

2016 MICHIGAN Annual Flow-Through Withholding Reconciliation Return

Issued under authority of Public Act 38 of 2011.

1. Return is for calendar year 2016 or for tax year beginning before 07-01-2016 on:

| | | | | | |
|----------------------------------|------|-------------|--|--------------|------------|
| | | MM-DD-YYYY | | | MM-DD-YYYY |
| | | 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 (FTEs)

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 an owner, 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 FTE.....
- 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 FTE (must complete and include Part 5; 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 and Intermediate FTEs | 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 |

| | | | |
|---|------------------|---|--|
| 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 OWNERS THAT ARE C CORPORATIONS AND INTERMEDIATE FTES

| 28. | A. C Corporation and FTE Information | B. 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) | |

PART 5: SOURCE OF FLOW-THROUGH INCOME ALLOCATED, OR WITHHOLDING PAID, BY ANOTHER TIER

Carry the sum of all amounts entered in Column C to Part 2, line 19. If entering an amount in line 19, Part 5 must be completed and included with the return.

| 30. A. Source Tier Information | B. Allocated/Appportioned Income | 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 Federal Employer Identification Number (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 (FTE's) members. This form should be used by any FTE **with a tax year beginning before July 1, 2016**, that withholds amounts for purposes of the Individual Income Tax (IIT) or Corporate Income Tax (CIT) for the tax year; whether source or intermediate FTE.

NOTE: Under Public Act 233 of 2013, an FTE 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.

NOTE: Under PA 158 of 2016, Flow-Through Withholding is no longer required for FTEs with tax years beginning after June 30, 2016. Treasury will no longer support the processing of forms or withholding payments for FTEs with tax years beginning after that date. For FTEs with tax years beginning before July 1, 2016, a full year's withholding payments and annual return should be paid and filed.

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 FTE is required to withhold directly on the individual "grantor" if that individual is a nonresident individual.

Withholding on nonresident individual members. For tax years that begin before July 1, 2016, very 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. For tax years that begin before July 1, 2016, an FTE 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 FTE members (tiered structures). For tax years that begin before July 1, 2016, an FTE (a source FTE) 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 FTE is **not** required to withhold on its members under the following circumstances:

- The intermediate FTE's tax year begins after June 30, 2016. In this case, the FTE should not file any quarterly or annual Flow-Through Withholding returns. If any source FTE withheld on behalf of that intermediate FTE, information should be reported through every tier of FTE until it reaches the ultimate owner/taxpayer that is eligible to claim the withholding on a CIT or IIT return. See "What is the overall structure of the Flow-Through Withholding process" for a list of the required information.
- The intermediate FTE's tax year begins before July 1, 2016, and it has no business income sourced to Michigan, other than business income from a source FTE. Although the FTE is not required to pay withholding on behalf of its members, this FTE is required to file an Annual Flow-Through Withholding Reconciliation Return (Form 4918) in order to "push through" the source withholding to the ultimate owner/taxpayers. Information about each FTE in the tiered structure should be reported to the ultimate owner/taxpayer.
- Publicly traded partnerships, as defined under Internal Revenue Code 7704(b), and entities that are disregarded for federal tax purposes are not required to withhold on their members under Flow-Through Withholding.

For an FTE 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 FTE 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 FTE is required to use its best estimate of business income based on all available information. If, after this form is filed, the FTE determines that its best estimate of business income was incorrect, the FTE 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 FTE'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 FTE filing this form.

When completing Parts 3 and 4, include only those members that have been withheld on and only if the FTE'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 FTE filing this form.

Filing When Unitary for CIT or IIT

For an FTE that is unitary with a CIT taxpayer: If the FTE 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 an FTE 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 FTE 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.

An FTE 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 2015 is due February 29, 2016. A return for a fiscal year ending June 30, 2016 is due August 31, 2016.

Under PA 158 of 2016, no Flow-Through Withholding returns are due for tax years beginning after June 30, 2016.

Line-by-Line Instructions

Lines not listed are explained on the form.

Line 1: If not a calendar-year FTE, enter the beginning and ending dates (MM-DD-YYYY) that correspond to the taxable period included in this return. The period included on this return must begin before July 1, 2016.

Tax year means the calendar year, or the fiscal year ending during the calendar year, of which the withholding base of an FTE 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, an FTE'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 FTE's name.

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

NOTE: The FTE must register for FTW before filing a this return. Taxpayers are encouraged to register online at www.michigan.gov/businesstaxes. Taxpayers that register with Treasury online receive their registration confirmation within seven days.

NOTE: If the FTE does not have an FEIN, the FTE must obtain an FEIN before filing. To obtain an FEIN, go to www.irs.gov and enter "apply for an EIN" in the search field.

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

Line 4: Enter the FTE'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 FTE'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 FTE files a *Notice of Change or Discontinuance* (Form 163).

FOREIGN FILERS: Complete the address fields as follows:

Address: Enter the postal address for this taxpayer.

City: Enter the city name for this taxpayer. DO NOT include the country name in this field.

State: Enter the two-letter state or province abbreviation. If there is no applicable two-letter abbreviation, leave this field blank.

ZIP/Postal Code: Enter the ZIP Code or Postal Code.

Country Code: Enter the two-letter country code provided in this tax booklet.

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 to whole numbers. 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 FTE must only withhold on business activity that is allocated or apportioned to Michigan. An FTE 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 FTE is able to apportion its business income, it will be apportioned to Michigan based on sales. For a Michigan-based FTE, all sales are Michigan sales unless the FTE's business activity causes its members to be subject to tax in another state or foreign country.

An FTE will cause its C Corporation and intermediate FTE 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 FTE's business activity to one or more of the above listed taxes at the member level, regardless of whether the tax is imposed.

An FTE 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 FTE'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 FTE 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 FTE if on hand at the close of the tax period, or property held by the FTE 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 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 FTE'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 FTE.

Transportation services that source sales based on revenue miles: Enter on this line the FTE'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 FTE.

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 FTE.

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 FTE 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 FTE.

Line 6a: Enter the Michigan sales, as defined for members that are individuals, that are attributable to the FTE. Include on this line any “throwback sales” of the FTE.

Transportation services that source sales based on revenue miles: Enter on this line the FTE’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 FTE.

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 FTE.

PART 2: TENTATIVE DISTRIBUTIVE INCOME

If unitary with an owner, see “Filing When Unitary for CIT or IIT” earlier in these instructions.

Line 7: Because this reconciliation return is required to be filed before the FTE’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* (MI-1040) or *Michigan Composite Individual Income Tax Return* (Form 807) if the member is an individual. The FTE is not permitted to amend this reconciliation return.

Use the following Tentative Distributive Income Worksheet to calculate the FTE’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 an FTE with a tax year beginning before July 1, 2016, 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 FTE 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 FTE 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 FTE 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.

| | A Tentative Distributive Income for C Corporations | B Tentative Distributive Income for Individuals |
|---|--|---|
| Tentative Distributive Income for C Corporations and Other FTEs | | |
| 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 FTE'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.

NOTE: If a source FTE withheld on behalf of an intermediate FTE with a tax year beginning after June 30, 2016, that intermediate FTE should not file this form, not even to report or "push through" source FTE income and withholding. Instead, that intermediate FTE should report information about itself and the source FTE, including owners' shares of the withholding the source entity paid, through tiers to the ultimate owner/taxpayers. See "Reporting Withholding to Members" in booklet 5014 for more information.

Line 7B: Enter on this line the FTE'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.

NOTE: If a source FTE withheld on behalf of an intermediate FTE with a tax year beginning after June 30, 2016, that intermediate FTE should not file this form, not even to report or "push through" source FTE income and withholding. Instead, that intermediate FTE should report information about itself and the source FTE, including owners' shares of the withholding the source entity paid, through tiers to the ultimate owner/taxpayers. See "Reporting Withholding to Members" in booklet 5014 for more information.

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

- Income received by the FTE filing this form (intermediate) as a distributive share from another FTE (source) that

is not unitary with the intermediate FTE and another C corporation member. In a tiered structure, if the FTE filing this form (intermediate) earns income as a distributive share from another FTE (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 FTE 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 FTE 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 FTE received an exemption certificate from one or more members. Include with this filing a completed Form 4920. Retain the exemption certificates received by the FTE for your records.
- This entity's allocable share of income from a source FTE that has a valid election for the current year to file MBT.
- Distributive income that would lead to withholding that is in violation of distribution restrictions under certain federal and state housing programs. See "Exemption Where Withholding Violates Distribution Restrictions" in the "Exemptions from Flow-Through Withholding" section of the *Flow-Through Withholding Instruction Booklet* (Form 5014).

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 FTE filing this return and from a source FTE 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 FTE to the extent that income is allocated to nonresident individual members, unless the source FTE 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 FTE 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 FTE that is not unitary with the filer and the filer's owner, **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.

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 FTE to the extent the distributive share income is attributable to members that are non-resident individuals and the source FTE 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.

Line 12B: If the FTE 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. An FTE 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 an 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 FTE 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 carried to 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 FTE is unitary with the CIT taxpayer, the FTE 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 FTE is not unitary with a CIT taxpayer, leave line 14A blank.

Line 14B: If the FTE filing this form withholds on an individual who will report income using combined apportionment for unitary flow-through entities, the FTE 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 FTE must complete Form 4919, line 12B of the 4918 must be blank. Include a completed Form 4919 with this Annual Reconciliation.

If the FTE 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 FTE is not unitary with the CIT taxpayer, multiply line 15A by line 13A. If the FTE 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 to or greater than (when line 26 is greater than zero) the amount entered on this line.

Line 16B: If the FTE 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 FTE 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 (EFT). Include all payments made that apply to the tax year included in this return. For example, consider an FTE partnership with a December 31, 2016 year end and its owner/taxpayer with a June 30, 2017 year end. The FTE will make quarterly FTW payments by April 15, 2016, July 15, 2016, October 15, 2016, and January 15, 2017, and will file an annual FTW reconciliation return (Form 4918) for its year ending December 31, 2016 by February 28, 2017. Because the FTE’s tax year ends within the owner/taxpayer’s 2016-2017 tax year, all the FTW payments on behalf of that owner/taxpayer are attributable to the owner/taxpayer’s 2016-2017 fiscal year, regardless of the dates of the quarterly payments.

Line 19: If the FTE filing this return is an intermediate member of a source FTE and has been withheld on by a source FTE, enter on this line amounts that have been withheld on this FTE by its source FTE. 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 FTE or distributed to the members of the FTE, at the filer’s election. The overpayment may not be carried forward to the FTE’s next tax period.

Line 26: Enter amount of overpayment from line 25 to be distributed to the members of the FTE. 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 FTE filing this form.

Reminder: The FTE 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 will be rejected. Include Part 3, Part 4, 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 FTE that the FTE 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 FTE, 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 FTE is unitary with a CIT taxpayer, enter that CIT taxpayer first in this part.

NOTE FOR COMPLETING PART 3: 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 FTE. 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 will be rejected. Include Part 3, Part 4, 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: PART 5: SOURCE OF FLOW-THROUGH INCOME ALLOCATED, OR WITHHOLDING PAID, BY ANOTHER TIER

Line 30A: Enter the name, FEIN, address, and tax year end of each source FTE from which this filer (an intermediate FTE) earned a distributive share. If the FTE withholds on an owner that will report using combined apportionment, and the source FTE is one of those unitary entities, enter those source FTEs first in this list.

NOTE FOR COMPLETING PART 5: 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 FTE to the filer. 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 FTE 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 FEIN, the tax year, and “FTW” on the front of the check. Do not staple the check to the return.