



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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**NOTICE
REPEAL OF FLOW-THROUGH WITHHOLDING
ON MEMBERS' DISTRIBUTIVE SHARE OF INCOME**

2016 PA 158

Issued: July 18, 2016

On June 9, 2016, 2016 PA 158 was signed into law. Under PA 158, flow-through entities will no longer be required to withhold income tax on members' distributive share of income for tax years that begin on or after July 1, 2016.

For tax years that begin before July 1, 2016, a flow-through entity must withhold on members' distributive share of income for the entire fiscal year if it has nonresident members who are individuals or if it has not received exemption certificates from its members that are C corporations or other flow-through entities under MCL 206.703(16).

Example #1. A flow-through entity's tax year begins on June 1, 2016, and ends on May 31, 2017. Since the flow-through entity's tax year begins before July 1, 2016, the flow-through entity must file quarterly withholding on distributive share of income of nonresident members who are individuals and, if it has not received exemption certificates, from its members that are C corporations or other flow-through entities. Quarterly returns on form 4917 are due September 15, 2016, December 15, 2016, March 15, 2017 and June 15, 2017. An annual flow-through withholding reconciliation form 4918 is due on July 31, 2017. The flow-through entity is not required to withhold on members' distributive share of income that is attributed to the tax year that begins on June 1, 2017.

Example #2. A flow-through entity's tax year begins on August 1, 2016, and ends on July 31, 2017. The flow-through entity is not required to withhold on members' distributive share of income that is attributed to the tax year that begins on August 1, 2016.

COMPOSITE RETURNS

A flow-through entity may file a composite income tax return for nonresident members who are individuals. Flow-through entities are not required to file composite returns. For tax years that begin before July 1, 2016, the flow-through entity may claim a credit on the composite return for any flow-through withholding paid on behalf of its participating members. For tax years that begin on or after July 1, 2016, the flow-through entity may claim a credit on the composite return for any estimated tax payments made by the flow-through entity on behalf of its participating members. Quarterly estimated payments may be made on Fiduciary Voucher Form MI-1041ES.