

# 2012 MICHIGAN Annual Flow-Through Withholding Reconciliation Return

Issued under authority of Public Act 38 of 2011.

1. Return is for calendar year 2012 or for tax year beginning:		MM-DD-YYYY		and ending:		MM-DD-YYYY	
2. Name (print or type)				3. Federal Employer Identification Number (FEIN)			
4. Street Address		City		State	ZIP/Postal Code	Country Code	

## PART 1: APPORTIONMENT PERCENTAGES FOR INCOME FROM FLOW-THROUGH ENTITIES

### 5. Apportionment Percentage for C Corporations

a. Michigan sales.....		00
b. Total sales.....		00
c. Apportionment percentage. Divide line 5a by line 5b.....		%

### 6. Apportionment Percentage for Individuals and Trusts

a. Michigan sales (include throwback sales) .....		00
b. Total sales.....		00
c. Apportionment percentage. Divide line 6a by line 6b.....		%

## PART 2: TENTATIVE DISTRIBUTIVE INCOME

If unitary with a corporation, see instructions.

7. Tentative distributive income (see worksheets in instructions).....
8. For column A, opt-out income from Form 4920. For column B, distributive income allocated to resident individuals/trusts .....
9. Net distributive income subject to withholding before apportionment. Subtract line 8 from line 7 .....
10. Net distributive income subject to withholding after apportionment. For column A, multiply line 9 by line 5c. For column B, multiply line 9 by line 6c.....
11. If unitary with a corporation, see instructions .....
12. Tax rate (fiscal filers, see instructions).....
13. Withholding amount to be distributed. For column A, multiply line 12 by line 10 or line 11, as applicable. For column B, multiply line 12 by line 10. If less than zero, enter zero .....
14. **TOTAL WITHHOLDING LIABILITY.** Add line 13, column A, and line 13, column B .....
15. Withholding paid on *FTW Quarterly Return* (Form 4917) for this tax year .....
16. **WITHHOLDING DUE.** If line 15 is less than line 14 enter the amount due with this form, otherwise leave blank and skip to line 20 .....
17. Annual return penalty (see instructions) .....
18. Annual return interest (see instructions) .....
19. **PAYMENT DUE.** Add line 16, line 17 and line 18.....
20. **REFUND.** If line 16 is blank, subtract line 14 from line 15.....

	A. C Corporations	B. Individuals and Trusts
7.	00	00
8.	00	00
9.	00	00
10.	00	00
11.	00	
12.	6%	4.33%/See instr.
13.	00	00
14.		00
15.		00
16.		00
17.		00
18.		00
19.		00
20.		00

<b>Taxpayer Certification.</b> I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.		<b>Preparer Certification.</b> I declare under penalty of perjury that this return is based on all information of which I have any knowledge.	
<input type="checkbox"/> By checking this box, I authorize Treasury to discuss my return with my preparer.		Preparer's PTIN, FEIN or SSN	
Authorized Signature for Tax Matters		Preparer's Business Name (print or type)	
Authorized Signer's Name (print or type)	Date	Preparer's Business Address and Telephone Number (print or type)	
Title	Telephone Number		

**Return is due February 28 or on or before the last day of the 2nd month after the close of the tax year.**

**WITHOUT PAYMENT.** Mail return to: Michigan Department of Treasury, PO Box 30805, Lansing MI 48909

**WITH PAYMENT.** Pay amount on line 19. Mail check and return to: Michigan Department of Treasury, PO Box 30806, Lansing MI 48909

Make check payable to "State of Michigan." Print taxpayer's FEIN, the tax year, and "FTW" on the front of the check. Do not staple the check to the return.

**PART 3: FLOW-THROUGH WITHHOLDING FOR C CORPORATIONS**

21. A.					B.
C Corporation Information					Amount of Withholding to be distributed from line 13A
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End		
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End		
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End		
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End		
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End		
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End		
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End		
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End		
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End		

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# Instruction for Form 4918

## Annual Flow-Through Withholding Reconciliation Return

If more space is needed for Part 3 or Part 4, flow-through entities should go online to [www.michigan.gov/taxes](http://www.michigan.gov/taxes) to print out additional pages. Repeat the flow-through entity FEIN from page one at the top right of each additional page. All pages must be submitted as part of a valid return.

### Purpose

This form is used to calculate the amount of Flow-Through Withholding (FTW) due for the tax year, reconcile this amount with the quarterly payments remitted to the state, and to distribute the entire amount of FTW to the flow-through entity's members.

### General Instructions

**Trusts:** Even though Form 4918 lists trusts as members that are to be withheld on, trusts are not considered to be members of a flow-through entity or flow-through entities for purposes of FTW. Because of this, a trust is not required to be withheld on and is not required to withhold on its beneficiaries.

**FTW on C Corporation and Intermediate Flow-Through Entity Members:** If the allocated or apportioned business income of the flow-through entity is \$200,000 or less for the flow-through entity's tax year, FTW is not required on members that are C Corporations or intermediate flow-through entities. Further, if the flow-through entity received an exemption certificate from a C Corporation member for the tax year, FTW is not required on that member. Complete this form to claim a refund of the amounts paid on behalf of these members.

**This form may not be amended:** When filing this form, the flow-through entity is required to use its "tentative business income" for the tax year. The Department recognizes that this amount potentially will not be known with certainty at the time this form is filed. When filing this form, the flow-through entity is required to use its best estimate of business income based on all available information. If, after this form is filed, the flow-through entity determines that its best estimate of business income was incorrect, the flow-through entity should report that difference to its members. The members, when filing their respective annual returns, will correct the over- or under-withholding created by the over- or understatement of business income.

If the flow-through entity is unitary with a CIT taxpayer, fill out the *Schedule of Unitary Apportionment for Flow-Through Withholding* (Form 4919), and enter the amount from line 5 of Form 4919 on line 11A of this form. Leave lines 5a, 5b, 5c, and 10A blank. For more information on what constitutes a unitary relationship between a flow-through entity and a CIT taxpayer, see the instructions for *Flow-Through Entities that are Unitary with the Taxpayer* (Form 4900).

Parts 3 and 4 of this form distribute the FTW that has been paid by the flow-through entity to the flow-through entity's members. When completing Parts 3 and 4, include only those members whose tax year ends with or within the tax year of the flow-through entity that is filing this return.

### Line-by-Line Instructions

Lines not listed are explained on the form.

**Line 1:** If not a calendar-year flow-through entity, enter the

beginning and ending dates (MM-DD-YYYY) that correspond to the taxable period included in this return.

**Tax year** means the calendar year, or the fiscal year ending during the calendar year, of which the withholding base of a flow-through entity is computed. If a return is made for a part of a year, *tax year* means the period for which the return is made. Generally, a flow-through entity's tax year is for the same period as is covered by its federal income tax return.

**Fiscal Year Flow-Through Entities:** For fiscal years ending in 2012 your FTW tax year will be a short year and will begin January 1, 2012. The first FTW Annual Reconciliation return will only cover business activity that occurs after December 31, 2011.

**Line 2:** Enter the flow-through entity's name.

**Line 3:** Enter the flow-through entity's Federal Employer Identification Number (FEIN). Be sure to use the same account number on all forms.

**NOTE:** The flow-through entity must register for FTW before filing this form. Flow-through entities are encouraged to register online at [www.michigan.gov/business taxes](http://www.michigan.gov/business taxes). Flow-through entities that register with the State online receive their notification of the registration within seven days.

**NOTE:** If the flow-through entity does not have an FEIN, the flow-through entity must obtain an FEIN before filing. Visit Treasury's Business Taxes Web site for more information on obtaining an FEIN.

Returns received without a registered account number will not be processed until such time as a number is provided.

**Line 4:** Enter the flow-through entity's complete address, including the two-digit abbreviation for the country code. See the list of country codes in the *Corporate Income Tax Forms and Instructions for Standard Taxpayers* (Form 4890).

**NOTE:** Any refund and/or correspondence regarding the return filed and/or refund will be sent to the address listed here. The flow-through entity's primary address in Treasury records, identified as the legal address and used for all purposes other than refund and correspondence on a specific FTW return, will not change unless the flow-through entity files a *Notice of Change or Discontinuance* (Form 163).

### PART 1: APPORTIONMENT PERCENTAGES FOR INCOME FROM FLOW-THROUGH ENTITIES

The flow-through entity must only withhold on business activity that is allocated or apportioned to Michigan. A flow-through entity that has not established nexus with one other state or a foreign country at the member level, as explained below, is subject to FTW on its entire business activity. If the flow-through entity is able to apportion its business income, it will be apportioned to Michigan based on sales. For a Michigan-based flow-through entity, all sales are Michigan sales unless the flow-through entity's business activity causes its members to be subject to tax in another state or foreign country.

A flow-through entity will cause its C Corporation and intermediate flow-through entity members to be subject to a tax at the member level in another state or foreign country if the entity's business activity is subject to a business privilege tax, a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, a corporate stock tax; or if the state or foreign country has jurisdiction to subject the flow-through entity's business activity to one or more of the above listed taxes at the member level, regardless of whether the tax is imposed.

A flow-through entity will cause its nonresident individual members to be subject to a tax at the member level in another state or foreign country if the entity's business activity is subject to a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, or a corporate stock tax; or if that state or foreign country has jurisdiction to subject the flow-through entity's business activity to a net income tax at the member level, regardless of whether, in fact, the state does or does not.

**Line 5:** When calculating the sales factor to use for members that are C Corporations or intermediate flow-through entities, *sale or sales* means the amounts received by the flow-through entity as consideration from the following:

- The transfer of title to, or possession of, property that is stock in trade or other property of a kind which would properly be included in the inventory of the flow-through entity if on hand at the close of the tax period, or property held by the flow-through entity primarily for sale to customers in the ordinary course of its trade or business. For intangible property, the amounts received will be limited to any gain received from the disposition of that property.
- Performance of services which constitute business activities.
- The rental, leasing, licensing, or use of tangible or intangible property, including interest, that constitutes business activity.
- Any combination of business activities described above.
- For flow-through entities not engaged in any other business activities, sales include interest, dividends, and other income from investment assets and activities and from trading assets and activities.

Complete the Apportionment Calculation using amounts for the flow-through entity's business activity only. Do not include amounts received from a profits interest in a Partnership, S Corporation, or LLC.

Use the information in the "Sourcing of Sales to Michigan" section in Form 4890 to determine Michigan sales for members that are C Corporations or intermediate flow-through entities.

**Line 5a:** Enter the Michigan sales, as defined for members that are C Corporations or intermediate flow-through entities, that are attributable to the flow-through entity.

**Transportation services that source sales based on revenue miles:** Enter on this line the flow-through entity's total sales, as defined for members that are C Corporations or intermediate flow-through entities, multiplied by the ratio of Michigan revenue miles over revenue miles everywhere as provided in the "Sourcing of Sales to Michigan" chart in Form 4890 for that type of transportation service. Revenue mile means the transportation for consideration of one net ton in weight or one passenger the distance of one mile.

**Line 5b:** Enter the total sales, as defined for members that are C Corporations or intermediate flow-through entities, that are directly attributable to the flow-through entity.

**Transportation services that source sales based on revenue miles:** Enter on this line the total sales, as defined for members that are C Corporations or intermediate flow-through entities, that are directly attributable to the flow-through entity.

**Line 6:** When calculating the sales factor to use for members that are individuals, "*sale or sales*" means all gross receipts of the taxpayer not allocated under IIT sections MCL 206.110 through MCL 206.114. Sale or sales includes gross receipts from sales of tangible property, rental of property, and providing of services that constitute business activity. Exclude all receipts from nonbusiness income.

**NOTE:** Throwback sales for individual income tax follow federal P.L. 86-272 standards. The business must have physical presence in the other state or activity beyond solicitation of sales in order to exclude sales into another state or country from the numerator. The Michigan income tax act definition of "state" includes a foreign country. Therefore, foreign sales are considered Michigan sales unless the business entity is taxable in the foreign country.

Sales of tangible personal property are in this state if:

- The property is shipped or delivered to a purchaser (other than the United States government) within Michigan regardless of the free on board (F.O.B.) point or other conditions of the sale, or
- The property is shipped from an office, store, warehouse, factory or other place of storage in Michigan and the purchaser is the United States government or the taxpayer is not taxable in the state of the purchaser.

Sales other than of tangible personal property are in Michigan if:

- The business activity is performed in Michigan, or
- The business activity is performed both in Michigan and in another state(s), but based on cost of performance, a greater proportion of the business activity is performed in Michigan.

**Line 6a:** Enter the Michigan sales, as defined for members that are individuals, that are attributable to the flow-through entity. Include on this line any "throwback sales" of the flow-through entity.

**Transportation services that source sales based on revenue miles:** Enter on this line the flow-through entity's total sales, as defined for members that are individuals, multiplied by the ratio of Michigan revenue miles over revenue miles everywhere as provided in the "Sourcing of Sales to Michigan" chart in Form 4890 for that type of transportation service. Revenue mile means the transportation for consideration of one net ton in weight or one passenger the distance of one mile.

**Line 6b:** Enter the total sales, as defined for members that are individuals, that are directly attributable to the flow-through entity.

**Transportation services that source sales based on revenue miles:** Enter on this line the total sales, as defined for members that are individuals, that are directly attributable to the flow-through entity.

## PART 2: TENTATIVE DISTRIBUTIVE INCOME

**Line 7:** Because this reconciliation return is required to be filed before the flow-through entity's federal form, Treasury recognizes that this amount will be "tentative." When completing this form,

use the best available information to come up with the most reasonable estimate for business income at the time this form is filed. If it is later determined that the distributive income is different than what was reported on line 7A or 7B, report this difference to the members that have been withheld on. The members can then account for this change when filing the *CIT Annual Return* (Form 4891) if the member is a C Corporation or the *Michigan Individual Income Tax Return* (Form 1040) if the member is an individual. The flow-through entity will not be able to amend this reconciliation return.

Use the Tentative Distributive Income Worksheet below to calculate the flow-through entity's tentative distributive income. Retain a copy of this worksheet for your files.

### Distributive Income Worksheet

Column A is the list of amounts that are added together to total tentative distributive income for C Corporation members that is reported on line 7A of Form 4918. Column B is the list of amounts that are added together to total tentative distributive income for individual members that is reported on line 7B of Form 4918. If the flow-through entity is a partnership or an entity that files federally as a partnership, this information can be found on U.S. Form 1065, Schedule K. If the flow-through entity is an S Corporation or an entity that files federally as an S Corporation, these amounts can be found on U.S. Form 1120S, Schedule K. Enter in column A only the amounts that are attributable to members that are intermediate flow-through entities that have been withheld on or C Corporations (including C Corporations that have opted out of FTW) as reported on the Schedule K-1 that has been issued to each member. Enter in Column B only the amounts that are attributable to members that are individuals — this includes resident and nonresident individuals — as reported on the Schedule K-1 that has been issued to each member.

Distributive Income Categories	A Tentative Distributive Income for C Corporations	B Tentative Distributive Income for Individuals
Ordinary income (loss) from trade or business activity		
Net income (loss) from rental real estate activity		
Net income (loss) from other rental activity		
Portfolio income (loss):		
Interest income		
Dividend income		
Royalty income		
Net short-term capital gain (loss)		
Net long-term capital gain (loss)		
Guaranteed payments *		XXXXXXXX
Net gain (loss) under section 1231		
Other income (loss)		
<b>TOTAL DISTRIBUTIVE INCOME</b> Add all amounts in Column A and carry to Form 4918, line 7A. Add all amounts in Column B and carry to Form 4918, line 7B.		

\* Guaranteed payment as defined under the Internal Revenue Code of 1986 Section 707(c) is determined to be compensation for services rendered or for the use of capital a distributive share of the partnership's profits. The payment, to the extent included in federal adjusted gross income, is characterized as compensation or interest on the individual's return. A nonresident partner is taxed on a guaranteed payment to the extent the payment is includable in federal adjusted gross income and is for compensation received for personal services performed in this State. A guaranteed payment for the use of capital is allocated to the nonresident partner's state of domicile.

Taxpayers and tax professionals are expected to be familiar with uncommon situations within their experience, which produce income not identified by specific lines on the above worksheet, and report that amount on line 7A or 7B, as applicable. Treasury may adjust the figure resulting from the worksheet to account properly for such uncommon situations.

**Line 7A:** Enter on this line the flow-through entity's tentative distributive income that is attributable to members that are intermediate flow-through entities that have been withheld on or C Corporations, including C Corporations that have opted out of FTW.

**Line 7B:** Enter on this line the flow-through entity's tentative distributive income that is attributable to members that are individuals, including individuals that are residents of Michigan.

**Line 8A:** If the flow-through entity received an exemption certificate from one or more C Corporation members, enter on this line the sum of the amounts listed in column C of the *Flow-Through Withholding Opt-Out Schedule* (Form 4920). Attach to this filing a completed Form 4920. Retain the exemption certificates received by the flow-through entity for your records.

Leave this line blank if the flow-through entity did not receive an exemption certificate from a member.

**Line 8B:** Enter on this line the amount of the distributive income reported on line 7B that is allocated to members that are both individuals and Michigan residents.

**Line 9A:** Subtract line 8A from line 7A.

**Line 9B:** Subtract line 8B from line 7B.

**Line 10A:** If unitary with a CIT taxpayer, leave line 10A blank.

**Line 11A:** If the flow-through entity is unitary with a CIT taxpayer, the flow-through entity must complete the *Schedule of Unitary Apportionment for Flow-Through Withholding* (Form 4919). Enter on this line the amount entered on line 5 of Form 4919. Include a completed Form 4919 with this Annual Reconciliation.

If the flow-through entity is unitary with a CIT taxpayer, leave line 10A blank. If the flow-through entity is not unitary with a CIT taxpayer, leave line 11A blank.

For a further explanation of what constitutes a unitary relationship, see the instructions to Form 4900.

**Line 12B:** A flow-through entity with a calendar tax year ending in 2012 will use the tax rate of 4.33 percent. A flow-through entity with a fiscal tax year ending in 2013 will use the tax rate of 4.25 percent.

**Line 13A:** If the flow-through entity is not unitary with a CIT taxpayer, multiply line 12A by line 10A. If the flow-through entity is unitary with a CIT taxpayer, multiply line 12A by line 11A. If less than zero, enter zero.

**NOTE:** The sum of all of the amounts entered on line 21B may not be greater than the amount entered on this line.

**Line 13B:** Multiply line 12B by line 10B. If less than zero, enter zero.

**NOTE:** The sum of all of the amounts entered on line 22E may not be greater than the amount entered on this line.

**Line 15:** Enter the total FTW paid with the *FTW Quarterly Tax*

Return (Form 4917) or the amount paid through Electronic Funds Transfer. Include all payments made that apply to the tax year included in this return. For example, calendar year filers include money paid with the above listed returns for the period of January 1, 2012, through December 31, 2012.

If the flow-through entity filing this return is an intermediate member of a source flow-through entity and has been withheld on by that source flow-through entity, then also enter on this line amounts that have been withheld on this flow-through entity by its source flow-through entity. See the FTW General Instructions for more information on withholding on intermediate flow-through entities.

**Intermediate Flow-Through Entities:** If the flow-through entity completing the Annual Reconciliation is an intermediate member in a tiered structure that has been withheld on by its source flow-through entity, then the intermediate flow-through entity must call the Department at (517) 636-6925 before filing its Annual Reconciliation. This phone call must be made to allow the intermediate flow-through entity to properly claim the amounts that have been withheld on its behalf and to allow it to properly distribute those amounts to its members.

**Line 16:** If the amount entered on Line 15 is less than the amount entered on Line 14, enter the difference on this line. If the amount on Line 15 is greater than the amount entered on Line 14, leave this line blank and skip to Line 20.

**Line 17:** Enter the overdue withholding penalty. Use the following “Overdue Withholding Penalty” worksheet. Refer to the “Computing Penalty and Interest” section in the Flow-Through Withholding Reconciliation Return booklet general instructions to determine the appropriate penalty percentage.

WORKSHEET – OVERDUE WITHHOLDING PENALTY		
A. Withholding due from Form 4918, line 16.....		00
B. Late or insufficient payment penalty percentage.....		%
C. Multiply line A by line B.....		00
Carry amount from line C to Form 4918, line 17.		

**Line 18:** Enter the overdue withholding interest. Use the following “Overdue Withholding Interest” worksheet. Refer to the “Computing Penalty and Interest” section in the Flow-Through Withholding Reconciliation Return booklet general instructions to determine the appropriate penalty percentage.

WORKSHEET – OVERDUE WITHHOLDING INTEREST		
A. Withholding due from Form 4918, line 16.....		00
B. Applicable daily interest percentage ...		%
C. Number of days return was past due ...		
D. Multiply line B by line C .....		%
E. Multiply line A by line D .....		00
Carry amount from line E to Form 4918, line 18.		

**NOTE:** If the late period spans more than one interest rate period, divide the late period into the number of days in each of the interest rate periods identified in the “Computing Penalty and

Interest” section in Form 4890, and apply the calculations in the “Overdue Withholding Interest” worksheet separately to each portion of the late period. Combine these interest subtotals and carry the total to line 18.

**Line 20:** If line 15 is greater than Line 14, subtract Line 14 from Line 15 and enter that amount on this line.

**NOTE:** If an overpayment exists on Line 20, that amount must be refunded to the flow-through entity. The overpayment may not be carried forward to the flow-through entity’s next tax period and may not be distributed to the members of the flow-through entity.

**Reminder:** The flow-through entity must sign and date returns. Preparers must provide a Preparer Taxpayer Identification Number (PTIN), FEIN or Social Security number (SSN), as well as a business name, business address and phone number.

**PART 3: FLOW-THROUGH WITHHOLDING FOR C CORPORATIONS**

**Line 21A:** Enter the name, FEIN, address, and tax year end of each C Corporation or intermediate flow-through entity that the flow-through entity has withheld on during the filing period listed on this return. Also enter on this line the distributive share of tentative business income allocated to the C Corporation or intermediate flow-through entity, before allocation and apportionment, during the filing period listed on this return. The total amount of distributive income entered in this column must equal the amount entered on line 9A.

If the flow-through entity is unitary with a CIT taxpayer, enter that CIT taxpayer first in this part.

**Line 21B:** Enter on this line the amount withheld and reported to this C Corporation or intermediate flow-through entity. The total amount of withholding entered in this column must equal the amount entered on line 13A.

**PART 4: FLOW-THROUGH WITHHOLDING FOR NONRESIDENT INDIVIDUALS**

**Line 22A:** Enter the name of each nonresident individual that was withheld on during the filing period listed on this return.

**Line 22B:** Trusts are not required to be withheld on under FTW. However, if a trust was withheld on, enter an “X” on this line for each trust that was withheld on.

**Line 22C:** Enter the social security number of this nonresident individual. If a trust was withheld on, enter the FEIN of the trust.

**Line 22D:** Enter on this line the distributive share of taxable income allocated to this nonresident individual, before allocation and apportionment, during the filing period listed on this return. The total amount of taxable income entered in this column must equal the amount entered on line 9B.

**Line 22E:** Enter on this line the amount withheld and reported to this nonresident individual. The total amount of withholding entered on this column must equal the amount entered on line 13B.