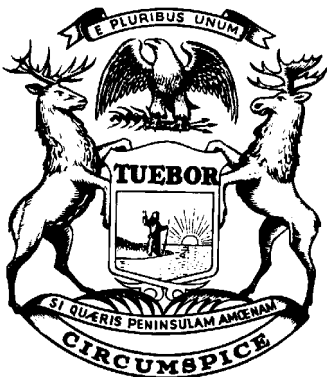
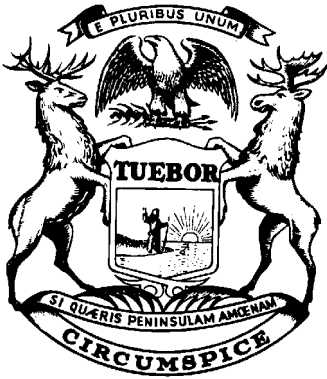


2014 MICHIGAN Flow-Through Withholding

This booklet contains forms and instructions to complete
a Flow-Through Withholding Reconciliation Return
for calendar year 2014 or a fiscal year ending in 2015.



Inside this booklet:

- **Page 2:** General Instructions
- **Page 7:** *Annual Flow-Through Withholding Reconciliation Return* (Form 4918)
- **Page 23:** *Schedule of Unitary Apportionment for Flow-Through Withholding* (Form 4919)
- **Page 29:** *Michigan Flow-Through Withholding Opt-Out Schedule* (Form 4920)

Filing a Return:

- All 2014 Flow-Through Withholding Reconciliation Returns must be paper filed; there is no e-file option.
- If additional forms or form pages are needed, go online to www.michigan.gov/taxes.

Due Date:

- **Calendar Filers:** On or before February 28, 2015.
- **Fiscal Filers:** On or before the last day of the second month after the close of the tax year.

This booklet is intended as a guide to help complete
a Flow-Through Withholding Reconciliation Return.
It does not take the place of law.

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2014 Michigan Flow-Through Withholding Annual Reconciliation

General Instructions

Recent Developments

Public Act (PA) 233 of 2013 creates an exemption from Flow-Through Withholding for a flow-through entity that makes an election to file under the Michigan Business Tax. A flow-through entity is not required to withhold on its corporate members if it has made an election under MCL 208.1500, to continue to file a return and pay the tax imposed by the Michigan Business Tax. This change is retroactive and effective for all tax years beginning after December 31, 2011.

Based on the recently enacted **PA 295 of 2014**, a flow-through entity is not required to file or pay flow-through withholding to the extent that the withholding would violate any of the following:

- (a) Housing assistance payment programs distribution restrictions under 24 CFR part 880, 881, 883, or 891.
- (b) Rural housing service return on investment restrictions under 7 CFR 3560.68 or 3560.305.
- (c) Articles of incorporation or other document of organization adopted pursuant to section 83 or 93 of the state housing development authority act of 1966, 1966 PA 346, MCL 125.1483 and 125.1493.

General Instructions

On January 1, 2012, several changes to the Income Tax Act of 1967 (ITA) went into effect establishing a new withholding requirement for flow-through entities that have members, partners, or shareholders that are C Corporations or other flow-through entities. These changes are in addition to the already existing withholding requirement on flow-through entities with members, partners, or shareholders that are nonresident individuals. Collectively, these withholding requirements are known as Flow-Through Withholding (FTW).

FTW imposes three different withholding requirements on flow-through entities with Michigan business activity based on the types of members of the flow-through entity. These different requirements apply to members that are nonresident individuals, C Corporations, and other flow-through entities.

For purposes of FTW, a “flow-through entity” is an entity that for the tax year is treated as an S Corporation, a general partnership, a limited partnership, a limited liability

partnership, or a limited liability company that is not taxed as a C Corporation for the tax year. “Member,” for purposes of FTW includes a shareholder of an S Corporation; a partner in a general partnership, a limited partnership, or a limited liability partnership; or a member of a limited liability company. A “C Corporation” is an entity that is required to or has elected to file as a C Corporation for federal income tax purposes for its tax year. A “nonresident individual” is an individual that is not a resident of or domiciled in Michigan in the individual’s tax year.

Trusts: For purposes of withholding, trusts are not considered to be flow-through entities or members of flow-through entities. Because of this, a trust is not required to be withheld on and is not required to withhold on its beneficiaries. However, if FTW is done for a trust for the tax year, enter amounts in Column B, “individuals.”

Exception: Grantor trusts that are disregarded entities for tax purposes. The flow-through entity is required to withhold directly on the individual “grantor” if that individual is a nonresident individual.

Completing Michigan Forms

Treasury captures the information from paper FTW returns using an Intelligent Character Recognition process. If completing a paper return, avoid unnecessary delays caused by manual processing by following the guidelines below so the return is processed quickly and accurately.

- **Use black or blue ink.** Do not use pencil, red ink, or felt tip pens. Do not highlight information.
- **Print using capital letters** (UPPER CASE). Capital letters are easier to recognize.
- **Print numbers like this:** 0123456789. Do not put a slash through the zero (Ø) or seven (7).
- **Fill check boxes with an [X].** Do not use a check mark [✓].
- **Leave lines/boxes blank** if they do not apply or if the amount is zero, unless otherwise instructed.
- **Do not enter data in boxes filled with Xs.**
- **Do not write extra numbers, symbols, or notes on the return,** such as cents, dashes, decimal points (excluding percentages), or dollar signs, unless otherwise instructed.

Enclose any explanations on a separate sheet unless instructed to write explanations on the return.

- **Date format, unless otherwise specified, should be in the following format:** MM-DD-YYYY. Use dashes (-) rather than slashes (/).
- **Enter phone numbers using dashes** (e.g., 517-555-5555); do not use parentheses.
- **Stay within the lines** when entering information in boxes.
- **Report losses and negative amounts with a negative sign in front of the number (do not use parentheses).** For example, a loss in the amount of \$22,459 should be reported as -22,459.
- **Percentages should be carried out four digits to the right of the decimal point.** Do not round percentages. For example, 24.154266 percent becomes 24.1542 percent. When converting a percentage to a decimal number, carry numbers out six digits to the right of the decimal point. For example, 24.154266 percent becomes 0.241542.
- **Report all amounts in whole dollars.** Round down amounts of 49 cents or less. Round up amounts of 50 cents or more. If cents are entered on the form, they will be treated as whole dollar amounts.

General FTW Requirements

Withholding on nonresident individual members. Every flow-through entity with business activity in Michigan must withhold on every member that is a nonresident individual. This withholding is done at the Individual Income Tax (IIT) rate on the distributive share of taxable business income reasonably expected to accrue, after allocation or apportionment, to the nonresident. A flow-through entity will withhold on its nonresident individual members at the rate of 4.25 percent.

Withholding on C Corporation members. A flow-through entity with business activity in Michigan that reasonably expects to accrue more than \$200,000 in apportioned or allocated business income for the tax year must withhold on the distributive share of each member that is a C Corporation at the Corporate Income Tax (CIT) rate of 6 percent.

Withholding on intermediate flow-through entity members. A flow-through entity (source flow-through entity) with business activity in Michigan that reasonably expects to accrue more than \$200,000 in apportioned or allocated business income for the tax year must also withhold on the distributive share of each member that is a flow-through entity (intermediate flow-through entity) at the CIT rate of 6 percent.

However, the source flow-through entity may withhold at the IIT rate instead of the CIT rate if it is able to identify the ultimate member of the intermediate flow-through entity as a nonresident individual. The source flow-through entity is not required to withhold if it is able to identify the ultimate member of the intermediate flow-through entity as a resident individual.

An intermediate flow-through entity that has no business income sourced to Michigan other than business income received from a source flow-through entity will not have to pay additional withholding and will be credited with any FTW payments made on its behalf by the source flow-through entity.

This flow-through entity will, however, be required to file the Form 4918 to distribute to its members the FTW payments received from the upper-tier source flow-through entity.

Filing, Payment, and Reporting Requirements

A flow-through entity that is required to withhold on its members must file *Flow-Through Withholding Quarterly Return* (Form 4917) and pay the withholding due on a quarterly basis. A flow-through entity that is required to withhold must also file, in addition to the quarterly returns, a Form 4918. A flow-through entity that is an intermediate member of a source flow-through entity must also file a Form 4918 to distribute the amounts that have been withheld on its behalf unless the source flow-through entity has already distributed the withholding by disclosing the ultimate taxpayers on its own Annual Reconciliation. A flow-through entity that remits FTW or files a Form 4918 must be registered with the Michigan Department of Treasury (Treasury) for FTW in order for those payments to be properly applied and for its returns to be properly processed.

Reporting Withholding to Members

If the flow-through entity both reports a withholding liability on Form 4918, line 17, and has paid FTW to the state on either Form 4917 or Form 4918, then that flow-through entity must report several things to the members on whose behalf it has submitted payment(s).

The flow-through entity may use any method to report the necessary information to its members. Treasury recommends that the flow-through entity provide this information to its members as a supplemental attachment to the member's federal Schedule K-1. Any method will be acceptable so long as the following information is conveyed to the member:

- FEIN of the flow-through entity
- Tax year of the flow-through entity
- FTW paid on behalf of that member
- Member's tentative distributive share of the flow-through entity's business income
- Flow-through entity's sales that have been sourced to Michigan
- Flow-through entity's total sales
- Flow-through entity's gross receipts in its tax year.

NOTE: If the flow-through entity will be filing a *Composite Individual Income Tax Return* (Form 807), then it must instead report to members that participate in the composite filing the:

- FEIN of the flow-through entity
- Tax year of the flow-through entity
- Tax paid by the flow-through entity on behalf of the member
- Member's tentative distributive share of the flow-through entity's business income
- Flow-through entity's sales that have been sourced in Michigan
- Flow-through entity's total sales.

Members that are C Corporations are not eligible to participate in a composite filing. For more information on filing Composite Income Tax Returns and who may be a participant, please see the instructions to Form 807.

In a tiered structure, if a source flow-through entity files a Form 4918 and is distributing withholding to another flow-through entity (intermediate) for which it intends to file an individual income tax Composite return on behalf of, as stated above, that source flow-through entity must only report to the intermediate member the share of tax paid on the Composite, not the withholding paid. If withholding is claimed on a Composite return for an intermediate flow-through entity, that same income and withholding should not be reported by the intermediate flow-through entity on the intermediate's Form 4918, and should not be distributed to the intermediate's members.

NOTE: The flow-through entity may have different amounts of sales to report to its corporate and intermediate flow-through entity members than it will for its nonresident individual members.

If the flow-through entity did not have a withholding liability the flow-through entity should claim a refund of tax paid and there will be no FTW payments for the flow-through entity to distribute to its members.

Flow-Through Withholding for Members That Are Corporations or Other Flow-Through Entities

Business Income

Business income for purposes of withholding on a member that is a corporation or an intermediate flow-through entity will be governed by the same rules as those contained in the CIT. However, because FTW is concerned with the business income of flow-through entities and not corporations, business income for flow-through entities is further defined to include payments and items of income and expense that are attributable to business activity of the flow-through entity and separately reported to its members. The distributive share of business income of a flow-through entity is subject to FTW even if it is not actually distributed or paid to the member.

Business Income Threshold

To be required to withhold on members that are corporations or other flow-through entities the flow-through entity must first reasonably expect to have more than \$200,000 of total business income in the tax year after allocation and apportionment. For purposes of calculating this threshold, the flow-through entity will apportion its business income using its sales factor.

Apportionment

To apportion its business income for a member that is a corporation and for an intermediate flow-through entity, the source flow-through entity will use the apportionment rules included in the CIT. The CIT includes two apportionment rules that are relevant for FTW.

The general rule provides that a flow-through entity that has members that are corporations or intermediate flow-through entities will apportion the business income distributed to those

members using its own sales factor. For more information on the general apportionment formula for members that are C Corporations or intermediate flow-through entities, please see the instructions to Line 5 of Form 4918.

A different apportionment rule applies if the flow-through entity is unitary with a CIT taxpayer. For more information on what constitutes a unitary relationship and on the combined unitary apportionment percentage, please see the instructions for Form 4919.

If the source flow-through entity is able to ascertain that the ultimate members of an intermediate flow-through entity are nonresident individuals, then the source flow-through entity may withhold directly on the distributive share of those ultimate members. To be able to do this, the flow-through entity must know the name and social security number of these nonresident individuals. This information will be needed when the flow-through entity files its Form 4918. If the flow-through entity is able to ascertain the ultimate members to be nonresident individuals then it will use the provisions included in the IIT to calculate the distributive share of business income of the ultimate members and apportion that amount. These provisions are explained below and in the instructions to Form 4918.

Flow-Through Withholding for Members That Are Nonresident Individuals

Business Income

Income flowing through to a member of a flow-through entity is business income and is subject to the allocation and apportionment provisions of the IIT as discussed below. This income is referred to as the member's distributive share of business income. The distributive share of business income of a flow-through entity is subject to FTW even if it is not actually distributed or paid to the member.

Portfolio income from a flow-through entity is business income and is subject to allocation or apportionment. Portfolio income includes interest income, dividend income, royalty income, and net short-term and long-term capital gain (loss) from federal Schedule D Capital Gains and Losses. Resident or nonresident individual taxpayers having portfolio income from a flow-through entity with business activity in multiple states must allocate or apportion this income in the same manner as all other business income from the flow-through entity.

Apportionment

The business income of a flow-through entity is apportioned to Michigan using a single sales factor. When determining which sales are to be included in the sales factor for nonresident individual members, the flow-through entity will use the sales sourcing provisions within the IIT section of the Michigan ITA. For more information on the single-factor sales apportionment formula, please see the instructions to Line 6 of Form 4918. For more information on apportionment when a nonresident individual member of a flow-through entity makes the election to use combined apportionment, see Form 4919.

It should be noted that the computation of the sales factor is not the same for IIT as it is for the Michigan Business Tax (MBT) or the CIT. Most notably, IIT requires throwback sales to be included in the sales factor. When computing the sales factor, throwback sales for IIT follow Public Law (PL) 86-272 standards. The MBT and the CIT do not require throwback sales be included in the numerator of the taxpayer's sales factor.

Exemptions from Flow-Through Withholding

Flow-Through Entities That Are Exempt

Publicly Traded Partnerships and disregarded entities are not required to withhold on their members under FTW. For purposes of FTW, "publicly traded partnership" means that term as defined under Section 7704 of the Internal Revenue Code. This exemption from the requirements of FTW applies to publicly traded partnerships that are treated as corporations as well as those that are treated as partnerships under IRC 7704(c). An entity is disregarded for purposes of FTW if it is a disregarded entity for federal income tax purposes.

Nonresident Individual Exemptions

A flow-through entity is not required to withhold on a nonresident individual member if:

- The income available for distribution consists entirely of income exempt from IIT
- The aggregated income available for distribution of all nonresident individual members is less than \$1,000 for the quarter.

MBT Election Exemption

A flow-through entity is not required to withhold on a member that elects to file and pay the MBT.

Opt-Out Exemption

A C Corporation and other flow-through entity members of a flow-through entity are able to exempt the flow-through entity from the FTW requirements by filing an exemption certificate with the flow-through entity. If an exemption certificate is received by the flow-through entity then the flow-through entity is entirely exempt from the FTW requirements pertaining to that member for the entire tax year. This is true no matter when the flow-through entity receives the exemption certificate, so long as the flow-through entity receives the exemption certificate within the tax year.

To qualify for this exemption, the member must provide the flow-through entity with an exemption certificate. The *Certification of Exemption for Flow-Through Withholding Payments* (Form 4912) is available on Treasury's Web site. Do not file this form with Treasury. However, the exemption certificate may be any document created by the C Corporation member that is signed by a person that is authorized to sign on behalf of the C Corporation member and states that the C Corporation member will:

- File the returns required under the CIT or FTW, whichever is applicable.
- Pay or withhold the tax due under the CIT or FTW on the

distributive share of the business income received from any flow-through entity in which the corporation or flow-through entity is a member.

- Submit to the taxing jurisdiction of Michigan for purposes of collecting the tax due under the CIT or FTW and the associated penalty and interest with respect to the distributive share of the business income of that member.

The member does not have to file a copy of the exemption certificate with Treasury and the flow-through entity does not have to attach a copy of the exemption certificate to its Form 4918. However, the member and the flow-through entity must retain a copy of the exemption certificate and Treasury may request that the exemption certificate be made available.

Treasury maintains the right to revoke an exemption certificate if it finds that the member or flow-through entity is not abiding by the terms of the certificate or the exemption requirements as explained above. If an exemption certificate is revoked, Treasury will notify the flow-through entity that it must begin to withhold on the member's distributive share of business income under FTW within 60 days of that notice.

For more information on the Opt-Out Exemption, see the *Michigan Flow-Through Withholding Opt-Out Schedule* (Form 4920).

Computing Penalty and Interest

Annual returns filed late or without sufficient payment of the tax due are subject to a penalty of 5 percent of the tax due, for the first two months. Penalty increases by an additional 5 percent per month, or fraction thereof, after the second month, to a maximum of 25 percent.

The following chart shows the interest rate that applies to each filing period. A new interest rate is set at 1 percent above the adjusted prime rate for each six-month period.

Beginning Date	Rate	Daily Rate
January 1, 2014	4.25%	0.0001164
July 1, 2014	4.25%	0.0001164
January 1, 2015	4.25%	0.0001164

For a complete list of interest rates, see the Revenue Administrative Bulletins on Treasury's Web site at www.michigan.gov/treasury.

Signing the Return

All returns must be signed and dated by the taxpayer or the taxpayer's authorized agent. This may be the owner, partner, corporate officer, or association member. The corporate officer may be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign the corporation's tax return.

If someone other than the above prepared the return, the preparer must give his or her business address and telephone number, as well as the Preparer Tax Identification Number (PTIN).

Print the name of the authorized signer and preparer in the appropriate area on the return.

Assemble the returns and attachments (in sequence order) and staple in the upper-left corner. (Do not staple a check to the return.)

IMPORTANT REMINDER: Failure to include all the required forms and attachments will delay processing and may result in reduced or denied refund or a bill for tax due.

Mailing Addresses

Mail the annual return and all necessary schedules to:

With payment:

Michigan Department of Treasury
PO Box 30806
Lansing MI 48909

Without payment:

Michigan Department of Treasury
PO Box 30805
Lansing MI 48909

Make all checks payable to “State of Michigan.” Print taxpayer’s Federal Employer Identification Number (FEIN), the tax year, and “FTW” on the front of the check. Do not staple the check to the return.

Correspondence

Address changes and business discontinuance can be reported by using the *Notice of Change or Discontinuance* (Form 163), which can be found at www.michigan.gov/treasuryforms.

Mail correspondence to:

Michigan Department of Treasury
Customer Contact Division — FTW Unit
PO Box 30769
Lansing MI 48909

To Request Forms

Internet

Current and past year forms are available on Treasury’s Web site at www.michigan.gov/treasuryforms.

Alternate Format

Printed material in an alternate format may be obtained by calling (517) 636-6925.

TTY

Assistance is available using TTY through the Michigan Relay Center by calling 1-800-649-3777 or 711.

2014 MICHIGAN Annual Flow-Through Withholding Reconciliation Return

Issued under authority of Public Act 38 of 2011.

MM-DD-YYYY		MM-DD-YYYY	
1. Return is for calendar year 2014 or for tax year beginning:		and ending:	
2. Taxpayer 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

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.....
8. Subtractions (see instructions).....
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. Allocated/apportioned income from another Flow-Through Entity.....
12. Personal exemption amount
13. For column A, add line 10 and line 11; for column B, add line 10 and line 11,
and subtract line 12
14. If unitary, see instructions
15. Tax rate
16. Multiply line 15 by line 13 or line 14, as applicable.
If less than zero, enter zero
17. **TOTAL WITHHOLDING LIABILITY.** Add line 16, column A, and line 16, column B
18. Withholding paid on *FTW Quarterly Returns* (Form 4917) for this tax year.....
19. Withholding paid on your behalf by another flow-through (see instructions)
20. Total withholding paid. Add line 18 and line 19.....
21. **WITHHOLDING DUE.** Subtract line 20 from line 17. If less than zero, leave blank.....
22. Annual return penalty (see instructions)
23. Annual return interest (see instructions)
24. **PAYMENT DUE.** If line 21 is blank, go to line 25. Otherwise, add lines 21, 22 and 23
25. Overpayment. Subtract lines 17, 22 and 23 from line 20. If less than zero, leave blank and see instr. .
26. Amount from line 25 to be distributed to members.....
27. **REFUND.** Subtract line 26 from line 25.....

	A. C Corporations	B. Individuals
7.	00	00
8.	00	00
9.	00	00
10.	00	00
11.	00	00
12.		00
13.	00	00
14.	00	00
15.	6%	4.25%
16.	00	00
17.		00
18.		00
19.		00
20.		00
21.		00
22.		00
23.		00
24.		00
25.		00
26.		00
27.		00

Taxpayer Certification. I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.		Preparer Certification. 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		

PART 3: FLOW-THROUGH WITHHOLDING FOR C CORPORATIONS

28. A.					B.
C Corporation Information					Amount of Withholding to be Distributed
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End (MM-DD-YYYY)		
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End (MM-DD-YYYY)		
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End (MM-DD-YYYY)		
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End (MM-DD-YYYY)		
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End (MM-DD-YYYY)		
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End (MM-DD-YYYY)		
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End (MM-DD-YYYY)		
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End (MM-DD-YYYY)		
Business Name				FEIN	
Address				Tent. Distributive Share Bus. Income	
City	State	ZIP/Postal Code	Tax Year End (MM-DD-YYYY)		

[illegible]

PART 5: SOURCE OF FLOW-THROUGH WITHHOLDING PAID ON YOUR BEHALF BY ANOTHER TIER

30. A. Source Tier Information				B. Allocated/Appportioned Income from Line 11	C. Amount of Withholding Paid on Your Behalf
Business Name					
Address					
City			State		
ZIP/Postal Code	FEIN	Tax Year End (MM-DD-YYYY)			
Business Name					
Address					
City			State		
ZIP/Postal Code	FEIN	Tax Year End (MM-DD-YYYY)			
Business Name					
Address					
City			State		
ZIP/Postal Code	FEIN	Tax Year End (MM-DD-YYYY)			
Business Name					
Address					
City			State		
ZIP/Postal Code	FEIN	Tax Year End (MM-DD-YYYY)			
Business Name					
Address					
City			State		
ZIP/Postal Code	FEIN	Tax Year End (MM-DD-YYYY)			
Business Name					
Address					
City			State		
ZIP/Postal Code	FEIN	Tax Year End (MM-DD-YYYY)			
Business Name					
Address					
City			State		
ZIP/Postal Code	FEIN	Tax Year End (MM-DD-YYYY)			

Instructions for Form 4918

Annual Flow-Through Withholding Reconciliation Return

If more space is needed for Parts 3, 4 or 5, flow-through entities should go online to 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.
NOTE: A Form 4918 that is missing both Part 3 and Part 4 is incomplete and unprocessable, and will be rejected. Include one, or the other, or both, as dictated by the nature of the members.

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. This form should be used by any flow-through entity that withholds amounts for purposes of the Individual Income Tax (IIT) or Corporate Income Tax (CIT) for the tax year; whether source or intermediate flow-through entity.

NOTE: Under Public Act 233 of 2013, a flow-through entity that has made a valid election to file Michigan Business Tax (MBT) for the current tax year is not subject to flow-through withholding with respect to its members that are C Corporations.

General Instructions

Trusts: For purposes of withholding, trusts are not considered to be flow-through entities or members of flow-through entities. Because of this, a trust is not required to be withheld on and is not required to withhold on its beneficiaries. However, if FTW is done for a trust for the tax year, enter amounts in Column B, "individuals."

Exception: Grantor trusts that are disregarded entities for tax purposes. The flow-through entity is required to withhold directly on the individual "grantor" if that individual is a nonresident individual.

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 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.

For a flow-through entity that had \$200,000 or less in annual business income after allocation or apportionment to Michigan, but withheld on members that are C Corporations or other flow-through entities: Skip line 5 and Column A, lines 7 through 17 and enter the amount withheld on line 18. Complete Form 4918 from this point. Also complete Line 6 and Column B where applicable.

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.

Parts 3 and 4 of this form distribute the FTW to the flow-through entity's members. Part 5 of this form records the FTW paid by source flow-through entities in a tiered structure that distribute income and withholding to the flow-through entity filing this form.

When completing Parts 3 and 4, include only those members that have been withheld on and only if the flow-through entity's tax year ends with or within the tax year of that member. When completing Part 5, include only source flow-through entities that withheld on the flow-through entity filing this form.

Filing When Unitary for CIT or IIT

For a flow-through entity that is unitary with a CIT taxpayer: If the flow-through entity filing this form 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 14A of this form. Leave lines 5a, 5b, 5c, and 10A of this form blank. For more information on what constitutes a unitary relationship between a flow-through entity and a CIT taxpayer, see the instructions for Form 4919.

Flow-through Entities Withholding on an Individual Who Will Report 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 if certain criteria are met. If the flow-through entity filing this form withholds on an individual owner who will report income using combined apportionment for unitary flow-through entities, the filer of this form will use a combined sales factor to apportion the distributive share of business income attributable to the individual member.

A flow-through entity filing this form that withholds on an individual who will report income using combined apportionment for unitary flow-through entities, must fill out Form 4919, using the instructions provided with that form. Enter the amount from line 5 of Form 4919, minus available personal exemptions, on line 14B of this form. Leave lines 6a, 6b, 6c, and 10B and 12B of this form blank. The filer need only use this method when the individual **will** report

income using combined apportionment for unitary flow-through entities. **For more information on withholding for an individual who will report income using combined apportionment for unitary flow-through entities see the instructions for Form 4919.**

Due Dates of Annual Returns

The Flow-Through Withholding annual return is due on or before the last day of the second month after the end of the tax year. For example, a return for calendar year 2014 is due February 28, 2015. A return for a fiscal year ending June 30, 2015 is due August 31, 2015.

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. The 2013 form should be used for the 2013 calendar year or a fiscal year ending in 2014.

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. 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

NOTE: Percentages should be carried out four digits to

the right of the decimal point. Do not round percentages. For example, 24.154266 percent becomes 24.1542 percent. When converting a percentage to a decimal number, carry numbers out six digits to the right of the decimal point. For example, 24.154266 percent becomes 0.241542. **Do not enter a percent symbol (%).**

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 Michigan 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 so tax.

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.

Use the information in the “Sourcing of Sales to Michigan” section in the *Corporate Income Tax Forms and Instructions for a Standard Taxpayer* (Form 4890) to determine Michigan sales for members that are C Corporations or intermediate flow-through entities.

Entities unitary with one or more C corporation members: Leave lines 5a through 5c blank and continue to line 7.

Entities not unitary with one or more C Corporation members: Complete line 5 using amounts for the flow-through entity’s business activity only.

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.

NOTE: Only transportation services are sourced using revenue miles. To the extent the taxpayer has business activities or revenue streams not from transportation services, those receipts should be apportioned accordingly.

Line 5b: Enter the total 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 total sales, as defined for members that are C Corporations or intermediate flow-through entities, that are 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 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 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 of tangible personal property 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.

If the flow-through entity filing this form withholds on a non-resident individual who will report income using combined apportionment for unitary flow-through entities: Leave lines 6a through 6c blank and continue to line 7. **Otherwise,** complete line 6 using the sales that are attributable to the flow-through entity.

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 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) or *Michigan Composite Individual Income Tax Return* (Form 807) if the member is an individual. The flow-through entity is not permitted to amend this reconciliation return.

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

Line 7 and the worksheet should account for total tentative distributive income, including, where applicable, distributive share income of a source entity that distributed withholding directly to the filer instead of the filer's members on an *Annual Flow-Through Withholding Reconciliation Return* (Form 4918).

NOTE: For a flow-through entity that had \$200,000 or less in annual business income after allocation or apportionment to Michigan but withheld on members that are C corporations or other flow-through entities, skip line 5 and Column A, lines 7 through 17 and enter the amount withheld on line 18. Complete Form 4918 from this point. Also complete line 6 and Column B where applicable.

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. Do not report amounts in column A if the flow-through entity had \$200,000 or less in annual business income after allocation or apportionment to Michigan and did not withhold on members that are C corporations or other flow-through entities. 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)		
TOTAL DISTRIBUTIVE INCOME 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.		

COLUMN A

Business income means federal taxable income. For CIT purposes, federal taxable income means taxable income as defined in IRC § 63, except that federal taxable income shall be calculated as if section 168(k) (bonus depreciation for qualified property) and section 199 (qualified production activities deduction) were not in effect. For a tax-exempt taxpayer, business income means only that part of federal taxable income (as defined for CIT purposes) derived from unrelated business activity.

COLUMN B

* 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 and is not considered to be 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. For nonresident individual members, no adjustments for "bonus depreciation" or the domestic production activities deduction are required.

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 preceding 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 total tentative distributive income that is attributable to members that are flow-through entities or C Corporations; including C Corporations that have opted out of FTW. Also include, where applicable, distributive share income of a source entity that distributed withholding directly to the filer instead of the filer's members.

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. Also include, where applicable, distributive share income of a source entity that distributed withholding directly to the filer.

Line 8A: Enter as a positive number the sum of the following amounts:

- Income received by the flow-through entity filing this form (intermediate) as a distributive share from another flow-through entity (source) that is not unitary with the intermediate and another C corporation member. In a tiered structure, 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. Thus, 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 the filer's apportionment. This subtraction preserves the source entity's sales apportionment as applied to the distributive share income received by the filer from the source entity. Note that this subtraction applies only if the intermediate flow-through entity is not unitary with the source and the C corporation taxpayer, **plus**,

- The sum of the amounts listed in column C of the *Flow-Through Withholding Opt-Out Schedule* (Form 4920), if the flow-through entity received an exemption certificate from one or more members. Include with this filing a completed Form 4920. Retain the exemption certificates received by the flow-through entity for your records.
- This entity's allocable share of income from a source flow-through entity that has a valid election for the current year to file Michigan Business Tax (MBT).

Line 8B: Enter as a positive number, the sum of the following:

- The amount of the distributive share income reported on line 7B from the flow-through entity filing this return and from a source flow-through entity that is allocated to members that are both individuals and Michigan residents, plus,
- Income received by the filer as a distributive share from a source flow-through entity to the extent that income is allocated to nonresident individual members, unless the source flow-through entity will apply the same combined apportionment factor which will be used by the filer of this form.

Line 9: Subtract line 8A from line 7A and subtract line 8B from line 7B. This line represents the net distributive income subject to withholding which will be apportioned using the filer's apportionment factor.

Line 10A: If unitary with a CIT taxpayer, leave line 10A blank. This amount is calculated on Form 4919 and brought into Form 4918 on line 14.

Line 10B: If the flow-through entity filing this form withholds on an individual who will report income using combined apportionment for unitary flow-through entities, leave line 10B blank. This amount is calculated using Form 4919 and brought into Form 4918 on line 14.

Line 11A: Enter on this line, apportioned or allocated income received as a distributive share from a source flow-through entity, **to the extent that the income was subtracted on line 8A**. The amount entered on this line may not be greater than the amounts entered in Part 5, line 30B, to the extent the amounts entered there were withheld by a source on behalf of a C Corporation or other flow-through member of a the flow-through entity filing this form.

Line 11B: Enter on this line, **to the extent that the income was subtracted on line 8B**, apportioned or allocated income received as a distributive share from a source flow-through entity to the extent the distributive share income is attributable to members that are non-resident individuals and the source flow-through entity did not apply the same combined apportionment factor as the filer of this form. This process of subtraction and addition preserves the source entity's sales apportionment factor as applied to the distributive share income received by the filer from the source entity. The amount entered on this line may not be greater than the amounts entered in Part 5, line 30B, to the extent the amounts entered there were withheld by a source on behalf of a non-resident individual member of a the flow-through entity filing this form.

Line 12B: If the flow-through entity filing this form does not withhold on an individual who is an owner of unitary flow-

through entities, enter as a positive number the amount of personal exemption claimed on individuals. A flow-through entity may deduct the same proportion of the total amount of personal and dependency exemptions that its nonresident individual members would be entitled to deduct on a *Michigan Individual Income Tax Return* (MI-1040). Please note that these exemptions should only be taken one time throughout multiple levels of income in a tiered structure situation.

The amount of personal exemption available must be deducted after allocation or apportionment. Therefore, if the flow-through entity filing this form withholds on any **individual who will report income using combined apportionment for unitary flow-through entities**, leave line 12B blank. This amount is calculated using the instructions to Form 4919. The result is then brought into Form 4918 on line 14B.

Line 13A: Add lines 10 and 11. This is total net distributive income after apportionment but before application of the unitary apportionment factor for flow-through entities that are unitary with the CIT taxpayer.

Line 13B: Add lines 10 and 11 and subtract line 12. If less than zero, enter zero. This is total net distributive income after apportionment, less allowable personal exemptions.

Line 14A: If the flow-through entity is unitary with the CIT taxpayer, the flow-through entity must complete Form 4919. Enter on this line the amount entered on line 5 of Form 4919 **plus** any amount reported on line 11A of Form 4918. Include a completed Form 4919 with this Annual Reconciliation. If the flow-through entity is not unitary with a CIT taxpayer, leave line 14A blank.

Line 14B: If the flow-through entity filing this form withholds on an individual who will report income using combined apportionment for unitary flow-through entities, the flow-through entity must complete Form 4919. Enter on this line the amount entered on line 5 of Form 4919 **plus** any amount reported on line 11B of Form 4918 and **minus** the entire amount of personal exemption claimed on individuals. If the flow-through entity must complete Form 4919, line 12B of the 4918 must be blank. Include a completed Form 4919 with this Annual Reconciliation.

If the flow-through entity does not withhold on an individual who will report income using combined apportionment for unitary flow-through entities, leave line 14B blank.

For a further explanation of what constitutes a unitary relationship, see the instructions to Form 4919.

Line 16A: If the flow-through entity is not unitary with the CIT taxpayer, multiply line 15A by line 13A. If the flow-through entity is unitary with the CIT taxpayer, multiply line 15A by line 14A. If less than zero, enter zero. The sum of all of the amounts entered on line 28B may be equal or greater (when line 26 is greater than zero) than the amount entered on this line.

Line 16B: If the flow-through entity does not withhold on an individual who will report income using combined apportionment for unitary flow-through entities, multiply line 15B by line 13B. If the flow-through entity withholds on an individual who will report income using combined apportionment for unitary flow-through entities, multiply line

15B by line 14B. The sum of all of the amounts entered on line 29E may be equal or greater (when line 26 is greater than zero) than the amount entered on this line.

Line 18: 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, consider an FTE partnership with a June 30 year end and a taxpayer that has a March 31 year end and is an owner of the FTE. The FTE will make quarterly FTW payments in April 2014 (for its quarter ending March 31) and July 2014 (for its quarter ending June 30), and will file an annual FTW reconciliation return (Form 4918) for its year ending June 30, 2014. Because the FTE's tax year ends within the taxpayer's 2014-15 fiscal year, all the FTW payments for that taxpayer are attributable to the taxpayer's 2014-15 fiscal year, regardless of the dates of the quarterly payments. Any flow-through entity that has withheld on behalf of the taxpayer should have provided the taxpayer with the amount for its records.

Line 19: If the flow-through entity filing this return is an intermediate member of a source flow-through entity and has been withheld on by a source flow-through entity, enter on this line amounts that have been withheld on this flow-through entity by its source flow-through entity. The sum of all of the amounts entered in Part 5, line 30C, may not be greater than the amount entered on this line.

Line 21: If the amount entered on Line 20 is less than the amount entered on Line 17, enter the difference on this line. If the amount on Line 20 is greater than the amount entered on Line 17, leave this line blank and continue to line 22.

Line 22: 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 21		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 22.

Line 23: 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 21		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 23.

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 23.

Line 25: If the amount of tax overpayment is less than zero, enter the difference as a positive number on line 24. This means the filer does not have an overpayment but owes more withholding. If the amount of tax overpayment is positive, that amount may either be refunded to the flow-through entity or distributed to the members of the flow-through entity, at the filer's election. The overpayment may not be carried forward to the flow-through entity's next tax period.

Line 26: Enter amount of overpayment from line 25 to be distributed to the members of the flow-through entity. Note that overpayment amounts to be distributed to members must be accounted for in Parts 3 and 4.

Line 27: Enter amount to be refunded to the flow-through entity filing this form.

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

NOTE: A Form 4918 that is missing both Part 3 and Part 4 is incomplete and unprocessable, and will be rejected. Include one, or the other, or both, as dictated by the nature of the members.

Line 28A: 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 business income entered in this column A must be equal to (or greater than, if line 26 is greater than zero) 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.

NOTE: If the C Corporation owner's address is outside the United States, include the name of the country immediately after the name of the city, separated by a comma, in the City field.

Line 28B: 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 be equal or greater than the amount entered on line 16A.

PART 4: FLOW-THROUGH WITHHOLDING FOR NONRESIDENT INDIVIDUALS

NOTE: A Form 4918 that is missing both Part 3 and Part 4 is incomplete and unprocessable, and will be rejected. Include one, or the other, or both, as dictated by the nature of the members.

Line 29A: Enter the name of each nonresident individual that was withheld on during the filing period listed on this return.

Line 29B: 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 29C: Enter the social security number of this nonresident individual. If a trust was withheld on, enter the FEIN of the trust.

Line 29D: 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 D must be equal to (or greater than, if line 26 is greater than zero) the amount entered on line 9B.

Line 29E: Enter on this line the amount withheld and reported to this nonresident individual. The total amount of withholding entered in this column must be equal or greater than the amount entered on line 16B.

PART 5: SOURCE OF FLOW-THROUGH WITHHOLDING PAID ON YOUR BEHALF BY ANOTHER TIER

Line 30A: Enter the name, FEIN, address, and tax year end of each source flow-through entity that withheld on the flow-through entity filing this return. If the flow-through entity is unitary with the source flow-through entity and the CIT taxpayer, enter those source flow-through entities first in this list.

If the flow-through entity withholds on an individual who will report income using combined apportionment for unitary flow-through entities, and the source flow-through entity is one of those unitary entities, enter those source flow-through entities first in this list.

NOTE: If the source entity’s address is outside the United States, include the name of the country immediately after the name of the city, separated by a comma, in the City field.

Line 30B: Enter on this line the allocated or apportioned distributive share of income distributed by the source flow-through entity to the filer and added to the withholding amount to be distributed on line 11 of this return. The total amount of allocated or apportioned distributive share income entered in this column must be equal to or greater than the sum of amounts entered on lines 11A and 11B. (See the instructions for line 11A and line 11B.)

Line 30C: Enter on this line amounts withheld by the source flow-through entity on behalf of the filer and entered on line 19 of this return. The total amount withheld on behalf of the filer and entered in this column must equal the amount entered on line 19 of this return.

Mailing Addresses

Mail the annual return and all necessary schedules to:

With payment:

Michigan Department of Treasury
PO Box 30806
Lansing MI 48909

Without payment:

Michigan Department of Treasury
PO Box 30805
Lansing MI 48909

Make all checks payable to “State of Michigan.” Print taxpayer’s Federal Employer Identification Number (FEIN), the tax year, and “FTW” on the front of the check. Do not staple the check to the return.

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).

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.

2014 Michigan Flow-Through Withholding Opt-Out Schedule

Issued under authority of Public Act 38 of 2011 and PA 15 of 2013.

Flow-Through Entity (FTE) Name	FTE Federal Employer Identification Number (FEIN)
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A Member Information			B FEIN	C Tentative Distributive Share of Taxable Income
Name				
Address				
City	State	ZIP/Postal Code		
Name				
Address				
City	State	ZIP/Postal Code		
Name				
Address				
City	State	ZIP/Postal Code		
Name				
Address				
City	State	ZIP/Postal Code		
Name				
Address				
City	State	ZIP/Postal Code		
Name				
Address				
City	State	ZIP/Postal Code		
Name				
Address				
City	State	ZIP/Postal Code		
Name				
Address				
City	State	ZIP/Postal Code		
Name				
Address				
City	State	ZIP/Postal Code		

If more space is needed, include additional copies of Form 4920. Repeat the taxpayer name and FEIN at the top of every copy.

Instructions for Form 4920

Michigan Flow-Through Withholding Opt-Out Schedule

If more space is needed, flow-through entities should go online to www.michigan.gov/taxes to print additional pages. Repeat the flow-through entity Name and FEIN at the top of each page. All pages must be submitted as part of a valid return.

Purpose

To report the members of the flow-through entity that have submitted an exemption certificate to the flow-through entity that relieved the flow-through entity of its obligation to withhold on those members.

For purposes of this form, *member* means a flow-through entity's C corporation or other flow-through entity members. The term excludes non-resident individuals.

General Instructions

Enter on this form each member of a flow-through entity that has submitted an exemption certificate to the flow-through entity. If more space is needed to report all of the members that have submitted exemption certificates, include additional copies of Form 4920. Include at the top of each Form 4920 the name and Federal Employer Identification Number (FEIN) of the flow-through entity.

Flow-through entities that are unitary with a CIT taxpayer:

If the flow-through entity has received an exemption certificate from a CIT taxpayer that is unitary with the flow-through entity, enter the information for that CIT taxpayer first. If more than one copy of Form 4920 is required, only list the CIT taxpayer that the flow-through entity is unitary with once, on the first Form 4920 that is filed.

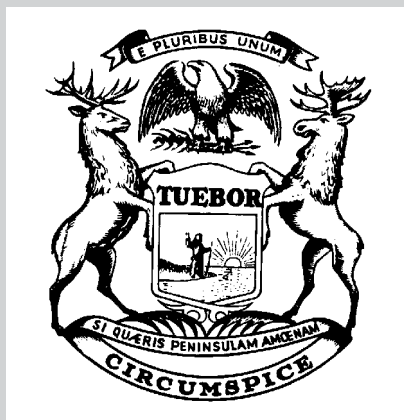
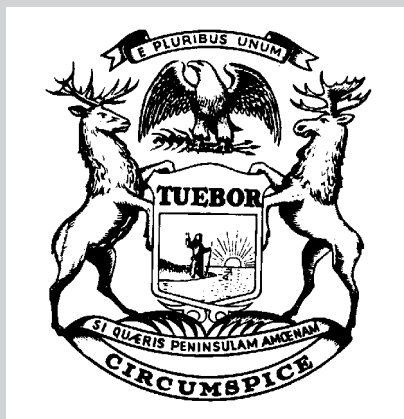
Column by Column Instructions

Column A: Enter the name, address, city, state, and ZIP code of the member as it is entered on the exemption certificate submitted by the member.

Column B: Enter the member's FEIN as it appears on the exemption certificate submitted by the member.

Column C: Enter the member's share of the flow-through entity's tentative distributive share of taxable income.

Include completed Form 4920 as part of the tax return filing.



2014 MICHIGAN Flow-Through WITHHOLDING

This booklet contains forms and instructions to complete a Flow-Through Withholding Reconciliation Return for calendar year 2014 or a fiscal year ending in 2015.

Inside this booklet:

This booklet contains the following forms: *Annual Flow-Through Withholding Reconciliation Return* (Form 4918); *Schedule of Unitary Apportionment for Flow-Through Withholding* (Form 4919); and *Michigan Flow-Through Withholding Opt-Out Schedule* (Form 4920).

Filing a Return:

All 2014 Flow-Through Withholding Reconciliation Returns must be paper filed; there is no e-file option. If additional forms or form pages are needed, go to www.michigan.gov/taxes.

Due Date:

Calendar Filers — On or before February 28, 2015.

Fiscal Filers — On or before the last day of the second month after the close of the tax year.