

Issued under authority of Public Act 38 of 2011.

List every C Corporation (or entity taxed as such), insurance company, or financial institution, with or without nexus, for which the "greater than 50%" ownership test of a Michigan Unitary Business Group (UBG) is satisfied, which is not included on the combined return of standard taxpayers that is supported by this form. Also list every C Corporation (or entity taxed as such), with or without nexus, for which the Affiliated Group Election is applicable for the tax year and which is not included on the combined return of the standard taxpayer that is supported by this form. Using the reason codes for exclusion, listed in the instructions, identify in column D why each entity is not included in the combined return. If any entity listed here is part of a federal consolidated group, attach a copy of U.S. Form 851.

**If more space is needed, include additional copies of Form 4896. Repeat the Designated Member Name and FEIN at the top of every copy.**



# Instructions for Form 4896

## Corporate Income Tax (CIT) Unitary Business Group Affiliates Excluded from the Return of Standard Taxpayers

### Purpose

The purpose of this form is to identify every C Corporation (or entity taxed as such), insurance company, and financial institution that meets the Unitary Business Group (UBG) control test of MCL 206.603(6) or is a member of a group for which the Affiliated Group Election of MCL 206.691(2) is applicable for the tax year but is not included on the group return supported by this form.

### Line-by-Line Instructions

*Lines not listed are explained on the form.*

For guidance on UBGs for the purpose of this form, see the “Supplemental Instructions for Standard Members in UBGs” section in the *CIT Forms and Instructions for Standard Taxpayers* (Form 4890) and the Michigan Department of Treasury Web site at [www.michigan.gov/taxes](http://www.michigan.gov/taxes).

**UBG** means a group of United States persons that are corporations, insurance companies, or financial institutions, other than a foreign operating entity, that satisfies the control test and relationship test. If an *Affiliated Group Election* is made (see instructions for Form 4891), the UBG also includes all members of the affiliated group, as defined in IRC 1504 except that the group includes only U.S. persons (no foreign persons or foreign operating entities) that are corporations, financial institutions or insurance companies that satisfy the control test and have made the election to file as a UBG. Once the election is made, the Affiliated Group members are treated as members of a UBG for all purposes.

**The control test** is satisfied when one of the persons owns or controls, directly or indirectly, more than 50 percent of the ownership interest with voting rights (or rights comparable to voting rights) of the other members.

**The relationship test** is satisfied in one of two ways: The UBG has operations which result in a flow of value between the members in the UBG, or has operations that are integrated with, are dependent upon, or contribute to each other.

*Flow of value* is determined by reviewing the totality of facts and circumstances of business activities and operations.

The purpose of this form is to identify entities for which the ownership test is satisfied, but which are not included on the combined return supported by this form, either because the relationship test is not satisfied or because the entity is excluded by statute. A member whose business activity is not included in the current combined return because its tax year ends after the filing period of the UBG should also be listed here.

**NOTE:** A taxpayer that is a UBG must file a combined return using the tax year of the Designated Member (DM). The combined return of the UBG must include each tax year of each member whose tax year ends with or within the tax year of the DM. For example, Taxpayer ABC is a UBG comprised of three

standard members: Member A, the DM with a calendar tax year, and Members B and C with fiscal years ending March 31 and September 30, respectively. Taxpayer ABC’s tax year is that of its DM.

**Line 1A:** If an entity being listed here is listed on U.S. Form 851, enter the identifying number for that entity that is called “Corp. No.” at the left edge of pages 1, 2, and 3 of U.S. Form 851.

**Line 1D:** Reason codes for affiliates being excluded from the current combined return:

1	Lacks business activities resulting in a flow of value or integration, dependence or contribution to group.*
2	Foreign operating entity.
3	Foreign entity.
4	Member has no CIT tax year (as a member of this UBG) ending with or within this filing period.
5	Insurance company. (Insurance companies always file separately.)
6	Financial institution. (Financial institutions and standard taxpayers generally are not included on the same combined return.)
9	Other.
<b>*NOTE:</b> Reason code number 1 does not apply to a member of an affiliated group that has made the Affiliated Group Election.	

A taxpayer is required to retain records to substantiate the reason(s) for a member’s exclusion from the UBG return.

If you have questions, call Treasury, Technical Services Section, at (517) 636-4230, to discuss an appropriate entry.

**Line 1E:** If this entity has nexus with Michigan, enter an “X” in this box.

**Line 1F:** Enter the entity’s six-digit NAICS code. For a complete list of six-digit NAICS codes, see the U.S. Census Bureau Web site at [www.census.gov/eos/www/naics/](http://www.census.gov/eos/www/naics/), or enter the same NAICS code used when filing the U.S. Form 1120, Schedule K; or U.S. Form 1120S.

**Include completed Form 4896 as part of the tax return filing.**