

Instructions for 2020 Sales, Use and Withholding Taxes 4% and 6% Annual Return (Form 5091)

Form 5091 is available for submission electronically using Michigan Treasury Online (MTO) at mto.treasury.michigan.gov, or by using approved tax preparation software.

IMPORTANT: This is a return for sales tax, use tax and/or withholding tax. If the taxpayer inserts a zero on or leaves blank any line reporting sales tax, use tax or withholding tax, the taxpayer is certifying that no tax is owed for that tax type. **Only enter figures for taxes the business is registered and/or liable for.** If it is determined that tax is owed the taxpayer will be liable for the deficiency as well as penalty and interest.

Line-by-Line Instructions

NOTE:

- Enter sales tax amounts computed at 4% (0.04) in column A
- Enter sales tax amounts computed at 6% (0.06) in column B
- Enter use tax amounts for sales and rentals in column C

PART 1: SALES AND USE TAX

Lines 1 through 3: For information about determining whether a person has nexus with Michigan, see Revenue Administrative Bulletins (RABs) 1999-1, 2015-22, and 2018-16. Please also visit www.michigan.gov/remotesellers for guidance, including FAQs.

Line 1A/B: SALES TAX - Total Gross Sales for the Tax Year. *This line should be used by sellers with nexus to report sales of tangible personal property where ownership transfers in Michigan. This includes sellers with nexus through physical presence or economic presence (remote sales).*

Enter total sales, including cash, credit and installment transactions, of tangible personal property. Include any costs incurred before ownership of the property is transferred to the buyer, including installation, shipping, handling, and delivery charges. Dealers do not reduce sales reported here by any trade-in value.

Providers of nontaxable services (that do not involve the sale or lease of tangible personal property) should not report those sales.

Line 1C: USE TAX - Total Sales for the Tax Year: This line should be used by:

- *Sellers with nexus to report sales of tangible personal property sourced to Michigan, for which ownership transfers outside Michigan, or*
- *Remote sellers without nexus who voluntarily collect Michigan tax.*

Enter total sales, including cash, credit, and installment transactions.

Line 2C: USE TAX - Rentals of Tangible Personal Property and Accommodations.

- **Lessors of tangible personal property:** Lessors that have made a valid election under MCL 205.95(4) and MAC R 205.132(1) should report receipts from rentals of that tangible personal property under the election.
- **Persons providing accommodations:** This includes but is not limited to total hotel, motel, and vacation home rentals, and assessments imposed under the Convention and Tourism Act, the Convention Facility Development Act, the Regional Tourism Marketing Act, and the Community Convention or Tourism Marketing Act.

Line 3C: USE TAX - Telecommunications Services. Enter gross income from telecommunications services.

Line 5a-5l: Allowable Exemptions and/or Deductions. Use lines 5a - 5l to deduct from gross sales the nontaxable sales included in line 4. Deductions taken for tax exempt sales must be substantiated in business records. A copy of *Michigan Sales and Use Tax Certificate of Exemption* (Form 3372) or the same information in another format must be obtained from the purchaser. For more information on exemption documentation, see Revenue Administrative Bulletin (RAB) 2016-14.

Line 5a: Resale, Sublease or Subrent. Enter resale, sublease or subrent exemption claims.

Line 5b: Industrial Processing Exemption. The sale or lease of tangible personal property ultimately used in industrial processing by an industrial processor is exempt. "Industrial processing" is the activity of converting or conditioning tangible personal property by changing its form, composition, quality, combination, or character. In general, all of the following must be met:

- Property must be used in producing a product for ultimate sale at retail,
- Property must be sold or leased to an "industrial processor," including a person that performs industrial processing on behalf of another industrial processor or performs industrial processing on property that will be incorporated into a product for ultimate sale at retail, and
- Activity starts when property begins moving from raw materials storage to begin industrial processing and ends when finished goods first come to rest in finished goods inventory.

If property is used for both an exempt and a taxable purpose, the property is only exempt to the extent that it is used for an exempt purpose. In such cases, the exemption is limited to the percentage of exempt use to total use determined by a reasonable formula or method approved (but not required to be pre-approved) by Treasury. For exceptions and exclusions, see MCL 205.54t and 205.94o.

Line 5c: Agricultural Production Exemption. Property must be directly or indirectly used in agricultural production. Generally, the following non-exhaustive list **may be exempt:**

- (i) Tangible personal property sold or leased to a person

engaged in a business enterprise that uses or consumes the property for either:

- Tilling, planting, draining, caring for, maintaining, or harvesting things of the soil, or
- Breeding, raising, or caring for livestock, poultry, or horticultural products.

(ii) To the extent that the property is affixed to and made a structural part of real estate for others and used for an exempt purpose in (i), tangible personal property sold to a contractor that is one of the following:

- Agricultural land tile
- Subsurface irrigation pipe
- Portable grain bins
- Grain drying equipment and its fuel or energy source

However, the following sales from (i) or (ii) **are not exempt**:

- Food, fuel, clothing, or similar property for personal living or human consumption, or
- Property permanently affixed to and becoming a structural part of real estate unless it is agricultural land tile, subsurface irrigation pipe, a portable grain bin, or grain drying equipment. Certain property that can be disassembled and reassembled may be exempt.

Some specific types of exempt property and exempt uses of property are clarified in the statute. If property is used for both an exempt and a taxable purpose, the property is only exempt to the extent that it is used for an exempt purpose. In such cases, the exemption is limited to the percentage of exempt use to total use determined by a reasonable formula or method approved (but not required to be pre-approved) by Treasury. For more information, see MCL 205.54a and 205.94.

Line 5d: Interstate Commerce. Enter sales made in interstate commerce. To claim such a deduction, the property or service must be delivered by the business to the out-of-state purchaser. Property transported out-of-state by the purchaser does not qualify as interstate commerce. Documentation of out-of-state shipments must be retained in business records to support this deduction.

Line 5e: Nontaxable Services Billed Separately. Enter charges for nontaxable services billed separately, such as repair or maintenance, if these charges were included in gross receipts on line 1. Costs, such as delivery or installation charges, that are incurred before the completion of the transfer of ownership of taxable property are included in the tax base and may not be subtracted.

Line 5f: Bad Debts. Bad debts may be eligible for deduction if:

- The debts are charged off as uncollectible on business records at the time the debts become worthless
- The debts are deducted on the return for the period during which the bad debts are written off as uncollectible
- The debts are eligible to be deducted for federal income tax purposes.

A bad debt deduction may also be claimed by a third-party lender provided the retailer who reported the tax and the lender financing the sale executed and maintained a separate written election designating which party may claim the deduction. Certain additional conditions must be met. See MCL 205.54i and MCL 205.99a see also RAB 2019-3.

Line 5g: Food for Human/Home Consumption. Enter total of retail sales of grocery-type food, excluding tobacco, marijuana products, and alcoholic beverages. Prepared food is subject to tax. See MCL 205.54g and MCL 205.94d for more information.

Line 5h: Government Exemption. Direct sales to the United States Government, State of Michigan, or its political subdivisions are exempt.

Line 5i: Michigan Motor Fuel Tax. Motor fuel retailers may deduct the Michigan motor fuel taxes that were included in gross sales on line 1 and paid to the State or the distributor.

Line 5j: Direct Payment Deduction. Enter sales made to purchasers that claimed direct pay exemption from sales and use taxes. If you accepted *Michigan's Sales and Use Tax Certificate of Exemption* (Form 3372), the box in Section 3 for "Other" should substantially include the following statement: "Direct pay authorized under Account Number [listing either the Federal Employer Identification Number or the Michigan Treasury Registration Number]." MCL 205.98.

Line 5k: Other Exemptions and/or Deductions. Identify exemptions or deductions not covered in items 5a through 5j on this line. Examples of exemptions or deductions are:

- Trade-in values on vehicle sales. Allowable trade-in values on vehicle sales. Motor vehicle, recreational vehicle, and watercraft dealers may be eligible to deduct the value of a trade-in under MCL 205.51(d). Deduction for motor vehicles is subject to limitation. **Taxes paid to Secretary of State are not reported here.** Instead, they are reported on the *Vehicle Dealer Supplemental Schedule* (Form 5086, e-file only).
- Credit for the core charge attributable to a recycling fee, deposit, or disposal fee for a motor vehicle or recreational vehicle part or battery if the recycling fee, deposit, or disposal fee is separately stated on the invoice, bill of sale, or similar document given to the purchaser.
- Direct sales, not for resale, to certain nonprofit agencies, churches, schools, hospitals, and homes for the care of children and the aged, to the extent the property is used to carry out the nonprofit purpose of the organization. For sales to certain nonprofit agencies, the exemption is limited based on the sales price of property used to raise funds or obtain resources. All sales must be paid for directly from the funds of the exempt organization to qualify.
- Assessments imposed under the Convention and Tourism Act, the Convention Facility Development Act, the Regional Tourism Marketing Act, or the Community Convention or Tourism Marketing Act. Hotels and

motels may deduct the assessments included in gross sales and rentals if use tax on the assessments was not charged to the customers.

- Credits allowed to customers for sales tax originally paid on merchandise voluntarily returned, provided the return is made within the time period for returns stated in the taxpayer's refund policy or 180 days after the initial sale, whichever is earlier. Repossessions are not allowable deductions.
- Sales to contractors of materials which will become part of a finished structure for a qualified exempt nonprofit hospital, qualified exempt nonprofit housing entity or church sanctuary, or materials to be affixed to and made a structural part of real estate located in another state. The purchaser will provide a *Michigan Sales and Use Tax Contractor Eligibility Statement* (Form 3520). See RAB 2016-18.
- Vehicle sales to non-reciprocal states for which no tax was paid to Secretary of State.
- Qualified nonprofit organizations with aggregate sales in the calendar year of less than \$25,000 may exempt the first \$10,000 of sales for fundraising purposes. Separately, veterans organizations exempt under IRC 501(c)(19) may exempt sales for the purpose of raising funds for the benefit of an active duty service member or veteran, up to \$25,000 per event.

Line 5I: Tax Included in Gross Sales. If you have tax included in your gross sales, divide your gross sales by 17.6667 and enter the amount.

Line 8: If more tax was collected than the amount on line 7, enter the difference.

Line 10: Total Discount Allowed for Timely Payment.

- **Annual filers:** Enter \$72 if the tax due on line 9 is \$108 or more. If tax due is less than \$108, calculate the discount by multiplying line 9 by 2/3 (0.6667).
- **Accelerated/Monthly/Quarterly filers:** Enter total discounts allowed for the year.

Line 12: Enter total payments plus credits from the *2020 Fuel Supplier and Wholesaler Prepaid Sales Tax Schedule* (Form 5083), *2020 Fuel Retailer Supplemental Schedule* (Form 5085), and *2020 Vehicle Dealer Supplemental Schedule* (Form 5086), if applicable, made for the current tax year.

Note: all prepaid sales tax schedules are e-file only.

PART 2: USE TAX ON ITEMS PURCHASED FOR BUSINESS OR PERSONAL USE

Line 13: Enter purchases for which no tax was paid, including property withdrawn from inventory for business or personal use. For Manufacturer/Contractors, alternative measures of the use tax base should be reported (see MCL 205.93a(1)(f) and (g) and RAB 2016-24 for more information). For all other taxpayers, report the "purchase price" as defined in MCL 205.92(f).

PART 3: WITHHOLDING TAX

Line 17: Enter the number of W-2 and 1099 statements.

Line 18: Enter the total Michigan income tax withheld for the return year.

Line 19: Enter the total Michigan income tax paid for the tax year prior to filing this return. (Do not include penalty and interest).

PART 4: Summary

Line 24: Enter the amount of overpayment from line 22 to be refunded. Refunds will not be made in amounts of less than \$1.

Line 25: If line 21 (tax paid) is less than line 20 (tax due), enter the additional tax due. Pay any amount \$1 or over with this return.

Line 28: Total Payment Due. Add lines 25, 26 and 27. Make check payable to "State of Michigan." Write the **account number**, "SUW Annual" and **tax year** on the check. Do not pay if the amount due is less than \$1.

How to Compute Penalty and Interest

If the return is filed after February 28 and no tax is due, compute penalty at \$10 per day up to a maximum of \$400. If the return is filed with additional tax due, include penalty and interest with the payment. Penalty is 5% of the tax due and increases by an additional 5% per month or fraction thereof, after the second month, to a maximum of 25%. Interest is charged daily using the average prime rate, plus 1 percent.

Refer to www.michigan.gov/taxes for current interest rate information or help in calculating late payment fees.

PART 5: SIGNATURE

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

Wage Statements and Reporting

Employers with 250 or more employees must file their withholding return electronically and use Michigan Treasury Online (MTO) to electronically submit wage statements.

Wage statements include but are not limited to: W-2s, W-2Gs and 1099s. Wage statements are due to Treasury January 31st of the year following the year the income was earned. Late filing is subject to penalty as provided by the Revenue Act. Pursuant to the Income Tax Act of 1967, Treasury is unable to grant an extension of this filing.

Treasury does not require W-2G information be filed by payers unless Michigan taxes have been withheld. For W-2G and 1099 reporting, if Michigan income tax is withheld, a copy of the wage statement must be filed with Treasury.

Michigan participates in the combined federal/state 1099 filing program. If an employer enrolls in this IRS program, the IRS will share 1099 information with Michigan. If there is no Michigan individual income tax withheld and

the 1099 was filed using this program, the Michigan filing requirement (for reporting non-employee compensation paid to Michigan residents) is satisfied. The exception to this combined filing program is 1099-MISC for services performed in Michigan. If Michigan income tax was withheld, the taxpayer needs to file as any other filer who has paid Michigan income tax withholding. See IRS form instructions to determine the deadline to furnish 1099 forms to recipients.

Wage statement upload through MTO is available to all Michigan taxpayers. Wage statements can be uploaded in .pdf, .rar, .txt or .zip formats with less than a 10MB file size. Multiple file submissions are allowed per tax year if necessary. Visit **mto.treasury.michigan.gov** for more information.

On MTO, you can submit wage statements for a particular business you have connected to via Tax Services or you can utilize Guest Services to send W-2s in for one or multiple businesses. For all MTO upload options, you will receive a confirmation number upon submission, indicating your file was successfully transmitted.

Alternatively, wage statements can be mailed separately to the address below. Do not include a copy of the annual return with the wage statements.

Michigan Department of Treasury
Lansing, MI 48930

Filing and format instructions are available on *Transmittal for Magnetic Media Reporting of W-2s, W-2Gs, and 1099s to the State of Michigan* (Form 447).

Tax Assistance

For assistance, call 517-636-6925. Assistance is available using TTY through the Michigan Relay Center by calling 711.