

# 2014 MICHIGAN Schedule of Unitary Apportionment for Flow-Through Withholding

Issued under authority of Public Act 38 of 2011.

Name of Flow-Through Entity (FTE) filing this form	FTE Federal Employer Identification Number (FEIN)
Name of Corporate Income Tax (CIT) taxpayer that is unitary with this FTE	Unitary CIT Taxpayer FEIN

## PART 1: APPORTIONMENT PERCENTAGES

### 1. Apportionment percentage for the C Corporation that is unitary with this flow-through entity

a. Michigan sales.....	1a.		00
b. Total sales.....	1b.		00
c. Apportionment percentage. Divide line 1a by line 1b.....	1c.		%

### 2. Apportionment percentage for C Corporations that are not unitary with this flow-through entity

a. Michigan sales.....	2a.		00
b. Total sales.....	2b.		00
c. Apportionment percentage. Divide line 2a by line 2b.....	2c.		%

## PART 2: DISTRIBUTIVE BUSINESS INCOME

		A. Unitary C Corporation	B. Non-Unitary C Corps
3. Net Distributive Business Income from Form 4918, line 9A (see instructions)....	3.		00
4. Distributive business income subject to withholding after apportionment. Column A, multiply line 3 by line 1c; column B, multiply line 3 by line 2c.....	4.		00
5. Total distributive business income subject to withholding for C corporations. Add lines 4, column A and column B, and carry to Form 4918, line 14, column A .....	5.		00

# Instruction for Form 4919

## Schedule of Unitary Apportionment for Flow-Through Withholding

### Purpose

To allow a flow-through entity that is unitary with a Corporate Income Tax (CIT) taxpayer to calculate the distributive business income that is subject to Flow-Through Withholding (FTW) for its members that are C Corporations and the CIT taxpayer it is unitary with.

This form will also allow a flow-through entity that withholds on a non-resident individual for purposes of the Individual Income Tax (IIT) who will report income using combined apportionment for unitary flow-through entities to calculate the distributive business income using a combined sales factor.

### Filing When Unitary for CIT or IIT

The entire amount of a Michigan-based flow-through entity's business income is subject to FTW unless the flow-through entity is subject to tax in another state or foreign country. If the flow-through entity is subject to tax in another state or foreign country, then its business income that is subject to FTW is apportioned to Michigan. Generally, if the flow-through entity is subject to tax in another state or foreign country, it will apportion its business income to Michigan using the flow-through entity's sales factor. The flow-through entity's sales factor is a fraction. The numerator is the flow-through entity's sales that have been sourced to Michigan and the denominator is the flow-through entity's total sales.

### Flow-Through Entities Unitary with a CIT Taxpayer

If the flow-through entity is unitary with a CIT taxpayer, then it will use a combined sales factor to apportion the distributive share of business income for that unitary CIT taxpayer. The flow-through entity will be unitary with a CIT taxpayer if:

- The CIT taxpayer owns or controls, directly or indirectly, more than 50 percent of the ownership interest of the flow-through entity with voting rights or ownership interests that confer comparable rights to voting rights and
- The CIT taxpayer and flow-through entity have business activities or operations which result in a flow of value between the CIT 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.

If the unitary requirements are satisfied, then the numerator of the sales factor used to apportion the flow-through entity's business income must include the Michigan sales of the unitary CIT taxpayer, the proportionate share of the Michigan sales of the flow-through entity filing this return, and the proportionate share of the Michigan sales of other flow-through entities that are unitary with the CIT taxpayer and the flow-through entity filing this return. Also, all sales between the CIT taxpayer and the flow-through entities unitary with that CIT taxpayer must be eliminated when calculating the combined sales factor for these entities.

The denominator must include the total sales everywhere of the CIT taxpayer, the proportionate share of the total sales everywhere of the flow-through entity filing this return, and the proportionate share of the total sales everywhere of other flow-through entities that are unitary with the CIT taxpayer and the flow-through entity filing this return.

This combined sales factor can be calculated using the following equations:

**Numerator** = [(CIT taxpayer's ownership percentage of the flow-through entity) x (flow-through entities' Michigan sales – Michigan sales eliminations)] + (CIT taxpayer's Michigan sales – Michigan sales eliminations)

**Denominator** = [(CIT taxpayer's ownership percentage of the flow-through entity) x (flow-through entities' total sales – total sales eliminations)] + (CIT taxpayer's total sales – total sales eliminations)

Ultimately, the apportionment percentage used by the flow-through entity to apportion the distributive shares of business income received by its C Corporation members will be the same apportionment percentage that will be used by that C Corporation when computing its CIT liability. This also means that if the flow-through entity is owned by two C Corporations, one of which is unitary with the flow-through entity, the flow-through entity must use separate sales factors for each C Corporation. This form allows the flow-through entity to apportion its distributive share of business income using these two, separate sales factors.

### Flow-through Entities Withholding on an Individual Who Will Report Income Using Combined Apportionment for Unitary Flow-through Entities

If the flow-through entity withholds on an individual who will report income using combined apportionment for unitary flow-through entities, the flow-through entity filing this return will use a combined sales factor to apportion the distributive share of business income attributable to the individual member. The filer need only use this method when the individual **will** report income using combined apportionment for unitary flow-through entities.

An individual owner of flow-through entities may elect to apportion the business income of its flow-through entities on a separate entity basis or a unitary basis. The individual may elect combined apportionment when the business operations of the flow-through entities show (1) economic realities; (2) functional integration; (3) centralized management; (4) economies of scale; and (5) substantial mutual interdependence. These factors are not exhaustive or exclusive, and the ability to elect combined apportionment will depend on the totality of the circumstances.

If the individual will report income using combined apportionment for unitary flow-through entities, the numerator of the combined sales factor must include the Michigan sales of the flow-through entities for which the individual member

has elected unitary apportionment. The denominator of the combined sales factor must include the total sales everywhere of the flow-through entities for which the individual member has elected unitary apportionment. The flow-through entity withholding on this individual will use the combined apportionment factor to apportion the distributive share of business income attributable to that individual.

## Sales

When calculating the sales factor for members that are C Corporations or intermediate flow through entities, *sale or sales* shall have the same meaning as those terms under the CIT.

When calculating the sales factor for members that are individuals, *sale or sales* means all gross receipts of the taxpayer not allocated under the Individual Income Tax 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 non-business income. For more information on what is a “sale” for either purpose see the instructions for the *Annual Flow-Through Withholding Reconciliation Return* (Form 4918).

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## Line by Line Instructions

**Name and FEIN:** On the first line, enter the name and Federal Employer Identification Number (FEIN) of the flow-through entity that is completing this form.

On the second line enter the name and FEIN of the CIT taxpayer that is unitary with the flow-through entity that is filing this form.

### Part 1: Apportionment Percentages

Use this part to calculate either the combined sales factor to be used to apportion the distributive share of income received by a CIT taxpayer that is unitary with the flow-through entity, **OR**, the combined sales factor to be used to apportion the distributive share of income received by an individual who will report income using combined apportionment for unitary flow-through entities. If the flow-through entity filing this form must calculate a combined sales factor for both CIT and individual purposes, file more than one 4919. If the filer must calculate a combined sales factor for more than one corporate member, or more than one individual who will report income using combined apportionment for unitary flow through entities, file one 4919 per each such member. Do not blend the sales factors.

### Note for Tiered Structures

**For CIT withholding:** If the flow-through entity filing this form (intermediate) earns income as a distributive share from another flow-through entity (source) that is not unitary with the intermediate and a C Corporation member, that income will be apportioned according to the source entity’s sales factor.

**For Individual Withholding:** If the flow-through entity filing this form earns income as a distributive share from another flow-through entity (source) that is not applying the same combined apportionment factor used by the filer, that source income will be apportioned according to the source entity’s sales factor.

To achieve proper apportionment, a subtraction is permitted for the non-unitary source income on line 8 of Form 4918. On that form, income received as a distributive share from a source flow-through entity is subtracted prior to apportionment of the filer’s own tentative distributive income and added back to the total after application of the filer’s apportionment factor. This subtraction preserves the source entity’s sales apportionment as applied to the distributive share income received by the filer from the source entity.

**Line 1a: For a flow-through entity that is unitary with a CIT taxpayer:** Enter on this line the combined Michigan sales of the flow-through entity that is filing this form, the CIT taxpayer that is unitary with the flow-through entity, and all other flow-through entities that are also unitary with the CIT taxpayer and the flow-through filing this form. The Michigan sales used when calculating the unitary sales factor for a CIT taxpayer that is unitary with the flow-through entity includes all of the sales of the CIT taxpayer that are sourced to Michigan and a proportionate amount of the flow-through entity’s sales that have been sourced to Michigan. This can be calculated using the equation for the numerator included above in the General Instructions.

**For a flow-through entity that withholds on an individual who will report income using combined apportionment for unitary flow-through entities:** Enter on this line the combined Michigan sales of the flow-through entities for which the individual member has elected unitary apportionment.

**Line 1b: For a flow-through entity that is unitary with a CIT taxpayer:** Enter on this line the combined total sales of the flow-through entity that is filing this form, the CIT taxpayer that is unitary with the flow-through entity, and all other flow-through entities that are also unitary with the CIT taxpayer and the flow-through filing this form. The total sales used when calculating the unitary sales factor for a CIT taxpayer that is unitary with the flow-through entity includes all of the sales of the CIT taxpayer and a proportionate amount of the flow-through entity’s total sales. This can be calculated using the equation for the denominator included above in the General Instructions.

**For a flow-through entity that withholds on individual who will report income using combined apportionment for unitary flow-through entities:** Enter on this line the combined total sales everywhere of the flow-through entities for which the individual member has elected unitary apportionment.

**Line 2a: For a flow-through entity withholding on a C Corporation or other flow-through entity member:** Enter the Michigan sales that are attributable to the flow-through entity. Do not include any sales that are attributable to the flow-through entity’s members.

**For a flow-through entity withholding on an individual:** 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.

**Line 2b: For a flow-through entity withholding on a C Corporation or other flow-through entity member:** Enter the total sales that are attributable to the flow-through entity. Do not include any sales that are attributable to the flow-through entity’s members.

**For a flow-through entity withholding on an individual:** Enter the total sales everywhere, as defined for members that are individuals, that are attributable to the flow-through entity.

## **Part 2: Distributive Business Income**

Use this part to calculate apportioned distributive income. If the flow-through entity filing this form must calculate the sales factor for both CIT and individual purposes, file more than one 4919. Do not blend the sales factors. Do not combine the calculations in this part.

To the extent a 4919 is calculated for CIT purposes, the results will be carried to Form 4918, Column A, as directed below. To the extent a 4919 is calculated for individual purposes, the results will be carried to Form 4918, Column B, as directed below. Do not combine the calculations in this part.

**Line 3a: For a flow-through entity that is unitary with a CIT taxpayer:** Enter on this line the distributive share of the flow-through entity's business income that is attributable to the CIT taxpayer that is unitary with the flow-through entity or attributable to a flow-through entity that is unitary with a CIT taxpayer and the flow-through entity filing this return. The amount entered on this line combined with the amount entered on line 3b must equal the amount entered on line 9A of Form 4918.

**For a flow-through entity that withholds on an individual who will report income using combined apportionment for unitary flow-through entities:** Enter on this line the distributive share of the flow-through entity's business income that is attributable to the individual who will report income using combined apportionment for unitary flow-through entities. The amount entered on this line combined with the amount entered on line 3b must equal the amount entered on line 9B of Form 4918.

**Line 3b: For a flow-through entity that is unitary with a CIT taxpayer:** Enter on this line the distributive share of the flow-through entity's business income, that is attributable to members that are C Corporations or other flow-through entities that are not unitary with the flow-through entity filing this return. The amount entered on this line combined with the amount entered on line 3a must equal the amount entered on line 9A of Form 4918.

**For a flow-through entity that withholds on an individual who will report income using combined apportionment for unitary flow-through entities:** Enter on this line the distributive share of the flow-through entity's business income that is not entered on line 3a. The amount entered on this line combined with the amount entered on line 3a must equal the amount entered on line 9B of Form 4918.

**Line 4a:** Multiply line 3a by line 1c and enter that amount on this line.

**Line 4b:** Multiply line 3b by line 2c and enter that amount on this line.

**Line 5: For a flow-through entity that is unitary with a CIT taxpayer:** Add line 4a and line 4b. Enter this amount on this line and carry this amount to line 14A of Form 4918.

**For a flow-through entity that withholds on an individual who will report income using combined apportionment for unitary flow-through entities:** Add line 4a and line 4b and subtract the entire amount of personal exemption claimed on individuals. Enter the result of this calculation on line 5 and carry this amount to line 14B of Form 4918. For more information on personal exemption, see the instructions for Form 4918, line 12B.

***Include completed Form 4919 as part of the tax return filing.***