



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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NOTICE TO TAXPAYERS REGARDING AVAILABLE OPT-OUT FROM FLOW-THROUGH WITHHOLDING

2011 PA 38 expanded withholding obligations for flow-through entities under the Michigan Income Tax Act effective January 1, 2012. Specifically, MCL 206.703 required a flow-through entity that met certain thresholds to withhold tax on the distributive share of income of each nonresident individual, C corporation, or other flow-through entity (see MCL 206.703(16)). However, Public Acts 217 of 2012 and 15 of 2013 create a broad exception to the withholding obligation of a flow-through entity so long as the flow-through entity receives an exemption certificate from a member *other than a nonresident individual*.

To exercise this exception, a member must complete and provide an exemption certificate to the flow-through entity and certify that it will:

- 1) File all returns required under the Michigan Income Tax Act.
- 2) Pay or withhold the tax required under the Michigan Income Tax Act on the distributive share of the business income received from the flow-through entity.
- 3) Submit to the taxing jurisdiction of this state for purposes of collection of the tax under the Michigan Income Tax Act, including any interest and penalties.

The member and the flow-through entity must each retain a copy of the exemption certificate but should *not* provide a copy to the Department except upon the Department's request. The Department may revoke the exemption certificate if the member or the flow-through entity is not abiding by the terms of the certificate or the requirements of MCL 206.703(16).

[Form 4912, Certificate of Exemption for Flow-Through Withholding Payments](#), is for use by a C corporation or other flow-through entity member that elects to be exempt from withholding. Nonresident individuals may not make this election. The form can be found on the Department's website at www.michigan.gov/taxes.