

MICHIGAN 1041 2004

Fiduciary Income Tax Return MI-1041

Forms and Instructions

Filing Deadline

April 15, 2005

*or the 15th day of the fourth month
after the close of your tax year*

**Visit Treasury's Web Site at
www.michigan.gov/treasury**



Where to Get Help



Visit our Web site at
www.michigan.gov/treasury



Call toll-free 1-800-827-4000.

Persons who are deaf, hard of hearing, or have a speech impairment may call 517-636-4999 (TTY).

Where to Get Forms

Internet: Forms are available at **www.michigan.gov/treasury**

Phone: Call toll-free 1-800-827-4000 to have tax forms mailed to you.

This booklet is a guide to help you complete your return; it does not take the place of the law.

**Jennifer M. Granholm, Governor
Jay B. Rising, State Treasurer**

GENERAL INFORMATION

Who Must File

You must file an MI-1041 and pay the tax due if you are the fiduciary for an estate or trust that was required to file a U.S. 1041 or that had income taxable to Michigan that was not taxable on the U.S. 1041. If no tax is due, you must file an informational MI-1041.

The only exceptions are:

1. Tax exempt organizations.

Note: Estates or trusts with any charitable purpose or charitable beneficiaries should contact the Department of Attorney General, Charitable Trust Section, regarding the filing requirements.

2. Common trust funds. The trustee must notify the beneficiaries of their portion of Michigan income from the fund and of the gains and losses available to each under Section 271 of the Michigan Income Tax Act.

3. A nonresident estate or trust that has income from Michigan sources less than the federal exemption deduction. The deductions are \$600 for estates, \$300 for trusts currently distributing income, and \$100 for all other trusts. See Schedule 4, Income Allocation, on page 6.

4. A grantor trust. When the grantor is a trustee and is treated as the owner of the trust's assets (Internal Revenue Code (IRC) sections 671 - 678), an MI-1041 is not required. Report the trust's income, deductions and credits on the grantor's *Michigan Individual Income Tax Return* (Form MI-1040).

5. Michigan cannot impose an income tax on income accumulated by a trust that became irrevocable by the death of the settlor (while a Michigan resident) when **all** of the following conditions are met:

- The trustee is not a Michigan resident.
- The assets of the trust are neither held, located nor administered in Michigan.
- The beneficiaries are all nonresidents.

When to File

Fiduciary returns are due on or before April 15, 2005 or on the 15th day of the fourth month after the close of your tax year.

Where to Mail Your Return

Mail returns without payments to:

**Michigan Department of Treasury
Lansing, MI 48922**

Mail returns with payments to:

**State of Michigan
Dept. 781041
P.O. Box 78000
Detroit, MI 48278-1041**

Note: To ensure accurate processing of your return, send **one check for each return**. Each return must have its own check. Make all checks payable to the "State of Michigan." Write the estate's or trust's federal identification number and "2004 MI-1041" on the front of the check.

Important: Fiduciary returns cannot be filed electronically (e-file).

Penalty and Interest

If the fiduciary payment is late, Treasury will add a penalty of 5 percent of the tax due. After the second month, penalty will increase by an additional 5 percent per month, or fraction thereof, up to a maximum of 25 percent of the tax due. If the fiduciary return is paid late, add penalty and interest to the amount due. The interest rate through June 30, 2005 is 5.2 percent. For interest rates after June 30, 2005, visit our Web site at www.michigan.gov/treasury or call 1-800-827-4000.

Rounding Off

Round down amounts less than 50 cents. Round up amounts of 50 cents through 99 cents.

Capital Gains/Losses

Adjustment of Capital Gains and Losses (Form MI-1041D) must be used for the following:

- Capital gains election under Section 271 for property acquired before October 1, 1967,
- Sale or exchange of U.S. obligations which cannot be taxed by Michigan, or
- Sale or exchange of property subject to allocation or apportionment provisions.

MI-1041, Schedule 5, lines 76 and 77, must be completed if any capital gain/loss is distributed to beneficiaries and Form MI-1041D is filed.

Tax Credits an Estate or Trust Can Claim

An estate or trust may be able to claim credits for each of the following:

- City Income Tax Credit
- Public Contribution Credit
- Community Foundations Credit
- Homeless/Food Bank Credit
- Credit for Income Taxes Imposed by Government Units Outside Michigan
- Michigan Historic Preservation Tax Credit.

Instructions for credits begin on page 4. A nonrefundable credit is available to owners or long-term lessees of qualified historic resources who undertake rehabilitation projects. To be eligible for the credit, the rehabilitation project must be certified by the State Historic Preservation Office of the Michigan Historical Center and a *Historic Preservation Tax Credit Claim* (Form 3581) must be filed. For information regarding certification, please visit the Web site www.michigan.gov/hal. Form 3581 is available from the resources listed on the cover.

Resident and Nonresident Estates or Trusts

If a decedent was domiciled in Michigan at the time of death, the estate is a **resident estate**.

If a decedent was not domiciled in Michigan at the time of death, the estate is a **nonresident estate**. A trust created by the decedent's will is a **nonresident trust**.

If a trust was created by a grantor domiciled in Michigan at the time the trust becomes irrevocable, the trust is a **resident trust**. If the grantor was not domiciled in Michigan at the time the trust became irrevocable, the trust is a **nonresident trust**.

Amending

To amend the MI-1041, check the box at the top of the MI-1041 form and explain the reason for amending on page 3. Attach a copy of the amended U.S. 1041 with all supporting schedules.

U.S. 1041 changes. Michigan Department of Treasury must be notified of any changes to the estate's or trust's U.S. 1041 if the items changed affect the

Michigan liability. File an amended return within 120 days of the change and include payment of the tax due. If too much tax was paid, file an amended return to request a refund.

Michigan Department of Treasury
P.O. Box 30199
Lansing, MI 48909

monthly. The rate is adjusted on July 1 and January 1.

A financial institution that submits estimated payments through the Federal Tax Deposit System on magnetic tape and acts as a fiduciary for 200 or more trusts shall submit Michigan estimated payments on magnetic tape. An institution acting as fiduciary for more than 49 and fewer than 200 trusts may make an irrevocable agreement to file magnetically.

Extensions

An extension of time to file may be requested by sending Treasury payment of the estimated tax liability with a copy of the approved federal extension. Treasury will extend the due date to the new federal due date. If you do not have a federal extension, file an *Application for Extension of Time to File Michigan Tax Returns* (Form 4) with the payment. The extension is automatic. Treasury will not notify you of approval.

An extension of time to file is not an extension of time to pay. If the tax due is underestimated and not enough is paid with the extension request, interest is due on the unpaid amount. Compute interest from April 15 (or the due date of the return) to the date the tax is paid. Interest is 1 percent above prime rate and is adjusted on July 1 and January 1.

Treasury may charge a penalty of 10 percent or more if the balance due is not paid with the extension request.

When the MI-1041 is filed, include the amount of tax that was paid with the extension request on line 23. Attach a copy of the federal or state extension.

Closing an Estate

Before closing an estate, all taxes due must be paid on the liability of the estate and of the decedent. You may then request a tax clearance letter to close the estate by writing to:

Estimated Tax Payments

In general, a fiduciary for an estate or trust must file quarterly estimated payments if the estate or trust is expected to owe more than \$500 with the 2005 annual return. This is after crediting amounts paid through withholding and all other credits.

If the estate or trust owes more than \$500, estimates may not have to be made if the estate or trust expects the 2005 withholding to be at least:

- 90% of the total 2005 tax,
- 100% of the total 2004 tax, or
- 110% of the total 2004 tax if the estate's or trust's adjusted gross income (AGI) for 2004 is more than \$150,000. To figure the estate's or trust's AGI, see the instructions for line 22 of the U.S. 1041. Total tax is the amount on the 2004 MI-1041, line 21.

If estimated payments are necessary, request the 2005 *Michigan Estimated Income Tax for Fiduciaries* (Form MI-1041ES). Filing instructions are with the form.

If an estate owes more than \$500, estimates do not have to be made if the decedent died within the last two years.

If a fiduciary fails to make required estimated payments, pays late or underpays, Treasury may charge penalty and interest. Penalty is 25 percent of the tax due for failing to file estimated payments, or 10 percent for underpaying estimated payments. Interest is 1 percent above the prime rate and is computed

Farmland Preservation Credits

There is no provision for a farmland credit on the fiduciary return. If you wish to claim a credit, request the *Michigan Single Business Tax Farmland Preservation Credit* (Form C-8022).

Bankruptcy Estates

Every trustee (or debtor-in-possession) for an individual's bankruptcy estate under Chapter 7 or 11, of the U.S. Code Title 11, who must file a U.S. 1041 must also file an MI-1041. Use Form MI-1041 only as a transmittal for Form MI-1040. In the top margin of the MI-1040, write "Attachment to MI-1041. Do not detach." Attach the MI-1040 behind the MI-1041. Complete only the identification area of the MI-1041. Enter the name of the debtor on line 2 as: "John Smith, Public Bankruptcy Estate." Enter the name of the trustee on line 3 as: "Allen Snow, Trustee." On MI-1041, line 26, enter the amount from MI-1040, line 37. If applicable, enter on MI-1041, line 29, the amount from MI-1040, line 40. Copies of the U.S. 1040, 1041 and all supporting schedules **must be attached** to your Michigan return.

LINE - BY - LINE INSTRUCTIONS

Because Michigan's fiduciary law is very similar to federal law, these instructions include only those points of Michigan law and procedures that differ from federal laws and procedures. If a federal short-year return must be filed, a Michigan short-year return must also be filed. Before starting the *Michigan Fiduciary Income Tax Return* (Form MI-1041), complete the U.S. 1041 and all supporting schedules.

All estates or trusts must complete page 1. Resident estate and trust filers must complete Schedule 1 if there are

adjustments. Complete Schedule 2 if income is distributed. Schedule 3 must be completed if income is distributed **and** there are adjustments on Schedule 1. If the resident estate or trust distributed a capital gain, filers must also complete Schedule 5 and Form MI-1041D. See "Capital Gains/Losses" on page 2. Nonresident estates or trusts must complete Schedule 2 if any income is distributed; Schedule 4; and if the estate or trust distributed any capital gains or losses, Schedule 5 and Form MI-1041D. Nonresident estate or trust filers may omit

lines 8 through 11 on page 1, Schedules 1 and 3.

Attach a copy of the U.S. 1041 and all supporting schedules to the Michigan return.

Line numbers not listed are explained on the form.

PART 1: Name and Identification

Lines 1 - 7: Complete all items. Enter a mailing address that Treasury can use to request more information or to issue a refund.

PART 2: Income and Adjustments

Line 8: Enter taxable income of the estate or trust from U.S. 1041, page 1, line 22.

Line 8a: Enter federal taxable income of Electing Small Business Trusts (ESBT) from the Sec. 641(c) worksheet attached to your U.S. 1041. Attach copy of worksheet to Michigan return.

Line 9: Fiduciaries for resident estates or trusts should complete Schedule 1 if there are Michigan adjustments to federal taxable income. If no income was distributed, enter the amount from line 41 on line 9. If any income was distributed, complete Schedules 2 and 3. Enter the amount from line 44, column D, on line 9.

Line 11: Capital Gain/Loss Adjustment for Resident Estates or Trusts. Enter the amount from Form MI-1041D, line 22, if any (see "Capital Gains/Losses" on page 2).

PART 3: Credits and Payments

Line 14: City Income Tax Credit. All estates or trusts subject to Michigan income tax are allowed a **partial** credit for income tax paid to Michigan cities. Use the Worksheet on this page to compute the credit based on the net city income tax paid in 2004.

Line 14a: Enter the city income tax paid to Michigan cities.

Line 14b: Enter the city income tax credit computed on the Worksheet.

Note: For a resident estate or trust, the amounts used to calculate the credits under this section (lines 15, 16, 17 and 19) shall not have been deducted in arriving at federal taxable income.

Line 15: Public Contribution Credit. A **partial** income tax credit can be claimed for donations to a qualifying Michigan public institution. The credit is based on cash or the value of the item(s) donated. Values claimed must be supported by written appraisals, trade journals, etc., or by an itemized receipt.

Gifts qualify for credit if given to:

- Michigan colleges or universities and their fund-raising organizations
- The Michigan Colleges Foundation
- The State Art in Public Places Fund
- The Michigan Historical Museum
- Michigan public libraries
- Michigan public broadcasting stations
- A Michigan municipality or a nonprofit

CITY INCOME TAX CREDIT WORKSHEET				
To Determine Net City Income Tax				
Step 1	A. City income tax withheld from wages in 2004 (from your W-2, box 19, or Schedule W, Table 1, Column F)	+	.00	
	B. Amount of tax paid with a Michigan city income tax return filed in 2004 (do not include penalty and interest)	+	.00	
	C. Estimated city income tax payments paid in 2004	+	.00	
	D. <i>Subtotal.</i> Add lines A - C	=	.00	
	E. City income tax refund(s) received in 2004	-	.00	
	F. Total Net City Income Tax Paid Subtract line E from line D. Carry to line 14a	=	.00	
To Determine Your City Income Tax Credit If Your Total Net City Income Tax Paid (MI-1040, line 14a) is:				
	\$100 or less	\$101 through \$150	\$151 or more	
Step 2	Net city income tax paid00	Net city income tax paid00
	Multiply	x .20	Subtract	- \$100.00
	CREDIT. Carry to line 14b00	<i>Subtotal</i>00
	Round all amounts to the nearest dollar.		Multiply	x .10
	Credit cannot be more than \$10,000.00		<i>Subtotal</i>00
			Add	+ 20.00
			CREDIT. Carry to line 14b00
			Net city income tax paid00
			Subtract	- \$150.00
			<i>Subtotal</i>00
		Multiply	x .05	
		<i>Subtotal</i>00	
		Add	+ 25.00	
		CREDIT. Carry to line 14b00	

corporation affiliated with a Michigan municipality for an art institute in that municipality or to benefit the art institute (art institutes are those whose primary function is to display and teach visual arts)

- The State of Michigan for the preservation of state archives.

Artwork created by the taxpayer also qualifies for credit if given to the State of Michigan or a Michigan municipality for display in a public place.

Artwork is an original visual creation of quality in any size or shape, in any media, using any materials. Its fair market value must be determined by an independent appraiser when donated.

Line 15a: Enter the total amount of public contributions.

Line 15b: Enter the allowable credit, which is the **smallest** of:

- 50 percent of line 15a
- 10 percent of line 13, or
- \$5,000.

Line 16: Community Foundations Credit. A **partial** income tax credit can be claimed when you donate to an endowment fund of one of the certified community foundations or component funds listed on page 16. Enter the code number in the box on line 16. For individuals who contributed to more than one community foundation, enter the number of one foundation and attach a

list indicating the others. You must enter a valid code to receive credit.

Line 16a: Enter the total amount of the contribution.

Line 16b: Enter the allowable credit, which is the **smallest** of:

- 50 percent of line 16a,
- 10 percent of line 13, or
- \$5,000.

Line 17: Homeless Shelter/Food Bank Credit. A **partial** income tax credit can be claimed when a **donation** is made by cash or check to a qualifying shelter for homeless persons, a food bank, a food kitchen, or other entity whose **primary** purpose is to provide overnight accommodation, food, or meals to indigent persons. Donations to organizations such as secondhand stores and churches which provide other services or shelter and food as a secondary purpose do **not** qualify for this credit.

Contributions qualifying for this credit must be **all** of the following:

- Cash or check.
- Made to organizations located in Michigan whose **primary** purpose is to provide food and/or shelter to indigent persons.
- Deductible as a charitable contribution under the IRC.

Line 17a: Enter the total amount of qualifying cash contributions.

Line 17b: Enter the allowable credit, which is the **smallest** of:

- 50 percent of line 17a,
- 10 percent of line 13, or
- \$5,000.

Note: Contributions designated for a “qualifying organization” (community foundation, homeless shelter, or food bank) and made through United Way also qualify for this credit. If the credit is for a community foundation, be sure to enter the appropriate two-digit code number on your MI-1041 (see page 16).

Note: Treasury may request receipts for any credit claimed on lines 15, 16, and 17. If Treasury requests receipts, cancelled checks may not be sufficient documentation.

Line 18: Credit for Income Tax Imposed by Government Units Outside Michigan. Include the amount of income tax paid to:

- A nonreciprocal state
- A local government unit outside Michigan, including tax paid to local units located in reciprocal states
- The District of Columbia
- A Canadian province.

Include only income tax paid to another state on income earned by a resident estate or trust and taxed by Michigan.

Attach a copy of the return filed with the other government unit to the MI-1041.

Do **not** include taxes paid on income subtracted on lines 36 - 39 of the MI-1041 (e.g., rental or business income from another state, etc.). If credit is claimed for a Canadian provincial tax, file a *Resident Credit for Tax Imposed by a Canadian Province* (Form 777). Attach copies of the appropriate Canadian federal T-3 fiduciary tax return, *Computation of Foreign Tax Credit* (U.S. 1116) and U.S. 1041. The credit is limited to the part of the Canadian provincial tax not used as a credit on the U.S. 1041.

Line 18a: Enter the total income tax paid to other government units. Attach a schedule if tax was paid to more than one source.

Line 18b: Calculate the maximum allowable credit this way:

- Divide out-of-state income subject to tax by both states by total income subject to Michigan tax.
- Multiply the amount of tax shown on line 13 by the result.

Enter the allowable credit, which is the smaller of:

- The calculation, or
- The tax imposed by another government.

Line 19a: Enter the amount from your 2004 Form 3581, line 11.

Line 19b: Enter the amount from your 2004 Form 3581, line 12e.

Line 23: Payments. Enter the total estimated tax paid with the 2004 *Michigan Estimated Income Tax for Fiduciaries* (Form MI-1041ES) and any Michigan tax paid with an extension request. See the **special note** after line 26 instructions.

Note: Michigan does not allow the estate’s or trust’s estimate payments to be transferred to beneficiaries.

Line 24: Enter the amount of the 2003 overpayment applied to this year’s tax from 2003 MI-1041, line 28.

PART 4: Balance Due or Refund

Line 26: Tax Due. If line 25 is less than line 21, enter the difference. This is the tax owed with the return. If the balance due is less than \$1, no payment is required but the return must still be filed. If penalty and interest are due for filing late, enter these amounts on the appropriate lines. See “Penalty and Interest” on page 2. Add penalty and interest to the tax due and enter the total. If the estate or trust owes more than \$500 and is required to file estimates, see the following **special note**.

Special note for estates or trusts required to file estimates: Penalty and interest may be due for underpayment, late payment or failing to pay estimates. Use the *Underpayment of Estimated Income Tax* (Form MI-2210) to compute interest. If Form MI-2210 is filed, check the box on line 26 and enter the interest amount on the line provided. Obtain complete instructions for Form MI-2210 from the resources listed on the cover of this instruction book.

Line 29: Refund. Subtract line 28 from line 27. This is the refund. The state does not refund amounts less than \$1.

SCHEDULE 1- Net Michigan Adjustments for Resident Estates or Trusts ADDITIONS

Line 30: Enter gross interest and dividend income from obligations or securities of states and their political

subdivisions other than Michigan. Include this interest income from partnerships, S corporations, and other estates and trusts.

Line 31: Enter taxes deducted on U.S. 1041, line 11, which were imposed on or measured by income, such as state or city income taxes.

Line 33: Enter expenses and interest incurred in production of income from obligations of the U.S. government on U.S. 1041. Enter on this line any interest expense on indebtedness incurred in carrying the obligations and any related expenses that were deducted in arriving at federal taxable income.

Line 34: Enter any adjustments not taken into account on lines 30 - 33. Attach a schedule showing these items and their locations. **Losses from a business partnership or property located in another state must be added back on this line.**

SUBTRACTIONS

Line 36: Enter the income from U.S. government obligations (example: U.S. Series E Bonds). This income may be subtracted even if it comes through a partnership, S corporation or another estate or trust. Attach a schedule showing the source of your income from U.S. obligations (Treasury Bonds, Series E bonds, etc.), and the amount of income from each source.

Line 37: Enter income attributable to another state. Explain the type and source of income. Attach a schedule if necessary. Following are examples of income attributed to another state:

- Net rents and royalties from real and personal property located or used in other states.
- Business income included in taxable income that was earned solely in other states. (Losses from an activity in another state that have reduced federal taxable income must be entered as a positive figure on line 34.)

Business income from an activity that is taxable both within and out of Michigan must be apportioned among the states involved. Complete and attach a *Schedule of Apportionment* (Form MI-1040H). Salaries, wages and other compensation for personal services are not business income.

Note: Capital gains from the sale of real or personal property located in other

states at the time of disposal are adjusted on the MI-1041D and factored into line 11.

Resident estates cannot subtract salaries and wages earned by the decedent in another state. However, the estate may be entitled to a tax credit for tax imposed by another state. See line 18 instructions on page 5.

Line 38: Enter expenses related to obligations of other states not deducted on U.S. 1041 or not allowed as a deduction by IRC Section 265. Also enter interest expense on indebtedness incurred in carrying the obligations and related expenses that were not used on the U.S. 1041.

Line 39: Enter subtractions not taken into account on lines 36 - 38, such as gross income from Michigan gas and oil royalties, bingo, raffle or charity games. Attach a schedule listing these subtractions.

Retirement or pension benefits may not be subtracted.

Line 41: Subtract line 40 from line 35. If no income was distributed, enter the amount from line 41 on page 1, Part 2, line 9.

SCHEDULE 2 – Name, Address and Social Security Number or FEIN of Each Beneficiary (Resident or Nonresident)

Note: Schedule 2 must be completed if any income is distributed. Otherwise, it is not necessary.

Line 42: Enter in the appropriate column the name, address and Social Security number or FEIN of each beneficiary of the estate or trust, both residents and nonresidents. Identify residents with an “R” and nonresidents with “NR.” When completing the rest of this form, use the lower case letter (a, b, c, etc.) to the left of each name to refer to a beneficiary listed in Schedule 2. If additional space is needed, attach a schedule similar to Schedule 2 identifying additional beneficiaries by consecutive letters.

Signatures and Declarations

The fiduciary or the officer representing the fiduciary must sign the return. Before mailing the return, remember to check the following:

Example for Completing Schedule 3

Note: For this example, the fiduciary has reported \$5,000 on Schedule 1, line 41.

Column A Beneficiary Identification from Schedule 2	Column B U.S. Distributable Net Income		Column C Percent of Column B	Column D Allocation of Net Mich. Adj. (Multiply amount on line 41 by % in column C.)
	Type of Income (Div., Int., Rent, etc.; Location of Property, etc.)	Amount		
43. Beneficiaries				
(a)	Interest, Div., & Rent, MI	\$2,420	9.4642%	\$473.00
(b)	Interest, Div., & Rent, MI	20,550	80.36762%	4,018.00
(c)	Interest, Div., & Rent, MI	600	2.346410%	117.00
44. Fiduciary's Share		2,000	7.82166%	391.00
45. Total		\$25,570	100%	\$5,000.00

- Are all items complete and all figures correct?
- Was a 2004 MI-1041 form used? (Returns filed on old forms may be rejected.)
- Is a copy of the 2004 U.S. 1041 attached?
- Are estimated tax payments required for 2005?

SCHEDULE 3 – Beneficiaries' and Fiduciary's Share of Net Michigan Adjustments for Resident Estates or Trusts

If any income is distributed, the net Michigan adjustments for resident estates or trusts from MI-1041, line 41, must be allocated to the beneficiaries and the fiduciary as follows:

- In the proportion that each beneficiary's share of federal distributable net income bears to the total federal distributable net income with the remaining portion going to the fiduciary. If the estate or trust has no distributable net income for the taxable year, net Michigan adjustments will be allocated as follows:
- In the proportion that each beneficiary's share of the distributed estate or trust income for the year bears to the total estate or trust income with the remaining portion going to the fiduciary. (Distributed income includes amounts required to be distributed currently under local law or the terms of the estate or trust instrument, and any other amounts distributed.)

Use Schedule 3 to compute this allocation. See example above. These

percentages may not be the same as the distribution percentages listed in the estate or trust instrument.

Line 43-45: Complete columns A, B, C and D one column at a time.

Column A: Identify each beneficiary by entering the lower case letter from Schedule 2.

Column B: Enter the distributions reported to each beneficiary on his or her U.S. Schedule K-1 in spaces provided on line 43. Indicate the sources, locations and amounts for each type of income such as dividends, rents, interest, etc. Enter the fiduciary's share on line 44. The total on line 45 should equal the distributable net income reported on U.S. 1041, Schedule B, line 7.

Column C: Divide each amount in column B by the total on line 45 and enter the percent in column C.

Column D: Multiply the amount on Schedule 1, line 41, by the percentage in column C. Enter the result in column D for each beneficiary and the fiduciary. Carry the fiduciary's share (line 44) to Part 2, line 9. The total on line 45D must equal the amount on Schedule 1, line 41.

SCHEDULE 4 - Computation of Michigan Taxable Income for Nonresident Estates or Trusts

Income Allocation. Use this section to compute the income attributable to Michigan for nonresident estates or trusts. Income, deductions and computations on lines 46-67 are comparable to lines 1-22 on the U.S.

(Continued on page 15.)

Forms contained in this book (pages 7 - 14) are **posted separately**.
Select and print the form you need from the list.

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1041. In column A, enter the corresponding amounts from the U.S. 1041. In column B, enter Michigan's portion of the income. In column C enter the non-Michigan portion. See special instructions for lines 49 and 52 on this page.

The following income is subject to Michigan tax and should be entered in column B on lines 46 - 53:

- Income earned, received or acquired in Michigan
- Income from personal services performed in Michigan
- Income from real or tangible personal property located in Michigan
- Income, including interest, dividend and other portfolio income, from a business, trade, profession or occupation conducted in Michigan. If the business activity is in Michigan and in another state, complete and attach a *Schedule of Apportionment* (Form MI-1040H) to apportion this income.

The following income is **not** subject to Michigan tax and should be entered in column C on lines 46 - 53:

- Income from annuities
- Nonbusiness interest income
- Nonbusiness dividends
- Income from a business, trade, profession or occupation not conducted in Michigan.

Line 49: Complete Form MI-1041D before completing this line. If a gain, enter in column A the amount from the MI-1041D, line 16, column B, federal portion. Enter in column B the amount from the MI-1041D, line 16, column B, Michigan portion. Enter the difference in column C. If a loss, see line 17, Part 4, of the completed MI-1041D.

Line 52: Complete Form MI-4797 before completing line 52 if the gain/loss on the U.S. 4797 is from the sale of business property located in Michigan and the Michigan property was acquired prior to October 1, 1967. Otherwise, enter Michigan's portion in column B and the non-Michigan portion in column C.

Line 70: Combine lines 67 through 69. Use brackets for negative figures. Do not enter "0" for amounts less than zero.

Line 72: Enter taxes deducted on U.S. 1041, line 11, which were imposed on Michigan income, such as state or city income taxes.

Line 74: Enter the fiduciary's share of **Michigan** gain/loss from MI-1041D, if any. If a capital gain, enter the amount from MI-1041D, line 16, column B, Michigan column. If a capital loss, enter the amount from MI-1041D, line 17, Michigan column.

Line 75: Combine lines 73 and 74. Carry this amount to MI-1041, page 1, Part 2, line 12.

SCHEDULE 5 - Capital Gain/Loss Distributed to Beneficiaries When Form MI-1041D Is Filed

Line 76: Complete Schedule 5 if capital gains/losses have been distributed to beneficiaries and Form MI-1041D was completed.

Column A: Identify each beneficiary by entering the lower case letter from Schedule 2.

Column B: (Federal) Enter each beneficiaries' share of capital gain/loss as reported on U.S. *Schedule K-1* (Form 1041).

Column C: (Michigan) Enter each beneficiaries' share of capital gain/loss as recomputed on Michigan MI-1041D.

Line 77: Enter the total of all beneficiaries' shares. Line 77 (totals) in the federal and Michigan columns must equal the beneficiaries' amounts reported on U.S. *Schedule D* (Form 1041) Part III, line 16, column (1) or Michigan Form MI-1041D, Part 3, line 16, column C.

Other Necessary Forms

For the Fiduciary

The fiduciary must furnish a U.S. *Schedule K-1* to each beneficiary. The fiduciary must also furnish notice of Michigan adjustments to each beneficiary. The notice may be noted on a copy of the U.S. *Schedule K-1* or a separate letter to each beneficiary. If a letter is used, it must include the name and federal identification number of the estate or trust. Each beneficiary must be advised of his or her share of the following:

- Michigan adjustments from resident estates or trusts.
- Michigan income from nonresident estates or trusts.

- Capital gains/losses available for adjustment under Section 271.

For the Beneficiary

All resident and nonresident beneficiaries should file an individual *Michigan Income Tax Return* (Form MI-1040), if applicable. See the MI-1040 instruction booklet for who must file. Beneficiaries should follow the instruction booklet to compute Michigan taxable income.

Beneficiaries should attach copies of the following items to their MI-1040 individual return:

- U.S. *Schedule K-1*.

- The letter received from the fiduciary notifying him or her of Michigan adjustments or Michigan income.
- MI-1040D, if the beneficiary is eligible to adjust gains and losses under Section 271 of the Michigan Income Tax Act.

Note: Excess deductions available upon termination of an estate or trust may be passed on to the beneficiaries. They are reported on U.S. 1040, *Schedule A* and do not reduce federal AGI. Itemized deductions are not an allowable subtraction on the Michigan return.

Certified Community Foundations and Component Funds

A component fund serves donors and nonprofit organizations in a specific geographic area as a restricted fund of a neighboring community foundation. The following are certified for the Community Foundations Credit for 2004.

- 01 Albion Community Foundation
- 56 Allegan County Community Foundation
 - Saugatuck/Douglas Area Community Fund
- 63 Anchor Bay Community Foundation
- 02 Ann Arbor Area Community Foundation
 - Ypsilanti Area Community Fund
- 49 Baraga County Community Foundation
- 58 Barry Community Foundation
- 17 Battle Creek Community Foundation
 - Athens Area Community Foundation
 - Homer Area Community Foundation
 - Springfield Community Foundation
- 03 Bay Area Community Foundation
 - Arenac County Fund
- 04 Berrien Community Foundation
 - Coloma Community Fund
 - Greater Berrien Springs Community Endowment Fund
 - Harbor County Endowment Fund
- 45 Branch County Community Foundation
- 36 Cadillac Area Community Foundation
 - Missaukee Area Community Foundation Fund
- 64 Canton Community Foundation
- 06 Capital Region Community Foundation
 - Eaton County Community Foundation
- 66 Central Montcalm Community Foundation
- 44 Charlevoix County Community Foundation
- 70 Chippewa County Community Foundation
- 28 Community Foundation for Muskegon County
 - Mason County Community Foundation
 - Oceana County Community Foundation
- 29 Community Foundation for Northeast Michigan
 - Iosco County Community Foundation
 - North Central Michigan Community Foundation
 - Straits Area Community Foundation
- 09 Community Foundation for Southeast Michigan
 - Chelsea Community Foundation
 - Community Foundation for Livingston County
- 10 Community Foundation of Greater Flint
 - Clio Area Community Fund
 - Fenton Community Fund
 - Flushing Area Community Fund
 - Grand Blanc Community Fund
 - Lapeer County Community Fund
- 19 Community Foundation of Greater Rochester
- 11 Community Foundation of Monroe County
 - The Bedford Foundation
- 35 Community Foundation of St. Clair County
- 20 Community Foundation of the Holland/Zeeland Area
- 72 Community Foundation of Troy
- 54 Community Foundation of the Upper Peninsula
 - Alger Regional Community Foundation
 - Community Foundation for Delta County
 - Gogebic-Ontonagon Community Foundation
 - Les Chenaux Area Community Fund
 - Schoolcraft County Community Foundation
 - St. Ignace Area Community Foundation
 - Tahquamenon Falls Area Community Foundation
 - West Iron County Area Community Fund
- 50 Dickinson County Area Community Foundation
 - Crystal Falls/Forest Park Area Community Fund
 - Norway Affiliate Fund
- 13 Four County Community Foundation
- 14 Fremont Area Community Foundation
 - Lake County Community Foundation
 - Mecosta County Community Foundation
 - Osceola County Community Foundation
- 15 Grand Haven Area Community Foundation
 - Allendale Community Foundation
 - Coopersville Area Community Foundation
- 16 Grand Rapids Community Foundation
 - Cascade Community Foundation
 - Ionia County Community Foundation
 - Southeast Ottawa Community Foundation
 - Sparta Community Foundation
 - Wyoming Community Foundation
- 46 Grand Traverse Regional Community Foundation
- 48 Gratiot County Community Foundation
- 18 Greater Frankenmuth Area Community Foundation
- 37 Greenville Area Community Foundation
 - Lakeview Area Community Foundation
 - Montcalm Panhandle Community Fund
- 43 Hillsdale County Community Foundation
- 60 Huron County Community Foundation
- 21 Jackson County Community Foundation
- 22 Kalamazoo Community Foundation
 - Bangor Community Foundation
 - Covert Township Community Foundation
 - South Haven Community Foundation
- 67 Keweenaw Community Foundation
- 23 Leelanau Township Community Foundation
- 62 Lenawee Community Foundation
- 55 Livonia Community Foundation
- 25 M & M Area Community Foundation
- 65 Mackinac Island Community Foundation
- 24 Manistee County Community Foundation
- 39 Marquette Community Foundation
 - Greater Ishpeming Area Community Fund
 - Gwinn Area Community Fund
 - Negaunee Area Community Fund
- 26 Marshall Community Foundation
- 05 Michigan Gateway Community Foundation
- 27 Midland Area Community Foundation
 - Clare County Community Foundation
 - Gladwin County Endowment Fund
- 42 Mt. Pleasant Area Community Foundation
 - Shepard Community Fund
- 68 Northville Community Foundation
- 75 Otsego County Community Foundation
- 47 Petoskey-Harbor Springs Area Community Foundation
- 76 Roscommon County Community Foundation
- 30 Saginaw Community Foundation
 - Chesaning Area Community Foundation Fund
- 61 Sanilac County Community Foundation
- 71 Shelby Community Foundation
- 31 Shiawassee Community Foundation
- 57 Southfield Community Foundation
- 74 Sterling Heights Community Foundation
- 40 Sturgis Area Community Foundation
 - Constantine Area Community Foundation
 - White Pigeon Area Community Foundation
- 62 Tecumseh Community Fund Foundation
- 32 Three Rivers Area Community Foundation
- 73 Tuscola County Community Foundation