

Instructions for 2016 Sales, Use and Withholding Taxes Annual Return (Form 5081)

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 for reporting Sales Tax, Use Tax, or Withholding Tax, the taxpayer is certifying that no tax is owed for that tax type. If it is determined that tax is owed, the taxpayer will be liable for the deficiency as well as penalty and interest.

PART 1: SALES AND USE TAX SECTION

Line 1a: Total gross sales for tax year being reported. Enter total Michigan 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 shipping, handling, and delivery charges.

Line 1b: Out-of-state retailers who do not have retail stores in Michigan: Enter total sales of tangible personal property including cash, credit, and installment transactions.

Line 2b: Rental of tangible property and accommodations.

- **Lessors of tangible personal property:** Enter amount of total rental receipts.
- **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 3b: Telecommunications Services. Enter total receipts of rental of tangible property and accommodations.

Line 5a-5l: Allowable Deductions. Use lines 5a - 5l to deduct from gross sales the nontaxable sales you made. Deductions taken for tax exempt sales must be substantiated in your records. You must obtain from the purchaser a completed copy of *Michigan Sales and Use Tax Certificate of Exemption* (Form 3372) or the same information in another format.

Line 5a: Resale. Enter resale exemption claims.

Line 5b: Industrial Processing. The property sold must be for direct use in producing a product for eventual sale at retail.

Line 5c: Agriculture Production. The property sold must be for direct use in agricultural production.

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

Line 5e: Exempt Services. Enter charges for nontaxable services billed separately, such as repair or maintenance, if these charges were included in gross receipts on line 1.

Line 5f: Bad Debts. You may deduct the amount of bad debts from your proceeds if all of the following criteria are met:

- The debts are charged off as uncollectible on your books and records at the time the debts become worthless
- You have deducted the debts on your return for a period during which the bad debts are written off as uncollectible.
- The debt is 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.

Line 5g: Food for Human/Home Consumption. Enter the total of retail sales of grocery-type food, excluding tobacco 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 Exemption. Sales to companies that claim direct payment of sales or use tax to the State of Michigan. Such companies must have a sales tax license or use tax registration, and have a letter from Treasury specifically granting direct payment authority. For qualifications, see RAB 2000-3.

Line 5k: Other Exemptions. Identify deductions not covered in items 5a through 5j on this line. **Do not include taxes paid to Secretary of State.** Examples of deductions are:

- Direct sales, not for resale, to certain nonprofit agencies, churches, schools, hospitals, and homes for the care of children and the aged, provided such activities are nonprofit and payment is directly from the funds of the exempt organization.
- 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 provided 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 1999-2.
- Qualified nonprofit organizations may take a deduction of their sales if total sales are less than \$5,000 and they did not collect sales tax from their customers. If total sales are \$5,000 or more, the entire amount of sales is subject to tax. For qualifications, see RAB 1995-3.

Line 5l: 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 you collected more tax than the amount on line 7, enter the difference.

Line 10: Annual filers If your tax due is \$108 or more, enter \$72 for your discount. If your tax due is less than \$108, multiply line 9 by 2/3 (0.6667) and enter.

Accelerated/Monthly/Quarterly filers: Enter total discounts allowed for the year.

Line 12: Enter total payments plus credits from *2016 Fuel Supplier and Wholesaler Prepaid Sales Tax Schedule* (Form 5083), *2016 Fuel Retailer Supplemental Schedule* (Form 5085), and *2016 Vehicle Dealer Supplemental Schedule* (Form 5086), if applicable, made for the current tax year.

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

PART 3: WITHHOLDING TAX

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

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

Line 19: Enter the total Michigan income tax withheld that was paid on your monthly, quarterly or accelerated returns. (Do not include penalty and interest).

PART 4: SUMMARY

Line 24: Enter the amount of overpayment from line 22 you want refunded to you. 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: Amount due with this return. Add lines 25, 26 and 27. Make check payable to the "**State of Michigan.**" Write your **account number** and "**SUW**" on your check. Do not pay if the amount due is less than \$1.

How to Compute Penalty and Interest

If your return is filed after February 28 and no tax is due, compute penalty at \$10 per day up to a maximum of \$400. If your return is filed with additional tax due, include penalty and interest with your 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.

Wage Statements and Reporting

You must furnish W-2 statements to your employees by January 31. Employers with Michigan employees must report W-2 information to Michigan on or before February 28. Payers reporting Michigan withholding on a 1099-R must also report 1099-R information to Michigan on or before February 28. Form 1099-MISC must be filed for miscellaneous income for services performed in the State of Michigan, regardless of the state of residence of the payee, whether there was withholding or not on or before February 28.

W-2s and 1099s cannot be submitted electronically through Michigan Treasury Online with the annual return. Address your W-2s and 1099s to:

Michigan Department of Treasury
Lansing, MI 48930

If you have 250 or more Michigan employees, you must report using magnetic media. If you have fewer than 250 employees, you may elect to report using magnetic media or using the State copy of the federal W-2. The State only accepts magnetic *Wage and Tax Statements* (Form W-2) reporting in the format published by the Social Security Administration. Filing and format instructions are provided on *Transmittal for Magnetic Media Reporting of W-2s, W-2Gs, and 1099s to the State of Michigan* (Form 447).

Address your magnetic media to:

Michigan Department of Treasury
Lansing, MI 48930