www.michigan.gov/treasury/). Treasury posts updates to the Corporate Income Tax page and via Revenue Administrative Bulletin (RAB).

## Country Codes

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