

Issued under authority of Public Act 36 of 2007.

Taxpayer Name (If Unitary Business Group, Name of Designated Member)	Federal Employer Identification Number (FEIN) or TR Number
Unitary Business Groups Only: Name of Unitary Business Group Member Reporting on This Form	Federal Employer Identification Number (FEIN) or TR Number

<b>1. A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>
Member Number	Name of shareholder (including corporation, trust, or partnership), officer, or family member receiving compensation from the business (Last, First, Middle)	FEIN or Social Security number of shareholder or officer	Check (X) if an officer	% Stock directly owned	% Stock with attribution (See instructions.)	% Stock from Col. F less any attribution between two active shareholders
					%	%
					%	%
					%	%
					%	%
					%	%
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					%	%
					%	%
					%	%
					%	%
					%	%
Percent of stock (not listed above) owned by shareholders who own less than 10% and receive no compensation:					%	
<b>Total:</b>				100	%	

[illegible]

**+** 0000 2011 47 01 27 9

FEIN or TR Number

UBG Member FEIN or TR Number

PART 2: LIST OF FAMILY MEMBERS AND THEIR CORRESPONDING RELATIONSHIP TYPE

Using the same Member Number references from Part 1, indicate your attributable family relationship (if any) to each shareholder. (An attributable family relationship is defined as either a spouse, parent, child or grandchild.)

- If an attributable family relationship exists, designate in columns P through S
- If no attributable family relationship exists, check box in column T.

2. O Member Number	P Spouse	Q Parent	R Child	S Grandchild	T Check (X) if No Attributable Relationship

PART 3: SMALL BUSINESS ALTERNATIVE CREDIT. See instructions for definition of active shareholder.

3. Compensation and director fees of active shareholders. Add amounts in column L for each active shareholder. Enter here and on Form 4571, line 6, or 4583, line 12 .....

4. Compensation and director fees of officers. Add amounts in column L for each officer who is not an active shareholder. Enter here and on Form 4571, line 7, or 4583, line 13.....

3.

4.

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## Instructions for Form 4577

### Michigan Business Tax (MBT) Schedule of Shareholders and Officers

#### For all Corporations claiming the Small Business Alternative and Start-Up Business Credits

**Fiscal Year Filers:** See “Supplemental Instructions for Standard Fiscal MBT Filers” on page 145.

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#### Purpose

To determine eligibility for all Corporations to qualify for the Small Business Alternative Credit. *Corporation* means a taxpayer that is required or has elected to file as a Corporation under the Internal Revenue Code (IRC).

If filing as a Corporation (including Limited Liability Companies federally taxed as such) and claiming a Small Business Alternative Credit, complete this form and include it as part of the annual return to report:

- Shareholder and C Corporation officer qualifications for the Small Business Alternative Credit;
- Compensation and director fees of active shareholders and all C Corporation officers for the computation of the Small Business Alternative Credit.

This form also is required to be completed and included as part of the return whenever a corporation claims a Start-Up Business Credit. To qualify for the Start-Up Business Credit, the compensation, director fees, or distributive shares paid by the taxpayer to a shareholder of a C Corporation or S Corporation, or an officer of a C Corporation, cannot exceed \$135,000.

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#### Line-by-Line Instructions

*Lines not listed are explained on the form.*

**Name and Account Number:** Enter name and account number as reported on page 1 of the *MBT Annual Return* (Form 4567) or the *MBT Simplified Return* (Form 4583).

**Unitary Business Groups (UBGs):** Complete one form for each member that is a corporation (including an entity taxed federally as such). Enter the Designated Member name in the Taxpayer Name field and the member to whom the schedule applies on the line below. On the copy filed to report the DM's data (if applicable), enter the DM's name and account number on each line.

#### PART 1: SHAREHOLDERS AND OFFICERS

**Line 1 (Columns A through N):** In column 1A, assign numbers (beginning with 1) to all shareholders and C Corporation officers in order of percentage of stock ownership (percentage in column G), highest percentage first. (Repeat this numbering in Part 1, line 1H, and Part 2, line 2O. It is essential that this numbering system is followed.) All shareholders' family members, as defined by IRC § 318(a)(1), are considered shareholders and must be listed in Part 1 if they receive compensation from the business. List and describe all shareholders and C Corporation officers who:

- Are employees of the Corporation;
- Are directors of the Corporation; or
- Own 10 percent or more of the stock of the Corporation, including those by attribution.

*Shareholder* means a person who owns outstanding stock in the Corporation. An Individual is considered as owning the stock owned, directly or indirectly, by or for family members as defined by IRC § 318(a)(1). An officer of a C Corporation includes the chairperson of the board, president, vice president, secretary, and treasurer, or persons performing similar duties.

*Outstanding stock* means all stock of record, regardless of class, value, or voting rights, but outstanding stock does not include treasury stock.

If more lines are needed for listing the shareholders and C Corporation officers, include additional copies of this form. Complete the taxpayer name and account number on each copy (and UBG member if applicable), and lines 1 and 2 as necessary. If using more than one copy of the form, continue the sequential number system for the Member Number in columns A and H.

**NOTE:** Rules of attribution in IRC § 318(a)(1) do not differentiate between an adult and a minor child.

**Columns B and C:** Identify each shareholder (including Corporations, Trusts, or Partnerships) and C Corporation officer by name and Social Security number. Corporations, Trusts, and Partnerships should be identified using the Federal Employer Identification Number (FEIN) or Michigan Treasury (TR) assigned number.

**NOTE: Column C:** An individual or foreign entity that does not have a Social Security number or FEIN may enter in Column C “APPLD FOR” (an abbreviation for “applied for”) or “FOREIGNUS” (an abbreviation for “foreign filer”).

**Column E:** Enter the percentage of outstanding stock each shareholder or C Corporation officer actually owns. If a shareholder owned stock for a period less than the Corporation's tax year, multiply that shareholder's percentage of ownership by the number of months owned and divide the result by the number of months in the Corporation's tax year.

Taxpayers must account for 100 percent of the stock. If it is not accounted for, processing of the return may be delayed.

**Column F:** Enter the percentage of outstanding stock each shareholder owns, including attribution of ownership from family members under IRC § 318(a)(1). If no attribution exists, enter the percentage from column E in column G and leave column F blank.

**Column G:** When reporting ownership of a person who is an active shareholder, do not include in Column G any stock ownership attributed to this person from another active shareholder. See definition of active shareholders in the Part 3 instructions. For the purposes of determining disqualification for the Small Business Alternative Credit, an active shareholder's share of business income is not attributed to another active shareholder.

**EXAMPLE:** In this case, the husband and daughter are active shareholders because compensation, director fees, or

dividends from the business are greater than \$10,000. The wife and son are not active because compensation, director fees, or dividends from the business are less than \$10,000.

Stock Percentage			
	Column E	Column F	Column G
Husband (active)	40%	100% (all shareholders)	70% (husband/wife/son)
Wife (inactive)	10%	100% (all shareholders)	100% (all shareholders)
Son (inactive)	20%	70% (husband/ wife/son)	70% (husband/wife/son)
Daughter (active)	30%	80% (husband/ wife/daughter)	40% (wife/daughter)

**Column I:** Enter total dividends received by each shareholder during the tax year from this business (used to determine active shareholders). This includes regular distributions for an S Corporation.

**Columns I, J, and K: Fiscal Year Filers:** See “Supplemental Instructions for Standard Fiscal MBT Filers” on page 145.

**Column J:** Enter salaries, wages, and director fees that are attributable to each shareholder or C Corporation officer. Compensation paid by a professional employer organization to the officers of a client (if the client is a C Corporation) and to employees of the professional employer organization who are assigned or leased to and perform services for a client must be included in determining the eligibility of the client for this credit.

If a shareholder owned stock for less than the entire tax year of the corporation, or an officer served as an officer less than the entire tax year, report only the compensation and insurance payments received while serving as an officer or shareholder. These amounts must be annualized when determining disqualifiers, but should be reported as actual amounts on this form.

**NOTE:** All compensation must be included, whether or not the shareholder or C Corporation officer worked in Michigan.

**Column K:** Enter employee insurance payments and pensions that are attributable to each shareholder or C Corporation officer.

If a shareholder owned stock for less than the entire tax year of the corporation, or an officer served as an officer less than the entire tax year, report only the compensation and insurance payments received while serving as an officer or shareholder. These amounts must be annualized when determining disqualifiers, but should be reported as actual amounts on this form.

**UBGs: Members of UBGs that have More than 12 Months Included in the Final MBT Return:** Because the final MBT return will include more than 12 months of business activity for these members, the amounts in Columns I, J, and K must be prorated for these members. To prorate, each member with more than 12 months of activity included on the group return will multiply the actual amounts received in the 12-plus month period included in the UBG’s final return by a fraction, the numerator of which is 12 and the denominator of which is the total number of months included for the member on the group return. These

#### ATTRIBUTION EXAMPLE:

<b>Larry David Stone</b>	Husband of Betty Stone, Father of Mary Stone, Stepfather of Tammie Rock, Step Grandfather of Kathy Rock
<b>Betty Ann Stone</b>	Daughter of Bob Pebble, Wife of Larry Stone, Mother of Tammie Rock, Stepmother of Mary Stone, Grandmother of Kathy Rock
<b>Mary Elizabeth Stone</b>	Daughter of Larry Stone, Stepdaughter of Betty Stone
<b>Tammie Marie Rock</b>	Daughter of Betty Stone, Stepdaughter of Larry Stone, Spouse of Steve Rock, Mother of Kathy Rock, Granddaughter of Bob Pebble
<b>Steve Carl Rock</b>	Spouse of Tammie Rock, Father of Kathy Rock, Brother of Mike Rock
<b>Kathy Evelyn Rock</b>	Daughter of Tammie and Steve Rock, Granddaughter of Betty Stone, Step Granddaughter of Larry Stone
<b>Mike Joseph Rock</b>	Brother of Steve Rock
<b>Bob Kenneth Pebble</b>	Father of Betty Stone, Grandfather of Tammie Rock
<b>Terry Robert Marble</b>	Friend

#### Part 1: Shareholders and officers - See instructions

1. A	B
Member Number	Name of shareholder (including corporation, trust, or partnership), officer, or family member receiving compensation from the business (Last, First, Middle)
1	Stone, Larry David
2	Stone, Betty Ann
3	Stone, Mary Elizabeth
4	Rock, Tammie Marie
5	Rock, Steve Carl
6	Rock, Kathy Evelyn
7	Rock, Mike Joseph
8	Pebble, Bob Kenneth
9	Marble, Terry Robert

#### Part 2: List of family members and their corresponding relationships

2. O	P	Q	R	S	T
Member Number	Spouse	Parent	Child	Grandchild	Check (X) if No Attributable Relationship
1	2		3		
2	1	8	4	6	
3		1			
4	5	2	6		
5	4		6		
6		4-5			
7					X
8			2	4	
9					X

amounts are the amounts that are used when calculating this credit. This calculation is done off of the form but the amounts are entered into their respective columns on the form. For more information, see the “Supplemental Instructions for Standard Fiscal MBT Filers” on page 145.

**Column M:** Multiply the percentage in column G by line 5 on the *MBT Common Credits for Small Businesses* (Form 4571) OR the sum of lines 10 and 11 on Form 4583.

**UBGs:** Multiply the percentage in column G by the sum of the *MBT Unitary Business Group Combined Filing Schedule* (Form 4580), Part 2A, lines 30 and 34, plus capital loss from the federal return.

## **PART 2: LIST OF FAMILY MEMBERS AND THEIR CORRESPONDING RELATIONSHIP TYPE**

Columns P through S represent relationships affected by attribution.

For each shareholder listed in Part 1, column A, enter the corresponding number of the shareholder’s spouse, parent, child, or grandchild, if any, listed in Part 1, column A.

If more than one number is entered in boxes P through S, separate numbers with a dash. For example, if a family member has three children, each child’s member number should appear in the “Child” column with dashes separating them (“2-3-4”).

Do not use a dash to imply included numbers (such as “5-8” meaning “5 through 8”), but instead include each member number (“5-6-7-8”). Do not use commas.

**EXAMPLE (SEE THE ATTRIBUTION EXAMPLE ON THE PREVIOUS PAGE):** Kathy Rock’s (6) parents (4 and 5) work for the company. Kathy will list “4-5” in column Q.

**NOTE:** If the space provided in the line 2 columns is not adequate to list all of the corresponding relationships, attach a separate sheet of paper with the member number from column O, the corresponding relationship, and the number of the member(s) with that relationship.

**Column T:** Check column T for each shareholder listed only if columns P through S are blank (no attributable relationship exists).

## **PART 3: Small Business Alternative Credit**

**Line 3:** Add compensation and director fees in column L for each active shareholder and enter the result on line 3 and on Form 4571, line 6, or Form 4583, line 12.

An active shareholder:

- Is a shareholder of the C Corporation, including through attribution, AND
- Owns at least 5 percent of outstanding stock, including through attribution (column E or F = 5 percent or more), AND
- Receives at least \$10,000 in compensation, director fees, and dividends from the business (sum of columns I and L = \$10,000 or more). **Important:** For short-period returns or a part-year shareholder, compensation, director fees, and dividends of each individual must be annualized to meet this requirement.

## **Annualizing**

Multiply each applicable amount by 12 and divide the result by the number of months the business operated or the person was a shareholder. Generally, a business is considered in business for one month if the business operated for more than half the days of the month.

**Line 4:** Add the compensation and director fees in column L for each C Corporation officer who is not an active shareholder and enter the result on line 4 and on Form 4571, line 7, or Form 4583, line 13.

**REMINDER:** Active shareholders of an S Corporation are included in the line 3 calculation, even if the shareholder is also a C Corporation officer. Because the definition of “officer” for this purpose does not apply to an S Corporation, line 4 will always be blank for an S Corporation.

***Include completed Form 4577 as part of the tax return filing.***