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.

2012 Michigan Flow-Through Withholding

This booklet contains forms and instructions to complete a Flow-Through Withholding Reconciliation Return for calendar year 2012, a short-year fiscal year ending in 2012, and a fiscal year ending in 2013.

Inside this booklet:

Filing a Return:

- All 2012 Flow-Through Withholding Reconciliation Returns must be paper filed; there is no e-file option.
- If additional forms or form pages are needed, go online to **www.michigan.gov/taxes**.

Due Date:

- Calendar Filers: On or before February 28, 2013.
- Fiscal Filers: On or before the last day of the second month after the close of the tax year.

This booklet is intended as a guide to help complete a Flow-Through Withholding Reconciliation Return. It does not take the place of law.

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2012 Michigan Flow-Through Withholding Annual Reconciliation General Instructions

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.

General Instructions

On January 1, 2012, several changes to the Income Tax Act of 1967 (ITA) went into effect establishing a new withholding requirement for flow-through entities that have members, partners, or shareholders that are C Corporations or other flow-through entities. These changes are in addition to the already existing withholding requirement on flow-through entities with members, partners, or shareholders that are nonresident individuals. Collectively, these withholding requirements are known as Flow-Through Withholding (FTW).

FTW imposes three different withholding requirements on flow-through entities with Michigan business activity based on the types of members of the flow-through entity. These different requirements apply to members that are nonresident individuals, C Corporations, and other flow-through entities.

For purposes of FTW, a "flow-through entity" is an entity that for the tax year is treated as an S Corporation, a general partnership, a limited partnership, a limited liability partnership, or a limited liability company that is not taxed as a C Corporation for the tax year. "Member," for purposes of FTW includes a shareholder of an S Corporation; a partner in a general partnership, a limited partnership, or a limited liability partnership; or a member of a limited liability company. A "C Corporation" is an entity that is required to or has elected to file as a C Corporation for federal income tax purposes for its tax year. A "nonresident individual" is an individual that is not a resident of or domiciled in Michigan in the individual's tax year.

Trusts: Even though Form 4918 lists trusts as members that are to be withheld on, trusts are not considered to be flow-through entities or members of a flow-through entity for purposes of FTW. Because of this, a trust is not required to be withheld on and is not required to withhold on its beneficiaries.

General FTW Requirements

Withholding on nonresident individual members. Every flow-through entity with business activity in Michigan must withhold on every member that is a nonresident individual. This withholding is done at the Individual Income Tax (IIT) rate on the distributive share of taxable business income reasonably expected to accrue, after allocation or apportionment, to the nonresident. If the flow-through entity's tax year ends in 2012, the IIT rate is 4.33 percent. If the flow-through entity's tax year ends in 2013, the IIT rate is 4.25 percent.

Withholding on C Corporation members. A flow-through entity with business activity in Michigan that reasonably expects to accrue more than $200,000 in apportioned or allocated business income for the tax year must withhold on the distributive share of each member that is a C Corporation at the Corporate Income Tax (CIT) rate of 6 percent.

Withholding on intermediate flow-through entity members. A flow-through entity (source flow-through entity) with business activity in Michigan that reasonably expects to accrue more than $200,000 in apportioned or allocated business income for the tax year must also withhold on the distributive share of each member that is a flow-through entity (intermediate flow-through entity) at the CIT rate of 6 percent.

However, the source flow-through entity may withhold at the IIT rate instead of the CIT rate if it is able to identify the ultimate member of the intermediate flow-through entity as a nonresident individual. The source flow-through entity is not required to withhold if it is able to identify the ultimate member of the intermediate flow-through entity as a resident individual. The IIT rate for a flow-through entity with a tax year that ends in 2012 is 4.33 percent. If the flow-through entity's tax year ends in 2013, the IIT Rate is 4.25 percent.

An intermediate flow-through entity that has no business income sourced to Michigan other than business income received from a source flow-through entity will not have to pay additional withholding and will be credited with any FTW payments made on its behalf by the source flow-through entity.

This flow-through entity will, however, be required to file the *Annual Flow-Through Withholding Reconciliation Return* (Form 4918) to distribute to its members the FTW payments received from the upper-tier source flow-through entity.

Filing, Payment, and Reporting Requirements

A flow-through entity that is required to withhold on its members must file *Flow-Through Withholding Quarterly Return* (Form 4917) and pay the withholding due on a quarterly basis. A flow-through entity that is required to withhold must also file, in addition to the quarterly returns, a Form 4918. A flow-through entity that is an intermediate member of a source flow-through entity must also file a Form 4918 to distribute the amounts that have been withheld on its behalf unless the source flow-through entity has already distributed the withholding by disclosing the ultimate taxpayers on its own Annual Reconciliation. A flow-through entity that remits FTW or files a Form 4918 must be registered with the Michigan Department of Treasury (Treasury) for FTW in order for those payments to be properly applied and for its returns to be properly processed.

Reporting Withholding to Members

If the flow-through entity both reports a withholding liability on Form 4918, line 14, and has paid FTW to the state on either Form 4917 or Form 4918, then that flow-through entity must report several things to the members it has submitted FTW payment on behalf of. If the flow-through entity did not have a withholding liability the flow-through entity should claim a refund of tax paid and there will be no FTW payments for the flow-through entity to distribute to its members.

Prior to the 2012 tax year, this reporting was done using *Statement of Michigan Income Tax Withheld for Nonresidents from Flow-Through Entities* (Form 4119). However, beginning with the 2012 tax year, Form 4119 is no longer available to be used. Instead, the flow-through entity may use any method to report the necessary information to its members. Treasury recommends that the flow-through entity provide this information to its members as a supplemental attachment to the member's federal Schedule K-1. Any method will be acceptable so long as the following information is conveyed to the member:

- FEIN of the flow-through entity
- Tax year of the flow-through entity
- FTW paid on behalf of that member
- Member's tentative distributive share of the flow-through entity's business income
- Flow-through entity's sales that have been sourced to Michigan
- Flow-through entity's total sales.

NOTE: If the flow-through entity will be filing a *Composite Individual Income Tax Return* (Form 807), then it must instead report to members that participate in the composite filing the:

- FEIN of the flow-through entity
- Tax year of the flow-through entity
- Tax paid by the flow-through entity on behalf of the member
- Member's tentative distributive share of the flow-through entity's business income
- Flow-through entity's sales that have been sourced in Michigan
- Flow-through entity's total sales.

Members that are C Corporations are not eligible to participate in a composite filing. For more information on filing Composite Income Tax Returns and who may be a participant, please see the instructions to Form 807.

In a tiered structure, if a source flow-through entity files a Form 4918 and is distributing withholding to another flow-through entity (intermediate) for which it intends to file an individual income tax Composite return on behalf of, as stated above, that source flow-through entity must only report to the intermediate member the share of tax paid on the Composite, not the withholding paid. If withholding is claimed on a Composite return for an intermediate flow-through entity, that same income and withholding should not be reported by the intermediate flow-through entity on the intermediate's Form 4918, and should not be distributed to the intermediate's members.

NOTE: The flow-through entity may have different amounts of sales to report to its corporate and intermediate flow-through entity members than it will for its nonresident individual members.

Flow-Through Withholding for Members That Are Corporations or Other Flow-Through Entities

Business Income

Business income for purposes of withholding on a member that is a corporation or an intermediate flow-through entity will be governed by the same rules as those contained in the CIT. However, because FTW is concerned with the business income of flow-through entities and not corporations, business income for flow-through entities is further defined to include payments and items of income and expense that are attributable to business activity of the flow-through entity and separately reported to its members. The distributive share of business income of a flow-through entity is subject to FTW even if it is not actually distributed or paid to the member.

Income protected by Public Law 86-272 is not subject to FTW and should not be included in the flow-through entity's distributive amount of business income.

Business Income Threshold

To be required to withhold on members that are corporations or other flow-through entities the flow-through entity must first reasonably expect to have more than $200,000 of total business income in the tax year after allocation and apportionment. For purposes of calculating this threshold, the flow-through entity will apportion its business income using its sales factor — it will not use a unitary sales factor as described below.

Apportionment

To apportion its business income for a member that is a corporation and for an intermediate flow-through entity, the source flow-through entity will use the apportionment rules included in the CIT. The CIT includes two apportionment rules that are relevant for FTW.

The general rule provides that a flow-through entity that has members that are corporations or intermediate flow-through entities will apportion the business income distributed to those members using its own sales factor. For more information on the general apportionment formula for members that are C Corporations or intermediate flow-through entities, please see the instructions to Line 5 of Form 4918.

If the source flow-through entity is able to ascertain that the ultimate members of an intermediate flow-through entity are nonresident individuals, then the source flow-through entity may withhold directly on the distributive share of those ultimate members. To be able to do this, the flow-through entity must know the name and social security number of these nonresident individuals. This information will be needed when the flow-through entity files its Form 4918. If the flow-through entity is able to ascertain the ultimate members to be nonresident individuals then it will use the provisions included in the IIT to calculate the distributive share of business income of the ultimate members and apportion that amount. These provisions are explained below and in the instructions to Form 4918.

A different apportionment rule applies if the flow-through entity is unitary with a CIT taxpayer. For more information on what constitutes a unitary relationship and on the combined unitary apportionment percentage, please see the instructions to *Schedule of Unitary Apportionment for Flow-Through Withholding* (Form 4919).

Intermediate Flow-Through Entities: If the flow-through entity completing the Annual Reconciliation is an intermediate member in a tiered structure that has been withheld on by its source flow-through entity, **then the intermediate flow-through entity must call the Department at (517) 636-6925 before filing its Annual Reconciliation.** This phone call must be made to allow the intermediate flow-through entity to properly claim the amounts that have been withheld on its behalf and to allow it to properly distribute those amounts to its members.

Flow-Through Withholding for Members That Are Nonresident Individuals

Business Income

Income flowing through to a member of a flow-through entity is business income and is subject to the allocation and apportionment provisions of the IIT as discussed below. This income is referred to as the member's distributive share of business income. The distributive share of business income of a flow-through entity is subject to FTW even if it is not actually distributed or paid to the member.

Portfolio income from a flow-through entity is business income and is subject to allocation or apportionment. Portfolio income includes interest income, dividend income, royalty income, and net short-term and long-term capital gain (loss) from federal Schedule D Capital Gains and Losses. Resident or nonresident individual taxpayers having portfolio income from a flow-through entity with business activity in multiple states must allocate or apportion this income in the same manner as all other business income from the flow-through entity.

Income protected by Public Law 86-272 is not subject to IIT and is not subject to FTW.

Apportionment

The business income of a flow-through entity is apportioned to Michigan using a single sales factor. When determining which sales are to be included in the sales factor for nonresident individual members, the flow-through entity will use the sales sourcing provisions within the IIT section of the Michigan ITA. For more information on the single-factor sales apportionment formula, please see the instructions to Line 6 of Form 4918.

It should be noted that the computation of the sales factor is not the same for IIT as it is for the Michigan Business Tax (MBT) or the CIT. Most notably, IIT requires throwback sales to be included in the sales factor. When computing the sales factor, throwback sales for IIT follow Public Law (PL) 86-272 standards. The MBT and the CIT do not require throwback sales be included in the numerator of the taxpayer's sales factor.

Exemptions from Flow-Through Withholding

Flow-Through Entities That Are Exempt

Publicly Traded Partnerships and disregarded entities are not required to withhold on their members under FTW. For purposes of FTW, "publicly traded partnership" means that term as defined under Section 7704 of the Internal Revenue Code. This exemption from the requirements of FTW applies to publicly traded partnerships that are treated as corporations as well as those that are treated as partnerships under IRC 7704(c). An entity is disregarded for purposes of FTW if it is a disregarded entity for federal income tax purposes.

Nonresident Individual Exemptions

A flow-through entity is not required to withhold on a nonresident individual member if:

• The income available for distribution consists entirely of income exempt from IIT

• The aggregated income available for distribution of all nonresident individual members is less than $1,000 for any quarter.

MBT Election Exemption

A flow-through entity is not required to withhold on a member that elects to file and pay the MBT.

Opt-Out Exemption

C Corporation members of a flow-through entity are also able to exempt the flow-through entity from the FTW requirements by filing an exemption certificate with the flow-through entity. If an exemption certificate is received by the flow-through entity then the flow-through entity is entirely exempt from the FTW requirements pertaining to that C Corporation member for the entire tax year. This is true no matter when the flow-through entity receives the exemption certificate, so long as the flow-through entity receives the exemption certificate within the tax year.

To qualify for this exemption, the C Corporation must provide the flow-through entity with an exemption certificate. Treasury will not be providing an exemption certificate. Instead, the exemption certificate may be any document created by the C Corporation member that is signed by a person that is authorized to sign on behalf of the C Corporation member and states that the C Corporation member will:

- File the returns required under the CIT;
- Pay the tax due under the CIT on the distributive share of the business income received from any flow-through entity in which the corporation is a member; and
- Submit to the taxing jurisdiction of Michigan for purposes of collecting the tax due under the CIT and the associated penalty and interest with respect to the distributive share of the business income of that corporation.

The C Corporation member does not have to file a copy of the exemption certificate with Treasury and the flow-through entity does not have to attach a copy of the exemption certificate to its Form 4918. However, the C Corporation and the flow-through entity must retain a copy of the exemption certificate and Treasury may request that the exemption certificate be made available.

Treasury maintains the right to revoke an exemption certificate if it finds that the C Corporation or flow-through entity is not abiding by the terms of the certificate or the exemption requirements as explained above. If an exemption certificate is revoked, Treasury will notify the flow-through entity that it must begin to withhold on the C Corporation's distributive share of business income under FTW within 60 days of that notice.

For more information on the Opt-Out Exemption, see the *Michigan Flow-Through Withholding Opt-Out Schedule* (Form 4920).

Computing Penalty and Interest

Annual returns filed late or without sufficient payment of the tax due are subject to a penalty of 5 percent of the tax due, for the first two months. Penalty increases by an additional 5 percent per month, or fraction thereof, after the second month, to a maximum of 25 percent.

The following chart shows the interest rate that applies to each filing period. A new interest rate is set at 1 percent above the adjusted prime rate for each six-month period.

Beginning Date	Rate	Daily Rate
January 1, 2012	4.25%	0.0001161
July 1, 2012	4.25%	0.0001161
January 1, 2013	4.25%	0.0001164

For a complete list of interest rates, see the Revenue Administrative Bulletins on Treasury's Web site at **www.michigan.gov/treasury**.

Signing the Return

All returns must be signed and dated by the taxpayer or the taxpayer's authorized agent. This may be the owner, partner, corporate officer, or association member. The corporate officer may be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign the corporation's tax return.

If someone other than the above prepared the return, the preparer must give his or her business address and telephone number, as well as the Preparer Tax Identification Number (PTIN).

Print the name of the authorized signer and preparer in the appropriate area on the return.

Assemble the returns and attachments (in sequence order) and staple in the upper-left corner. (Do not staple a check to the return.)

IMPORTANT REMINDER: Failure to include all the required forms and attachments will delay processing and may result in reduced or denied refund or a bill for tax due.

Mailing Addresses

Mail the annual return and all necessary schedules to:

With payment:
Michigan Department of Treasury
PO Box 30806
Lansing MI 48909

Without payment:
Michigan Department of Treasury
PO Box 30805
Lansing MI 48909

Make all checks payable to "State of Michigan." Print taxpayer's Federal Employer Identification Number (FEIN), the tax year, and "FTW" on the front of the check. Do not staple the check to the return.

Correspondence

Address changes and business discontinuance can be reported by using the *Notice of Change or Discontinuance* (Form 163), which can be found online at **www.michigan.gov/treasuryforms**.

Mail correspondence to:
Customer Contact Division — FTW Unit
Michigan Department of Treasury
PO Box 30769
Lansing MI 48909

To Request Forms

Internet

Current and past year forms are available on Treasury's Web site at **www.michigan.gov/treasuryforms**.

Alternate Format

Printed material in an alternate format may be obtained by calling (517) 636-6925.

TTY

Assistance is available using TTY through the Michigan Relay Center by calling 1-800-649-3777 or 711.

Michigan Department of Treasury
4918 (Rev. 07-12)

2012 MICHIGAN Annual Flow-Through Withholding Reconciliation Return

Issued under authority of Public Act 38 of 2011.

1. Return is for calendar year 2012 or for tax year beginning: (MM-DD-YYYY) ______ and ending: (MM-DD-YYYY) ______

2. Name (print or type				3. Federal Employer Identification Number (FEIN)
4. Street Address	City	State	ZIP/Postal Code	Country Code

PART 1: APPORTIONMENT PERCENTAGES FOR INCOME FROM FLOW-THROUGH ENTITIES

5. **Apportionment Percentage for C Corporations**

a. Michigan sales		00
b. Total sales		00
c. Apportionment percentage. Divide line 5a by line 5b		%

6. **Apportionment Percentage for Individuals and Trusts**

a. Michigan sales (include throwback sales)		00
b. Total sales		00
c. Apportionment percentage. Divide line 6a by line 6b		%

PART 2: TENTATIVE DISTRIBUTIVE INCOME

If unitary with a corporation, see instructions.

	Line	A. C Corporations	B. Individuals and Trusts
7. Tentative distributive income (see worksheets in instructions)	7.	00	00
8. For column A, opt-out income from From 4920. For column B, distributive income allocated to resident individuals/trusts	8.	00	00
9. Net distributive income subject to withholding before apportionment. Subtract line 8 from line 7	9.	00	00
10. Net distributive income subject to withholding after apportionment. For column A, multiply line 9 by line 5c. For column B, multiply line 9 by line 6c	10.	00	00
11. If unitary with a corporation, see instructions	11.	00	
12. Tax rate (fiscal filers, see instructions)	12.	6%	4.33%/See instr.
13. Withholding amount to be distributed. For column A, multiply line 12 by line 10 or line 11, as applicable. For column B, multiply line 12 by line 10. If less than zero, enter zero	13.	00	00

	Line	Amount
14. **TOTAL WITHHOLDING LIABILITY.** Add line 13, column A, and line 13, column B	14.	00
15. Withholding paid on *FTW Quarterly Return* (Form 4917) for this tax year	15.	00
16. **WITHHOLDING DUE.** If line 15 is less than line 14 enter the amount due with this form, otherwise leave blank and skip to line 20	16.	00
17. Annual return penalty (see instructions)	17.	00
18. Annual return interest (see instructions)	18.	00
19. **PAYMENT DUE.** Add line 16, line 17 and line 18	19.	00
20. **REFUND.** If line 16 is blank, subtract line 14 from line 15	20.	00

Taxpayer Certification. *I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.*	**Preparer Certification.** *I declare under penalty of perjury that this return is based on all information of which I have any knowledge.*
☐ By checking this box, I authorize Treasury to discuss my return with my preparer.	Preparer's PTIN, FEIN or SSN
Authorized Signature for Tax Matters	Preparer's Business Name (print or type)
Authorized Signer's Name (print or type) / Date	Preparer's Business Address and Telephone Number (print or type)
Title / Telephone Number	

Return is due February 28 or on or before the last day of the 2nd month after the close of the tax year.

WITHOUT PAYMENT. Mail return to: Michigan Department of Treasury, PO Box 30805, Lansing MI 48909
WITH PAYMENT. Pay amount on line 19. Mail check and return to: Michigan Department of Treasury, PO Box 30806, Lansing MI 48909
Make check payable to "State of Michigan." Print taxpayer's FEIN, the tax year, and "FTW" on the front of the check. Do not staple the check to the return.

+ 9999 2012 50 01 27 6

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Taxpayer FEIN

PART 3: FLOW-THROUGH WITHHOLDING FOR C CORPORATIONS

21. A. C Corporation Information				B. Amount of Withholding to be distributed from line 13A
Business Name			FEIN	
Address			Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End	
Business Name			FEIN	
Address			Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End	
Business Name			FEIN	
Address			Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End	
Business Name			FEIN	
Address			Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End	
Business Name			FEIN	
Address			Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End	
Business Name			FEIN	
Address			Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End	
Business Name			FEIN	
Address			Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End	
Business Name			FEIN	
Address			Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End	

Continue on Page 3

Taxpayer FEIN

PART 4: FLOW-THROUGH WITHHOLDING FOR NONRESIDENT INDIVIDUALS

22. A. Name	B. Check (X) if a Fiduciary	C. Social Security Number	D. Tentative Distributive Share of Taxable Income	E. Amount of Withholding to be distributed from line 13B

Instruction for Form 4918
Annual Flow-Through Withholding Reconciliation Return

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.

If more space is needed for Part 3 or Part 4, flow-through entities should go online to **www.michigan.gov/taxes** to print out additional pages. Repeat the flow-through entity FEIN from page one at the top right of each additional page. All pages must be submitted as part of a valid return.

Purpose

This form is used to calculate the amount of Flow-Through Withholding (FTW) due for the tax year, reconcile this amount with the quarterly payments remitted to the state, and to distribute the entire amount of FTW to the flow-through entity's members.

General Instructions

Trusts: Even though Form 4918 lists trusts as members that are to be withheld on, trusts are not considered to be members of a flow-through entity or flow-through entities for purposes of FTW. Because of this, a trust is not required to be withheld on and is not required to withhold on its beneficiaries.

FTW on C Corporation and Intermediate Flow-Through Entity Members: If the allocated or apportioned business income of the flow-through entity is $200,000 or less for the flow-through entity's tax year, FTW is not required on members that are C Corporations or intermediate flow-through entities. Further, if the flow-through entity received an exemption certificate from a C Corporation member for the tax year, FTW is not required on that member. Complete this form to claim a refund of the amounts paid on behalf of these members.

This form may not be amended: When filing this form, the flow-through entity is required to use its "tentative business income" for the tax year. The Department recognizes that this amount potentially will not be known with certainty at the time this form is filed. When filing this form, the flow-through entity is required to use its best estimate of business income based on all available information. If, after this form is filed, the flow-through entity determines that its best estimate of business income was incorrect, the flow-through entity should report that difference to its members. The members, when filing their respective annual returns, will correct the over- or under-withholding created by the over- or understatement of business income.

If the flow-through entity is unitary with a CIT taxpayer, fill out the *Schedule of Unitary Apportionment for Flow-Through Withholding* (Form 4919), and enter the amount from line 5 of Form 4919 on line 11A of this form. Leave lines 5a, 5b, 5c, and 10A blank. For more information on what constitutes a unitary relationship between a flow-through entity and a CIT taxpayer, see the instructions for *Flow-Through Entities that are Unitary with the Taxpayer* (Form 4900).

Parts 3 and 4 of this form distribute the FTW to the flow-through entity's members that has been paid by the flow-through entity as well as the FTW paid by source flow-through entities in a tiered structure that distributed income and withholding to the flow-through entity.

When completing Parts 3 and 4, include only those members that have been withheld on and only if the flow-through entity's tax year ends with or within the tax year of that member.

Line-by-Line Instructions

Lines not listed are explained on the form.

Line 1: If not a calendar-year flow-through entity, enter the beginning and ending dates (MM-DD-YYYY) that correspond to the taxable period included in this return.

Tax year means the calendar year, or the fiscal year ending during the calendar year, of which the withholding base of a flow-through entity is computed. If a return is made for a part of a year, *tax year* means the period for which the return is made. Generally, a flow-through entity's tax year is for the same period as is covered by its federal income tax return. The 2012 form should be used for the 2012 calendar year or a fiscal year beginning in 2012.

Fiscal Year Flow-Through Entities: For fiscal years ending in 2012 your FTW tax year will be a short year and will begin January 1, 2012. The first FTW Annual Reconciliation return will only cover business activity that occurs after December 31, 2011.

Line 2: Enter the flow-through entity's name.

Line 3: Enter the flow-through entity's Federal Employer Identification Number (FEIN). Be sure to use the same account number on all forms.

NOTE: The flow-through entity must register for FTW before filing this form. Flow-through entities are encouraged to register online at **www.michigan.gov/businesstaxes**. Flow-through entities that register with the State online receive their notification of the registration within seven days.

NOTE: If the flow-through entity does not have an FEIN, the flow-through entity must obtain an FEIN before filing. Visit Treasury's Business Taxes Web site for more information on obtaining an FEIN.

Returns received without a registered account number will not be processed until such time as a number is provided.

Line 4: Enter the flow-through entity's complete address, including the two-digit abbreviation for the country code. See the list of country codes in the *Corporate Income Tax Forms and Instructions for Standard Taxpayers* (Form 4890).

NOTE: Any refund and/or correspondence regarding the return filed and/or refund will be sent to the address listed here. The flow-through entity's primary address in Treasury records, identified as the legal address and used for all purposes other than refund and correspondence on a specific FTW return, will not change unless the flow-through entity files a *Notice of Change or Discontinuance* (Form 163).

PART 1: APPORTIONMENT PERCENTAGES FOR INCOME FROM FLOW-THROUGH ENTITIES

The flow-through entity must only withhold on business activity that is allocated or apportioned to Michigan. A flow-through entity that has not established nexus with one other state or a foreign country at the member level, as explained below, is subject to FTW on its entire business activity. If the flow-through entity is able to apportion its business income, it will be apportioned to Michigan based on sales. For a Michigan-based flow-through entity, all sales are Michigan sales unless the flow-through entity's business activity causes its members to be subject to tax in another state or foreign country.

A flow-through entity will cause its C Corporation and intermediate flow-through entity members to be subject to a tax at the member level in another state or foreign country if the entity's business activity is subject to a business privilege tax, a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, a corporate stock tax; or if the state or foreign country has jurisdiction to subject the flow-through entity's business activity to one or more of the above listed taxes at the member level, regardless of whether the tax is imposed.

A flow-through entity will cause its nonresident individual members to be subject to a tax at the member level in another state or foreign country if the entity's business activity is subject to a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, or a corporate stock tax; or if that state or foreign country has jurisdiction to subject the flow-through entity's business activity to a net income tax at the member level, regardless of whether, in fact, the state does or does not.

Line 5: When calculating the sales factor to use for members that are C Corporations or intermediate flow-through entities, *sale or sales* means the amounts received by the flow-through entity as consideration from the following:

- The transfer of title to, or possession of, property that is stock in trade or other property of a kind which would properly be included in the inventory of the flow-through entity if on hand at the close of the tax period, or property held by the flow-through entity primarily for sale to customers in the ordinary course of its trade or business. For intangible property, the amounts received will be limited to any gain received from the disposition of that property.
- Performance of services which constitute business activities.
- The rental, leasing, licensing, or use of tangible or intangible property, including interest, that constitutes business activity.
- Any combination of business activities described above.
- For flow-through entities not engaged in any other business activities, sales include interest, dividends, and other income from investment assets and activities and from trading assets and activities.

Complete the Apportionment Calculation using amounts for the flow-through entity's business activity only.

Use the information in the "Sourcing of Sales to Michigan" section in Form 4890 to determine Michigan sales for members that are C Corporations or intermediate flow-through entities.

Entities Unitary with one or more C corporation members: Leave lines 5a through 5c blank and continue to line 7.

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 business activity must be apportioned according to the source entity's sales factor. The filer of this form will combine the factors in an income-weighted formula, which is different than a unitary apportionment factor calculation. Leave lines 5a and 5b blank. Enter the percentage calculated for column A on line 5c. Use the *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. If apportionment for column A of Form 4918 is different than apportionment for column B, a separate income-weighted percentage must be computed for each column.

While Form 4898 instructions state the form may be used by a CIT taxpayer or a Unitary Business Group only, for purposes of FTW, the form may be used to assist a flow-through entity in computing both CIT and individual income tax apportionment. Further note that any references to Unitary Business Groups within the instructions for Form 4898 apply only to the CIT.

The filer should include its own direct income and apportionment percentage on the first line of the schedule. Additionally, list all flow-through entities from which the filer either directly or indirectly receives a distributive share. Exclude any flow-through entity that distributed withholding directly to the filer's members on an *Annual Flow-Through Withholding Reconciliation Return* (Form 4918) rather than distributing to the flow-through entity filing this return.

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 for C corporations to line 5c.

Do not attach Form 4898 to your FTW forms. Retain a copy of it and the calculation for your records.

Line 5a: Enter the Michigan sales, as defined for members that are C Corporations or intermediate flow-through entities, that are attributable to the flow-through entity.

Transportation services that source sales based on revenue miles: Enter on this line the flow-through entity's total sales, as defined for members that are C Corporations or intermediate flow-through entities, multiplied by the ratio of Michigan revenue miles over revenue miles everywhere as provided in the "Sourcing of Sales to Michigan" chart in Form 4890 for that type of transportation service. Revenue mile means the transportation for consideration of one net ton in weight or one passenger the distance of one mile.

Line 5b: Enter the total sales, as defined for members that are C Corporations or intermediate flow-through entities, that are directly attributable to the flow-through entity.

Transportation services that source sales based on revenue miles: Enter on this line the total sales, as defined for members that are C Corporations or intermediate flow-through entities, that are directly attributable to the flow-through entity.

Line 6: When calculating the sales factor to use for members that are individuals, *"sale or sales"* means all gross receipts of the taxpayer not allocated under IIT sections MCL 206.110 through MCL 206.114. Sale or sales includes gross receipts from sales of tangible property, rental of property, and providing of services that constitute business activity. Exclude all receipts from nonbusiness income.

NOTE: Throwback sales for individual income tax follow federal P.L. 86-272 standards. The business must have physical presence in the other state or activity beyond solicitation of sales in order to exclude sales into another state or country from the numerator. The Michigan income tax act definition of "state" includes a foreign country. Therefore, foreign sales are considered Michigan sales unless the business entity is taxable in the foreign country.

Sales of tangible personal property are in this state if:

- The property is shipped or delivered to a purchaser (other than the United States government) within Michigan regardless of the free on board (F.O.B.) point or other conditions of the sale, or
- The property is shipped from an office, store, warehouse, factory or other place of storage in Michigan and the purchaser is the United States government or the taxpayer is not taxable in the state of the purchaser.

Sales other than of tangible personal property are in Michigan if:

- The business activity is performed in Michigan, or
- The business activity is performed both in Michigan and in another state(s), but based on cost of performance, a greater proportion of the business activity is performed in Michigan.

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 the C corporation member, 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 an income-weighted formula, which is different than a unitary apportionment factor calculation. Leave lines 6a and 6b blank. Enter the percentage calculated for column B on line 6c.

Use the *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. If apportionment for column A of Form 4918 is different than apportionment for column B, a separate income-weighted percentage must be computed for each column.

While Form 4898 instructions state the form may be used by a CIT taxpayer or a Unitary Business Group only, for purposes of FTW, the form may be used to assist a flow-through entity in computing both CIT and individual income tax apportionment. Further note that any references to Unitary Business Groups within the instructions for Form 4898 apply only to the CIT.

The filer should include its own direct income and apportionment percentage on the first line of the schedule. Additionally, list all flow-through entities from which the filer either directly or indirectly receives a distributive share. Exclude any flow-through entity that distributed withholding directly to the filer's members on an *Annual Flow-Through Withholding Reconciliation Return* (Form 4918) rather than distributing to the flow-through entity filing this return.

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 for individuals to line 6c. **Do not attach Form 4898 to your FTW forms.** Retain a copy of it and the calculation for your records.

Line 6a: Enter the Michigan sales, as defined for members that are individuals, that are attributable to the flow-through entity. Include on this line any "throwback sales" of the flow-through entity.

Transportation services that source sales based on revenue miles: Enter on this line the flow-through entity's total sales, as defined for members that are individuals, multiplied by the ratio of Michigan revenue miles over revenue miles everywhere as provided in the "Sourcing of Sales to Michigan" chart in Form 4890 for that type of transportation service. Revenue mile means the transportation for consideration of one net ton in weight or one passenger the distance of one mile.

Line 6b: Enter the total sales, as defined for members that are individuals, that are directly attributable to the flow-through entity.

Transportation services that source sales based on revenue miles: Enter on this line the total sales, as defined for members that are individuals, that are directly attributable to the flow-through entity.

PART 2: TENTATIVE DISTRIBUTIVE INCOME

Line 7: Because this reconciliation return is required to be filed before the flow-through entity's federal form, Treasury recognizes that this amount will be "tentative." When completing this form, use the best available information to come up with the most reasonable estimate for business income at the time this form is filed. If it is later determined that the distributive income is different than what was reported on line 7A or 7B, report this difference to the members that have been withheld on. The members can then account for this change when filing the *CIT Annual Return* (Form 4891) if the member is a C Corporation or the *Michigan Individual Income Tax Return* (Form 1040) if the member is an individual. The flow-through entity will not be able to amend this reconciliation return.

Use the Tentative Distributive Income Worksheet below to calculate the flow-through entity's tentative distributive income. Retain a copy of this worksheet for your files.

Exclude from the worksheet and line 7 the income of a source entity that distributed withholding directly to the filer's members on an *Annual Flow-Through Withholding Reconciliation Return* (Form 4918) rather than distributing to the flow-through entity.

Distributive Income Worksheet

Column A is the list of amounts that are added together to total tentative distributive income for C Corporation members that is reported on line 7A of Form 4918. Column B is the list of amounts that are added together to total tentative distributive income for individual members that is reported on line 7B of Form 4918. If the flow-through entity is a partnership or an entity that files federally as a partnership, this information can be found on U.S. Form 1065, Schedule K. If the flow-through entity is an S Corporation or an entity that files federally as an S Corporation, these amounts can be found on U.S. Form 1120S, Schedule K. Enter in column A only the amounts that are attributable to members that are intermediate flow-through entities that have been withheld on or C Corporations (including C Corporations that have opted out of FTW) as reported on the Schedule K-1 that has been issued to each member. Do not report amounts in column A if the flow-through entity had less than $200,000 in annual business income after allocation or apportionment to Michigan and did not withhold on members that are C corporations or other flow-through entities. Enter in Column B only the amounts that are attributable to members that are individuals — this includes resident and nonresident individuals — as reported on the Schedule K-1 that has been issued to each member.

Distributive Income Categories	**A** **Tentative Distributive Income for C Corporations**	**B** **Tentative Distributive Income for Individuals**
Ordinary income (loss) from trade or business activity		
Net income (loss) from rental real estate activity		
Net income (loss) from other rental activity		
Portfolio income (loss):		
Interest income		
Dividend income		
Royalty income		
Net short-term capital gain (loss)		
Net long-term capital gain (loss)		
Guaranteed payments *		XXXXXXXX
Net gain (loss) under section 1231		
Other income (loss)		
TOTAL DISTRIBUTIVE INCOME Add all amounts in Column A and carry to Form 4918, line 7A. Add all amounts in Column B and carry to Form 4918, line 7B.		

COLUMN A

Business income means federal taxable income. For CIT purposes, federal taxable income means taxable income as defined in IRC § 63, except that federal taxable income shall be calculated as if section 168(k) (bonus depreciation for qualified property) and section 199 (qualified production activities deduction) were not in effect. For a tax-exempt taxpayer, business income means only that part of federal taxable income (as defined for CIT purposes) derived from unrelated business activity.

COLUMN B

***** Guaranteed payment as defined under the Internal Revenue Code of 1986 Section 707(c) is determined to be compensation for services rendered or for the use of capital and is not considered to be a distributive share of the partnership's profits. The payment, to the extent included in federal adjusted gross income, is characterized as compensation or interest on the individual's return. A nonresident partner is taxed on a guaranteed payment to the extent the payment is includable in federal adjusted gross income and is for compensation received for personal services performed in this State. A guaranteed payment for the use of capital is allocated to the nonresident partner's state of domicile.

Taxpayers and tax professionals are expected to be familiar with uncommon situations within their experience, which produce income not identified by specific lines on the above worksheet, and report that amount on line 7A or 7B, as applicable. Treasury may adjust the figure resulting from the worksheet to account properly for such uncommon situations.

Line 7A: Enter on this line the flow-through entity's tentative distributive income that is attributable to members that are intermediate flow-through entities that have been withheld on or C Corporations, including C Corporations that have opted out of FTW. Leave line 7a blank if the flow-through entity had less than $200,000 in annual business income after allocation or apportionment to Michigan and did not withhold on members that are C corporations or other flow-through entities.

Line 7B: Enter on this line the flow-through entity's tentative distributive income that is attributable to members that are individuals, including individuals that are residents of Michigan.

Line 8A: If the flow-through entity received an exemption certificate from one or more C Corporation members, enter on this line the sum of the amounts listed in column C of the *Flow-Through Withholding Opt-Out Schedule* (Form 4920). Attach to this filing a completed Form 4920. Retain the exemption certificates received by the flow-through entity for your records.

Leave this line blank if the flow-through entity did not receive an exemption certificate from a member.

Line 8B: Enter on this line the amount of the distributive income reported on line 7B that is allocated to members that are both individuals and Michigan residents.

Line 9A: Subtract line 8A from line 7A.

Line 9B: Subtract line 8B from line 7B.

Line 10A: If unitary with a CIT taxpayer, leave line 10A blank.

Line 11A: If the flow-through entity is unitary with a CIT taxpayer, the flow-through entity must complete the *Schedule of Unitary Apportionment for Flow-Through Withholding* (Form 4919). Enter on this line the amount entered on line 5 of Form 4919. Include a completed Form 4919 with this Annual Reconciliation.

If the flow-through entity is unitary with a CIT taxpayer, leave line 10A blank. If the flow-through entity is not unitary with a CIT taxpayer, leave line 11A blank.

For a further explanation of what constitutes a unitary relationship, see the instructions to Form 4900.

Line 12B: A flow-through entity with a calendar tax year ending in 2012 will use the tax rate of 4.33 percent. A flow-through entity with a fiscal tax year ending in 2013 will use the tax rate of 4.25 percent.

Line 13A: If the flow-through entity is not unitary with a CIT taxpayer, multiply line 12A by line 10A. If the flow-through entity is unitary with a CIT taxpayer, multiply line 12A by line 11A. If less than zero, enter zero.

NOTE: The sum of all of the amounts entered on line 21B may not be greater than the amount entered on this line.

Line 13B: Multiply line 12B by line 10B. If less than zero, enter zero.

NOTE: The sum of all of the amounts entered on line 22E may not be greater than the amount entered on this line.

Line 15: Enter the total FTW paid with the *FTW Quarterly Tax Return* (Form 4917) or the amount paid through Electronic Funds Transfer. Include all payments made that apply to the tax year included in this return. For example, calendar year filers include money paid with the above listed returns for the period of January 1, 2012, through December 31, 2012.

If the flow-through entity filing this return is an intermediate member of a source flow-through entity and has been withheld on by that source flow-through entity, then also enter on this line amounts that have been withheld on this flow-through entity by its source flow-through entity. See the FTW General Instructions for more information on withholding on intermediate flow-through entities.

Intermediate Flow-Through Entities: If the flow-through entity completing the Annual Reconciliation is an intermediate member in a tiered structure that has been withheld on by its source flow-through entity, **then the intermediate flow-through entity must call the Department at (517) 636-6925 before filing its Annual Reconciliation.** This phone call must be made to allow the intermediate flow-through entity to properly claim the amounts that have been withheld on its behalf and to allow it to properly distribute those amounts to its members.

Line 16: If the amount entered on Line 15 is less than the amount entered on Line 14, enter the difference on this line. If the amount on Line 15 is greater than the amount entered on Line 14, leave this line blank and skip to Line 20.

Line 17: Enter the overdue withholding penalty. Use the following "Overdue Withholding Penalty" worksheet. Refer to the "Computing Penalty and Interest" section in the Flow-Through Withholding Reconciliation Return booklet general instructions to determine the appropriate penalty percentage.

WORKSHEET – OVERDUE WITHHOLDING PENALTY

A.	Withholding due from Form 4918, line 16		00
B.	Late or insufficient payment penalty percentage		%
C.	Multiply line A by line B		00

Carry amount from line C to Form 4918, line 17.

Line 18: Enter the overdue withholding interest. Use the following "Overdue Withholding Interest" worksheet. Refer to the "Computing Penalty and Interest" section in the Flow-Through Withholding Reconciliation Return booklet general instructions to determine the appropriate penalty percentage.

WORKSHEET – OVERDUE WITHHOLDING INTEREST

A.	Withholding due from Form 4918, line 16		00
B.	Applicable daily interest percentage		%
C.	Number of days return was past due		
D.	Multiply line B by line C		%
E.	Multiply line A by line D		00

Carry amount from line E to Form 4918, line 18.

NOTE: If the late period spans more than one interest rate period, divide the late period into the number of days in each of the interest rate periods identified in the "Computing Penalty and Interest" section in Form 4890, and apply the calculations in the "Overdue Withholding Interest" worksheet separately to each portion of the late period. Combine these interest subtotals and carry the total to line 18.

Line 20: If line 15 is greater than Line 14, subtract Line 14 from Line 15 and enter that amount on this line.

NOTE: If an overpayment exists on Line 20, that amount must be refunded to the flow-through entity. The overpayment may not be carried forward to the flow-through entity's next tax period and may not be distributed to the members of the flow-through entity.

Reminder: The flow-through entity 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.

PART 3: FLOW-THROUGH WITHHOLDING FOR C CORPORATIONS

Line 21A: Enter the name, FEIN, address, and tax year end of each C Corporation or intermediate flow-through entity that the flow-through entity has withheld on during the filing period listed on this return. Also enter on this line the distributive share of tentative business income allocated to the C Corporation or intermediate flow-through entity, before allocation and apportionment, during the filing period listed on this return. The total amount of distributive income entered in this column must equal the amount entered on line 9A.

If the flow-through entity is unitary with a CIT taxpayer, enter that CIT taxpayer first in this part.

Line 21B: Enter on this line the amount withheld and reported to this C Corporation or intermediate flow-through entity. The total amount of withholding entered in this column must equal the amount entered on line 13A.

PART 4: FLOW-THROUGH WITHHOLDING FOR NONRESIDENT INDIVIDUALS

Line 22A: Enter the name of each nonresident individual that was withheld on during the filing period listed on this return.

Line 22B: Trusts are not required to be withheld on under FTW. However, if a trust was withheld on, enter an "X" on this line for each trust that was withheld on.

Line 22C: Enter the social security number of this nonresident individual. If a trust was withheld on, enter the FEIN of the trust.

Line 22D: Enter on this line the distributive share of taxable income allocated to this nonresident individual, before allocation and apportionment, during the filing period listed on this return. The total amount of taxable income entered in this column must equal the amount entered on line 9B.

Line 22E: Enter on this line the amount withheld and reported to this nonresident individual. The total amount of withholding entered on this column must equal the amount entered on line 13B.

Attachment 3

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.

Attachment 2

2012 Michigan Flow-Through Withholding Opt-Out Schedule

Issued under authority of Public Act 38 of 2011.

Flow-Through Entity (FTE) Name	FTE FEIN

A C Corporation Information			B C Corporation FEIN	C Distributive Income (see instructions)
Name				
Address				
City	State	ZIP/Postal Code		
Name				
Address				
City	State	ZIP/Postal Code		
Name				
Address				
City	State	ZIP/Postal Code		
Name				
Address				
City	State	ZIP/Postal Code		
Name				
Address				
City	State	ZIP/Postal Code		
Name				
Address				
City	State	ZIP/Postal Code		
Name				
Address				
City	State	ZIP/Postal Code		

If more space is needed, include additional copies of Form 4920. Repeat the taxpayer name and FEIN at the top of every copy.

Instructions for Form 4920
Michigan Flow-Through Withholding Opt-Out Schedule

If more space is needed, flow-through entities should go online to **www.michigan.gov/taxes** to print out additional pages. Repeat the flow-through entity Name and FEIN at the top of each page. All pages must be submitted as part of a valid return.

Purpose

To report the C Corporation members of the flow-through entity that have submitted an exemption certificate to the flow-through entity that relieved the flow-through entity of its obligation to withhold on those C Corporation members.

General Instructions

Enter on this form each C Corporation member of a flow-through entity that has submitted an exemption certificate to the flow-through entity. If more space is needed to report all of the C Corporations that have submitted exemption certificates, include additional copies of Form 4920. Include at the top of each Form 4920 the name and Federal Employer Identification Number (FEIN) of the flow-through entity.

Flow-through entities that are unitary with a CIT taxpayer: If the flow-through entity has received an exemption certificate from a CIT taxpayer that is unitary with the flow-through entity, enter the information for that CIT taxpayer first. If more than one copy of Form 4920 is required, only list the CIT taxpayer that the flow-through entity is unitary with once, on the first Form 4920 that is filed.

Column by Column Instructions

Column A: Enter the name, address, city, state, and ZIP code of the C Corporation as it is entered on the exemption certificate submitted by the C Corporation.

Column B: Enter the C Corporation's FEIN as it appears on the exemption certificate submitted by the C Corporation.

Column C: Enter the C Corporation's share of the flow-through entity's distributive share of business income. The combined amount entered in this column must match the amount entered on the *Annual Flow-Through Withholding Reconciliation Return* (Form 4918), Line 8, Column A.

Include completed Form 4920 as part of the tax return filing.

Michigan Department of Treasury
Lansing, MI 48922

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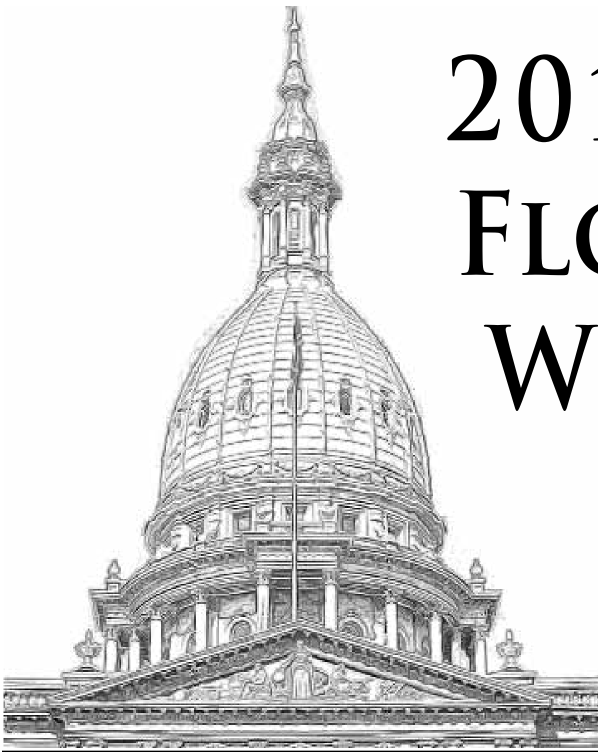

2012 Michigan Flow-Through Withholding

This booklet contains forms and instructions to complete a Flow-Through Withholding Reconciliation Return for calendar year 2012, a short-year fiscal year ending in 2012, and a fiscal year ending in 2013.

Filing a Return:

- All 2012 Flow-Through Withholding Reconciliation Returns must be paper filed; there is no e-file option.
- If additional forms or form pages are needed, go online to **www.michigan.gov/taxes**.

Due Date:

- Calendar Filers: On or before February 28, 2013.
- Fiscal Filers: On or before the last day of the second month after the close of the tax year.