

32nd Annual Tax Symposium

FORMS WHICH MUST BE PREPARED IN CONNECTION WITH AN ASSET SALE AND LIQUIDATION AND DISSOLUTION OF A BUSINESS

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I. **UNEMPLOYMENT INSURANCE AGENCY**

A. Background

1. Maximum wage base for contributions - \$9,500.
2. Contribution rate for new employers – 2.7%.
3. Maximum contribution rate – 10.3%.

B. 1027 (Rev. 09-21) – Business Transferor’s Notice to Transferee of Unemployment Tax Liability and Rate.

1. Completed by Seller: receipt acknowledged by Buyer.
2. Not filed with Michigan’s Unemployment Insurance Agency (“UIA”) or any other agency.
3. Must be delivered to the Buyer two calendar days (not including Saturday, Sunday, or a legal holiday) before the Seller’s acceptance of offer.
4. Purpose is to inform Buyer of Seller’s unemployment tax rate and account history.
5. No reference on the form to a professional employer organization (“PEO”) or a staffing agency, which may employ all or part of the employees working for the Seller.

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6. PEO is required to report wage data to the UIA on its client's Employer Account Numbers ("EAN"). Thus, the Seller must obtain information from the PEO to accurately complete the UIA 1027 Form in anticipation of a sale.
 7. A staffing agency reports the wage data of its employees on its own EAN. Thus, a Seller would not be required to obtain information from a staffing company to accurately complete a UIA 1027 in anticipation of a sale.
 8. The UIA will assist the Seller in completing 1027 by providing all the data related to the Seller's EAN on a 1346 Form, which may be obtained through MiWAM under the UI Tax hyperlink, selecting Account Services tab, and then under Account Maintenance, select "Request Disclosure of Account."
- C. UIA 1772 – (Rev. 04-18) Notice of Change.
1. Completed by Seller.
 2. This form must be submitted to the UIA.
 3. Seller must provide information (Parts II and III) regarding Buyer and underlying sale/transfer of assets and payroll so UIA can determine if Buyer is a successor and if Buyer will acquire Seller's account rating/experience, which will include account history and tax rate.
- D. UIA 1184 – Agreement on Partial Transfer of Business Certification
1. Completed by Buyer and staffing company (and potentially Seller, if only part of business sold/transferred)
 2. This form must be submitted to the UIA and signed by both the transferor (Seller and/or staffing agency) and transferee (Buyer)
 3. The Seller and/or staffing agency must complete the worksheet by providing the wage data requested.

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II. MICHIGAN DEPARTMENT OF TREASURY

- A. 163 – (Rev. 07-19) Notice of Change of Discontinuance.
 - 1. Filed when the business is sold to cut off obligations for sales, use, withholdings, etc.
 - 2. Information regarding Buyer must be furnished.

- B. 518 – (Rev. 01-12) Registration for Michigan Taxes.
 - 1. Completed by Buyer, if not already an operating business.
 - 2. Schedule B (Successorship Questionnaire) Part III requests the same information as Part III of UIA 1772 Form. Ideally, the information provided by Buyer on Schedule B should align with what the Seller and the staffing company (if involved) disclose on their respective 1772 Forms.
 - 3. A separate Schedule B must be completed for each entity from which Buyer acquires assets, which could include both the Seller and a staffing company (if involved).
 - 4. The Buyer provides information to the UIA so the UIA can determine if the Buyer is a successor and if the Buyer will acquire the Seller's and/or staffing company's account rating/experience.

- C. 5156 – (Rev. 05-15) Request for Tax Clearance.

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III. INTERNAL REVENUE SERVICE

- A. Form 8594 Asset Acquisition Statement under Section 1060.
1. Must be filed by Buyer and Seller (attached to income tax return when there is a transfer of a group of assets that makes upon trade or business).
 2. Question 6: In the purchase of the group of assets (or stock), did the purchaser also purchase a license or a covenant not to compete, or enter into a lease agreement, employment contract, management contract, or similar arrangement with the seller (or managers, directors, owners, or employees of the seller)? If yes, attach a statement that specifies (a) the type of agreement; and (b) the maximum amount of consideration (not including interest) paid or to be paid under the agreement. Split of opinion as to whether amount allocated to personal goodwill must be disclosed in an attachment.
- B. Form 966 – Corporate Dissolution or Liquidation.

IV. MISCELLANEOUS

1. See note at the bottom of the form 163 regarding officers and directors. Use this form any time there is a change in shareholders; officers, directors, etc.
2. Michigan Annual Report: in a stock sale amend the MAR to reflect change in officers and directors.
3. Michigan Department of Licensing and Regulatory Affairs, Corporations, Securities and Commercial Licensing Bureau – Certificate of Dissolution (Rev. 09-21).