

2008 Michigan 1041

Fiduciary Income Tax Return

Forms and Instructions

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Robert J. Kleine, State Treasurer

www.michigan.gov/taxes



Where To Get Help

Visit the Michigan Department of Treasury Web site at www.michigan.gov/taxes or call toll-free **1-800-827-4000**.

Where to Get Forms

Internet: Most commonly used, current year forms are available at www.michigan.gov/incometax.

Telephone: Call 1-800-827-4000 to have current year forms mailed to you.

TTY: Persons who have hearing or speech impairments may call (517) 636-4999. Printed material in an alternate format may be obtained by calling 1-800-827-4000 and pressing options 1, 4, and 223.

Fiduciary returns cannot be filed electronically.

This booklet is intended as a guide to help complete your return. It does not take the place of the law.

Filing Due Date: April 15, 2009

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

General Information

Who Must File

You must file a *Michigan Fiduciary Income Tax Return* (Form 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. Form *1041* or *990-T* or that had income taxable to Michigan that was not taxable on the U.S. Form *1041*. If no tax is due, you must file an informational MI-1041. The only exceptions are:

1. Tax-exempt trusts unless the trust has unrelated business income (UBI) attributable to Michigan.

Note: Estates or trusts with a 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 on page 15.

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), 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, 2009, 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
P.O. Box 30058
Lansing, MI 48909**

Mail returns with payments to:

**Michigan Department of Treasury
Department 781041
P.O. Box 78000
Detroit, MI 48278-1041**

To ensure accurate processing of your return, send **one check for each return**. Make all checks payable to the "State of Michigan." Write the estate's or trust's federal identification number and "2008 MI-1041" on the front of the check.

Important: Fiduciary returns cannot be e-filed.

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, 2009, is 6.0 percent. For interest rates after June 30, 2009, visit Treasury's Web site at www.michigan.gov/taxes or call toll-free 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 79 and 80, must be completed if a capital gain/loss is distributed to beneficiaries and 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
- Vehicle Donation Credit
- Community Foundations Credit
- Homeless/Food Bank Credit
- Credit for Income Taxes Imposed by Government Units Outside Michigan
- Michigan Historic Preservation Tax Credit
- Individual or Family Development Account 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 an *Historic Preservation Tax Credit* (Form 3581) must be filed. For information regarding certification, visit 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 MI-1041, check the box at the top of the MI-1041 and explain the reason for amending on page 3. Attach a copy of the amended U.S. Form *1041* with all supporting schedules.

U.S. Form 1041 changes. Treasury must be notified of any changes to the estate's or trust's U.S. Form *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.

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. A six-month 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 MI-1041 is filed, include the amount of tax that was paid with the extension request on line 25. 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:

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

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 MI-1041, complete the U.S. Form *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 MI-1041D. See "Capital Gains/Losses" on page 2. Nonresident

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 2009 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 2009 withholding to be at least:

- 90 percent of the total tax for 2009,
- 100 percent of the total tax shown in the 2008 return, or
- 110 percent of the total 2008 tax if the estate's or trust's taxable income for 2008 is more than \$150,000. To figure the estate's or trust's taxable income, see the instructions for line 22 of the U.S. Form *1041*. Total tax is the amount on the 2008 MI-1041, line 23.

If estimated payments are necessary, request the 2009 *Michigan Estimated Income Tax for Fiduciaries* (MI-1041ES). Filing instructions are with the form. **DO NOT USE MI-1040ES.**

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 (with a minimum of \$25) for failing to file estimated payments, or 10 percent (with a minimum of \$10) for underpaying estimated payments. Interest is one percent above the prime

Line-by-Line Instructions

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 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. Form *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 through 7: Complete all items. Enter a mailing address that Treasury can use to request more information or to issue a refund.

rate and is computed 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.

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 Business Tax Farmland Preservation Credit* (Form 4594).

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. Form *1041* must also file an MI-1041. Use MI-1041 only as a transmittal for MI-1040. In the top margin of MI-1040, write "Attachment to MI-1041. Do not detach." Attach MI-1040 behind MI-1041. Complete only the identification area of 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 28, enter the amount from MI-1040, line 35. If applicable, enter on MI-1041, line 31, the amount from MI-1040, line 38. Copies of the U.S. Forms *1040*, *1041*, and all supporting schedules **must be attached** to your Michigan return.

PART 2: Income and Adjustments

Line 8: Enter taxable income of the estate or trust from U.S. Form *1041*, 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. Form *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 43 on line 9. If any income was distributed, complete Schedules 2 and 3. Enter the amount from line 47, column D, on line 9.

Line 11: Capital Gain/Loss Adjustment for Resident Estates or Trusts. Enter the amount from 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 2008.

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 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.

CITY INCOME TAX CREDIT WORKSHEET						
To Determine Net City Income Tax:						
Step 1	A. City income tax withheld from wages in 2008 (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 2008 (do not include penalty and interest).....	+ .00				
	C. Estimated city income tax payments paid in 2008	+ .00				
	D. Subtotal. Add lines A through C	= .00				
	E. City income tax refund(s) received in 2008	- .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-1041, line 14a) is:						
	\$100 or less	\$101 through \$150				
Step 2	Net city income tax paid00	Net city income tax paid00	Net city income tax paid00
	Multiply	x .20	Subtract	- \$100.00	Subtract	- \$150.00
	CREDIT. Carry to line 14b00	Subtotal00	Subtotal00
	Round all amounts to the nearest dollar.		Multiply	x .10	Multiply	x .05
	Credit cannot be more than \$10,000.00		Subtotal00	Subtotal00
			Add	+ 20.00	Add	+ 25.00
			CREDIT. Carry to line 14b00	CREDIT. Carry to line 14b00

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. A partial income tax credit is also allowed for the cash value of donations of food made to any of these organizations but only if the donation is matched with similar food items by a retailer. 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 and/or gifts of food donated in conjunction with a matching contribution made by a food retailer or vendor.
- 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 cash contributions and qualifying donated food value.

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 MI-1041.

Do **not** include taxes paid on income subtracted on lines 38 through 41 of 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* (Michigan Form 777). Attach copies of the appropriate Canadian federal T-3 fiduciary tax return, *Computation of Foreign Tax Credit* (U.S. Form 1116) and U.S. Form 1041. The credit is limited to the part of the Canadian provincial tax not used as a credit on the U.S. Form 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 2008 Form 3581, line 9.

Line 19b: Enter the amount from your 2008 Form 3581, line 10e.

Line 20: Vehicle Donation Credit. Taxpayers, including estates and trusts, who donate automobiles to certain charities may claim a nonrefundable Michigan tax credit if the automobile is transferred by the charity to an individual for employment purposes. Donors must receive a *Donor Tax Credit Certificate for Donated Vehicle* (Form 4284) from a certified charitable organization to be able to claim the credit. Treasury may request copies of Form 4284 for verification. Retain a copy of the form in your records.

Enter the code number in the box on line 20 using the codes listed below:

Vehicle Donation Codes

- 105 Goodwill Industries of Mid-Michigan, Inc.
- 202 Goodwill Wheels to Work
- 601 Goodwill of Southeastern Michigan, Inc.
- 604 Carlink, Inc.
- 705 Goodwill Industries of Northern Michigan, Inc.
- 803 Goodwill Industries of West Michigan, Inc.
- 905 Goodwill Industries of Southeast Michigan, Inc.

Line 20a: Enter Value of Donated Vehicle from Form 4284.

Line 20b: Enter 50 percent of line 20a.

Line 21b: Enter amount of Individual or Family Development Account credit from the Michigan State Housing Development Authority (MSHDA) issued certificate if your fiscal year ends in 2009.

For tax years that end in 2009, a taxpayer may claim the Individual or Family Development Account credit against the tax imposed by this act equal to 75 percent of certified contributions made to a reserve fund of a fiduciary organization in accordance with the Individual or Family Development Account Program Act, P.A. 514 of 2006. To qualify, the donor cannot hold an Individual or Family Development Account themselves.

A fiduciary organization is a 501(c)(3) exempt, charitable organization approved by MSHDA to manage a reserve fund. A reserve fund is a fund established and managed by a fiduciary organization housed at a financial institution.

The credit is nonrefundable, but may be carried forward up to ten years. The Income Tax credits, combined with the sister credits found in the Michigan Business Tax Act at MCL 208.1426 may not exceed \$1 million annually for all taxpayers. The determination of whether the annual limit is reached will be made by MSHDA, which must certify contributions eligible for a credit, in accordance with the Individual or Family Development Account Program Act.

Attach the certificate issued by MSHDA for this credit to the return to verify a claim. The certificate will state the amount to enter on line 21 of the MI-1041. If the certificate is not attached, the credit will be denied.

Note: For purposes of this credit qualified financial institution is defined by reference to the definition of financial institution in the Individual or Family Development Account Program Act, rather than the Income Tax Act. Financial institution for this credit is defined as “a state chartered bank, state chartered savings bank, savings and loan association, credit union, or trust company; or a national banking association or federal savings and loan association or credit union.”

Line 25: Payments. Enter the total estimated tax paid with the 2008 MI-1041ES and any Michigan tax paid with an extension request. See the **special note** after line 28 instructions.

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

Line 26: Enter the amount of the 2007 overpayment applied to this year’s tax from 2007 MI-1041, line 29.

PART 4: Balance Due or Refund

Line 28: Tax Due. If line 27 is less than line 24, 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* (MI-2210) to compute interest. If MI-2210 is filed, check the box on line 28 and enter the interest amount on the line provided. Obtain complete instructions for MI-2210 from the resources listed on the cover of this instruction booklet.

Line 31: Refund. Subtract line 30 from line 29. 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 32: 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 33: Enter taxes deducted on U.S. Form 1041, line 11, which were imposed on or measured by income, such as State or city income taxes.

Line 35: Enter expenses and interest incurred in production of income from obligations of the U.S. government on U.S. Form 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 36: Enter any adjustments not taken into account on lines 32 through 35. 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 38: Enter the income from U.S. government obligations (e.g., 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 39: 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 36.)

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* (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 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 40: Enter expenses related to obligations of other states not deducted on U.S. Form 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 U.S. Form 1041.

Line 41: Enter subtractions not taken into account on lines 38 through 40, such as gross income from Michigan

Example for Completing Schedule 3

For this example, the fiduciary has reported \$5,000 on MI-1041 Schedule 1, line 43.

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

gas and oil royalties, bingo, raffle, or charity games. Attach a schedule listing these subtractions.

Retirement or pension benefits may not be subtracted.

Line 43: Subtract line 42 from line 37. If no income was distributed, enter the amount from line 43 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 44: Enter in the appropriate column the name, address, and Social Security number or Federal Employer Identification Number (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:

- Are all items complete and all figures correct?
- Was a 2008 MI-1041 used? (Returns filed on old forms may be rejected.)
- Is a copy of the 2008 U.S. Form 1041 attached?

- Are estimated tax payments required for 2009?

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 43, 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.

Lines 46 through 48: 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.

(Continued on page 15.)

Forms contained in this booklet (pages 7-14) are **posted separately**.
Select and print the form.

Form

Page No.

MI-1041, Fiduciary Income Tax Return 7-14

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Book continued on next page.

Column B: Enter the distributions reported to each beneficiary on his or her U.S. *Schedule K-1* in spaces provided on line 46. Indicate the sources, locations, and amounts for each type of income such as dividends, rents, interest, etc. Enter the fiduciary's share on line 47. The total on line 48 should equal the distributable net income reported on U.S. Form *1041*, Schedule B, line 7.

Column C: Divide each amount in column B by the total on line 47 and enter the percent in column C.

Column D: Multiply the amount on Schedule 1, line 43, by the percentage in column C. Enter the result in column D for each beneficiary and the fiduciary. Carry the fiduciary's share (line 47) to Part 2, line 9. The total on line 48D must equal the amount on Schedule 1, line 43.

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 49 through 70 are comparable to lines 1 through 22 on the U.S. Form *1041*. In column A, enter the corresponding amounts from the U.S. Form *1041*. In column B, enter Michigan's portion of the income. In column C enter the non-Michigan portion. See special instructions for lines 52 and 55 on page 15.

The following income is subject to Michigan tax and should be entered in column B, on lines 49 through 56:

- Income earned, received, or acquired in Michigan

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.

- 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 MI-1040H to apportion this income.

The following income is **not** subject to Michigan tax and should be entered in column C, on lines 49 through 56:

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

Line 52: Complete MI-1041D before completing this line. If a gain, enter in column A the amount from MI-1041D, line 16, column B, federal portion. Enter in column B the amount from 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 55: Complete MI-4797 before completing line 55 if the gain/loss on the U.S. Form *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 73: Combine lines 70 through 72. Use brackets for negative figures. Do not enter "0" for amounts less than zero.

Other Necessary Forms

- Capital gains/losses available for adjustment under Section 271 of the Michigan Income Tax Act.
- Individual or Family Development Account Certificate if a credit is claimed on line 21b.

For the Beneficiary

All resident and nonresident beneficiaries should file an 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*

Line 75: Enter taxes deducted on U.S. Form *1041*, line 11, which were imposed on Michigan income, such as State or city income taxes.

Line 77: 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 78: Combine lines 76 and 77. Carry this amount to MI-1041, page 1, Part 2, line 12.

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

Line 79: Complete Schedule 5 if capital gains/losses have been distributed to beneficiaries and MI-1041D was completed.

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

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

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

Line 80: Enter the total of all beneficiaries' shares. Line 80 (totals) in the federal and Michigan columns must equal the beneficiaries' amounts reported on U.S. *Schedule D* (Form *1041*) Part III, line 15, column (1) or Michigan MI-1041D, Part 3, line 16, column C.

• 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. Form *1040*, *Schedule A* and do not reduce federal adjusted gross income (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 2008.

- 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
 - Community Foundation of Plymouth
 - 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
- 45 Branch County Community Foundation
- 36 Cadillac Area Community Foundation
 - Missaukee Area Community Foundation
- 64 Canton Community Foundation
- 06 Capital Region Community Foundation
 - Eaton County Community Foundation
- 66 Central Montcalm Community Foundation
- 44 Charlevoix County Community Foundation
- 28 Community Foundation for Muskegon County
 - Community Foundation for Mason County
 - Community Foundation for Oceana County
- 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 Community Fund
 - Grand Blanc Community Fund
 - Davison Community Fund
- 19 Community Foundation of Greater Rochester
- 11 Community Foundation of Monroe County
 - Greater Milan Area Foundation
- 35 Community Foundation of St. Clair County
- 20 Community Foundation of the Holland/Zeeland Area
- 54 Community Foundation of the Upper Peninsula
 - Alger Regional Community Foundation
 - Chippewa County Community Foundation
 - Community Foundation for Delta County
 - Gogebic-Ontonagon Community Foundation
 - Les Cheneaux Area Community Foundation
 - Schoolcraft County Community Foundation
 - St. Ignace Area Community Foundation
 - Tahquamenon Area Community Foundation
 - West Iron County Area Community Foundation
- 50 Dickinson County Area Community Foundation
 - Crystal Falls/Forest Park Area Community Fund
 - Norway Area Community 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 Area Community Foundation
 - Coopersville Area Community Foundation
- 16 Grand Rapids Community Foundation
 - Cascade Community Fund
 - East Grand Rapids Community Foundation Fund
 - Ionia County Community Foundation
 - Lowell Area Community Fund
 - 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 Fund
 - Montcalm Panhandle Community Fund
- 43 Hillsdale County Community Foundation
- 60 Huron County Community Foundation
- 21 Jackson County Community Foundation
- 22 Kalamazoo Community Foundation
 - Covert Township Community Foundation Fund
- 67 Keweenaw Community Foundation
- 77 Lapeer County 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
- 72 North Woodward Community Foundation
- 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
- 32 Three Rivers Area Community Foundation
- 73 Tuscola County Community Foundation