

# 2012 MICHIGAN Schedule of Unitary Apportionment for Flow-Through Withholding

Issued under authority of Public Act 38 of 2011.

Name of Flow-Through Entity (FTE) filing this form	FTE FEIN
Name of Corporate Income Tax (CIT) taxpayer that is unitary with this FTE	Unitary CIT Taxpayer FEIN

## PART 1: APPORTIONMENT PERCENTAGES

### 1. Apportionment percentage for the C Corporation that is unitary with this flow-through entity

a. Michigan sales.....	1a.		00
b. Total sales.....	1b.		00
c. Apportionment percentage. Divide line 1a by line 1b.....	1c.		%

### 2. Apportionment percentage for C Corporations that are not unitary with this flow-through entity

a. Michigan sales.....	2a.		00
b. Total sales.....	2b.		00
c. Apportionment percentage. Divide line 2a by line 2b.....	2c.		%

## PART 2: DISTRIBUTIVE BUSINESS INCOME

		A. Unitary C Corporations		B. Non-Unitary C Corps	
3. Net Distributive Business Income from Form 4918, line 9A (see instructions)....	3.		00		00
4. Distributive business income subject to withholding after apportionment. Column A, multiply line 3 by line 1c; column B, multiply line 3 by line 2c.....	4.		00		00
5. Total distributive business income subject to withholding for C corporations. Add lines 4, column A and column B, and carry to Form 4918, line 11, column A.....	5.				00



# Instruction for Form 4919

## Schedule of Unitary Apportionment for Flow-Through Withholding

**IMPORTANT NOTE:** In February 2013, the Michigan Department of Treasury introduced instruction revisions affecting taxpayers filing a 2012 *Annual Flow-Through Withholding Reconciliation Return*. The changes have been noted with a gray highlight.

### Purpose

To allow a flow-through entity that is unitary with a Corporate Income Tax (CIT) taxpayer to calculate the distributive business income that is subject to Flow-Through Withholding (FTW) for its members that are C Corporations and the CIT taxpayer it is unitary with.

### General Instructions

The entire amount of a Michigan-based flow-through entity's business income is subject to FTW unless the flow-through entity is subject to tax in another state or foreign country. If the flow-through entity is subject to tax in another state or foreign country, then its business income that is subject to FTW is apportioned to Michigan. Generally, if the flow-through entity is subject to tax in another state or foreign country, it will apportion its business income to Michigan using the flow-through entity's sales factor. The flow-through entity's sales factor is a fraction. The numerator is the flow-through entity's sales that have been sourced to Michigan and the denominator is the flow-through entity's total sales.

If the flow-through entity is unitary with a CIT taxpayer, then it will use a combined sales factor to apportion the distributive share of business income for that unitary CIT taxpayer. The flow-through entity will be unitary with a CIT taxpayer if:

- The CIT taxpayer owns or controls, directly or indirectly, more than 50 percent of the ownership interest of the flow-through entity with voting rights or ownership interests that confer comparable rights to voting rights and
- The CIT taxpayer and flow-through entity have business activities or operations which result in a flow of value between the CIT taxpayer and the flow-through entity, or between the flow-through entity and another flow-through entity unitary with the taxpayer, or has business activities or operations that are integrated with, are dependent upon, or contribute to each other.

If the unitary requirements are satisfied, then the numerator of the sales factor used to apportion the flow-through entity's business income must include the Michigan sales of the unitary CIT taxpayer, the proportionate share of the Michigan sales of the flow-through entity filing this return, and the proportionate share of the Michigan sales of other flow-through entities that are unitary with the CIT taxpayer and the flow-through entity filing this return. Also, all sales between the CIT taxpayer and the flow-through entities unitary with that CIT taxpayer must be eliminated when calculating the combined sales factor for these entities.

The denominator must include the total sales everywhere of the CIT taxpayer, the proportionate share of the total sales everywhere of the flow-through entity filing this return, and the proportionate share of the total sales everywhere of other flow-through entities that are unitary with the CIT taxpayer and the flow-through entity filing this return.

This combined sales factor can be calculated using the following equations:

**Numerator** = [(CIT taxpayer's ownership percentage of the flow-through entity) x (flow-through entity's Michigan sales – Michigan sales eliminations)] + (CIT taxpayer's Michigan sales – Michigan sales eliminations)

**Denominator** = [(CIT taxpayer's ownership percentage of the flow-through entity) x (flow-through entity's total sales – total sales eliminations)] + (CIT taxpayer's total sales – total sales eliminations)

Ultimately, the apportionment percentage used by the flow-through entity to apportion the distributive shares of business income received by its C Corporation members will be the same apportionment percentage that will be used by that C Corporation when computing its CIT liability. This also means that if the flow-through entity is owned by two C Corporations, one of which is unitary with the flow-through entity, the flow-through entity must use separate sales factors for each C Corporation. This form allows the flow-through entity to apportion its distributive share of business income using these two, separate sales factors.

Because this form only pertains to members that are C Corporations or intermediate flow-through entities, the rules under the CIT governing what is a sale and the sourcing of sales will control. For more information on what is a "sale," see the instructions for the *Annual Flow-Through Withholding Reconciliation Return* (Form 4918). See the "Sourcing of Sales to Michigan" section of the instructions to the *Corporate Income Tax Forms and Instructions for Standard Taxpayers* (Form 4890) to determine Michigan sales.

### Line by Line Instructions

**Name and FEIN:** On the first line, enter the name and Federal Employer Identification Number (FEIN) of the flow-through entity that is completing this form.

On the second line enter the name and FEIN of the CIT taxpayer that is unitary with the flow-through entity that is filing this form.

**Part 1:** Use this part to calculate the combined sales factor to be used to apportion the distributive share of income received by a CIT taxpayer that is unitary with the flow-through entity.

**Line 1: Tiered Structures:** If the filing flow-through entity (intermediate) earns income as a distributive share from another flow-through entity (source) that is not unitary with the intermediate and a C corporation member, each source of non-unitary business activity must be apportioned according to the non-unitary source entity's sales factor. The filer of the FTW Annual Reconciliation will combine the factors of non-unitary entities in an income-weighted formula, which is different than a unitary apportionment factor calculation. See line 2 for the income-weighted apportionment.

Use the *CIT Unitary Relationships with Flow-Through Entities* (Form 4900) to compute the unitary apportionment factor. **Do not attach Form 4900 to your FTW forms.** Retain a copy for your records.

The filer should include the CIT taxpayer's information on the first line and the filer's information on the second line of the schedule. Additionally, list all flow-through entities that are unitary with the CIT taxpayer and the flow-through entity filing this form. Complete columns A through O for each entity. Disregard any instructions to carry amounts to the *CIT Annual Return* (Form 4891).

Column J of Form 4900: For each flow-through entity included, multiply the amount entered in Column I by the percentage entered in Column E. Add up all of the entries in Column J and enter this amount on Line 1a of Form 4919. This is the amount of proportionate Michigan sales from flow-through entities that are unitary with the taxpayer that will be included in the taxpayer's apportionment calculation.

Column O of Form 4900: For each flow-through entity included, multiply the amount entered in Column N by the percentage entered in Column E. Add up all of the entries in Column O and enter this amount on Line 1b of Form 4919. This is the amount of proportionate total sales from flow-through entities that are unitary with the taxpayer that will be included in the taxpayer's apportionment.

**Do not attach Form 4900 to your FTW forms.** Retain a copy of it and the calculation for your records.

**Line 1a:** Enter on this line the combined Michigan sales of the flow-through entity and the CIT taxpayer that is unitary with the flow-through entity. The Michigan sales used when calculating the unitary sales factor for a CIT taxpayer that is unitary with the flow-through entity includes all of the sales of the CIT taxpayer that are sourced to Michigan and a proportionate amount of the flow-through entity's sales that have been sourced to Michigan. This can be calculated using the equation for the numerator included above in the General Instructions.

**Line 1b:** Enter on this line the combined total sales of the flow-through entity and the CIT taxpayer that is unitary with the flow-through entity. The total sales used when calculating the unitary sales factor for a CIT taxpayer that is unitary with the flow-through entity includes all of the sales of the CIT taxpayer and a proportionate amount of the flow-through entity's total sales. This can be calculated using the equation for the denominator included above in the General Instructions.

**Line 2: Tiered Structures:** If the filing flow-through entity (intermediate) earns income as a distributive share from another flow-through entity (source) that it is not unitary with, each source of business activity must be apportioned according to the source entity's sales factor. The filer of this form will combine the factors in a weighted formula, which is different than a unitary factor calculation. Leave lines 2a and 2b blank. Enter the percentage calculated for non-unitary flow-through entities on line 2c.

Use *CIT Non-Unitary Relationships with Flow-Through Entities* (Form 4898) to compute the distributive shares flowing to members from each source entity and use an additional schedule to calculate the income-weighted factor. **Do not attach**

**Form 4898 to your FTW forms.** Retain a copy of it and the calculation for your records.

The filer should be listed on the first line of Form 4898 and should include only the portion of its direct income that flows to non-unitary members. Use the entity's Michigan sales over total sales everywhere in column D. Additionally, list all flow-through entities from which the filer either directly or indirectly receives a distributive share, but exclude the flow-through entities that are unitary with the entity filing this form and the CIT taxpayer.

Complete columns A through D for each entity and leave column E blank. Disregard any instructions to carry amounts to *CIT Annual Return* (Form 4891). On a separate schedule, multiply each percentage in column D by a fraction, the numerator of which is the corresponding amount in column C, and the denominator of which is the sum of all amounts in column C. Carry the sum of the income-weighted percentage calculated to line 2c of Form 4919. **Do not attach Form 4898 to your FTW forms.** Retain a copy of it and the calculation for your records.

**Line 2a:** Enter the Michigan sales that are directly attributable to the flow-through entity. Do not include any sales that are attributable to the flow-through entity's members.

**Line 2b:** Enter the total sales that are directly attributable to the flow-through entity. Do not include any sales that are attributable to the flow-through entity's members.

**Line 3a:** Enter on this line the distributive share of the flow-through entity's business income that is attributable to the CIT taxpayer that is unitary with the flow-through entity or attributable to a flow-through entity that is unitary with a CIT taxpayer and the flow-through entity filing this return. In a tiered structure, this line should include distributive shares from other flow-through entities that are unitary with the CIT taxpayer and the entity filing this return, if those shares ultimately flow to the unitary CIT taxpayer. Exclude distributive shares from other flow-through entities that are not unitary with the CIT taxpayer and the entity filing this return. The amount entered on this line combined with the amount entered on Line 3b must equal the amount entered on Line 9a of Form 4918.

**Line 3b:** Enter on this line the distributive share of the flow-through entity's business income, including the flow-through entity's distributive shares from other flow-through entities, that is attributable to members that are C Corporations or other flow-through entities that are not unitary with the flow-through entity filing this return. The amount entered on this line combined with the amount entered on Line 3a must equal the amount entered on Line 9a of *Annual Flow-Through Reconciliation Return* (Form 4918).

**Line 4a:** Multiply Line 3a by Line 1c and enter that amount on this line.

**Line 4b:** Multiply Line 3b by Line 2c and enter that amount on this line.

**Line 5:** Add Line 4a and Line 4b. Enter this amount on this line and carry this amount to Line 11a of Form 4918.

**Include completed Form 4919 as part of the tax return filing.**