

## MI-1040H Unitary Apportionment Worksheet

When apportioning business income, the Constitutional concept of a unitary business applies. A unitary business is one that has a flow of value between its various operations or companies. Factors that establish flow of value include economic realities, functional integration, economies of scale, centralized management and substantial mutual interdependence. The taxpayer must apportion the business income of all the businesses that operate as a unitary business. However, for Michigan individual income tax purposes, the taxpayer has a choice. The taxpayer may apportion the business income of a single company at the entity level if the company operates one or more divisions as a unitary business. Alternatively, the taxpayer may apportion all the business income of multiple legally separate companies at the taxpayer level if those companies operate as a unitary business. See the example below for guidance on apportioning multiple entities at the individual taxpayer level.

Generally, to compute unitary apportionment, all the Michigan sales of every company in the group are combined to arrive at "Michigan sales" in Part 1 of the MI-1040H *Schedule of Apportionment* (MI-1040H). Then the total sales of every company in the group are combined to arrive at "Total sales" in Part 1 of the MI-1040H. When calculating the Michigan sales and the total sales of each company, intercompany sales may be eliminated. In addition, each company's Michigan sales and total sales are multiplied by the individual's ownership interest percentage in the corresponding company. The business income (or loss) from all the companies in the group, to the extent included in AGI, is combined to arrive at business income subject to apportionment in Part 2 of the MI-1040H.

Individual taxpayers who use the unitary apportionment method must identify the members in the group and show the combining calculations. This group can include non-Michigan companies but should include only companies that reported income (or loss) to the individual taxpayer. The election to use combined apportionment is made on an annual basis. A worksheet identifying the members in the group and showing the combining calculations must be included with the MI-1040H filed with the MI-1040 return. The worksheet may be attached as a PDF file to an e-filed return using the file name "UnitaryCalculation.PDF." An illustrative example of a worksheet that provides the required information follows.

## EXAMPLE

### MI-1040H Unitary Apportionment Worksheet

Individual taxpayer Robert is a shareholder in two companies. He has a 75% ownership interest in Ajax Company and a 60% ownership interest in Acme company. The companies operate as a unitary business. Robert's adjusted gross income includes distributive share income from both companies. Robert's distributive share income from the companies is subject to apportionment as one or more companies in the unitary group has business activity within and outside of Michigan. Robert elects to use the unitary (combined) apportionment method and prepares the following worksheet to submit with his MI-1040H filed with his MI-1040 return.

**Taxpayer Name:** Robert

**Social Security Number :** 123-45-6789

**Tax Year:** 2015

Unitary Business Group - Michigan Sales	Gross Michigan Sales	Intercompany Michigan Sales Elimination	Net Michigan Sales	Ownership Interest	Net Michigan Sales x Ownership Interest
Ajax Company	19,000	(3,000)	16,000	75%	12,000
Acme Company	26,225		26,225	60%	15,735
<b>Total Michigan Sales, enter on line 6 of MI-1040H</b>					<b>27,735</b>

Unitary Business Group - Everywhere Sales	Gross Everywhere Sales	Intercompany Everywhere Sales Elimination	Net Everywhere Sales	Ownership Interest	Net Everywhere Sales x Ownership Interest
Ajax Company	30,333	(10,000)	20,333	75%	15,250
Acme Company	34,500		34,500	60%	20,700
<b>Total Everywhere Sales, enter on line 7 of MI-1040H</b>					<b>35,950</b>