

2010 MICHIGAN Composite Individual Income Tax Return

Issued under authority of Public Act 281 of 1967.

This return is due April 18, 2011. Type or print clearly in blue or black ink.

For 2010 or taxable year beginning: and ending:

| | | | |
|--|--|--|----------|
| ▶ 1. Name of Partnership, S Corporation or Other Flow-Through Entity | | ▶ 2. Federal Employer Identification Number (FEIN) | |
| ▶ 3. Mailing Address (Street, P.O. Box or Rural Route No.) | | | |
| ▶ 4. City, Village or Township | | State | ZIP Code |

NOTE: Pages 1 - 4 of the U.S. Forms 1065 or 1120S, Form MI-1040H, Form 4119, and a list of participants and nonparticipants must be attached to this return. See instructions.

| | | |
|---|--------------|----|
| 5. Ordinary income (loss) from U.S. Form 1065, line 22, or U.S. Form 1120S, line 21 | ▶ 5. | 00 |
| 6. Additions from line 35, page 2 | ▶ 6. | 00 |
| 7. Subtotal. Add lines 5 and 6 | 7. | 00 |
| 8. Subtractions from line 38, page 2 | ▶ 8. | 00 |
| 9. Total income subject to apportionment. Subtract line 8 from line 7 | 9. | 00 |
| 10. Apportionment percentage from MI-1040H. (Caution! See instructions.) | ▶ 10. | % |
| 11. Total Michigan apportioned income. Multiply line 9 by the percentage on line 10 | 11. | 00 |
| 12. Michigan allocated income or (loss) from line 43, page 2 | ▶ 12. | 00 |
| 13. Total Michigan income. Add lines 11 and 12 | 13. | 00 |
| 14. Michigan income attributable to Michigan residents | ▶ 14. | 00 |
| 15. Michigan income attributable to nonparticipating nonresidents | ▶ 15. | 00 |
| 16. Michigan income attributable to participants | 16. | 00 |
| 17. Exemption allowance from line 49, page 2 | ▶ 17. | 00 |
| 18. SEP, SIMPLE or qualified plan deductions from line 52, page 2 | ▶ 18. | 00 |
| 19. Add lines 17 and 18 | 19. | 00 |
| 20. Taxable income. Subtract line 19 from line 16 | 20. | 00 |
| 21. Tax due. Multiply line 20 by 4.35% (0.0435) | 21. | 00 |
| 22. Michigan extension payments | ▶ 22. | 00 |
| 23. Withholding tax payments attributable to participants | ▶ 23. | 00 |
| 24. If line 22 plus line 23 is less than line 21, enter TAX DUE. Include interest _____ and penalty _____, if applicable | ▶ 24. | 00 |
| 25. If line 22 plus line 23 is more than line 21, enter overpayment | 25. | 00 |
| 26. Amount of line 25 to apply to 2011 withholding account (see instructions) . | ▶ 26. | 00 |
| 27. Subtract line 26 from line 25 | REFUND ▶ 27. | 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. I have obtained the required Power of Attorney from each of the members of this composite return and my firm will resolve the issue of any tax liability. | | PREPARER CERTIFICATION. I declare under penalty of perjury that this return is based on all information of which I have any knowledge. | |
| Filer's Signature | Date | Preparer's Name, Address, PTIN and/or FEIN | |
| I authorize Treasury to discuss my return with my preparer. <input type="checkbox"/> Yes <input type="checkbox"/> No | | | |

Mailing: Make check payable to "State of Michigan." Write the firm's FEIN, "Composite Return" and tax year on the check.

Pay. Mail your check and return to:
Michigan Department of Treasury
P.O. Box 30207
Lansing, MI 48909

Refund, Credit or zero returns. Mail your return to:
Michigan Department of Treasury
P.O. Box 30058
Lansing, MI 48909

| | |
|---|--|
| Name of Partnership, S Corporation or Other Flow Through Entity | Federal Employer Identification Number |
|---|--|

ADDITIONS (see instructions)

| | | | |
|--|------|--|----|
| 28. Net income (loss) from rental real estate activities..... | 28. | | 00 |
| 29. Net income (loss) from other rental activities | 29. | | 00 |
| 30. Portfolio Income (loss) (see instructions): | | | |
| a. Interest income | 30a. | | 00 |
| b. Dividend income | 30b. | | 00 |
| c. Royalty income | 30c. | | 00 |
| d. Net short-term capital gain (loss) (from U.S. <i>Schedule K</i>)..... | 30d. | | 00 |
| e. Net long-term capital gain (loss) (from U.S. <i>Schedule K</i>)..... | 30e. | | 00 |
| f. Other portfolio income | 30f. | | 00 |
| 31. Net gain (loss) under Section 1231 | 31. | | 00 |
| 32. Other income from U.S. <i>Schedule K</i> | 32. | | 00 |
| 33. State or local taxes measured by income..... | 33. | | 00 |
| 34. Other miscellaneous additions (attach schedule)..... | 34. | | 00 |
| 35. Total additions. Add lines 28 through 34. Enter here and on line 6 | 35. | | 00 |

SUBTRACTIONS (see instructions)

| | | | |
|--|-----|--|----|
| 36. Income (loss) from other partnerships, S corp. and fiduciaries included in ordinary income | 36. | | 00 |
| 37. Other miscellaneous subtractions (attach schedule)..... | 37. | | 00 |
| 38. Total subtractions. Add lines 36 and 37. Enter here and on line 8 | 38. | | 00 |

MICHIGAN ALLOCATED INCOME OR (LOSS)

| | | | |
|---|-----|--|----|
| 39. Guaranteed payments to participants for services performed in Michigan..... | 39. | | 00 |
| 40. Income attributable to other Michigan partnerships, S corporations or fiduciaries | 40. | | 00 |
| 41. Net Michigan capital gains (losses) (from U.S. <i>Schedule D</i>)..... | 41. | | 00 |
| 42. Other Michigan allocated income (loss) (see instructions)..... | 42. | | 00 |
| 43. Total Michigan allocated income (loss). Add lines 39 through 42. Enter here and on line 12 | 43. | | 00 |

EXEMPTION ALLOWANCE

| | | | |
|--|-----|--|----|
| 44. Number of participants included in this agreement | 44. | | |
| 45. Multiply line 44 by \$3,600 (exemption allowance)..... | 45. | | 00 |
| 46. Total Michigan income from line 13 | 46. | | 00 |
| 47. Total Distributive Income from Distributive Income Worksheet, page 4 | 47. | | 00 |
| 48. Percent of income attributable to Michigan. Divide line 46 by line 47. (must be between 0 and 100%)..... | 48. | | % |
| 49. Apportioned exemption allowance. Multiply line 45 by the percentage on line 48. Enter here and on line 17 | 49. | | 00 |

SEP, SIMPLE OR QUALIFIED PLAN SUBTRACTIONS (PARTNERS ONLY)

| | | | |
|--|-----|--|----|
| 50. SEP, SIMPLE or qualified plan subtractions for participants (attach schedule)..... | 50. | | 00 |
| 51. Percent of income attributable to Michigan from line 48..... | 51. | | % |
| 52. SEP, SIMPLE or qualified plan subtractions attributable to Michigan. Multiply line 50 by the percentage on line 51. Enter here and on line 18 | 52. | | 00 |

Instructions for Form 807, Michigan Composite Individual Income Tax Return

Filing a Return

A flow-through entity, defined as partnerships, S corporations, limited partnerships, limited liability companies, or limited liability partnerships, that does business in Michigan and has two or more nonresident partners, shareholders or other types of members may file this return. The entity (firm) and participating members must agree to comply with the Michigan Department of Treasury (Treasury) rules described below.

Participation Requirements

A member may not participate in this composite return in any of the following cases:

- If member is claiming a city income tax credit, public contribution credit, or any other nonrefundable credits.
- If member was a Michigan resident (full-year or part-year).
- If member wishes to claim more than one Michigan exemption.
- If a flow-through entity has only one nonresident member who elects to participate in the composite filing.

Due Date of Return

The composite return for any tax periods ending in 2010 is due April 18, 2011. The returns for any periods ending in 2011 will be due April 16, 2012.

If the firm cannot file by the due date, a request for an extension can be filed before the original due date. See "Requesting an Extension" on this page.

Withholding Tax Payments

Flow-through entities are required to make withholding tax payments on behalf of all nonresident members (both participating and nonparticipating). The payment of withholding is due quarterly on April 20, July 20, and October 20 of the taxable year and January 20 of the succeeding year. The payment of withholding taxes is remitted on **Form 160, Combined Return for Michigan Taxes**. If you choose to have the overpayment from the composite return transferred to your withholding account, you still have the obligation to file the quarterly returns. If the full liability has been met, you must file the returns with "0" tax due. A flow-through entity which paid in the immediately preceding calendar year an average of \$40,000 or more per month in income tax withholding on the combined share of income available for distribution and employee wages shall deposit the Michigan tax withheld at the same time and in the same manner as deposits of federal withholding taxes. This will require an electronic funds transfer in accordance with the time frames provided in the Internal Revenue Code (IRC) and may be due as soon as the day after withholding.

Note: Form 165, *Annual Return for Sales, Use and Withholding Taxes* must be filed annually by all flow-through entities who are submitting withholding payments along with Form 4119, *Statement of Michigan Income Tax Withheld for Nonresidents from Flow-Through Entities* for each nonresident member.

Requesting an Extension

The firm may request an extension of time to file by sending payment of the estimated annual liability to Treasury with a copy of an approved federal extension. Any extension allowed by the Internal Revenue Service for filing the firm's federal return automatically extends the due date of the composite return to the same extended due date. **An extension of time to file is NOT an extension of time to pay.**

If the firm does not apply for a federal extension, file an *Application for Extension of Time to File Michigan Tax Returns* (Form 4). When completing the extension form, check

"Fiduciary Tax (includes Composite Filers)" in box 1, and use the firm's name and Federal Employer Identification Number (FEIN). Follow these special instructions to make sure your account is credited properly.

Payment of the estimated annual liability must have been previously made with the extension application. When you file your composite return, attach a copy of your extension application to it.

Mailing Refunds, Assessments and Correspondence

By signing the *Michigan Composite Individual Income Tax Return* (Form 807), the signing partner or officer declares that the firm has power of attorney from each participant to file a composite return on his or her behalf. Treasury will mail refund checks, assessments and all correspondence to the firm at the address indicated on the return. The firm must agree to be responsible for the payment of any additional tax, interest and penalties as finally determined. Issues involving the tax liability reported on a composite return will be resolved with the firm. In unusual circumstances, Treasury may contact the participants.

Attachments

Attach the following items to the composite return:

- A copy of pages 1-4 of the U.S. Form 1065 or U.S. Form 1120S.
- A *Michigan Schedule of Apportionment* (Form MI-1040H).
- All required Forms 4119, *Statement of Michigan Income Tax Withheld for Nonresidents from Flow-Through Entities* for each participating member of the composite return.
- Two schedules (one for participants and one for nonparticipants) listing each partner's, shareholder's or member's name, address, Social Security Number (SSN) and respective share of Michigan income and/or loss. If the participating member is another flow-through entity, the schedule must include the entity's name, address, Federal Employer Identification Number (FEIN), and share of Michigan-sourced income, as well as a list of the names, addresses, SSNs and ownership percentages of that entity's nonresident partners or shareholders.
- A statement signed by an authorized officer or general partner certifying that each participant has been informed of the terms and conditions of this program.

Line-by-Line Instructions

Lines not listed are explained on the form.

Line 10: Enter the apportionment percentage from Form MI-1040H. The MI-1040H apportionment percentage is NOT weighted and the property factors are based on property owned or rented and placed in service. See MI-1040H instructions for income tax nexus standards.

Line 13: The amount on this line should equal the total of lines 14, 15 and 16.

Line 21: Multiply the amount on line 20 by 4.35 percent (.0435).

Line 23: Enter the amount of withholding tax payments made on behalf of participating members.

Flow-Through Entities. Flow-through entities are required to withhold Michigan income tax on the taxable income available for distribution to nonresident members.

The amount of withholding is calculated and remitted on a quarterly basis by multiplying the share of taxable income allocable to each member, adjusted for the allowable exemption amount for a quarter, times the income tax rate.

A flow-through entity is also required to withhold Michigan

Distributive Income Worksheet

income tax when one or more of the entity's members is a nonresident flow-through entity. The flow-through entity in Michigan shall withhold Michigan income tax from any such nonresident flow-through entity on behalf of all of the nonresident members.

Line 24: Pay. If line 22 plus line 23 is less than line 21, enter the balance of the tax due. This is the tax owed with the return. Enter any applicable penalties and interest in the spaces provided. Add tax, penalty and interest together and enter the total on this line. Make check payable to "State of Michigan." Write the firm's FEIN, "Composite Return," and the tax year on the front of the check. To ensure accurate processing of your return, send one check for each return type. If balance due is less than \$1, no payment is required.

Line 26: You may opt to have your overpayment transferred to your withholding tax account. This does not relieve you from the responsibility to file the withholding tax forms each quarter. If this satisfies your liability for the year, you must file the returns indicating "0" due each quarter.

Line 27: Refund. Subtract line 26 from line 25. This is the refund. Treasury will not refund amounts less than \$1.

Pay, mail your completed return with payment to:

Michigan Department of Treasury
P.O. Box 30207
Lansing, MI 48909

Refund, Credit or zero return, mail your completed return to:

Michigan Department of Treasury
P.O. Box 30058
Lansing, MI 48909

Additions

Lines 28 through 32: Enter income from lines 2, 3c, 4, 5a, 5b, 6, 7, 8a, 9 and 10 of U.S. Form 1120S Schedule K and from lines 2, 3c, 5, 6a, 6b, 7, 8, 9a, 10 and 11 of U.S. Form 1065 Schedule K. Guaranteed payments, income attributable to other Michigan fiduciaries or flow-through entities should be allocated to Michigan on lines 39 through 42. See instructions below.

Line 33: Enter the amount of state and local income taxes that was used to determine ordinary income on U.S. Form 1065, line 22 or U.S. Form 1120S, line 21.

Line 34: Enter other additions to income, such as gross interest and dividends from obligations or securities of states and their political subdivisions other than Michigan.

Subtractions

Note: Charitable contributions and other amounts reported as itemized deductions on U.S. Schedule A are not allowable subtractions in determining Michigan taxable income.

Line 36: Enter income (loss) from other fiduciaries or other flow-through entities that is included in ordinary income. Losses must be added back to ordinary income. Attach a schedule showing the location of companies and amount of income attributable to each.

Line 37 Enter amounts such as interest from U.S. obligations that are included in line 30a, and other deductions for AGI (above the line) that were not included in determining ordinary income. This includes section 179 depreciation and amounts included on line 12[c][2] of U.S. Form 1120S Schedule K and

Column A refers to Distributive Income categories from Schedule K form(s). Columns B and C refer to lines on the U.S. Form 1065 Schedule K and U.S. Form 1120S Schedule K. Column D is the list of amounts that are added to arrive at total distributive income that is reported on Form 807, line 47.

| A Distributive Income Categories | B U.S. Form 1065 Schedule K | C U.S. Form 1120S Schedule K | D Distributive Income Amounts |
|---|-----------------------------------|------------------------------------|-------------------------------------|
| Ordinary income (loss) from trade or business activity | 1 | 1 | |
| Net income (loss) from rental real estate activity | 2 | 2 | |
| Net income (loss) from other rental activity | 3c | 3c | |
| Portfolio income (loss): | | | |
| Interest income | 5 | 4 | |
| Dividend income | 6a and 6b | 5a and 5b | |
| Royalty income | 7 | 6 | |
| Net short-term capital gain (loss) | 8 | 7 | |
| Net long-term capital gain (loss) | 9a | 8a | |
| Guaranteed payments | 4 | | |
| Net gain (loss) under section 1231 | 10 | 9 | |
| Other income (loss) | 11 | 10 | |
| TOTAL DISTRIBUTIVE INCOME Add all amounts in Column D and carry total to Form 807, line 47. | | | |

on line 13[c][2] of U.S. Form 1065 Schedule K. Also include pension benefits paid to nonresident partners that were included in ordinary income but are excluded from Michigan tax under section 114 of Title 4 of the U.S. Code. Attach a schedule of all subtractions.

Michigan Allocated Income or Loss

Line 39: Enter the portion of guaranteed payments attributable to services performed in Michigan by the nonresident participants.

Line 40: Enter income or loss from other fiduciaries or other flow-through entities attributable to Michigan that have not been reported on another composite return. Attach a schedule showing the amount of income or loss attributable to each.

Line 41: Enter gains/losses from the sale of real or personal property located in Michigan not subject to apportionment.

Line 42: Enter any other income (loss) allocated to Michigan. Include any Michigan net operating loss deduction (NOLD). Attach schedules.

Exemption Allowance

Line 47: Enter the total distributive income as determined using the worksheet on this page.

Line 48: Compute the percentage of income attributable to Michigan by dividing total Michigan income (line 46) by the total distributive income (line 47). This figure may not exceed 100 percent.

SEP, SIMPLE or Qualified Plan Subtractions (PARTNERS ONLY)

Line 50: Figure the portions of Simplified Employee Pensions (SEP), Savings Incentive Match Plan for Employees (SIMPLE), or qualified plan subtractions which are attributable to the participants. Attach a schedule showing calculations.

For More Information

For more information, visit Treasury's Web site at www.michigan.gov/taxes

Michigan tax forms are available at www.michigan.gov/treasuryforms

Federal tax forms are available at www.irs.gov