

# 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	00
13.	00	00
14.	00	00
15.	6%	4.25%
16.	00	00
17.	00	00
18.	00	00
19.	00	00
20.	00	00
21.	00	00
22.	00	00
23.	00	00
24.	00	00
25.	00	00
26.	00	00
27.	00	00

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

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

28.	A. C Corporation Information	B. Amount of Withholding to be Distributed
	Business Name <span style="float: right;">FEIN</span>	
	Address <span style="float: right;">Tent. Distributive Share Bus. Income</span>	
	City <span style="float: right;">State</span> <span style="float: right;">ZIP/Postal Code</span> <span style="float: right;">Tax Year End (MM-DD-YYYY)</span>	
	Business Name <span style="float: right;">FEIN</span>	
	Address <span style="float: right;">Tent. Distributive Share Bus. Income</span>	
	City <span style="float: right;">State</span> <span style="float: right;">ZIP/Postal Code</span> <span style="float: right;">Tax Year End (MM-DD-YYYY)</span>	
	Business Name <span style="float: right;">FEIN</span>	
	Address <span style="float: right;">Tent. Distributive Share Bus. Income</span>	
	City <span style="float: right;">State</span> <span style="float: right;">ZIP/Postal Code</span> <span style="float: right;">Tax Year End (MM-DD-YYYY)</span>	
	Business Name <span style="float: right;">FEIN</span>	
	Address <span style="float: right;">Tent. Distributive Share Bus. Income</span>	
	City <span style="float: right;">State</span> <span style="float: right;">ZIP/Postal Code</span> <span style="float: right;">Tax Year End (MM-DD-YYYY)</span>	
	Business Name <span style="float: right;">FEIN</span>	
	Address <span style="float: right;">Tent. Distributive Share Bus. Income</span>	
	City <span style="float: right;">State</span> <span style="float: right;">ZIP/Postal Code</span> <span style="float: right;">Tax Year End (MM-DD-YYYY)</span>	
	Business Name <span style="float: right;">FEIN</span>	
	Address <span style="float: right;">Tent. Distributive Share Bus. Income</span>	
	City <span style="float: right;">State</span> <span style="float: right;">ZIP/Postal Code</span> <span style="float: right;">Tax Year End (MM-DD-YYYY)</span>	
	Business Name <span style="float: right;">FEIN</span>	
	Address <span style="float: right;">Tent. Distributive Share Bus. Income</span>	
	City <span style="float: right;">State</span> <span style="float: right;">ZIP/Postal Code</span> <span style="float: right;">Tax Year End (MM-DD-YYYY)</span>	
	Business Name <span style="float: right;">FEIN</span>	
	Address <span style="float: right;">Tent. Distributive Share Bus. Income</span>	
	City <span style="float: right;">State</span> <span style="float: right;">ZIP/Postal Code</span> <span style="float: right;">Tax Year End (MM-DD-YYYY)</span>	



**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				

# 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](http://www.michigan.gov/taxes) to print out additional pages. Repeat the flow-through entity FEIN from page one at the top right of each additional page. **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](http://www.michigan.gov/business taxes). Flow-through entities that register with the State online receive their notification of the registration within seven days.

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

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

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

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

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

**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)		
<b>TOTAL DISTRIBUTIVE INCOME</b> Add all amounts in Column A and carry to Form 4918, line 7A. Add all amounts in Column B and carry to Form 4918, line 7B.		

#### 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**

<b>A.</b> Withholding due from Form 4918, line 21 .....		<b>00</b>
<b>B.</b> Late or insufficient payment penalty percentage .....		<b>%</b>
<b>C.</b> Multiply line A by line B.....		<b>00</b>

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**

<b>A.</b> Withholding due from Form 4918, line 21 .....		<b>00</b>
<b>B.</b> Applicable daily interest percentage .....		<b>%</b>
<b>C.</b> Number of days return was past due .....		
<b>D.</b> Multiply line B by line C .....		<b>%</b>
<b>E.</b> Multiply line A by line D .....		<b>00</b>

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.