

This form is issued under authority of P.A. 281 of 1967, as amended. Failure to file may result in the assessment of penalty and interest and could result in the revocation of filing agreement.

2003 MICHIGAN Composite Individual Income Tax Return

Type or print in blue or black ink.

This return is due April 15, 2004. Please type or print clearly in blue or black ink.

▶ 1. Name of partnership, S corporation or other flow through entity	▶ 2. Federal Employer Identification or TR Number
▶ 3. Mailing Address (Street, P.O. Box or Rural Route No.)	
▶ 4. City, Village or Township, State, ZIP	

NOTE: Pages 1, 2 and 3 of the U.S. 1065 or 1120S, the MI-1040H, a list of participants and a list of nonparticipants must be attached to this return. See Table 1 in the instructions.

5. Ordinary income (loss) from line 22 of U.S. 1065 or line 21 of U.S. 1120S	▶		5.	.00
6. Additions (from line 35, page 2)	▶		6.	.00
7. Subtotal. Add lines 5 and 6			7.	.00
8. Subtractions (from line 38, page 2).....	▶		8.	.00
9. Total income subject to apportionment. Subtract line 8 from line 7			9.	.00
10. Apportionment percentage from MI-1040H. (Caution! See instructions.)	▶		10.	%
11. Total Michigan apportioned income. Multiply line 9 by the percentage on line 10			11.	.00
12. Michigan allocated income or (loss) (from line 43, page 2)	▶		12.	.00
13. Total Michigan income. Add lines 11 and 12			13.	.00
14. Enter Michigan income that is attributable to Michigan residents	▶		14.	.00
15. Enter Michigan income that is attributable to nonparticipating nonresidents	▶		15.	.00
16. Enter Michigan income that is attributable to participants			16.	.00
17. Exemption allowance (from line 49, page 2)	▶	17.		.00
18. Keogh or HR-10 deductions (from line 52, page 2)	▶	18.		.00
19. Add lines 17 and 18			19.	.00
20. Taxable income. Subtract line 19 from line 16			20.	.00
21. Tax due. Multiply line 20 by 4.0% (.040)			21.	.00
22. Michigan estimated tax, extension payments and credit forward	▶		22.	.00
23. Withholding tax payments.....	▶		23.	.00
24. If line 22 plus line 23 is less than line 21, enter TAX DUE Include interest _____ and penalty _____, if applicable			PAY ▶ 24.	.00
25. If line 22 plus line 23 is more than line 21, enter overpayment			25.	.00
26. Amount of line 25 to be credited to your 2004 estimated tax	▶	26.		.00
27. Subtract line 26 from line 25			REFUND ▶ 27.	.00

CERTIFICATION

This return is due April 15th.

<i>I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge. I have obtained the required Power of Attorney from each of the members of this composite return and my firm will resolve the issue of any tax liability.</i>		<i>I declare under penalty of perjury that this return is based on all information of which I have any knowledge.</i>	
I authorize Treasury to discuss my return with my preparer. <input type="checkbox"/> Yes <input type="checkbox"/> No		Preparer's Name, Address, PTIN and/or FEIN	
Filer's Signature	Date		
Spouse's Signature	Date		

Mailing: Make check payable to "State of Michigan." Write the firm's Federal Employer Identification Number, "Composite Return" and Tax Year on the check. Mail return with payment (if applicable) to: Composite Return
Michigan Department of Treasury
Lansing, MI 48922

Name of partnership, S corporation or other flow through entity	Federal Employer Identification or TR Number
-----------------------------------------------------------------	----------------------------------------------

ADDITIONS (see instructions)

28. Net income (loss) from rental real estate activities	28.	.00
29. Net income (loss) from other rental activities	29.	.00
30. Portfolio Income (loss) (see instructions):		
a. Interest income	30a.	.00
b. Dividend income	30b.	.00
c. Royalty income	30c.	.00
d. Net short-term capital gain (loss) (from U.S. <i>Schedule K</i>)	30d.	.00
e. Net long-term capital gain (loss) (from U.S. <i>Schedule K</i>)	30e.	.00
f. Other portfolio income	30f.	.00
31. Net gain (loss) under Section 1231	31.	.00
32. Other income from U.S. <i>Schedule K</i>	32.	.00
33. State or local taxes measured by income	33.	.00
34. Other miscellaneous additions (attach schedule)	34.	.00
35. Total additions. Add lines 28 through 34. Enter here and on line 6	35.	.00

SUBTRACTIONS (see instructions)

36. Income (loss) from other partnerships, S corp. and fiduciaries included in ordinary income	36.	.00
37. Other miscellaneous subtractions (attach schedule)	37.	.00
38. Total subtractions. Add lines 36 and 37. Enter here and on line 8	38.	.00

MICHIGAN ALLOCATED INCOME OR (LOSS)

39. Guaranteed payments to participants for services performed in Michigan	39.	.00
40. Income attributable to other Michigan partnerships, S corporations or fiduciaries	40.	.00
41. Net Michigan capital gains (losses) (from U.S. <i>Schedule D</i>).....	41.	.00
42. Other Michigan allocated income (loss) (see instructions).....	42.	.00
43. Total Michigan allocated income (loss). Add lines 39 through 42. Enter here and on line 12	43.	.00

EXEMPTION ALLOWANCE

44. Number of participants included in this agreement	44.	
45. Line 44 times \$3,100 exemption allowance	45.	.00
46. Total Michigan income from line 13	46.	.00
47. Total distributive income (from Table 1, line 8: Total Distributive Income Worksheet)	47.	.00
48. Percent of income attributable to Michigan. Divide line 46 by line 47. (May not exceed 100%.)	48.	%
49. Apportioned exemption allowance. Multiply line 45 by the percentage on line 48 Enter here and on line 17	49.	.00

KEOGH OR HR 10 SUBTRACTIONS

50. Keogh or HR-10 subtractions for participants (attach schedule)	50.	.00
51. Enter the percent of income attributable to Michigan from line 48	51.	%
52. Keogh or HR-10 subtractions attributable to Michigan Multiply line 50 by the percentage on line 51. Enter here and on line 18	52.	.00

Instructions for Filing Michigan Composite Individual Income Tax Return

GENERAL INSTRUCTIONS

Who may file

A partnership, S corporation or other flow through entity (firm) that does business in Michigan and has two or more nonresident partners, shareholders or members (participants). The firm and participants must agree to comply with the Michigan Department of Treasury rules described below.

Who may not participate in a composite return

A member may not participate in this composite return in any of the following cases:

- If he or she is claiming a city income tax credit, public contribution credit, community foundation credit, homeless shelter/food bank credit, college tuition credit or Michigan Historic Preservation Tax Credit.
- If he or she was a Michigan resident (full-year or part-year).
- If he or she wishes to claim more than one Michigan exemption.

When is the return due?

The composite return for any tax periods ending in 2003 is due April 15, 2004. The returns for any periods ending in 2004 will be due April 15, 2005.

If the firm cannot file by the due date, a request for an extension can be filed before the original due date. See "How to request an extension" on this page.

Are estimated payments necessary?

Effective October 1, 2003, quarterly estimated tax payments are no longer necessary. However, the firm must withhold and remit taxes on behalf of all nonresident members (both participating and nonparticipating). The payment of withholding is due quarterly on April 15, July 15, and October 15 of the taxable year and January 15 of the succeeding year. The payment of withholding taxes is remitted on the payment voucher Form 160, *Combined Return for Michigan Taxes*.

How to request an extension

The firm may request an extension of time to file by sending payment of the estimated annual liability to Michigan Department of Treasury with a copy of an

approved federal extension. Any extension allowed by the Internal Revenue Service for filing the firm's federal return automatically extends the due date of the composite return to the same extended due date.

If the firm does not apply for a federal extension, request an *Application for Extension of Time to File Michigan Tax Returns* (Form 4). When completing the extension form, check "Fiduciary Return" in box 1, use the firm's name and federal employer ID number and write "composite return" on the form. Follow these special instructions to make sure your account is credited properly.

Payment of the estimated annual liability must be made with the extension application. When you file your composite return, attach a copy of your extension application to it. Obtain form 1041ES from www.michigan.gov/treasury, Fiduciary Forms. Download a copy of the quarterly forms and complete one quarterly form. Use the name of the firm and the firm's Federal Employer Identification Number (FEIN) or the recipients Social Security number. Check the box labeled "CF" at the top of the voucher. Do not use the other 3 quarterly estimate forms.

Where will refunds, assessments and correspondence be mailed?

By signing the *Michigan Composite Income Tax Return* (Form 807), the signing partner or officer declares that the firm has power of attorney from each participant to file a composite return on his or her behalf. The Michigan Department of Treasury will mail refund checks, assessments and all correspondence to the firm at the address indicated on the return. The firm must agree to be responsible for the payment of any additional tax, interest and penalties as finally determined. Issues involving the tax liability reported on a composite return will be resolved with the firm. In unusual circumstances, the department may contact the participants.

Attachments

Attach the following items to the composite return:

- A copy of pages 1, 2 and 3 of the U.S. 1065 or U.S. 1120S.

- A *Michigan Schedule of Apportionment* (Form MI-1040H).
- All required forms MI-NR K1 for each member of the composite return.
- Two schedules (one for participants and one for nonparticipants) listing each partner's, shareholder's or member's name, address, Social Security number and respective share of Michigan income and/or loss. If the participating member is another flow-through entity, the schedule must include the entity's name, address, FEIN, and share of Michigan-sourced income, as well as a list of the names, addresses, Social Security numbers and ownership percentages of that entity's nonresident partners or shareholders.
- A statement signed by an authorized officer or general partner certifying that each participant has been informed of the terms and conditions of this program.

LINE-BY-LINE INSTRUCTIONS

Lines not listed are explained on the form.

Line 10: Enter the apportionment percentage from Form MI-1040H. DO NOT use the Single Business Tax apportionment percentage from Form C-8000H. The MI-1040H apportionment percentage is NOT weighted and the property factors are based on property owned or rented and USED in Michigan. See MI-1040H instructions for income tax nexus standards.

Line 13: The amount on this line should equal the total of lines 14, 15 and 16.

Line 21: Multiply the amount on line 20 by 4.0 percent (.040).

Line 23: Enter the amount of withholding tax payments made on behalf of participating members.

Flow-Through Entities. Effective October 1, 2003, flow-through entities (S-corporations, partnerships, limited partnerships, limited liability companies and limited liability partnerships) are required to withhold Michigan income tax on the taxable income available for distribution to nonresident members.

The amount of withholding is calculated and remitted on a quarterly basis by multiplying the share of taxable income

allocable to each member, adjusted for the allowable exemption amount for a quarter, times the income tax rate (4.0 percent for all of 2003 and through June 30, 2004, 3.9 percent beginning July 1, 2004).

A flow-through entity is also required to withhold Michigan income tax when one or more of the entity's members is a nonresident flow-through entity. The flow-through entity in Michigan shall withhold Michigan income tax from any such nonresident flow-through entity on behalf of all of the nonresident members.

Line 24: If line 22 plus line 23 is less than line 21, enter the balance of the tax due. This is the tax owed with the return. Enter any applicable penalties and interest in the spaces provided. Add tax, penalty and interest together and enter the total on this line. If balance due is less than \$1, no payment is required. Make checks payable to "State of Michigan." Write the firm's FEIN, "Composite Return," and the tax year on the front of the check. To ensure accurate processing of your return, send one check for each return type.

Line 27: Refund. Subtract line 26 from line 25. This is the refund. Treasury will not refund amounts less than \$1.

Mail your completed return with payment (if applicable) to:

Composite Return
Michigan Department of Treasury
Lansing, MI 48922

Additions

Lines 28 through 32: Enter income from lines 2, 3c and 4a through 4f of U.S. 1065 or 1120S Schedule K, and from lines 5b and 6 of U.S. 1120S Schedule K, or from lines 6b and 7 of U.S. 1065 Schedule K. Guaranteed payments, income attributable to other Michigan partnerships, S corporations, fiduciaries, or other flow-through entities should be allocated to Michigan on lines 39 through 42. See instructions below.

Line 33: Enter the amount of state and local income taxes that was used to determine ordinary income on line 22 of the U.S. 1065 or line 21 of the U.S. 1120S.

Line 34: Enter other additions to income, such as gross interest and dividends from obligations or securities of states and their political subdivisions other than Michigan.

Table 1: Total Distributive Income Worksheet

Line numbers refer to lines on the U.S. 1065 Schedule K or U.S. 1120S Schedule K.

1. Ordinary income (loss) from trade or business activity from line 1 1. _____
2. Net income (loss) from rental real estate activity from line 2 2. _____
3. Net income (loss) from other rental activity from line 3c 3. _____
4. Portfolio income (loss) from lines 4a - 4f:
 - a. Interest income 4a. _____
 - b. Dividend income 4b. _____
 - c. Royalty income 4c. _____
 - d. Net short-term capital gain (loss) 4d(2). _____
 - e. Net long-term capital gain (loss) 4e(2). _____
 - f. Other portfolio income (loss) 4f. _____
5. Guaranteed payments from line 5 of the U.S. 1065 Schedule K ... 5. _____
6. Net gain (loss) under section 1231 from line 6b of U.S. 1065 or line 5b of U.S. 1120S 6. _____
7. Other income (loss) from line 7 of U.S. 1065 or line 6 of U.S. 1120S 7. _____
8. Total distributive income. Add lines 1 through 7 and enter total on line 47 of Form 807 8. _____

Subtractions

Note: Charitable contributions and other amounts reported as itemized deductions on U.S. Schedule A are not allowable subtractions in determining Michigan taxable income.

Line 36: Enter income (loss) from other partnerships, S corporations, fiduciaries, or other flow-through entities that is included in ordinary income. Losses must be added back to ordinary income. Attach a schedule showing the location of companies and amount of income attributable to each.

Line 37: Enter amounts such as interest from U.S. obligations that are included in line 30a, and other deductions for AGI (above the line) that were not included in determining ordinary income. This includes section 179 depreciation and amounts included on line 16b of U.S. 1120S Schedule K and on line 18b of U.S. 1065 Schedule K. Attach a schedule of all subtractions.

Michigan allocated income or loss

Line 39: Enter the portion of guaranteed payments attributable to services performed in Michigan by the nonresident participants.

Line 40: Enter income from other partnerships, S corporations, fiduciaries or

other flow-through entities attributable to Michigan that have not been reported on another composite return. Attach a schedule showing the amount of income attributable to each.

Line 41: Enter gains or losses from the sale of real or personal property located in Michigan not subject to apportionment.

Line 42: Enter any other income (loss) allocated to Michigan. Include any Michigan net operating loss deduction (NOLD). Partnerships may include the Section 179 expenses on property located in Michigan as a deduction here. Attach schedules.

Exemption Allowance

Line 47: Enter the total distributive income as determined using the worksheet on this page.

Line 48: Compute the percentage of income attributable to Michigan by dividing total Michigan income (line 46) by the total distributive income (line 47). This figure may not exceed 100 percent.

Keogh or HR-10 subtractions

Line 50: Figure the portion of Keogh or HR-10 subtractions which is attributable to the participants. Attach a schedule showing calculations.