Attachment 6

2012 Michigan Corporate Income Tax:
Non-Unitary Relationships with Flow-Through Entities

(To report flow-through entities that are unitary with the taxpayer, see Form 4900)

Issued under authority of Public Act 38 of 2011.

A Corporate Income Tax (CIT) taxpayer is unitary with a flow-through entity if the CIT taxpayer owns or controls, directly or indirectly, more than 50% of the voting interests of the flow-through entity, and the parties have business activities that satisfy either a flow of value test or a business integration test.

Taxpayer Name (If Unitary Business Group, Name of Designated Member)	Federal Employer Identification Number (FEIN)
Unitary Business Groups Only: Name of the Unitary Business Group Member Reporting on This Form	Federal Employer Identification Number (FEIN)

A. Flow-Through Entity Name	**B.** FEIN	**C.** Taxpayer's Distributive Share of Flow-Through Entity Income	**D.** Flow-Through Entity Apportionment Percentage	**E.** Taxpayer's Michigan Flow-Through Distributive Income after Apportionment

If more space is needed, include additional copies of Form 4898. Repeat the taxpayer name and FEIN at the top of every copy.

Instructions for Form 4898
Corporate Income Tax: Non-Unitary Relationships with Flow-Through Entities

Purpose

The purpose of this form is to gather information on the distributive share of flow-through income received throughout the tax year by taxpayers or members of a Unitary Business Group (UBG) from directly or indirectly owned flow-through entities (FTEs) that are not unitary with the taxpayer, where the flow-through income received is included in the taxpayers' or UBG member's federal taxable income figure.

General Information

This form is intended to only be used for a CIT taxpayer (or member of UBG) to report the distributive income it received from its interests in FTEs that are not unitary with that taxpayer or UBG. This form must be filed by any taxpayer that has received a distributive share of income from a flow-through entity that the taxpayer is not unitary with. If the taxpayer is a UBG, then each member of the UBG that has received a distributive share of income from a flow-through entity that the UBG is not unitary with. If more space is needed, include additional copies of Form 4898 as needed. Repeat the taxpayer's (or UBG member's) name and FEIN at the top of every copy of Form 4898.

Flow-through entity means an entity that for the applicable tax year is treated as a subchapter S corporation under section 1362(a) of the internal revenue code, a general partnership, a trust, a limited partnership, a limited liability partnership, or a limited liability company, that for the tax year is not taxed as a C corporation for federal income tax purposes.

A flow-through entity is unitary with a taxpayer when that taxpayer owns or controls, directly or indirectly, more than 50% of the ownership interests with voting rights or ownership interests that confer comparable rights to voting rights of the flow-through entity, and that has business activities or operations which result in a flow of value between the taxpayer and the flow-through entity, or between the flow-through entity and another flow-through entity unitary with the taxpayer, or has business activities or operations that are integrated with, are dependent upon, or contribute to each other.

The determination of whether a taxpayer is unitary with a flow-through entity is made at the taxpayer level. If the taxpayer at issue is a UBG, the ownership requirement will be made at the UBG level. So, if the combined ownership of the flow-through entity by the UBG is greater than 50%, then the ownership requirement will be satisfied.

Unitary Business Group means a group of United States persons that are C corporations, insurance companies, or financial institutions, other than a foreign operating entity, that satisfies the control test and relationship test. See the General Instructions in the *CIT Forms and Instructions for Standard Taxpayers* (Form 4890) for more information on UBGs.

NOTE: A flow-through entity owned directly or indirectly by a taxpayer or a member of a UBG may or may not be unitary with a taxpayer or UBG member. This form asks for information only on the flow-through entities that are NOT unitary with the taxpayer or UBG member. For those flow-through entities that are unitary with the taxpayer, use Form 4900.

Line-by-Line Instructions

Lines not listed are explained on the form.

Name and Account Number: Enter name and account number as reported on page 1 of the CIT Annual Return (Form 4891).

Unitary Business Group (UBGs): Complete one form for each member that is a C Corporation (including an entity taxed federally as such). Enter the Designated Member's (DM's) name and FEIN in the Taxpayer Name and FEIN fields and the name and FEIN of the member to whom the schedule applies on the line below.

Column A and B: Identify each flow-through by name and Federal Identification Number or Michigan Treasury (TR) assigned number.

Column C: Enter the total amount of distributive income received from the non-unitary flow-through entity that is included in the taxpayer's or UBG member's federal taxable income. If the taxpayer or UBG member received a distributive loss from the non-unitary flow-through entity that is included in its federal taxable income, enter that loss in this column as a negative. UBG members will enter the amount of distributive income that the member received from each non-unitary flow-through entity. For UBG members using the annual method, the amount received from each non-unitary flow-through entity refers to the annual amount received multiplied by the member's proration percentage, which varies according to the member's number of months reported on the group's tax year. For each UBG member, the sum of all distributive share of flow-through income received and entered on column C shall equal the amount entered on form 4897, line 29.

Tiered Entities: In the event of a tiered entity, enter in this column the distributive share received from a non-unitary flow-through entity in which the taxpayer has an indirect ownership interest. When computing the distributive share of income received from the flow-through entity in which the taxpayer has a direct ownership interest, only enter the direct income of that flow-through entity. This is done by subtracting any distributive shares of income that this flow-through entity received from another flow-through entity.

Example: C-corporation 1 owns 50% of flow-through entity B (FTE B) and FTE B owns 40% of flow-through entity A (FTE A). FTE B received from FTE A a distributive share of income of $20,000. C Corporation 1 received from FTE B a distributive share of income of $100,000. On the line corresponding to FTE A, C Corporation 1 would enter $4,000. This is the indirect distributive share that C Corporation 1 received from FTE A and is calculated by multiplying C Corporation 1's ownership interest in FTE B by the distributive share FTE B received from FTE A:

50% x $20,000 = $10,000

On the line corresponding to FTE B, C Corporation 1 would enter $90,000. This is the distributive share C Corporation 1 received from FTE B less the distributive share C Corporation 1 received from FTE A:

$100,000 - $10,000 = $90,000

NOTE: The sum of the amount in every line on column C (plus, in the case of a UBG, the sum of column C for all other UBG members that filed this form) should equal the amount reported on Form 4891, line 26.

Column D: Enter in this column the non-unitary flow-through entity's apportionment percentage. Enter this amount as a percentage. The non-unitary flow-through entity's apportionment percentage is the flow-through entity's sales factor. The sales factor is a fraction, the numerator of which is the total sales of the flow-through entity in this state during the tax year and the denominator of which is the total sales of the flow-through entity everywhere during the tax year. For more information on what is a sale, see the instructions for the *CIT Annual Return* (Form 4891). Use the information in the "Sourcing of Sales to Michigan" section of the *CIT Forms and Instructions for Standard Taxpayers* (Form 4890) to determine Michigan sales. Enter this amount as a percentage, carrying it out 4 digits to the right of the decimal point (i.e. 12.3456). **Do not enter a percent symbol (%).**

Column E: Enter the non-unitary flow-through distributive income after apportionment by multiplying the amount in column C by the apportionment percentage in column D for every flow-through entity included on this form.

NOTE: The sum of the amount in every line on column D (in the case of a UBG, the sum of column D for all UBG members that filed this form) should equal the amount reported on Form 4891, line 33.

Include completed Form 4898 as part of the tax return filing.