

# Voluntary Disclosure - Multi-Year Apportionment Schedule for Single Business Tax

Issued under authority of P.A. 228 of 1975.

1. Name		2. Federal Employer Identification Number (FEIN) or TR Number				
		A.	B.	C.		
<b>PROPERTY FACTOR</b>			<b>Weighting Factors</b>	<b>Weighted Percentage</b>		
Complete if filer has property outside of Michigan regardless of whether filer has Michigan property.						
3. Average value of Michigan property held during the year.....	3.	.00	<b>For lines 9, 12 and 15 apply apportionment percentages for the tax year under review from Table 2.</b>			
4. Multiply Michigan rentals by 8 and enter the result.....	4.	.00				
5. Total Michigan property. Add lines 3 and 4.....	5.	.00				
6. Average value of total property held during the year.....	6.	.00				
7. Multiply total rentals by 8 and enter the result.....	7.	.00				
8. Total property. Add lines 6 and 7.....	8.	.00				
9. Percentage. Divide line 5 by line 8.....	9.	%			<b>x</b>	9. %
<b>PAYROLL FACTOR</b>						
Complete if filer has payroll outside of Michigan regardless of whether filer has Michigan payroll.						
10. Michigan wages .....	10.	.00	<b>x</b>			
11. Total wages .....	11.	.00				
12. Percentage. Divide line 10 by line 11 .....	12.	%			12. %	
<b>SALES FACTOR</b>						
13. Michigan sales .....	13.	.00	<b>x</b>			
14. Total sales .....	14.	.00				
15. Percentage. Divide line 13 by line 14 .....	15.	%			15. %	
16. <b>Apportionment percentage.</b> Add column C, lines 9, 12 & 15*.....	16.			16. %		
* If you do not have three factors (if line 8, 11 or 14 is zero), see Formulas for Special Situations. <b>USE THE LINES PROVIDED BELOW IF YOU QUALIFY AS A TRANSPORTATION SERVICE, FINANCIAL ORGANIZATION, OR TAXPAYER AUTHORIZED TO USE A SPECIAL FORMULA. ATTACH AN EXPLANATION.</b>						
17. Michigan.....	▶ 17.	.00				
18. Total.....	▶ 18.	.00				
19. Apportionment percentage. Divide line 17 by line 18.....	19.			%		
20. Multiply the company gross receipts amount reported on the federal return by the apportionment percentage from line 16 or 19.....	20.					
21. Enter the amount from line 20 onto Table 1 under <i>Calculated Apportioned Gross Receipts</i> for the corresponding <i>Tax Year</i> . Compare <i>Calculated Apportioned Gross Receipts</i> to the <i>Threshold</i> amount. If the company's <i>Calculated Apportioned Gross Receipts</i> equal or exceed the <i>Threshold</i> amount, the company has a filing responsibility for that tax year.						
22. Repeat steps 3 through 21 for all years identified in the cover letter, using <i>Apportionment Percentages by Tax Year</i> in Table 2.						

TABLE 1 - Gross Receipts by Tax Year		
Tax Year	Threshold	Calculated Apportionment Gross Receipts
2006	\$350,000	_____
2005	\$350,000	_____
2004	\$350,000	_____
2003	\$350,000	_____
2002	\$250,000	_____
2001	\$250,000	_____
2000	\$250,000	_____
1999	\$250,000	_____
1998	\$250,000	_____
1997	\$250,000	_____
1996	\$250,000	_____

TABLE 2 - Apportionment Percentages by Tax Year				
	1995-1996	1997-1998	1999-2005	2006-2007
Property	25%	10%	5%	3.75%
Payroll	25%	10%	5%	3.75%
Sales	50%	80%	90%	92.5%

# Instructions for Form 4132, Voluntary Disclosure - Multi-Year Apportionment Schedule for Single Business Tax

## GENERAL INSTRUCTIONS

Your Michigan tax is based only on the business activity you conduct in Michigan. This activity is measured by three factors: property, payroll and sales.

Each factor is weighted; the weighted figures are then added to determine the portion of activity taxable in Michigan. Refer to Table 2 for the weighting percentages by tax year.

Carry all percentages to six decimal places. Do not round percentages. For example, 24.154256 becomes 24.1542% (.241542).

Complete the apportionment schedule using amounts for your business activity only. Do not include amounts from an interest in a partnership, S-corporation or LLC.

### Property Factor

The property factor is equal to the average value of all real and tangible personal property owned or rented in Michigan divided by the average value of all property owned or rented everywhere, multiplied by the weighted factor. **Tangible personal property** includes machinery, tools, inventory, implements, equipment, goods, wares and merchandising. **Real property** includes land, buildings, leasehold improvements and construction in progress.

Determine the **average value** of your property by averaging the values at the start and end of the tax period.

Value property you own at its original cost.

Value property you rent at eight times the net annual rental rate, which is the annual rental rate paid less any rental rate received from subrentals.

The factor is computed by dividing the total value of your Michigan property (line 5) by the value of all your property (line 8).

### Payroll Factor

Payroll consists of wages paid during the tax year. The payroll factor is equal to total wages paid in Michigan divided by the total wages paid everywhere, multiplied by the weighted factor.

For purposes of apportionment only, **wages** means wages as defined in IRC Section 3401.

Wages are considered paid in Michigan if:

1. The employee's service is performed entirely in Michigan;
2. The employee's service is performed in Michigan and in other states, but the service performed outside Michigan is incidental to the employee's service in Michigan;
3. Some of the employee's service is performed in Michigan and the base of operations or the place from which the service is controlled is in Michigan; or
4. The base of operations or place from which the service is controlled is not in any state in which some part of the service is performed, but the individual's residence is in Michigan.

The factor is computed by dividing the wages paid in Michigan during the tax year (line 10) by the total wages paid everywhere (line 11).

### Sales Factor

Sales include 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.
- Performance of services which constitute business activity.
- Rental, leasing, licensing, or use of tangible or intangible property which constitutes business activity.

Sales do not include dividends, interest, and royalties received by the taxpayer to the extent deducted from the taxpayer's tax base. For tax years beginning after 12/31/2000, sales also do not include royalties not deducted from the tax base if they are paid to a franchisor as consideration for use outside the state of trade names, trademarks, and similar tangible property.

The sales factor is equal to total sales in Michigan divided by the total sales everywhere, multiplied by a weighted factor.

Sales of **tangible personal property** are attributable to Michigan if the property is shipped or delivered to any purchaser within Michigan regardless of the free on board (F.O.B.) point or other conditions of the sales.

Sales **other than the sale of tangible personal property** are attributable to Michigan if:

- The business activity is performed in Michigan;
- The business activity is performed both in Michigan and in other states, but based on the cost of performance, a greater proportion is performed in Michigan; or
- Receipts are derived from services performed for planning, designing, or construction activities within Michigan.

The factor is computed by dividing the total Michigan sales on line 13 by the total sales everywhere on line 14.

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### Example 1

Factor	Column A		Column B	=	Column C
Property	10%	x	3.75%	=	0.375%
Payroll	10%	x	3.75%	=	0.375%
Sales	50%	x	92.5%	=	<u>46.25%</u>
					47%

The apportionment percentage is 47%. Enter this percentage on line 16.

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## Formulas for Special Situations

### Fewer Than Three Factors

If a business does not have three factors (i.e., if line 8, 11 or 14 is zero), reweight the factors to compute the apportionment percentage. To reweight, add the weighted percentages in column C for the current factors, then add the weighting factors in column B for the factors. Divide the sum of column C by the sum of column B. Enter this percentage on line 16.

#### Example 2

Factor	Column A		Column B	=	Column C
Property	10%	x	3.75%	=	0.375%
Payroll	none				
Sales	50%	x	92.5%	=	46.25%
			96.25%		46.625%

$$46.625\% \div 96.25\% = 48.4415\% (.484415).$$

Enter this percentage on line 16.

### Transportation of Oil by Pipeline

The apportionment percentage used for the transportation of oil by pipeline is based on barrel-miles. Enter on line 17 the barrel-miles transported in Michigan during the tax year. Enter on line 18 the total barrel-miles transported everywhere during the tax year. Divide line 17 by line 18. Enter this percentage on line 19.

### Transportation of Gas by Pipeline

The apportionment percentage used for the transportation of gas by pipeline is based on 1,000 cubic-foot miles. Enter on line 17 the 1,000 cubic-foot miles transported in Michigan during the tax year. Enter on line 18 the total 1,000 cubic-foot miles transported everywhere during the tax year. Divide line 17 by line 18. Enter this percentage on line 19.

### Other Transportation Services

The apportionment percentage used for other transportation services is based on revenue-miles. A **revenue-mile** means the transportation of one net ton of property or one passenger for the distance of one mile. For example: 40 tons x 100 miles = 4,000 revenue miles. Enter on line 17 the revenue-miles transported in Michigan during the tax year. Enter on line 18 the total revenue-miles transported everywhere during the tax year. Divide line 17 by line 18. Enter this percentage on line 19.

If both property and passengers are transported, determine the portion subject to Michigan tax by first computing separate percentages, as described above, for property transported and for passengers transported. Then divide gross receipts for each activity by the total gross receipts. Multiply the percentage of gross receipts by the transportation percentage. Sum the results of both calculations and enter this percentage on line 19. See Example 3.

#### Example 3: Formula for Transportation Services

Michigan revenue-miles for property		Gross receipts for property
_____	x	_____
Total revenue-miles for property		Total gross receipts
	+	
Michigan revenue-miles for people		Gross receipts for people
_____	x	_____
Total revenue-miles for people		Total gross receipts for people
_____		_____
= The apportionment percentage		

### Financial Organizations

The apportionment percentage used by a financial organization is based on gross business. **Gross business** is the sum of:

- Fees, commissions or other compensation for financial services;
- Gross profits from trading in stocks, bonds or other securities;
- Interest charged to customers for carrying debit balances of margin accounts without deduction of any costs incurred in carrying the accounts;
- Interest and dividends received; plus
- Any other gross income resulting from operations as a financial organization.

Enter on line 17 gross business in Michigan during the tax year. Refer to RAB 2002-14, Single Business Tax – Apportionment and Sourcing for Financial Organizations, for more information. Enter on line 18 the total gross business everywhere during the tax year. Divide line 17 by line 18. Enter this percentage on line 19.

## **Question and Answer – SBT Filing Requirements for Voluntary Disclosure**

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### **Should your company request voluntary disclosure for single business tax?**

If your company has a filing responsibility under the nexus standards identified in Revenue Administrative Bulletin 1998-1, the answer is Yes.

### **What is a filing responsibility?**

Any person engaged in a business activity in Michigan, whose adjusted gross receipts are in excess of the filing threshold for a particular tax year has a filing responsibility and is required to file a return. If the company's adjusted gross receipts are below the filing threshold for each year in which the company had nexus in Michigan, there is no filing responsibility and therefore no need to request voluntary disclosure. Table 1 of the attached apportioned gross receipts schedule identifies the adjusted gross receipts filing thresholds by tax year.

Adjusted gross receipts are determined by calculating an apportionment percentage that utilizes a three-factor formula (property factor, payroll factor, and sales factor). The company's annual gross receipts from the federal return is then multiplied by the apportionment percentage to determine the adjusted gross receipts.

The single business tax nexus standards identified in Revenue Administrative Bulletin 1998-1, apply retroactively to all open tax periods ending on or after January 1, 1989.

Under a voluntary disclosure agreement for single business tax, a company is required to file tax returns for the 4 most recently completed tax years – “the lookback period.” The agreement also provides relief from filing tax returns for all tax years prior to the lookback period. Section 205.30c(5)(a) of the Revenue Act states, “The department shall not assess any tax, deficiency for a tax, penalty, or interest covered under the agreement for any period before the lookback period identified in the agreement.”

### **How do you determine if you have a filing responsibility?**

The attached apportioned gross receipts schedule is provided to assist you in making a decision about whether you should request voluntary disclosure for single business tax. The schedule is not year specific. Photocopy the schedule as needed, and calculate apportioned gross receipts for all years in which the company had nexus in Michigan, in the following order:

1. Calculate the company's apportioned gross receipts for the lookback period. If the apportioned gross receipts exceed the filing threshold in any one year, a filing responsibility exists and you must request voluntary disclosure.
  
2. If apportioned gross receipts do not exceed the filing threshold for the lookback period, but the company had nexus in Michigan prior to the lookback period, calculate the apportioned gross receipts for the prior tax years. If the company had a filing responsibility for an earlier period, you must submit a request for voluntary disclosure in order to take advantage of the tax protection voluntary disclosure provides.