2024 MICHIGAN

MI-1041

Fiduciary Income Tax Return

UNCLAIMED PROPERTY. The Michigan Department of Treasury is holding millions of dollars in abandoned and unclaimed property belonging to Michigan residents. **In the past three years nearly $426 million has been returned to rightful owners.**
To check if Treasury is holding funds for you or your family visit **www.michigan.gov/unclaimedproperty.**

FILING DUE DATE:

APRIL 15, 2025

(OR THE 15TH DAY OF THE FOURTH MONTH AFTER THE CLOSE OF YOUR TAX YEAR)

WWW.MICHIGAN.GOV/TAXES

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

GENERAL INFORMATION

Tax Assistance

Internet Options

Current year forms are available at **www.michigan.gov/iit**

Telephone Options

You may also call 517-636-4486 to have current year forms mailed to you, or if you have questions, to speak to a customer service representative.

Assistance is available using TTY through the Michigan Relay Service by calling 711.

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 attributable to Michigan.

Note: Estates or trusts with a charitable purpose or charitable beneficiaries should contact the Michigan Department of Attorney General, Charitable Trust Section at 517-335-7571 regarding filing requirements.

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

3. Nonresident estate or trust with income from Michigan sources less than the federal exemption deduction. The deductions are $600 for estates, $300 for trusts currently distributing all income, $4,300 for qualified disability trust and $100 for all other trusts. See *Fiduciary Nonresident Schedule* (MI-1041 Schedule NR) instructions for more information.

4. A grantor trust. When the grantor, or another person, is treated as the owner of the trust's assets (Internal Revenue Code (IRC) sections 671 through 679), do not file an MI-1041. Instead, the owner must report the trust's income, deductions, and credits on the owner'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, 2025, or on the 15th day of the fourth month after the close of the tax year. If a refund is due, a return must be filed within four years of the due date to obtain the refund. Keep a copy of the return and all supporting schedules for six years.

Choose e-file Instead of Paper Returns and Payments

E-filing your Michigan fiduciary return is easy, fast, and secure. When e-filing federal and Michigan returns together, much of the same data is used, so information is entered only once, lessening the possibility of error. Payment on a tax due return can be made using direct debit at the same time the tax return is e-filed when supported by software. Filers can even select the date the payment will be debited from their account (up to 90 calendar days). Tax preparers who complete 11 or more fiduciary tax returns are required to e-file all eligible returns. Visit **www.MIfastfile.org** for more information on e-file services. When e-filing, do not mail a paper copy of your return.

Where to Mail the 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 the return, send **one check for each return.** Make the check payable to "**State of Michigan**." Enter the **FEIN of the estate or trust** and "**2024 MI-1041**" on the front of the check.

Penalty and Interest

If the fiduciary payment is late, the Michigan Department of Treasury (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 payment is late, add penalty and interest to the amount due. For the latest interest rates visit, **www.michigan.gov/taxes**.

Capital Gains/Losses

Adjustments 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 4 must be completed if a capital gain/loss is distributed to beneficiaries and MI-1041D is filed.

Excess Business Loss Limitation

Estates or trusts with a federal excess business loss limitation must complete *Michigan Excess Business Loss* (Form MI-461). Refer to instructions on Form MI-461 for further information on adjustments to Michigan income.

Tax Credits an Estate or Trust Can Claim

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

- Income tax imposed by government units outside Michigan on income also taxed by Michigan.
- Michigan Historic Preservation Tax Credit (refundable or nonrefundable). Taxpayers eligible for this credit receive a certificate from the State Historic Preservation Office indicating their eligibility. To claim this credit see the *Michigan Historic Preservation Tax Credit* (Form 3581) or *Michigan Historic Preservation Tax Credit for Plans Approved after December 31, 2020* (Form 5803). For information regarding certification, visit **www.michigan.gov/shpo.**

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 nonresident 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.**

Amended Returns

To amend MI-1041, check the box at the top of the MI-1041 and explain the reason for amending. Include 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 there was an overpayment of tax, 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 federal extension. Treasury will extend the due date to the new federal due date. If a federal extension was not filed, file an *Application for Extension of Time to File Michigan Tax Returns* (Form 4) with the payment and Treasury will grant a 5 1/2 month extension for fiduciary returns. Treasury does not send a notice of approval.

An extension of time to file is not an extension of time to pay. If the tax due is underestimated and the payment made with the extension request is insufficient, interest is due on the unpaid amount. Interest is computed from April 18 (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 21. Include 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 30058
Lansing, MI 48909

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 2025 return after crediting any other refundable or nonrefundable credits, and amounts you paid through withholding.

If the estate or trust owes more than $500, estimated payments may not have to be made if the estate or trust expects the 2025 withholding to be at least:

- 90 percent of the total tax for 2025,
- 100 percent of the total tax shown on the 2024 return, or
- 110 percent of the total 2024 tax if the estate's or trust's taxable income for 2024 is more than $150,000. To figure the estate's or trust's taxable income, see the instructions for line 23 of the U.S. Form *1041*. Total tax is the amount on the 2024 MI-1041, line 13.

If estimated payments are necessary, use the *Estimated Income Tax Voucher for Fiduciary* and *Composite Filers* (Form MI-1041ES). Filing instructions are with the form. **Do Not Use MI-1040ES** to make estimated payments for an estate or trust.

Estimated payments are not required from a decedent's estate for any tax year ending before the date that is 2 years after the decedent's death.

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 1 percent above the prime 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 must submit Michigan estimated payments on magnetic tape. An institution acting as fiduciary for more than 49 and less than 200 trusts may make an irrevocable agreement to file magnetically.

Farmland Preservation Tax Credits

The fiduciary return is not used to claim a farmland preservation tax credit; instead, file the *Michigan Farmland Preservation Tax Credit* (Form 4594) along with *Michigan Business Tax Annual Return* (Form 4567).

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 the MI-1041 only as a transmittal for the MI-1040. Write "Attachment to MI-1041: Do not detach" in the top margin of the MI-1040. Include the MI-1040 behind the MI-1041. Complete only the identification area of MI-1041. Enter the name of the debtor on line 2 (e.g., "John Smith, Public Bankruptcy Estate"). Enter the name of the trustee on line 4a and their title on line 4b (e.g., "Allen Snow, Trustee"). Enter the trustee's contact information on lines 4c through 4f. On MI-1041, line 25, enter the amount from MI-1040, line 34. If applicable, enter on MI-1041, line 28, the amount from MI-1040, line 37. Copies of the U.S. Forms *1040*, *1041*, and all supporting schedules **must be included** with your Michigan return.

Composite Filer Participants

Estates or trusts that participate on the *Michigan Composite Individual Income Tax Return* (Form 807) may be entitled to a credit on their MI-1041 for their share of the Michigan income tax liability paid on Form 807. Enter the amount of Michigan income tax paid on your behalf on MI-1041, line 20 and write "Composite Filing" next to line 20.

LINE-BY-LINE INSTRUCTIONS

Michigan's fiduciary law is very similar to federal law. These instructions include only those points of Michigan laws 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 preparing the MI-1041, complete the U.S. Form *1041* and all supporting schedules.

- All estate and trust filers must complete page 1.
- Resident estate and trust filers must complete Schedule 1 if applicable.
- Complete Schedule 2 if income is distributed
- Complete Schedule 3 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 4 and MI-1041D. See "Capital Gains/Losses" on page 2.

Nonresident estate or trust filers may omit lines 8 through 11 on page 1, Schedule 1 and Schedule 3. Nonresident estates or trusts must complete MI-1041D (if applicable), Schedule 2, MI-1041 Schedule NR if any income is distributed, and Schedule 4 if the estates or trusts distributed any capital gains or losses.

Include a copy of the U.S. Form *1041* and all supporting schedules with 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 the full nine-digit Federal Employer Identification Number (FEIN).** 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 federal taxable income of the estate or trust from U.S. Form *1041*, line 23, or U.S. Form *990-T*, Part I, line 11.

Electing Small Business Trust (EBST) Michigan Taxable Income Calculation

a. Enter federal taxable income from the federal ESBT Tax Worksheet .... _____

b. Enter the allowable Schedule 1 additions for the ESBT ..... _____

c. Enter the allowable Schedule 1 subtractions for the ESBT as a negative number..... _____

d. Combine lines a through c. Enter the result here and on line 9..... _____

Line 9: If the filer is an Electing Small Business Trust, start the calculation of this line with federal taxable income from the ESBT Tax Worksheet attached to the U.S. Form *1041*. Include a copy of that worksheet with this return.

Add or subtract the ESBT's share of S corporation adjustments to income as listed on Schedule 1, but **do not report those adjustments on Schedule 1**.

If income (loss) from an S corporation is subject to apportionment, complete a *Schedule of Apportionment* (MI-1040H) for each source of apportionable income and use the respective apportionment percentage to apportion the tax base.

A Michigan ESBT worksheet has been provided to assist you. If this ESBT is a shareholder in more than one S corporation, use a separate worksheet for each S corporation. Add the result of all Michigan ESBT worksheets and report the result on line 9.

Line 10: A fiduciary for a resident estate or trust should complete Schedule 1 if there are Michigan adjustments to federal taxable income. If no income was distributed, enter the amount from line 40 on line 10. If any income was distributed, complete Schedules 2 and 3. Enter the amount from line 42, column C, on line 10.

Line 11: Capital Gain/Loss Adjustments for Resident Estates or Trusts. Enter the amount from MI-1041D, line 21, if any (see "Capital Gains/Losses" on page 2).

Line 13: Tax. If line 12 is a negative number, enter "0" on line 13.

PART 3: Credits and Payments

Line 14: Credit for Income Tax Paid to Another State. 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.

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

Do **not** include taxes paid on income subtracted on lines 35 through 38 of MI-1041 (e.g., rental or business income from another state). If credit is claimed for a Canadian provincial tax, file a *Resident Credit for Tax Imposed by a Canadian Province* (Michigan Form 777). Include copies of the appropriate Canadian federal T-3 fiduciary tax return, *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*. The credit is not available for tax paid to other foreign countries.

Line 14a: Enter the total income tax paid to other government units on income also taxed by Michigan. Include a schedule if tax was paid to more than one source.

Line 14b: Calculate the maximum allowable credit as follows:

1. Divide out-of-state income subject to tax by both states by total income subject to Michigan tax.
2. Multiply the amount of tax shown on line 13 by the result.
3. Enter the allowable credit, which is the smaller of:
   - The calculation or
   - The tax imposed by another government.

Line 15: Michigan Historic Preservation Tax Credit

Line 15a: If you are including Form 3581, enter the amount from line 9. If you are including Form 5803, enter the amount from line 7.

Line 15b: If you are including Form 3581, enter the amount from line 14. If you are including Form 5803, enter the amount from line 12.

Line 18: Enter amount from your 2024 Form 3581, line 16a or 16b.

Line 19: For resident estates and trusts, take the allocated share of taxes reported to the estate or trust by a flow-through entity whose tax year ends in 2024 and that elected to pay tax under the Michigan flow-through entity tax and multiply that by the ratio of the flow-through entity business income tax base that is retained by the estate or trust to the total flow-through entity business income tax base included in distributable net income.

For nonresident estates and trusts, take the applicable percentage of the allocated share of taxes reported to the estate or trust by a flow-through entity and multiply that amount by the ratio of the flow-through entity business income tax base that is retained by the estate or trust to the total flow-through entity business income tax base included in distributable net income. For tax years beginning in 2023, use 95.05% as the applicable percentage. For tax years beginning in 2024, use 95.75% as the applicable percentage.

To support your credit, include a copy of the *Schedule K-1* with any of the following received from the flow-through entity: *Schedule K-1* notes, *Michigan Flow-through Entity Tax Information for Direct Members* report, *Indirect Share of Michigan Flow-through Entity Tax Information for Direct Members* report, or the same information in any other format.

An electing flow-through entity that files a composite return on behalf of an estate or trust, should claim the credit on the composite return (Form 807). Do not claim that credit here.

Line 20: State Income Tax Withheld. Use line 20 to claim a credit for any Michigan income tax withheld by:

- An employer on wages and salaries of a decedent received by the decedent's estate
- A payer of certain gambling winnings (for example, state lottery winnings)
- A payer of distributions from pensions, annuities, retirement or profit-sharing plans, IRAs, insurance contracts, etc., received by a decedent's estate or trust.
- Michigan income tax paid on your behalf on a 2024 Form 807, see "Composite Filer Participants" on page 3.

Include a 2024 *Michigan Fiduciary Withholding Tax Schedule* (Form MI-1041 Schedule W) and all supporting documents.

Line 21: Payments. Enter the total estimated tax paid with the 2024 MI-1041ES and any Michigan tax paid with an extension request.

Note: Michigan does not allow the estate's or trust's estimated tax payments and/or withholding payments to be transferred to beneficiaries.

Line 22: Enter the amount of the 2023 overpayment applied to this year's tax from 2023 MI-1041, line 27.

Line 23: This line is for amended returns only. Enter the refund and/or credit forward amount received on the original return as a negative number. Enter the amount paid with the original return as a positive number or "0" if applicable. Do not include any interest or penalty paid with the original return.

PART 4: Balance Due or Refund

Line 25: Tax Due. If line 24 is less than line 17, enter the difference. This is the tax owed with the return. The return must be filed even if the balance due is less than $1 and no payment is required. If e-filing the return with a tax due, make a payment using the Form MI-1041-V.

If penalty and interest are due for late payment of tax, 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 was required to file estimated payments, penalty and interest may be due for underpayment, late payment, or failing to pay estimated payments. Use *Underpayment of Estimated Income Tax* (Form MI-2210) to compute interest and penalty. If MI-2210 is filed, enter the interest and penalty amount on the line provided. Obtain complete instructions for MI-2210 from the resources listed on page 2.

Line 28: Refund. Subtract line 27 from line 26. This is the refund. The State does not refund amounts less than $1.

SCHEDULE 1: Net Michigan Adjustment for Resident Estates or Trusts

Electing Small Business Trusts (EBST) refer to line 9 instruction. **Do not** complete the Schedule 1.

ADDITIONS

Line 29: 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 30: 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.

If you are a direct or indirect member of a flow-through entity that elected to pay the Michigan flow-through entity tax, add your share of those taxes paid and reported to you by that flow-through entity and deducted on the flow-through entity's federal tax return. If you apportioned this flow-through income using an MI-1040H, the apportionment percentage from line 8 should be applied to the tax reported by the flow-through entity. To support your credit, include a copy of the Schedule K-1 with any of the following received from the flow-through entity: *Schedule K-1* notes, *Michigan Flow-through Entity Tax Information for Direct Members* report, *Indirect Share of Michigan Flow-through Entity Tax Information for Direct Members* report, or the same information in any other format.

An electing flow-through entity that files a composite return on your behalf should report your addition on that composite return (Form 807). Do not report the addition here.

Line 32: 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 33: Enter any adjustments not taken into account on lines 29 through 32 as a positive number including the following (provide an additional schedule if necessary):

- Gross expenses from the production of oil and gas or extraction of nonferrous metallic minerals subject to Michigan severance tax to the extent deducted from federal taxable income
- Losses from a business or property located in another state. Include a schedule or statement showing this activity and the location. For assistance see "Michigan Business, Rental & Royalty Activity Worksheet" available on Treasury's website If there are business losses attributable to both Michigan and another state, they must be apportioned. Include a *Michigan Schedule of Apportionment* (MI-1040H).
- Federal loss from MI-4797, line 17
- Michigan gain from MI-4797, line 17
- Loss from MI-461, line 9, column F
- Federal net operating loss (NOL) deduction that is included on line 8.

Example for Completing Schedule 3

For this example, the fiduciary has reported $5,000 on MI-1041 Schedule 1, line 40.

Beneficiary Identification from Schedule 2	A Federal Distributable Net Income: Type of Income (Dividend, Interest, Rent, etc.)	A: Location (City, State)	A: Amount	B: Percentage of Amount in Column A	C: Allocation of Net Michigan Adjustment (Multiply amount on line 40 by percentage in Column B)
a.	Interest and Rent	Lansing, MI	$2,420	9.4642%	$473
b.	Interest and Rent	Lansing, MI	20,550	80.3676%	4,018
c.	Interest and Rent	Lansing, MI	600	2.3465%	117
41. Fiduciary's Share			2,000	7.8217%	391
42. Total. Include amounts from Form 5680 (if applicable)			$25,570	100%	$5,000

SUBTRACTIONS

Line 35: 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. Include a schedule showing the source of the income from U.S. obligations (Treasury Bonds, Series E bonds, etc.) and the amount of income from each source.

Line 36: Enter income attributable to another state. If there is business income sourced to Michigan and another state, the income must be apportioned using the MI-1040H. Enter the amount from MI-1040H, line 12. Filers with more than one form MI-1040H should combine the amounts from line 12 and enter here. Include a schedule or statement showing the activity and the location. For assistance, see "Michigan Business, Rental & Royalty Activity Worksheet" available on Treasury's website. Income reported on the MI-4797 and carried to the MI-1041D is business income and subject to apportionment, if applicable. The 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 33.)

Salaries, wages, and other compensation for personal services are not business income. 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 14 instructions on page 4.

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.

Line 37: 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 38: Enter any adjustments not taken into account on lines 35 through 37 as a positive number including the following (provide an additional schedule if necessary):

- Gross income subject to Michigan severance tax from the Michigan production of oil and gas or extraction of nonferrous metallic minerals to the extent included in federal taxable income
- Federal gain from MI-4797, line 17
- Michigan loss from MI-4797, line 17
- Income from MI-461, line 9, column F
- Michigan NOL
- If you are a direct or indirect member of a flow-through entity that elected to pay the Michigan flow-through entity tax, subtract your share of a refund of that tax received by that flow-through entity and included in your distributive share. If you apportioned this flow-through income using an MI-1040H, the apportionment percentage from line 8 should be applied to the refund reported by the flow-through entity. To support your credit, include a copy of the *Schedule K-1* with any of the following received from the flow-through entity: *Schedule K-1* notes, *Michigan Flow-through Entity Tax Information for Direct Members* report, *Indirect Share of Michigan Flow-through Entity Tax Information for Direct Members* report, or the same information in any other format. An electing flow-through entity that files a composite return on your behalf should report your subtraction on that composite return (Form 807). Do not report the subtraction here.

Note: Retirement or pension benefits may not be subtracted.

Line 40: Subtract line 39 from line 34. If no income was distributed, enter the amount from line 40 on line 10. Otherwise, complete Schedules 2 and 3.

SCHEDULE 2: Beneficiary Identification

Note: Schedule 2 must be completed if any income is distributed.

Enter in the appropriate column the name, residency status, address, and Social Security number or Federal Employer Identification Number (FEIN) of each beneficiary of the estate or trust for 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 you have more than 4 beneficiaries, continue those entries on the 2024 *Michigan Fiduciary Income Tax Information Continuation Schedule* (Form 5680).

SCHEDULE 3: Allocation of Net Michigan Adjustment for Resident Estates or Trusts

If income is distributed, the net Michigan adjustment for resident estates or trusts from MI-1041, line 40, must be allocated 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, the net Michigan adjustment will be allocated 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 for Completing Schedule 3 above. These percentages may not be the same as the distribution percentages listed in the estate or trust instrument.

Complete column A for all beneficiaries before completing B, then C. If you have more than 4 beneficiaries, continue those entries on the 2024 *Michigan Fiduciary Income Tax Information Continuation Schedule* (Form 5680).

Identify each beneficiary using the lower-case beneficiary identification letter from Schedule 2.

Column A: Enter the distributions reported to each beneficiary on his or her U.S. *Schedule K-1* in the columns provided. Indicate the type of income such as dividends, interest, rents, etc. and include the location of the activity and amount for each. If the income has multiple activity locations enter "various" as the location and provide support detailing the type, locations, and amount, for each. For assistance, you may refer to the "Michigan Business, Rental & Royalty Activity Worksheet." Enter the fiduciary's share on line 42. The total on line 43 should equal the distributable net income reported on U.S. Form *1041, Schedule B*.

Column B: Divide each amount in column A by the total amount on line 43 and enter the percent in column B.

Column C: Multiply the amount on Schedule 1, line 40, by the percentage in column B. Enter the result in column C for each beneficiary and the fiduciary. Carry the fiduciary's share (line 42) to Part 2, line 10. The total on line 43C must equal the amount on Schedule 1, line 40.

SCHEDULE 4 - Capital Gain or (Loss) Distributed to Beneficiaries When Form MI-1041D Is Filed

Complete Schedule 4 if capital gains or losses have been distributed to beneficiaries and MI-1041D was completed.

Identify each beneficiary using the lower-case beneficiary identification letter from Schedule 2.

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

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

Line 44: Enter the total of all beneficiaries' shares in the federal and Michigan columns. This must equal the beneficiaries' amounts reported on U.S. Form *1041 Schedule D* Part III, column (1) or Form MI-1041D, line 15, column C.

Signatures and Declarations

The fiduciary or the officer representing the fiduciary must sign the return. Before mailing the return:

- Verify that all forms are completed using the correct tax year.
- Include all required Michigan attachments.
- The corresponding U.S. Form *1041* and all supporting schedules must also be included.

When You Have Finished

✍ Sign the return

A tax preparer must include the name, address, telephone number of the firm he or she represents, and preparer tax identification number or federal employer identification number. Check the box to indicate if Treasury may discuss your return with your preparer.

The Taxpayer Protection Act requires paid preparers to sign the return and provide his or her preparer tax identification number. Additional information on the Taxpayer Protection Act is available at **www.michigan.gov/taxes.**

A paid preparer must not engage in any fraudulent tax activity. Any concerns related to fraudulent activity of a paid preparer may be reported to the Michigan Department of Treasury, Fraud Unit, P.O. Box 30140, Lansing, MI 48909.

OTHER INFORMATION

For the Fiduciary

The fiduciary must provide a U.S. *Schedule K-1* to each beneficiary. The fiduciary must also provide 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 of the Michigan Income Tax Act.

For the Beneficiary

Both resident and nonresident beneficiaries may have an obligation to file a Michigan income tax return. Refer to the MI-1040 instruction booklet to determine individual filing requirements.

If an MI-1040 is required, include copies of the following:

- U.S. *Schedule K-1* including footnotes and statements.
- The letter received from the fiduciary notifying the beneficiary 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). However, itemized deductions are not an allowable subtraction on the Michigan return.

Michigan follows the federal guidelines regarding the termination of an estate or trust and the treatment of any unused NOL carryover. To be eligible to claim the unused NOL carryover, a copy of the final U.S. Form *1041 Schedule K-1* must be provided.