

Instructions for Form 4975

Schedule of Corporate Income Tax (CIT) Liability for a Michigan Business Tax (MBT) Financial Filer

Restrictions for MBT Filers

Beginning January 1, 2012, only those taxpayers with a certificated credit, which is awarded but not yet fully claimed or utilized, may elect to be MBT taxpayers.

Purpose

To calculate the CIT liability for a financial institution filing under MBT and compare that calculation to the MBT liability as calculated on the *MBT Annual Return for Financial Institutions* (Form 4590) to determine the greater of the two calculated tax liabilities.

Effect of Public Act 460 of 2018

Effective with tax years beginning in 2019, PA 460 of 2018 alters the definition of equity capital for a financial institution for a Corporate Income Tax (CIT) filer. As a result, a Michigan Business Tax filer may need to complete worksheets attached to these instructions before completing Form 4975.

In the CIT, **total equity capital** is the amount reported by the financial institution, or in the case of a Unitary Business Group (UBG) of financial institutions, the top-tiered parent entity, on certain regulatory forms designated by the Federal Financial Institutions Examination Council (FFIEC) and filed with the office of the comptroller of currency, the Federal Deposit Insurance Corporation (FDIC), or the Federal Reserve System.

The definition of equity capital in MBT is **not affected** by PA 460 of 2018.

These instructions provide guidance for the following:

- If the equity capital of an MBT filer reported on Form 4590, line 11, is the same as what the taxpayer reported on the FFIEC filing.
- If the equity capital reported in MBT is different than the amount reported on the FFIEC filing.
- For a UBG: If the equity capital of an MBT filer reported on Form 4590, line 11, is the same as what the taxpayer reported on the FFIEC filing.
- For a UBG: If the equity capital reported in MBT is different than the amount reported on the FFIEC filing.

The following section provides guidance for all four types of taxpayers when completing line 1 through line 5.

Line-by-Line Instructions

Lines not listed are explained on the form.

Enter the taxpayer's name and Federal Employer Identification Number (FEIN) in the appropriate fields.

UBGs: In the Name field, enter the name of the DM for the financial institutions. Enter the FEIN for the DM of the financial group.

Part 1: CIT Before Credits

IF THE EQUITY CAPITAL OF AN MBT FILER REPORTED ON FORM 4590, LINE 11, IS THE SAME AS WHAT THE TAXPAYER REPORTED ON THE FFIEC FILING

Line 1-4: There is no amount to be entered on these lines. Skip to line 5. Carry the amounts from Form 4590, line 18, columns A through E, to Form 4975, line 1, columns A through E.

Line 2: Enter the amount taken as a subtraction for Goodwill from Form 4590, line 12, columns A through E. This amount must be added back to Net Capital to determine CIT liability because the Goodwill deduction is not permitted under that tax.

Line 3: Add lines 1 and 2 in each column.

Line 4: Add lines 3A, 3B, 3C, 3D, 3E. If less than zero, enter zero here and on line 7, skip to line 7.

Line 5: Divide line 4 by the number of tax periods reported in the table and enter here.

IF THE EQUITY CAPITAL REPORTED IN MBT IS DIFFERENT THAN THE AMOUNT REPORTED ON THE FFIEC FILING:

First, complete the "Michigan Business Tax Financial Institution Worksheet A" in these instructions and include it in the return.

Line 1: Carry the amounts from Worksheet A, line 7, columns A through E, to Form 4975, line 1, columns A through E.

Line 2: Enter zero on line 2, columns A through E, and continue to line 3.

Line 3: Line 3: Add lines 1 and 2 in each column.

Line 4: Add lines 3A, 3B, 3C, 3D, 3E. If less than zero, enter zero here and on line 7, skip to line 7.

Line 5: Divide line 4 by the number of tax periods reported in the table and enter here.

UBGs: IF THE EQUITY CAPITAL OF AN MBT FILER REPORTED ON FORM 4590, LINE 11, IS THE SAME AS WHAT THE TAXPAYER REPORTED ON THE FFIEC FILING:

Leave lines 1 through 3 blank.

Line 4: Complete with combined data from the *UBG Combined Filing Schedule for Financial Institutions* (Form 4752) as follows (retain a copy of all calculations for your records):

- For each member, using amounts reported on Form 4752:
 - Add back Goodwill from line 18, columns A-E, to line 23, columns A-E.
 - Add the sums from each column.
- Add the totals of each member and carry to Form 4975, line 4.

Line 5: Divide line 4 by the number of tax periods reported by the number of tax periods reported in the table and enter here.

UBGs: IF THE EQUITY CAPITAL REPORTED IN MBT BY A UBG FILER IS DIFFERENT THAN THE AMOUNT REPORT ON THE FFIEC FILING.

First, complete a “Michigan Business Tax Financial Institution Worksheet B” for each member whose equity **is included in the FFIEC report**. The totals from each member will be used to complete the “Michigan Business Tax Financial Institution Worksheet A.” See the worksheet instructions for guidance.

Line 1: Carry the amounts from Worksheet A, line 7, columns A through E, to Form 4975, line 1, columns A-E.

Line 2: Enter zero on line 2, columns A through E, and continue to line 3.

Line 3: Add lines 1 and 2 in each column.

Line 4: Add lines 3A, 3B, 3C, 3D, 3E. If less than zero, enter zero here and on line 7, skip to line 7.

Line 5: Divide line 4 by the number of tax periods reported in the table and enter here.

Part 2: Credits

Line 8: Enter certificated nonrefundable credit from Form 4947, line 11.

Line 10: Enter total recapture of Certain Business Tax Credits from Form 4947, line 28.

Line 12: Enter certificated refundable credits from Form 4947, line 39.

Line 13: Subtract line 12 from line 11. If less than zero, enter as a negative number. This is the CIT liability after certificated refundable credits. A negative number here represents an overpayment. Carry this amount to line 17 of this form.

Part 3: MBT Calculation to Compare Against CIT for Financial Filers

Line 14: Enter the total MBT liability from Form 4590, line 30.

Line 15: Enter the total refundable credits from Form 4590, line 37.

Line 16: Subtract line 15 from line 14. If less than zero, enter as a negative number. This is the MBT liability after refundable credits. A negative number here represents an overpayment.

Line 17: If line 13 is greater than line 16 enter the difference. If line 16 is greater than or equal to line 13, enter zero. Carry this amount to form 4590, line 31. This amount will be added to the MBT Liability to determine Total Tax Liability on Form 4590.

Include completed Form 4975 as part of the tax return filing.

2024 Michigan Business Tax Financial Institution Worksheet A

Include a copy of Worksheet A with your MBT Return. If the taxpayer is a Unitary Business Group, also complete and include the "Michigan Business Tax Financial Institution Worksheet B."

| | |
|---|---|
| Taxpayer Name or Designated Member (DM) if a UBG | Federal Employer Identification Number (FEIN) |
| Top-tiered parent entity filing the Federal Financial Institutions Examination Council (FFIEC) report | Top-tiered parent entity FEIN |

NOTE for lines 1-3: If less than zero, enter zero.

| | | | |
|--|-----|--|----|
| 1. Total Equity Capital. If less than zero, enter zero | 1. | | 00 |
| 2. Average daily book value of Michigan obligations. If less than zero, enter zero | 2. | | 00 |
| 3. Average daily book value of U.S. obligations..... | 3. | | 00 |
| 4. Subtotal. Add lines 2 and 3..... | 4. | | 00 |
| 5. (Net Capital) Subtract line 4 from line 1..... | 5. | | 00 |
| 6. a. Authorized insurance company subsidiary: enter actual capital fund amount..... | 6a. | | 00 |
| b. Minimum regulatory amount required..... | 6b. | | 00 |
| c. Multiply line 6b by 125% (1.25) | 6c. | | 00 |
| d. Enter the lesser of line 6a or line 6c | 6d. | | 00 |
| 7. Subtract line 6d from line 5..... | 7. | | 00 |

Carry the amount from line 7 to the "Schedule of Corporate Income Tax (CIT) Liability for a Michigan Business Tax (MBT) Financial Filer" (Form 4975), line 1.

Instructions for the Michigan Business Tax Financial Institution Worksheet A

Purpose

To help calculate equity capital for the purpose of completing the “Schedule of Corporate Income Tax (CIT) Liability for a Michigan Business Tax (MBT) Financial Filer” (Form 4975).

Effects of Public Act 460 of 2018

Effective with tax years beginning in 2019, PA 460 of 2018 alters the definition of total equity capital for a financial institution filing a CIT return. PA 460 did not alter the definition of equity capital for an MBT filer. However, to complete Form 4975, an MBT taxpayer must calculate its equity capital as if it was a CIT filer.

For the purposes of Worksheet A, line 1, total equity capital is the amount reported by the financial institution, or in the case of a **Unitary Business Group (UBG)** of financial institutions, the top-tiered parent entity, on certain regulatory forms designated by the Federal Financial Institutions Examination Council (FFIEC) and filed with the office of the comptroller of currency, the Federal Deposit Insurance Corporation (FDIC), or the Federal Reserve System.

A financial institution will use the FFIEC regulatory report for the period ending with the financial institution’s fiscal year end. Likewise, for a unitary business group of financial institutions, the taxpayer uses the FFIEC regulatory report for the period ending with the top-tiered-parent entity’s fiscal year end. If the financial institution or top-tiered parent entity does not submit a report for the period ending that coincides with its fiscal year end, the taxpayer should use the last FFIEC regulatory report issued during its fiscal year.

If a UBG, the taxpayer must complete the “Michigan Business Tax Financial Institution Worksheet B” before completing Worksheet A.

Line-by-Line Instructions

Lines not listed are explained on the form.

Enter the name and Federal Employment Identification Number (FEIN) of the taxpayer listed on the “Michigan Business Tax Annual Return for Financial Institutions” (Form 4590), line 2 and line 7.

Also enter the name of the top-tiered parent entity filing the FFIEC report, and that entity’s FEIN. This may be different from the entity named in the previous field if the top-tiered entity does not have nexus with Michigan.

The following calculation involves a five-year average of net capital. Enter data from the current year and four most recent tax years to complete the five-year table. For purposes of this table, treat a partial year as a full year. If the current and four preceding tax years include any short periods, the years printed in column headings for this part will not apply accurately. For example, a financial institution has a fiscal year-end of June 30 and its current tax year is a short year ending September 30, 2019. That financial institution reports the periods ending September 30, 2019, June 30, 2019, June 30, 2018, June 30, 2017, and June 30, 2016.

Lines 1 through 3: If less than zero, enter zero.

Line 1: For the purpose of this worksheet, **total equity capital** is defined as the amount reported by the financial institution or, in the case of a unitary business group of financial institutions the top-tiered parent entity, on certain regulatory forms designated by the FFIEC and filed with the office of the comptroller of currency, the FDIC, or the Federal Reserve System. The appropriate regulatory form from which total equity capital is reported depends on the size and nature of the reporting entity. The forms currently designated by the FFIEC and required by the CIT are:

- The consolidated financial statement for holding companies, FR Y-9C.
- The parent company only financial statements for small holding companies, FR Y-9SP.
- To the extent that FR Y-9C or FR Y-9SP are not filed for the tax year, the consolidated reports of condition and income, call reports, FFIEC 031, 041, or 051.

If any of these reports is no longer designated by FFIEC for filing, a financial institution will report that amount of total equity capital reported on a successor form or a report similar in content and designated by the FFIEC.

Line 2: Michigan obligations means a bond, note, or other obligation issued by a governmental unit described in Section 3 of the Shared Credit Rating Act, Public Act 227 of 1985, MCL 141.1053.

UBGs: For each column, sum the entries of all UBG members from the corresponding columns on Worksheet B, line 1, and enter the totals here.

Line 3: United States obligations means all obligations of the United States exempt from taxation under 31 USC 3124(a) or exempt under the United States constitution or any federal statute, including the obligations of any instrumentality or agency of the United States that are exempt from state or local taxation under the United States Constitution or any statute of the United States.

UBGs: For each column, sum the entries of all UBG members from the corresponding columns on Worksheet B, line 2, and enter the totals here.

Line 6a: Enter the equity capital included in the financial institution equity capital (and included in line 1) of an insurance company owned by the taxpayer, to the extent that the equity capital (the financial institution’s investment) is included in line 1. Consider only insurance companies as defined in MCL 206.607 and subject to the Michigan’s CIT premiums tax, which does not include captive insurance companies. For purposes of this deduction, equity capital is calculated in accordance with Generally Accepted Accounting Principles.

UBGs: For each column, sum the entries of all UBG members from the corresponding columns on Worksheet B, line 3a, and enter the totals here.

Line 6b: Enter the minimum regulatory capitalization

requirements of the insurance company, which are fixed statutory minimums set forth in Michigan's Insurance Code of 1956.

UBGs: For each column, sum the entries of all UBG members from the corresponding columns on Worksheet B, line 3b, and enter the totals here.

Line 6d: Enter the lesser of line 15a or line 15c.

UBGs: For each column, sum the entries of all UBG members from the corresponding columns on Worksheet B, line 3d, and enter the totals here.

Line 7: Carry the amounts from line 7, columns A through E, to the corresponding columns on Form 4975, line 1.

2024 Michigan Business Tax Financial Institution Worksheet B

Complete a copy of Worksheet B for each member of the Unitary Business Group with equity capital **included** in the Federal Financial Institutions Examination Council (FFIEC) report. Members with equity capital **not included** in the FFIEC report do not complete Worksheet B.

Include all copies of Worksheet B with your MBT Return.

| | |
|------------------------------------|------------------------|
| Designated Member | Designated Member FEIN |
| Unitary Business Group Member Name | Member FEIN |

NOTE for line 1 and line 2: If less than zero, enter zero.

| | | | |
|---|-----|--|----|
| 1. Average daily book value of MI obligations | 1. | | 00 |
| 2. Average daily book value of U.S. obligations | 2. | | 00 |
| 3. a. Authorized insurance company subsidiary: enter actual capital fund amount | 3a. | | 00 |
| b. Minimum regulatory amount required | 3b. | | 00 |
| c. Multiply line 3b by 125% (1.25)..... | 3c. | | 00 |
| d. Enter the lesser of line 3a or line 3c..... | 3d. | | 00 |

Instructions for the Michigan Business Tax Financial Institution Worksheet B

Purpose

For a Unitary Business Group, the “Michigan Business Tax Financial Institution Worksheet B” helps provide member information to complete the “Michigan Business Tax Financial Institution Worksheet A.”

Line-by-Line Instructions

Lines not listed are explained on the form.

In all cases with one or more financial institutions in a UBG, complete one copy of Worksheet B for each financial institution in the UBG. Note that an entity that would otherwise be a standard member but is owned by and unitary with a financial institution is defined by statute to be a financial institution. If a financial institution member (other than the DM) has two or more federal tax periods ending with or within the filing period of this return, use a separate copy of Part 2B for each of that member’s federal periods.

Enter the name and Federal Employment Identification Number (FEIN) of the Designated Member listed on Worksheet A in the appropriate field on each copy of Worksheet B.

Enter the name and FEIN

Enter the name and Federal Employment Identification Number (FEIN) of the member whose information is reported on lines 1 through 3 of Worksheet B.

Line 1: Under MCL 206.651(k), **Michigan obligations** means a bond, note, or other obligation issued by a governmental unit described in Section 3 of the Shared Credit Rating Act, PA 227 of 1985, MCL 141.1053.

For each column, sum the entries of all UBG members on line 1 and carry to the corresponding column on Worksheet A, line 2.

Line 2: United States obligations means all obligations of the United States exempt from taxation under 31 USC 3124(a) or exempt under the United States constitution or any federal statute, including the obligations of any instrumentality or agency of the United States that are exempt from state or local taxation under the United States constitution or any statute of the United States.

For each column, sum the entries of all UBG members on line 2 and carry to the corresponding column on Worksheet A, line 3.

Line 3a: Enter the equity capital of an insurance company owned by the taxpayer, to the extent that the equity capital (this UBG member’s investment) is included in the Total Equity Capital of Worksheet A, line 1. Consider only insurance companies as defined in MCL 206.607 and subject to the Michigan’s CIT premiums tax, which does not include captive insurance companies. For purposes of this deduction, equity capital is calculated in accordance with Generally Accepted Accounting Principles.

For each column, sum the entries of all UBG members on line 3a and carry to the corresponding column on Worksheet A, line 6a.

Line 3b: Enter the minimum capital fund amount required by regulations for that insurance subsidiary.

For each column, sum the entries of all UBG members on line 3b and carry to the corresponding column on Worksheet A, line 6b.

Line 3c: For each column, sum the entries of all UBG members on line 3c and carry to the corresponding column on Worksheet A, line 6c.

Line 3d: For each column, sum the entries of all UBG members on line 3d and carry to the corresponding column on Worksheet A, line 3d.