



# MICHIGAN BUSINESS TAX

## 2011 FORMS & INSTRUCTIONS FOR INSURANCE COMPANIES

This MBT booklet includes forms and instructions for Insurance Companies. Forms are designed for calendar year 2011 and for the 2011 short-year of a fiscal filer with a federal tax year ending in 2012.

### **Inside this tax booklet:**

- Important Information for 2011 — **Page 4**
- General Information for Insurance Companies — **Page 5**

### **E-file your Michigan Business Tax return.**

See pages 2 and 6 for more information, or visit the E-file Web site.

**[www.MIfastfile.org](http://www.MIfastfile.org)**



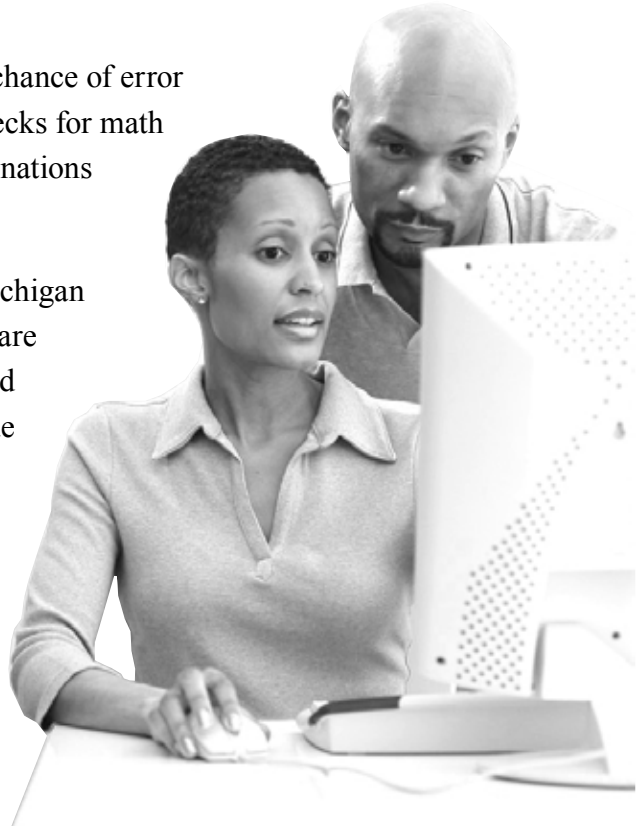
Find Michigan tax forms online at **[www.michigan.gov/taxes](http://www.michigan.gov/taxes)**.

# File with confidence. E-file.

⚡ **It's Accurate.** E-filed returns have much less chance of error compared to paper returns. The computer program checks for math errors before the return is accepted, and detailed explanations pinpoint the location of any errors in the return.

⚡ **It's Convenient.** Prepare and submit your Michigan Business Tax (MBT) return electronically using software approved by the Michigan Department of Treasury, and receive electronic proof from both the Internal Revenue Service and State of Michigan that your returns were accepted.

⚡ **It's Secure.** Only tax preparers and their clients see the returns. Confidential information is protected by Secure Socket Layer (SSL) 128-bit encryption.



[www.MIfastfile.org](http://www.MIfastfile.org)

## MBT e-file Mandate

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

Treasury will be enforcing the MBT 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.

For more information about MBT e-file, visit the Web site [www.MIfastfile.org](http://www.MIfastfile.org).

## E-file Software Companies

A list of e-file software companies is available on the Web site [www.MIfastfile.org](http://www.MIfastfile.org). Select "Business Taxpayer," then "Michigan Business Tax E-File," and look under "Choosing a Tax Preparation Software."

Treasury and the State of Michigan do not endorse or warrant these companies or their products or services. The decision to use or not to use any of these products and services will not result in any special treatment from Treasury.



January 2012

Dear Taxpayer:

Enclosed are forms and instructions needed to file your 2011 Michigan Business Tax (MBT) annual return.

Some of the forms and instructions in this booklet have been changed from previous years. For more information on form updates and Helpful Hints for Completing an MBT return, please see page 4 of this instruction booklet.

If you have questions about your MBT obligations, please call the Michigan Department of Treasury's Customer Contact Division at (517) 636-6925, or visit [www.michigan.gov/mbt](http://www.michigan.gov/mbt).

Sincerely,

A handwritten signature in black ink, appearing to read "Glenn R. White".

Glenn R. White  
Deputy State Treasurer,  
Tax Administration

# Important Information for 2011

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## Changes Beginning in 2012

This MBT booklet includes forms and instructions designed for the calendar year 2011. All filers should read the instructions carefully.

**NOTE:** Per Public Act 39 of 2011, the Corporate Income Tax (CIT) replaces the MBT for most taxpayers effective January 1, 2012. After that date, the MBT continues as the MBT election. The MBT election enables a taxpayer with certain types of certified or awarded MBT credits to continue using those credits once the CIT is in place. If the taxpayer is not subject to the CIT and does not have a certified credit or does not elect to remain under the MBT election, that taxpayer will not have a business tax liability for the period beginning January 1, 2012.

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## Helpful Hints for Completing an MBT Return

### Estimates

If making estimated payments by Electronic Funds Transfer (EFT), the associated vouchers are not required to be submitted.

### Amended Returns

To amend a current or prior year annual return, complete the Form 4588 that is applicable for that year, check the box in the upper-right corner of the return, and attach a separate sheet explaining the reason for the changes. Include an amended federal return or a signed and dated Internal Revenue Service (IRS) audit document. Include all schedules filed with the original return, even if not amending that schedule. Enter the figures on the amended return as they should be. Do not include a copy of the original return with your amended return.

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## Changes for Disregarded Entities

Public Act 305 was enacted into law on December 27, 2011, to add Michigan Compiled Law 208.1512 to the MBT. This section provides three different rules for the filing requirements of an entity that is disregarded for federal purposes:

- The general rule provides that a person that is disregarded for federal income tax purposes must be classified as a disregarded entity for MBT purposes.
- However, if a person that is disregarded for federal income tax purposes has already filed separately for its 2008, 2009, or 2010 MBT tax years in either an original 2008, 2009, or 2010 MBT return filed prior to January 1, 2012, or in an amended 2008, 2009, or 2010 MBT return filed prior to December 1, 2011, that person may continue to file separately in those years — it does not have to amend those returns. (A person that is disregarded for federal income tax purposes that did not file as a separate entity for the 2008, 2009, or 2010 tax year in either an original return filed before January 1, 2012, or in an amended return prior to December 1, 2011, is not entitled to file as a separate entity for its 2008, 2009, or 2010 tax year.)
- For the 2011 MBT tax year, a person that is disregarded for federal income tax purposes that has already filed separately for its 2010 MBT tax year in either an original MBT return filed prior to January 1, 2012, or in an amended MBT return filed prior to December 1, 2011, may also file separately for its 2011 MBT tax year.

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## Accelerated Credits in 2012

A taxpayer with a certificated credit under section 435 (Historic) or 437 (Brownfield) of the Michigan Business Tax Act (MBTA), which certificated credit or any unused carryforward may be claimed in a tax year ending after December 31, 2011, may elect to pay the tax imposed by the MBTA in the tax year in which that certificated credit may be claimed in lieu of the CIT. If a person with a certificated credit under section 435 or 437 that elects to pay the MBT is a member of a Unitary Business Group (UBG), the Designated Member of the UBG, and not the member, shall file a UBG return and pay the tax, if any, under the MBTA and claim that certificated credit.

For a tax year beginning after December 31, 2011, if a certificate of completion, assignment certificate, or component completion certificate is issued under section 437 to a taxpayer, or if a certificate of completed rehabilitation, assignment certificate, or reassignment certificate is issued under section 435 to a taxpayer, beginning on and after January 1, 2012, the taxpayer may elect to claim an accelerated refund for 90 percent of the amount of that certificate.

If section 437 or 435 provides that payment of a credit will be made over a period of years or limits the annual amount of a payment, an accelerated refund may only be claimed for the amount payable in the year claimed.

However, a taxpayer claiming the Special Consideration Historic Preservation Credit under section 435(20) may elect to claim an accelerated refund for the balance of the credit, but the amount of that refund shall be equal to 86 percent of the amount of the credit.

For more details, see the *2012 Request for Reduced Refundable Credit Payout for the Brownfield Redevelopment Credit and Historic Preservation Credit* (Form 4889). Michigan Tax Forms are online at [www.michigan.gov/taxes](http://www.michigan.gov/taxes). An accelerated credit refund will be paid within 60 days after Form 4889 is filed.

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## Brief Overview of the CIT

The CIT takes effect January 1, 2012, and replaces the MBT, except for certain businesses that wish to retain certain certificated credits. Among the highlights of the CIT:

- The CIT applies only to C Corporations, entities taxed as C Corporations for federal income tax purposes, financial institutions and insurance companies.
- Individuals and flow-through entities, including partnerships, S Corporations, and trusts, are not subject to the CIT. However, flow-through entities may be subject to Flow-Through Withholding.
- For the 2012 tax year, fiscal year taxpayers will be granted an automatic extension to file the annual return to April 30, 2013, regardless of whether they are filing a CIT return or an MBT election return. **However, an extension of time to file is not**

**an extension of time to pay.** An extension request form need not be filed unless required to transmit payment of any tax that would be due with the annual return. The annual return tax due must be paid by the original due date, which is the last day of the fourth month after the end of the fiscal year.

- Taxpayers will be required to file quarterly estimated returns as well as an annual return.
- Annual payments will still be due on the prescribed due date of the annual return.
- The CIT is equal to 6 percent of the CIT tax base after allocation or apportionment.
- The only credit available for Standard Taxpayers under the CIT is the Small Business Alternative Credit. Insurance companies may claim the Workers' Disability Supplemental Benefit (WDSB) Credit if eligible.
- An entity that has received, has been approved to receive, or has been assigned certain certificated tax credits under MBT may elect to continue to file and pay under the MBT in lieu of the CIT. This election must be made when the return is filed for the first tax period beginning after 2011.
- Estimated payments will still be due on the prescribed due dates for quarterly estimated returns.

For more information on the CIT, go online to [www.michigan.gov/taxes](http://www.michigan.gov/taxes).

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### **Overview of Flow-Through Withholding**

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- Flow-through entities with non-resident individual owners must withhold tax on the distributive share of each non-resident individual owner. Beginning in 2012, flow-through entities with more than \$200,000 of business income reasonably expected to accrue, after allocation or apportionment, will be required to withhold a tax on the distributive share of each owner that is a C Corporation or flow-through entity.
- The flow-through entities will be required to file four quarterly returns and an annual return.
- There will be no extensions granted to flow-through entities for their *FTW Quarterly Return* (Form 4917). However, fiscal year taxpayers will be granted an automatic extension until February 28, 2013, for their flow-through withholding annual reconciliation return for the 2012 portion of their 2011-12 federal tax year.

# 2011 General Information for Insurance Companies

**Standard Taxpayers and Financial Institutions:** See the *Michigan Business Tax (MBT) Instruction Booklet for Standard Taxpayers* (Form 4600) or the *MBT Instruction Booklet for Financial Institutions* (Form 4599) at [www.michigan.gov/taxes](http://www.michigan.gov/taxes).

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

## Who Files an Insurance Return?

All insurance companies that are engaged in the business of writing, or that are authorized to write, insurance or surety contracts within the State of Michigan file the *Insurance Company Annual Return for Michigan Business and Retaliatory Taxes* (Form 4588).

All insurers, domestic and foreign, must submit copies of Schedule T and the Michigan Business Page when filing this return.

## Using This Booklet

This MBT booklet includes forms and instructions for all the insurance filers. Read the General Information first. It is recommended that taxpayers and tax preparers also briefly review the instructions for all forms listed below. A taxpayer might qualify for a credit and yet be unaware of it.

There are both nonrefundable and refundable credits available for insurance companies to help reduce the initial calculation of tax. This includes a limited allowance for Single Business Tax (SBT) credit carryforwards.

The Michigan Association and Facilities Credit and the Michigan Examination Fees Credit are claimed on Form 4588. All remaining credits are claimed on the *MBT Miscellaneous Credits for Insurance Companies* (Form 4596). Some credits are calculated on additional forms, as indicated below.

**Forms listed below are available on the Web at [www.michigan.gov/taxes](http://www.michigan.gov/taxes).**

Nonrefundable Credits:

- SBT Credit Carryforwards (calculated on the *Single Business Tax Credit Carryforwards* (Form 4569)).
- Compensation Credit (calculated on Form 4596).
- Renaissance Zone Credit (calculated on the *MBT Renaissance Zone Credit Schedule* (Form 4595)).
- Brownfield Redevelopment Credit (calculated on the *MBT Election of Refund or Carryforward of Credits* (Form 4584)).
- Historic Preservation Credit (calculated on the *Michigan Historic Preservation Tax Credit* (Form 3581)).
- Film Infrastructure Credit (as assignee only).

Refundable Credits:

- Michigan Economic Growth Authority (MEGA) Employment Tax Credit (claimed on Form 4596).
- Workers' Disability Supplemental Benefit (WDSB) Credit (claimed on Form 4596).
- Historic Preservation Credit (calculated on Form 3581).
- MEGA Photovoltaic Technology Credit (as assignee only).
- Brownfield Redevelopment Credit (calculated on Form 4584).
- Film Production Credit (as assignee only).

## Overview of MBT for Insurance Companies

MBT imposes a tax on insurance companies equal to 1.25 percent of gross direct premiums written on property or risk located in Michigan. There is no filing threshold for insurance companies.

Direct premiums do not include:

- Premiums on policies not taken.
- Returned premiums on canceled policies.
- Receipts from the sale of annuities.
- Receipts on reinsurance premiums if the tax had been paid on the original premiums.
- The first \$190,000,000 of disability insurance premiums written in Michigan. This exemption is reduced by two dollars for every dollar that an insurance company's gross direct premiums everywhere (both within and outside of Michigan) exceed \$280,000,000.

An insurance company is subject to tax as calculated under MBT or the retaliatory tax under Michigan Compiled Law (MCL) 500.476a, whichever is greater. The tax imposed under Chapter 2A of the MBT Act is in lieu of all other privilege and franchise fees or taxes, except for real and personal property taxes and sales and use taxes.

## Filing CIT Quarterly Tax Estimates for 2012

If estimated combined liability for the year is reasonably expected to exceed \$800, a taxpayer must file estimated returns either monthly or quarterly. Payments can be made with either of the following returns:

- *Michigan Corporate Income Tax Quarterly Return* (Form 4913), or
- *Combined Return for Michigan Taxes* (Form 160) (if registered for Sales, Use, and Withholding Taxes).

If paying quarterly with Form 160 or Form 4913, estimates are due by the 15th of the month following the end of the quarter. If paying monthly using Form 160, monthly payments are due by the 20th day of the month. For example, a taxpayer may file monthly estimated tax payments using Form 160 on February 20, March 20, and April 20 rather than a single quarterly payment on April 15 provided the combined estimated tax payments for those months are calculated using the instructions provided with the form. For taxpayers electing to make monthly remittances by Electronic Funds Transfer (EFT) where the requirement to file a paper Form 160 has been waived, estimates are due by the 20th day of the month following the month's end. The estimates for the quarter must also 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) EFT Unit at (517) 636-6925 for alternate payment methods.

The estimated payment made with each quarterly return must be computed on the following:

- the actual Business Income Tax for the quarter, or 25 percent of the estimated total liability if paying a CIT liability, or
- the actual Business Income Tax and Modified Gross Receipts Tax for the quarter, or 25 percent of the estimated annual total liability, plus the annual surcharge imposed, if continuing to file MBT in 2012.

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 continuing to file MBT and the prior year's tax under the MBT Act, including surcharge, 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:** For those continuing to file MBT, 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. 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 MBT liability for the current year. **For those filing CIT**, there is no safe harbor in this first year. The estimates must equal at least 85 percent of the total liability as stated 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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### E-filing MBT Returns

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

Treasury will be enforcing the MBT 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 MBT e-filed returns. A current list of defined attachments is available in the MBT "Electronic Filing Tax Preparer Handbook," which is available on Treasury's Web site at [www.MIfastfile.org](http://www.MIfastfile.org) by selecting "Business Taxpayer," then "Michigan Business Tax E-File," and looking under "Tax Preparer Resources." Follow your software instructions for submitting attachments with an e-filed return.

If the MBT 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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### Completing Michigan Forms

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Treasury captures the information from paper MBT 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:** 012345678. Do not put a slash through the zero (Ø) or seven (≠).
- **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 an Insurance Company Annual Return**

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First, complete Form 4588, lines 1 through 23, which is sufficient to calculate total liability before miscellaneous nonrefundable credits. At that point, if any miscellaneous credits will be claimed, begin with Form 4596, which serves several important functions:

- Acts as a checklist for all miscellaneous credits for insurance companies
- Calculates refundable credits
- Identifies the order in which nonrefundable credits must be claimed
- Identifies the form on which each nonrefundable credit is calculated
- Tracks tax liability as it is reduced by each credit in proper order
- Identifies (where applicable) the point at which tax liability reaches zero and no further nonrefundable credits may be claimed in the current filing period.

Complete Form 4596 according to its instructions. For each applicable credit, calculate the credit as identified on the appropriate form and bring the result back to the appropriate line on Form 4596.

After total nonrefundable credits amount is determined on Form 4596, line 30, carry the figure to Form 4588, line 24. Total refundable credits amount calculated on Form 4596, line 7, is carried to Form 4588, line 48.

Insurance companies that are foreign or alien insurers must calculate a retaliatory tax on Form 4588, lines 29 through 43. The retaliatory tax requires a foreign insurer to pay the same type of obligation that a similar Michigan insurer is required to pay in the company's state of domicile. Domestic insurers do not calculate a retaliatory tax.

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### **Unitary Business Groups (UBGs) and Combined Filing**

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#### **Special UBG Instructions for Insurance Companies**

By definition a UBG (as defined below) can include insurance companies, standard taxpayers, and financial institutions. However, in some cases not all members of the UBG will be included on the same return. All standard taxpayer members in a UBG (except those owned by and unitary with a financial institution) file a single combined return on the *MBT Annual Return* (Form 4567). Financial institution members of a UBG (and any standard taxpayer owned by and unitary with a financial institution in the group) file a combined return on the *MBT Annual Return for Financial Institutions* (Form 4590).

Insurance companies are not specifically excluded from the statutory definition of a UBG, and thus may be members of a

UBG. However, the tax on authorized insurance companies is equal to 1.25 percent of gross direct premiums written on property or risk located or residing in Michigan. There is no traditional apportionment for insurance companies. Thus, even when an authorized insurance company is unitary with another authorized insurance company, this will have no effect in calculating the tax. As a result, a combined return is not required and each insurance company member of a UBG will file separately on Form 4588.

#### **General Information About UBGs**

*Unitary Business Group* means a group of United States persons, other than a foreign operating entity, that satisfies the following criteria:

- 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 United States persons; AND
- The UBG has operations that result in a flow of value between persons included 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 Internal Revenue Code (IRC) § 7701(a)(30). A *foreign operating entity* is defined by statute in MCL 208.1109(5).

For more information on the control and relationship tests for UBGs, see Revenue Administrative Bulletin (RAB) 2010-1, MBT—Unitary Business Group Control Test, and RAB 2010-2, MBT—Unitary Business Group Relationship Tests, on the Treasury Web site at [www.michigan.gov/taxes](http://www.michigan.gov/taxes). (Click on the “Reference Library” link on the left side of the page.)

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### **Exemption Guidelines**

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The tax imposed and levied under the MBT Act does not apply to an insurance company authorized under Chapter 46 or 47 of the Insurance Code of 1956, PA 218 of 1956, MCL 500.4601 to 500.4673, and MCL 500.4701 to 500.4747.

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### **Filing the Correct Form**

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A different primary return and instruction booklet are available for standard taxpayers (Form 4567) and financial institutions (Form 4590).

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### **Due Dates of Annual Returns**

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The tax year of an insurance company is the calendar year. An insurance company must file the annual return before March 2 after the end of the tax year. The extension that is available to the standard taxpayer under MCL 208.1505(4) is not available to insurance companies.

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### **Amending a Return**

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To amend a current or prior year annual return, complete Form 4588 that is applicable for that year and check the box in the upper-right corner of the return, 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. Enter the figures on the amended return as they



should be. 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 original return's due date. 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 an MBT 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.

### Computing Penalty and Interest

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 *MBT Penalty and Interest Computation for Underpaid Estimated Tax* (Form 4582). 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, 2011	4.25%	0.0001164
July 1, 2011	4.25%	0.0001164
January 1, 2012	4.25%	0.0001164

For a complete list of interest rates, see RAB 2011-4 on Treasury's Web site at [www.michigan.gov/taxes](http://www.michigan.gov/taxes).

### Signing the Return

All returns must be signed and dated by the taxpayer or the taxpayer's authorized agent. This may be the owner, partner, 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 staple in the upper-left corner. (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:** As with any tax return submitted to Treasury on paper, 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 MBT 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-MBT (also called the *MBT e-file Authorization MI-8879-MBT*, 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.

Form MI-8879-MBT will be printed and contain the taxpayer PIN. The tax preparer will retain Form MI-8879-MBT in his or her records as part of the taxpayer's printed return. MBT State Stand Alone e-filings submitted without a taxpayer PIN will be rejected by Treasury. Do not mail Form MI-8879-MBT to Treasury and do not include Form MI-8879-MBT as an attachment with the e-file return.

### Mailing Addresses

Mail the annual return and all necessary schedules to:

**With payment:**

Michigan Department of Treasury  
PO Box 30113  
Lansing MI 48909

**Without payment:**

Michigan Department of Treasury  
PO Box 30783  
Lansing MI 48909

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 TR Number, the tax year, and "MBT" on the front of the check. Do not staple the check to the return.

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## Correspondence

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Address changes and business discontinuance can be reported by using the *Notice of Change or Discontinuance* (Form 163), which can be found online at **[www.michigan.gov/treasuryforms](http://www.michigan.gov/treasuryforms)** or inside the Sales, Use, and Withholding Tax booklet.

Mail correspondence to:

Customer Contact Division, MBT Unit  
Michigan Department of Treasury  
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 Center by calling 1-800-649-3777 or 711.

# 2011 Insurance Company Annual Return for Michigan Business and Retaliatory Taxes

Issued under authority of Public Act 36 of 2007.

☐ Check if this is an amended return.  
Attach supporting documents.

1. Company Name				2. Federal Employer Identification Number (FEIN) or TR Number	
Address (Number, Street)			<input type="checkbox"/> Check if new address. (See instructions)	3. <input type="checkbox"/> Check if Foreign Insurer	
City	State	ZIP/Postal Code	Country Code	4. State of Incorporation (use 2 letter abbreviation)	

## GROSS DIRECT PREMIUMS WRITTEN IN MICHIGAN

5. Gross direct premiums written in Michigan.....	5.		00
6. Premiums on policies not taken.....	6.		00
7. Returned premiums on canceled policies.....	7.		00
8. Receipts on sales of annuities.....	8.		00
9. Receipts on reinsurance assumed.....	9.		00
10. Add lines 6 through 9.....	10.		00
11. <b>Direct Premiums Written in Michigan.</b> Subtract line 10 from line 5. If less than zero, enter zero.....	11.		00

## DISABILITY INSURANCE EXEMPTION

12. Disability insurance premiums written in Michigan, not including credit or disability income insurance, OR \$190,000,000, whichever is less.....	12.		00
13. Gross direct premiums from all lines of insurance carrier services received everywhere.....	13.		00
14. Phase out.....	14.	280,000,000	00
15. Subtract line 14 from line 13. If less than zero, enter zero.....	15.		00
16. Exemption reduction. Multiply line 15 by 2.....	16.		00
17. Subtract line 16 from line 12. If less than zero, enter zero.....	17.		00
18. Adjusted Tax Base. Subtract line 17 from line 11.....	18.		00
19. <b>Michigan Business Tax Before Credits.</b> Multiply line 18 by 1.25% (0.0125).....	19.		00

## CREDITS

20. Enter amounts paid from 1/1/2010 to 12/31/2010 to each of the following			
a. Michigan Workers' Compensation Placement Facility.....	20a.		00
b. Michigan Basic Property Insurance Association.....	20b.		00
c. Michigan Automobile Insurance Placement Facility.....	20c.		00
d. Property and Casualty Guaranty Association.....	20d.		00
e. Michigan Life and Health Insurance Guaranty Association.....	20e.		00
21. Add lines 20a through 20e.....	21.		00
22. a. Michigan Examination Fees.....	22a.		00
b. Credit. Multiply line 22a by 50% (0.50).....	22b.		00
23. <b>Tax Before Miscellaneous Nonrefundable Credits.</b> Subtract lines 21 and 22b from line 19.....	23.		00
24. Miscellaneous Nonrefundable Credits from Form 4596, line 30.....	24.		00
25. <b>Michigan Business Tax After Nonrefundable Credits.</b> Subtract line 24 from line 23. If less than zero, enter zero..	25.		00
26. Recapture of Certain Business Tax Credits and Deductions from Form 4587, line 12.....	26.		00
27. <b>Total Michigan Business Tax.</b> Add lines 25 and 26.....	27.		00

**Return is due March 1, 2012.**

**WITHOUT PAYMENT:** Mail return to:

Michigan Department of Treasury  
P.O. Box 30783  
Lansing, MI 48909

**WITH PAYMENT:** Pay amount on line 54 and mail check and return to:

Michigan Department of Treasury  
P.O. Box 30113  
Lansing, MI 48909

Make check payable to "State of Michigan." Print taxpayer's FEIN or TR Number, the tax year, and "MBT" on the front of the check. Do not staple the check to the return.

Foreign and alien insurers complete lines 28 through 43. Domestic insurers complete line 28, then go to line 44.

28. Enter amount from line 27 ..... 28.  00

**TAXES**

	A State of Incorporation	B Michigan
29. State of incorporation tax.....	29.	X X X X X X X X
30. Michigan Business Tax from line 28 .....	30.	X X X X X X X X

**FEES AND ASSESSMENTS**

	A	B
31. Annual statement filing fee .....	31.	25
32. Certificate of Authority renewal fee .....	32.	X X X X X X X X
33. Certificate of Compliance .....	33.	X X X X X X X X
34. Certificate of Deposit .....	34.	X X X X X X X X
35. Certificate of Valuation .....	35.	X X X X X X X X
36. Enter total of other fees paid in the state of incorporation. Attach a detailed schedule of fees.....	36.	
37. Fire Marshall Tax .....	37.	X X X X X X X X
38. Second Injury Fund .....	38.	
39. Silicosis and Dust Disease Fund .....	39.	
40. Safety Education and Training Fund .....	40.	
41. Enter total of all other assessments. Attach a detailed schedule of assessments .....	41.	

**TOTAL**

42. Total Taxes, Fees and Assessments. Add lines 29 through 41.....	42.	
43. Retaliatory Amount. Subtract line 42, column B, from column A. If less than zero, enter zero.....	43.	00
44. <b>Total Tax Liability.</b> Add lines 28 and 43. Domestic insurers, enter amount from line 28 .....	44.	00

**PAYMENTS, REFUNDABLE CREDITS AND TAX DUE**

45. Overpayment credited from prior MBT return .....	45.	00
46. Estimated tax payments .....	46.	00
47. Tax paid with request for extension .....	47.	00
48. Refundable Credits from Form 4596, line 7 .....	48.	00
49. Total Payments. Add lines 45 through 48. (If not amending, then skip to line 51.) .....	49.	00

**AMENDED  
RETURN  
ONLY**

a. Payment made with the original return .....	50a.	00
b. Overpayment received on the original return .....	50b.	00
c. Add lines 49 and 50a and subtract line 50b from the sum .....		

50c. ....	50c.	00
51. <b>TAX DUE.</b> Subtract line 49 (or line 50c, if amending) from line 44. If less than zero, leave blank.....	51.	00
52. Underpaid estimate penalty and interest from Form 4582, line 38.....	52.	00
53. Annual return penalty (a) <input type="text"/> % = (b) <input type="text"/> 00 plus interest of (c) <input type="text"/> 00. Total.....	53d.	00
54. <b>PAYMENT DUE.</b> If line 51 is blank, go to line 55. Otherwise add lines 51, 52 and 53d.....	54.	00

**OVERPAYMENT, REFUND OR CREDIT FORWARD**

55. Overpayment. Subtract lines 44, 52 and 53d from line 49 (or line 50c, if amending). If less than zero, leave blank (see instructions).....	55.	00
56. <b>CREDIT FORWARD.</b> Amount on line 55 to be credited forward and used as an estimate for next MBT tax year ....	56.	00
57. <b>REFUND.</b> Amount on line 55 to be refunded.....	57.	00

**Taxpayer Certification.** I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.

☐ By checking this box, I authorize Treasury to discuss my return with my preparer.

Authorized Signature for Tax Matters

Authorized Signer's Name (print or type)

Date

Title

Telephone Number

**Preparer Certification.** I declare under penalty of perjury that this return is based on all information of which I have any knowledge.

Preparer's PTIN, FEIN or SSN

Preparer's Business Name (print or type)

Preparer's Business Address and Telephone Number (print or type)

# Instructions for Form 4588

## Insurance Company Annual Return for Michigan Business and Retaliatory Taxes

### Purpose

To calculate the tax liability and to claim credits for insurance companies for both Michigan Business and Retaliatory Taxes.

### Line-by-Line Instructions

*Lines not listed are explained on the form.*

Do not enter data in boxes filled with Xs.

**Amended Returns:** To amend a current or prior year annual return, complete the Form 4588 that is applicable for that year, check the box in the upper-right corner of the return, and attach a separate sheet explaining the reason for the changes. Include an amended federal return or a signed and dated Internal Revenue Service (IRS) audit document. Include all schedules filed with the original return, even if not amending that schedule. Enter the figures on the amended return as they should be. Do not include a copy of the original return with your amended return.

**Line 1:** Enter the complete address and, if other than the United States, enter the two-digit abbreviation for the country code. See the list of country codes in the *Michigan Business Tax (MBT) Forms and Instructions for Insurance Companies* (Form 4592).

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

**Line 2:** Use the taxpayer's Federal Employer Identification Number (FEIN) or the Michigan Treasury (TR) assigned number. Be sure to use the same account number on all forms.

If the taxpayer does not have an FEIN or TR number, the taxpayer **MUST** register before filing this form. They are encouraged to register online at [www.michigan.gov/businessstaxes](http://www.michigan.gov/businessstaxes). The Web site provides information on obtaining an FEIN, which is required to submit taxes through e-file. Taxpayers usually can obtain an FEIN from the IRS within 48 hours. Taxpayers registering with the State online usually receive an account number within seven days.

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

**Line 3:** Check this box if the company is a foreign insurer. Alien insurers are considered foreign insurers, unless their port of entry is Michigan, in which case the company is considered domestic for the filing of this return.

**Line 4:** Alien insurers, enter the two-letter postal code for the U.S. state that is your port of entry.

**Line 5:** Enter all gross direct premiums written on property or risk located or residing in Michigan.

**Line 6:** Enter premiums on policies not taken to the extent these premiums were included in line 5.

**Line 7:** Enter returned premiums on canceled policies to the extent these premiums were included in line 5.

**Line 8:** Enter receipts on sales of annuities to the extent these receipts were included in line 5.

**Line 9:** Enter receipts on reinsurance premiums assumed to the extent these receipts were included in line 5, and only if tax was paid on the original premiums.

### CREDITS

**Line 20:** Enter the amounts paid to the listed facilities or associations from January 1, 2010, to December 31, 2010, the year immediately preceding the 2011 tax year, including special assessments. Net the amounts paid and refunds received during the 2010 tax year for the same facility or association. If refunds received exceed the amount paid in the year for the same facility or association, enter zero.

**Line 22a:** Enter the amount of Michigan Examination Fees paid in 2011 (under Michigan Compiled Law 500.224).

**Line 24:** Enter the Miscellaneous Nonrefundable Credits from *Michigan Business Tax Miscellaneous Credits for Insurance Companies* (Form 4596), line 30.

### Retaliatory Instructions

*For foreign and alien insurers only; domestic insurers skip lines 29 through 43.*

Do not mail this return with the Michigan Annual Financial Statement, and do not send the annual statement filing fee with this return. The taxpayer will be billed separately for the annual statement filing fee by the Michigan Insurance Bureau.

Foreign insurers must pay to Michigan the same type of obligation a similar Michigan insurer is required to pay in the company's state of domicile. Enter all items that are required of a Michigan insurance company. Some taxes and obligations imposed in other states may have no corresponding requirement in Michigan; however, this does not relieve the foreign insurer from the obligation of computing and paying the tax.

Do not include the following Michigan assessments, or comparable assessments in the company's state of incorporation, in the retaliatory calculation:

- Michigan Workers' Compensation Placement Facility
- Michigan Basic Property Insurance Association
- Michigan Automobile Insurance Placement Facility
- Property and Casualty Guaranty Association
- Michigan Life and Health Insurance Guaranty Association
- Catastrophic Claims Association.

California insurers must include Bureau of Fraudulent Claims assessments. New York domiciled companies must file and pay

a tentative retaliatory tax to Michigan by the annual due date, March 1, 2012. An amended Form 4588 must be filed after the actual CT33 is filed with New York. Transfer the CT33 numbers onto the amended Form 4588 and attach a copy of the CT33 to substantiate the taxpayer's claim.

**Line 29:** Enter the tax a Michigan company would pay in the state of incorporation for the company's Michigan business. Attach a copy of the state's tax form on which Michigan premiums were reported.

**Lines 30 through 41:** In column A, "State of Incorporation," enter the payments that would have been payable by a similar Michigan company doing business in the company's home state. In column B, "Michigan," enter actual payments made to Michigan.

**Lines 38 through 41:** Attach proof of payment for any items listed in the "Michigan" column. Itemize any other assessments not listed. Attach a separate list if necessary.

**Line 43:** Subtract line 42, column B, from line 42, column A. If less than zero, enter zero. If line 42, column B, is a negative number, add column A to the negative number in column B. This will increase the retaliatory amount reported.

#### PAYMENTS, REFUNDABLE CREDITS, AND TAX DUE

**Line 46:** Enter the total tax paid with the quarterly estimated tax returns.

**Line 47:** Enter any tentative payment of estimated tax made with a request for an extension of time to file the return.

**Line 48:** If claiming a credit, enter the amount from Form 4596, line 7.

#### Amended Returns Only:

**Line 50a:** Enter payment made with the original return.

**Line 50b:** Enter overpayment received (refund received plus credit forward created) on the original return.

**Line 50c:** Add lines 49 and 50a and subtract line 50b from the sum.

**Line 52:** If penalty and interest are owed for not filing estimated returns or for underestimating tax, complete the *MBT Penalty and Interest Computation for Underpaid Estimated Tax* (Form 4582) to compute penalty and interest due. If a taxpayer chooses not to file Form 4582, Treasury will compute penalty and interest and bill for payment. (Form 4582 is available on the Web at [www.michigan.gov/taxes](http://www.michigan.gov/taxes).)

**Line 53:** Enter the annual return penalty rate in line 53a. Add the overdue tax penalty in line 53b to the overdue tax interest in line 53c. Enter total in line 53d.

Refer to the "Computing Penalty and Interest" section in Form 4592 to determine the annual return penalty rate and use the following Overdue Tax Penalty and Overdue Tax Interest worksheets.

#### WORKSHEET – OVERDUE TAX PENALTY

A. Tax due from Form 4588, line 51 .....		00
B. Late/extension or insufficient payment penalty percentage .....		%
C. Multiply line A by line B.....		00

Carry amount from line C to Form 4588, line 53b.

#### WORKSHEET – OVERDUE TAX INTEREST

A. Tax due from Form 4588, line 51 .....		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 4588, line 53c.

**Line 53c: 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 under the "Computing Penalty and Interest" section in Form 4592 and apply the calculations in the Overdue Tax Interest worksheet separately to each portion of the late period. Combine these interest subtotals and carry the total to Form 4588, line 53c.

**Line 55:** If the amount of the overpayment, less any penalty and interest due on lines 52 and 53d, is less than zero, enter the difference (as a positive number) on line 54. If the amount is greater than zero, enter on line 55.

**NOTE:** If an overpayment exists, a taxpayer must elect a refund of all or a portion of the amount and/or designate all or a portion of the overpayment to be used as an estimate for the next MBT tax year. Complete lines 56 and 57 as applicable.

**Line 56:** If the taxpayer anticipates an MBT liability in the filing period subsequent to this return, some or all of any overpayment from line 55 may be credited forward to the next tax year as an estimated payment. Enter the desired amount to use as an estimate for the next MBT tax year.

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

#### Other Supporting Forms and Schedules

The following forms and their requested attachments should be included as part of this return, as applicable:

- *Michigan Historic Preservation Tax Credit* (Form 3581)
- *MBT Single Business Tax (SBT) Credit Carryforwards* (Form 4569)
- *MBT Penalty and Interest Computation for Underpaid Estimated Tax* (Form 4582)
- *MBT Election of Refund or Carryforward Credits* (Form 4584)
- *MBT Schedule of Recapture of Certain Business Tax Credits and Deductions* (Form 4587)
- *MBT Renaissance Zone Credit Schedule* (Form 4595)
- *MBT Miscellaneous Credits for Insurance Companies* (Form 4596).
- Proof of payment for any items listed in the "Michigan" column for lines 38 through 41.

## 2011 MICHIGAN Business Tax Miscellaneous Credits for Insurance Companies

Issued under authority of Public Act 36 of 2007.

Name	Federal Employer Identification Number (FEIN) or TR Number
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### PART 1: REFUNDABLE CREDITS

**Workers' Disability Supplemental Benefit (WDSB) Credit.** If not claiming, skip to line 2.

1. WDSB Credit allowed by the Workers' Compensation Agency (attach document) ..... 1. 

	00
--	----

**MEGA Employment Tax Credit.** If not claiming, skip to line 3.

2. Credit amount from *MEDC Annual Tax Credit Certificate* (attach) ..... 2. 

	00
--	----

**Historic Preservation Credit.** If not claiming this credit, skip to line 4.

3. Credit amount from Form 4584, line 27b..... 3. 

	00
--	----

**MEGA Photovoltaic Technology Credit.** If not claiming this credit, skip to line 5.

4. Credit amount from *Assignment Certificate* provided by MEDC (attach) ..... 4. 

	00
--	----

**Brownfield Redevelopment Credit.** If not claiming, skip to line 6.

5. Credit amount from Form 4584, line 54a (see instructions) ..... 5. 

	00
--	----

**Film Production Credit.** If not claiming, skip to line 7.

6. Assigned credit amount (see instructions)..... 6. 

	00
--	----

7. **TOTAL REFUNDABLE CREDITS.** Add lines 1 through 6. Enter total here and carry to Form 4588, line 48..... 7. 

	00
--	----

### PART 2: NONREFUNDABLE CREDITS

8. Single Business Tax credit carryforward from Form 4569, line 13. If not claiming, enter zero ..... 8. 

	00
--	----

**Compensation Credit.** If not claiming, subtract line 8 from Form 4588, line 23 and enter on line 16. If less than zero, enter zero.

9. Michigan Compensation ..... 9. 

	00
--	----

10. Compensation Credit. Multiply line 9 by 0.37% (0.0037)..... 10. 

	00
--	----

#### Reduced Compensation Credit

11. Tax before credits from Form 4569, line 12, or if line 8 above is zero, enter amount from Form 4588, line 23 .... 11. 

	00
--	----

12. WDSB Credit from line 1 above..... 12. 

	00
--	----

13. Subtract line 12 from line 11. If less than zero, enter zero ..... 13. 

	00
--	----

14. Multiply line 13 by 65% (0.65) ..... 14. 

	00
--	----

15. **Allowable Compensation Credit.** Enter lesser of line 10 or line 14..... 15. 

	00
--	----

16. Tax After Compensation Credit. Subtract line 15 from line 11. If less than zero, enter zero..... 16. 

	00
--	----

**Renaissance Zone Credit.** If not claiming, carry amount from line 16 to line 18.  
If claiming, complete and include the *MBT Renaissance Zone Credit Schedule* (Form 4595).

17. <b>Renaissance Zone Credit.</b> Amount from Form 4595, line 25b .....	17.		00
18. Tax After Renaissance Zone Credit. Subtract line 17 from line 16. If less than zero, enter zero .....	18.		00

**Historic Preservation Credit.** If not claiming, carry amount from line 18 to line 21.

19. <b>Historic Preservation Credit</b> from Form 4584, line 29 .....	19.		00
20a. Recapture of Historic Preservation Tax Credit from Form 4584, line 2 .....	20a.		00
20b. Historic Preservation Credit Net of Recapture. Subtract line 20a from line 19. If less than zero, enter as a negative number .....	20b.		00
21. Tax After Historic Preservation Credit. Subtract line 19 from line 18 and add line 20a .....	21.		00

**Brownfield Redevelopment Credit.** If not claiming, carry amount from line 21 to line 23.

22. <b>Brownfield Redevelopment Credit</b> from Form 4584, line 56 .....	22.		00
23. Tax After Brownfield Redevelopment Credit. Subtract line 22 from line 21. If less than zero, enter zero .....	23.		00

**Film Infrastructure Credit.** If not claiming, carry amount from line 23 to line 28.

24. Assigned credit amount .....	24.		00
25. Unused credit from previous period MBT return .....	25.		00
26. Total Available Credit. Add lines 24 and 25 .....	26.		00
27. <b>Film Infrastructure Credit.</b> Enter the lesser of line 23 or 26 .....	27.		00
28. Tax After Film Infrastructure Credit. Subtract line 27 from line 23. If less than zero, enter zero .....	28.		00
29. Credit carryforward. If line 26 is greater than line 23, enter the difference .....	29.		00

30. <b>TOTAL NONREFUNDABLE CREDITS.</b> Add lines 8, 15, 17, 20b, 22, and 27. Enter total here and carry amount to Form 4588, line 24 .....	30.		00
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# Instructions for Form 4596

## Michigan Business Tax (MBT) Miscellaneous Credits for Insurance Companies

### Purpose

To allow insurance companies to calculate certain miscellaneous credits. There are strict eligibility requirements, so review the descriptions carefully before claiming a credit. Follow the instructions on the form for each credit.

### Line-by-Line Instructions

*Lines not listed are explained on the form.*

#### PART 1: REFUNDABLE CREDITS

##### Workers' Disability Supplemental Benefit (WDSB) Credit

The WDSB Credit is available to an insurance company subject to the Workers' Disability Compensation Act of 1969. The credit is equal to the amount paid during that tax year by the insurance company pursuant to Section 352 of the act, as certified by the director of the Workers' Compensation Agency, Department of Licensing and Regulatory Affairs (LARA), during the tax year. The amount of the credit is provided to taxpayers by LARA.

For more information on WDSB credit eligibility, contact LARA, Workers' Compensation Agency, at (517) 322-1879 or 1-888-396-5041 or visit the LARA Web site at [www.michigan.gov/lara](http://www.michigan.gov/lara).

**Line 1:** Attach a copy of the document provided by LARA to the return to substantiate the claim for this credit.

##### MEGA Employment Tax Credit

The Michigan Economic Growth Authority (MEGA) Employment Tax Credit promotes economic growth and jobs in Michigan. For a period of time not to exceed 20 years, a taxpayer that is an authorized business or an eligible taxpayer may claim a credit equal to the amount certified each year by MEGA.

**NOTE:** MEGA may certify a credit based on an agreement entered into prior to January 1, 2008, under the Single Business Tax (SBT). The number of years for which the credit may be claimed for MBT will be equal to the maximum number of years designated in the resolution reduced by the number of years for which a credit has been claimed or could have been claimed under SBT.

**NOTE:** A taxpayer that claimed a credit under either SBT or MBT that had an agreement with MEGA based on qualified new jobs as defined in the MEGA Act, and that removes 51 percent or more of those qualified new jobs from Michigan within three years after the first year in which the taxpayer claimed a credit must pay an amount equal to the total of all credits claimed no later than 12 months after those qualified new jobs are removed from Michigan. Recapture is reported on the *MBT Schedule of Recapture of Certain Business Tax Credits and Deductions* (Form 4587).

For more information, call the Michigan Economic Development Corporation (MEDC) at (517) 373-9808 or visit the MEDC Web site at <http://www.michiganadvantage.org/>.

**Line 2:** Approved businesses receive a certificate from MEGA each year showing the total amount of tax credit allowed. Attach the Annual Tax Credit Certificate to the return. (If the certificate is not attached, the credit will be disallowed.)

##### Historic Preservation Credit

The Historic Preservation Credit provides tax incentives for homeowners, commercial property owners, and businesses to rehabilitate historic resources located in Michigan. Rehabilitation projects must be certified by the State Historic Preservation Office (SHPO). Questions may be directed to SHPO at (517) 373-1630. For additional information, visit the SHPO Web site at [www.michigan.gov/shpo](http://www.michigan.gov/shpo).

Complete the *MBT Election of Refund or Carryforward of Credits* (Form 4584) to claim this credit and elect a refund of 90 percent of the balance or carryforward of the resulting overpayment.

**NOTE:** Neither an assigned credit nor a credit carried forward from a prior year is eligible to be refunded.

**Line 3:** A taxpayer claiming a refundable Historic Preservation Credit on line 3 should complete Form 4596 in the following order:

- 1) Skip lines 3, 5, and 7. Complete lines 4, 6, and 8 through 18.
- 2) After calculating line 18, complete Form 4584 to calculate the refundable Historic Preservation Credit amount.
- 3) On Form 4596, line 3, enter the credit amount from Form 4584, line 27b.
- 4) Complete lines 5 and 7 and remaining lines 19 through 30, as applicable.

##### MEGA Photovoltaic Technology Credit

The MEGA Photovoltaic Technology Credit is available to a qualified taxpayer that enters into an agreement with MEGA to construct and operate a new facility in Michigan which serves to develop and manufacture photovoltaic energy, photovoltaic systems, or other photovoltaic technology. This credit is available to an insurance company as an assignee only. Photovoltaic energy, systems, or technology rely on solar power. The credit is available for 25 percent of the taxpayer's capital investment in the new facility during the tax year.

The credit generally must be taken in equal installments over a two-year period beginning in the tax year in which the certificate is issued. A taxpayer may make an irrevocable assignment of all or a portion of the credit or may convey the right to the assignment on a form provided by MEGA, which will then issue assignment certificates to the assignee(s).

A taxpayer or assignee that claims a credit and subsequently fails to meet the requirements of the act or any other conditions established by MEGA in the agreement may, as determined by MEGA, have its credit reduced or terminated or have a percentage of the credit previously claimed added back to the tax liability of the taxpayer in the tax year that the taxpayer or assignee fails to comply. Credit recapture is reported on Form 4587.

A taxpayer certified to take the polycrystalline silicon credit under Michigan Compiled Laws (MCL) 208.1432 is disqualified from taking this credit.

**Line 4:** To claim this credit, attach a copy of the assignment certificate received from MEGA. (If the certificate is not attached, the credit will be disallowed.)

### **Brownfield Redevelopment Credit**

The Brownfield Redevelopment Credit encourages businesses to make investment on eligible Michigan property that was used or is currently used for commercial, industrial, public, or residential purposes and is either a facility (environmentally contaminated property), functionally obsolete, or blighted.

Prior to April 8, 2008, any portion of the credit and prior year carryforwards that exceeded the tax liability for the tax year was not refunded but could be carried forward to offset tax liability in subsequent tax years for ten years or until used up, whichever occurs first. Beginning on or after April 8, 2008, if this credit for the tax year exceeds the qualified taxpayer's tax liability for that tax year, the qualified taxpayer can elect to have the excess refunded at the rate of 85 percent of the excess for the tax year and forgo the remaining 15 percent of the credit and any carryforward. Complete Form 4584 to claim this credit and elect a refund or carryforward of the resulting overpayment.

**NOTE:** Neither an assigned credit nor a credit carried forward from a prior year is eligible to be refunded.

The administration of the Brownfield Redevelopment Credit program is assigned to MEGA. For more information on the approval process, contact the MEDC at (517) 373-9808.

**Line 5:** A taxpayer claiming a refundable Brownfield Redevelopment Credit on line 5 should complete Form 4596 in the following order:

- 1) Skip lines 5 and 7. Complete lines 6 and 8 through 21.
- 2) After calculating line 21, complete Form 4584 to calculate the refundable Brownfield Redevelopment Credit amount.
- 3) On Form 4596, line 5, enter the credit amount from Form 4584, line 54a.
- 4) Complete line 7 and remaining lines 22 through 30, as applicable.

### **Film Production Credit**

This credit is available to an insurance company as an assignee only.

The Michigan Film Office, with the concurrence of the State Treasurer, may enter into an agreement with an eligible

production company providing the company with a refundable credit against MBT tax liability or against taxes withheld under Chapter 7 of the Michigan Individual Income Tax Act of 1967.

A *Post-Production Certificate of Completion* will be issued verifying the amount of the credit to be claimed once the Michigan Film Office is satisfied that company expenditures and eligibility are adequately met.

The credit may be assigned in the tax year in which the Post-Production Certificate of Completion is received but such assignment is irrevocable.

For more information, contact the Michigan Film Office at 1-800-477-3456 or visit the Web site at [www.michiganfilmoffice.org](http://www.michiganfilmoffice.org).

**Line 6:** To claim this credit, include a copy of the *MBT Film Credit Assignment* (Form 4589) to the return.

## **PART 2: NONREFUNDABLE CREDITS**

### **SBT Credit Carryforward**

The Historic Preservation Credit and Brownfield Redevelopment Credit carryforwards from SBT may be claimed against MBT tax liability for the remaining years the carryforward would have been available under the SBT Act.

### **Compensation Credit**

An insurance company may claim a credit equal to a percentage of compensation in Michigan, not to exceed 65 percent of the insurance company's tax liability for the tax year after claiming the other credits allowed under Chapter 2A of the MBT Act.

**Line 9:** Enter compensation payments made in the tax year on behalf of or for the benefit of employees, officers, or directors as defined in MCL 208.1107(2). Generally, under this definition, *compensation* includes, but is not limited to, payments that are subject to or specifically exempt or excepted from withholding under Internal Revenue Code (IRC) § 3401 through § 3406.

Compensation also includes fringe benefits and any earnings that are net earnings from self-employment, as defined under IRC § 402, of the taxpayer or partner or LLC member of the taxpayer. Wages, salaries, fees, bonuses, commissions, and other payments made in the tax year on behalf of or for the benefit of employees, officers, or directors as well as self-employment earnings must be reported on a cash basis.

Payments made to a pension plan, retirement or profit sharing plan, employee insurance plans, and payments under health and welfare benefit plans, as well as the administration fees paid for the administration of the health and welfare benefit plan, are compensation. Compensation also includes certain payments made by licensed taxpayers that are statutorily identified. These compensation payments are calculated on a cash or accrual basis consistent with the taxpayer's method of accounting for federal income taxes. The statute provides for certain exclusions from compensation including employee discounts on merchandise and services, payments for state and federal unemployment compensation and federal insurance contributions, and payments made to independent contractors.

Expense incurred for the benefit of the taxpayer rather than for the benefit of employees of the taxpayer is not compensation. Noncompensation expenses might include payments reported on a Form 1099 to an employee for the rental of a building or for interest income.

This credit is calculated against the taxpayer's Michigan compensation.

Compensation is "in this state" if (a) the individual's service is performed entirely within Michigan, or (b) the individual's service is performed both within Michigan and outside Michigan, but the services performed outside Michigan are incidental to the individual's service within Michigan.

**Example 1:** Sales Co. employs Salesperson whose territory includes both Detroit, Michigan, and Toledo, Ohio. Salesperson calls on customers located in both Michigan and Ohio. The compensation paid to Salesperson is not "compensation in this state" because Salesperson's activity is not limited solely to Michigan, and calling on customers in Ohio is not incidental to Salesperson's activity in Michigan.

**Example 2:** Manufacturer employs Engineer at its Michigan facility. Several times a year, Engineer travels out of state to meet with suppliers. Although Engineer performs services both within Michigan and outside Michigan, Engineer's out-of-state services are incidental to Engineer's services within Michigan. The compensation paid to Engineer is "compensation in this state."

#### Renaissance Zone Credit

The Renaissance Zone Credit encourages businesses and individuals to move into a designated Zone to help revitalize the area by providing a credit for businesses located and conducting business activity within the Zone.

**Line 17:** Complete and include the *MBT Renaissance Zone Credit Schedule* (Form 4595) to claim this credit.

If located in more than one zone, complete and include a separate Form 4595 for each zone. Add line 25b from each Form 4595 and enter the sum on Form 4596, line 17.

**NOTE:** Although Insurance companies do not normally calculate business income, or apportion their tax base by a sales factor, both are required in the calculation of a Renaissance Zone credit. Use the *Business Income Worksheet* (Worksheet 4746) to calculate a pro forma business income, and calculate pro forma sales in Michigan and sales everywhere. See instructions for the *MBT Annual Return* (Form 4567) for guidance on the definition of sales and applicable sourcing provisions.

For more information on Renaissance Zones, contact the MEDC at (517) 373-9808 or visit their Web site at <http://www.michiganadvantage.org/>. For information on the MBT credit, contact the Michigan Department of Treasury, Customer Contact Division, MBT Unit, at (517) 636-6925.

#### Historic Preservation Credit

The Historic Preservation Credit provides tax incentives for homeowners, commercial property owners, and businesses to rehabilitate historic resources located in Michigan. Rehabilitation projects must be certified by SHPO.

**Line 19:** Complete Form 4584 to claim this credit and elect a refund or carryforward of the resulting overpayment, if any.

**Line 20: Recapture from Form 4584, line 2.** If the resource is sold or the certification of completed rehabilitation or preapproval letter is revoked less than five years after the historic resource is placed in service, a percentage of the credit may be subject to recapture.

100 percent	If less than 1 year
80 percent	If at least 1 year, but less than 2 years
60 percent	If at least 2 years, but less than 3 years
40 percent	If at least 3 years, but less than 4 years
20 percent	If at least 4 years, but less than 5 years

Questions regarding federal and State certification may be directed to SHPO at (517) 373-1630. For additional information, visit the SHPO Web site at [www.michigan.gov/shpo](http://www.michigan.gov/shpo). Information about Federal Historic Preservation Tax Incentives is available at [www.nps.gov/hps/tps/tax/index.htm](http://www.nps.gov/hps/tps/tax/index.htm).

#### Brownfield Redevelopment Credit

The Brownfield Redevelopment Credit encourages businesses to make investment on eligible Michigan property that was used or is currently used for commercial, industrial, public, or residential purposes and is either a facility (environmentally contaminated property), functionally obsolete, or blighted.

**Line 22:** Complete Form 4584 to claim this credit and elect a refund or carryforward of the resulting overpayment.

The administration of the Brownfield Redevelopment Credit program is assigned to MEGA. For more information on the approval process, contact the MEDC at (517) 373-9808.

#### Film Infrastructure Credit

This credit is available to an insurance company as an assignee only.

An eligible taxpayer may claim a credit for investment in a qualified film and digital media infrastructure project equal to 25 percent of the base investment expenditures for the project, provided the taxpayer enters into an agreement with the Michigan Film Office, concurred in by the State Treasurer. The credit is reduced by the amount of any Brownfield Redevelopment Credit claimed under Section 437 of the MBT Act for the same base investment. If the credit exceeds the taxpayer's tax liability for the tax year, the excess may be carried forward to offset tax liability in subsequent years for a maximum of ten years.

Upon verification that the taxpayer has complied with the agreement terms and investment expenditures and eligibility are adequately met, the Michigan Film Office will issue an Investment Expenditure Certificate stating the amount of the credit. The certificate received must be attached to the return.

The credit may be assigned in the tax year in which the *Investment Expenditure Certificate* is received but any such assignment is irrevocable. Form 4589 must be attached to the return on which the credit is claimed.

An assigned credit amount must be claimed against the assignee's MBT liability during the assignee's tax year in which the credit was assigned.

**NOTE:** To qualify for the credit, a taxpayer must not be delinquent in a tax or other obligation owed to Michigan nor be owned or under common control of an entity that is delinquent. A credit cannot be claimed for any direct expenditure for which a Film Production Credit was claimed against either an MBT or withholding tax liability.

For more information, contact the Michigan Film Office at 1-800-477-3456 or visit the Web site at **[www.michiganfilmoffice.org](http://www.michiganfilmoffice.org)**.

***Include completed Form 4596 as part of the tax return filing.***

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## Revenue Administrative Bulletins

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<b>2011-4</b>	Interest Rate
<b>2010-1</b>	Michigan Business Tax — Unitary Business Group Control Test
<b>2010-2</b>	Michigan Business Tax — Unitary Business Group Relationship Tests
<b>2010-5</b>	Michigan Business Tax — Where Benefit of Services is Received
<b>2008-4</b>	Michigan Business Tax Nexus Standards
<b>2007-6</b>	Michigan Business Tax — “Actively Solicits” Defined
<b>2005-3</b>	Penalty Provisions
<b>1996-4</b>	Credit or Refund of Overpayment of Taxes or Credits in Excess of Tax Due and Applicable Interest
<b>1994-1</b>	Challenge of Assessment, Decision or Order Limited by Statute
<b>1989-38</b>	Officer Liability

For a complete list, go to [www.michigan.gov/taxes](http://www.michigan.gov/taxes).

## Country Codes

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

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## Unclaimed Property Reporting for Businesses and Government Entities

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Michigan's Uniform Unclaimed Property Act, Public Act 29 of 1995, as amended, requires businesses and government entities to report and remit to the Michigan Department of Treasury (Treasury) abandoned and unclaimed property belonging to owners whose last known address is in Michigan. In addition, every business or government entity that is incorporated in Michigan must report to the Treasury abandoned property belonging to owners where there is no known address.

Most businesses have unclaimed property resulting from normal operations. Any asset, tangible or intangible, belonging to a third party that remains unclaimed for a specified period of time is considered unclaimed property. For example, uncashed payroll checks must be turned over to the State after one year; most other property types, such as vendor checks and accounts receivables credit balances, must be turned over after three years. Government entities must turn over unclaimed property after one year.

### **DUE DATE**

The due date for the unclaimed property annual report is July 1, 2012, for property reaching its dormancy period as of March 31, 2012.

### **DORMANCY PERIOD**

The dormancy period for most property types is three years. A detailed listing of property types along with the corresponding dormancy periods can be found at [www.michigan.gov/unclaimedproperty](http://www.michigan.gov/unclaimedproperty).

### **REPORT UNCLAIMED PROPERTY TO AVOID PENALTIES**

Review your records to determine if you are holding unclaimed property. Property remitted voluntarily will not be subject to the 25 percent penalty outlined in the law; however, interest may be charged from the date the property should have been reported. If you are selected for an audit, you will be subject to the penalty and interest charges outlined in the law. State-initiated audits will cover the last ten years, as authorized in the Uniform Unclaimed Property Act.

### **NONCOMPLIANCE WITH UNCLAIMED PROPERTY REPORTING REQUIREMENTS**

Section 31(2) of the Uniform Unclaimed Property Act gives the State Treasurer the authority to conduct unclaimed property examinations (audits) if there is reason to believe that an entity is a holder that has failed to report or has underreported unclaimed property. As a result of the audit, penalty and interest may be assessed as follows:

- Interest at one percentage point above the adjusted prime rate per annum per month on the property or value of the property from the date the property should have been paid or delivered, and/or
- Penalty at 25 percent of the value of the property that should have been paid or delivered, and/or
- Penalty at \$100 for each day the report is withheld or the duty is not performed but not more than \$5,000.

### **REPORTING MANUAL AND FREE SOFTWARE**

The Manual for Reporting Unclaimed Property, including forms and instructions, is available at [www.michigan.gov/unclaimedproperty](http://www.michigan.gov/unclaimedproperty). Also available on Treasury's Web site is the Holder Reporting System (HRS), a free software package for creating unclaimed property reports in an electronic format for submission to Treasury.

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## Notes

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