

2012 MICHIGAN Corporate Income Tax Data on Unitary Business Group Members

Issued under authority of Public Act 38 of 2011.

Complete a separate copy of this schedule for each standard taxpayer member of the UBG, with or without nexus.

1. Designated Member Name				2. Designated Member FEIN	
3. Member Name				4. Member FEIN	
5. Member Street Address				6. <input type="checkbox"/> Check if a special sourcing formula for transportation services was used in the sourcing of Sales to Michigan.	
City	State	ZIP/Postal Code	Country Code		
7. Federal tax period Included in return (MM-DD-YYYY).....		Beginning	Ending	9. <input type="checkbox"/> Check if Nexus with Michigan.	
8. If part-year member, enter membership dates (MM-DD-YYYY).....				10. NAICS Code	

Business and Capital Loss Carryforward

11. Available CIT business loss carryforward from previous period's CIT return. Enter as a positive number	11.		00
12. Carryback or carryover of capital loss	12.		00

Member Proration

13. Proration Percentage (see instructions)	13.		%
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Sales and Gross Receipts

14. Michigan sales. (If no Michigan sales, enter zero.)	14.		00
15. Michigan sales eliminations (see instructions)	15.		00
16. Total sales.....	16.		00
17. Total sales eliminations (see instructions).....	17.		00
18. Gross Receipts (see instructions).....	18.		00

Member Business Income

19. Federal taxable income from U.S. Form 1120.....	19.		00
20. Domestic production activities deduction based on IRC § 199 reported on U.S. Form 8903, to the extent deducted from federal taxable income	20.		00
21. Miscellaneous (see instructions)	21.		00
22. Adjustments due to decoupling of Michigan depreciation from IRC § 168(k). If adjustment is negative, enter as negative:			
a. Net bonus depreciation adjustment..... 22a.			00
b. Gain/loss adjustment on sale of an eligible depreciable asset..... 22b.			00
c. Add lines 22a and 22b. If negative, enter as negative.....	22c.		00
23. Business Income. Add lines 19, 20, 21 and 22c. If negative, enter as negative	23.		00

Additions to Business Income

24. Interest income and dividends derived from obligations or securities of states other than Michigan.....	24.		00
25. Taxes on or measured by net income	25.		00
26. Any carryback or carryover of a federal net operating loss (enter as a positive number).....	26.		00
27. Royalty, interest, and other expenses paid to a related person that is not a UBG member of this taxpayer	27.		00
28. Miscellaneous (see instructions)	28.		00

Subtractions from Business Income

29. Income from Non-Unitary Flow-Through Entities (Enter loss as a negative; attach Form 4898; see instructions).....	29.		00
30. Dividends and royalties received from persons other than U.S. persons and foreign operating entities	30.		00
31. Interest income derived from United States obligations	31.		00
32. Miscellaneous (see instructions)	32.		00

Payments

33. Overpayment credited from prior period return (MBT or CIT)	33.		00
34. Estimated Tax Payments	34.		00
35. Flow-Through Withholding Payments.....	35.		00
36. Tax Paid with Request for Extension	36.		00

Instructions for Form 4897

Corporate Income Tax (CIT) Data on Unitary Business Group Members

IMPORTANT NOTE: In May 2013, the Michigan Department of Treasury introduced instruction revisions affecting taxpayers filing a 2012 Corporate Income Tax return. The changes have been noted with a gray highlight.

Purpose

The purpose of this form is to gather tax return data on a separate basis for each standard member included in the combined return.

Refund Only: If combined apportioned or allocated gross receipts of all members (before eliminations) is less than \$350,000 and the taxpayer is filing the *CIT Annual Return* (Form 4891) solely to claim a refund of payments made, the *CIT Unitary Business Group Affiliates Excluded from the Return of Standard Taxpayers* (Form 4896), if applicable, and Form 4897 also must be included. The designated member must complete a separate copy of Form 4897 for each member of the Unitary Business Group (UBG), and one copy of Form 4896 if applicable. See Form 4891 for instructions on completing that form.

Member information from Form 4897 will be totaled and carried to Form 4891 of the UBG's return. For more information, see the Form 4891 instructions.

Fiscal Year Filers: See "Supplemental Instructions for Standard Fiscal MBT Filers" in the *Corporate Income Tax Forms and Instructions for Standard Taxpayers* (Form 4890).

General Information About UBGs in CIT

For information on determining the existence of a UBG, see the General Instructions in the *CIT Forms and Instructions for a Standard Taxpayer* (Form 4890), in the section titled "Determining the Existence and Membership of a UBG"

Line-by-Line Instructions

NOTE: The Designated Member (DM) also must complete a copy of Form 4897 using its own data.

NOTE: A member that does not file a separate federal return (e.g., a member that also is a member of a federal consolidated group) must prepare a pro forma federal return or equivalent schedule and use it as the basis for preparing its portion of the CIT return.

NOTE: If the UBG is using the annual method, enter answers based on the member's full 2011-2012 federal tax year, multiplied by the member's proration percentage as entered on line 13 in lines 12, and 14-32. See the instructions to line 13 for more information.

Part 1: Member Identification

Include a separate copy of Form 4897 for each member, including the DM, whose business activity is required to be reported on the combined return supported by this form. If a member (other than the DM) has two or more tax periods ending with or within the filing period of the return, use a separate copy of Form 4897 for each of that member's periods.

Line 6: Check this box if the taxpayer has receipts from transportation services. To calculate Michigan Sales from Transportation Services, see the instructions in the *CIT Annual Return*, Form 4891, line 9 and the table in the "Sourcing of Sales to Michigan" section of those instructions.

Line 7: List the member's tax year, for federal income tax purposes, from which business activity is being reported on this copy of Form 4897.

Line 8: If the control test and relationship test were not both satisfied for this member's entire federal tax year, enter the beginning and ending dates of the period within this member's federal tax year during which both tests were satisfied. (In no event should this beginning date be earlier than January 1, 2012.) These dates constitute a short tax period for CIT purposes, even if there is no corresponding short federal tax period. This member must prepare a pro forma federal return for the portion of its federal year during which it was a UBG member, and use that pro forma return as the basis for reporting the tax data.

Line 9: If this member has nexus with Michigan, check this box.

Line 10: Enter the member's six-digit North American Industry Classification System (NAICS) code. For a complete list of six-digit NAICS codes, see the U.S. Census Bureau Web site at www.census.gov/eos/www/naics/. Enter the same NAICS code used when filing Schedule K of U.S. Form 1120.

Line 11: Enter any unused CIT business loss carryforward from the CIT return for the preceding period. **The only amount that may be entered on this line is a CIT business loss that was incurred after December 31, 2011, and claimed or created on the prior period's CIT return.** *Business loss* means a negative business income tax base after allocation or apportionment. The business loss will be carried forward to the year immediately succeeding the loss year as an offset to the allocated or apportioned Business Income Tax base, then successively to the next nine taxable years following the loss year or until the loss is used up, whichever occurs first, but for not more than ten taxable years after the loss year.

NOTE: CIT business loss carryforward is not the same as the federal net operating loss carryforward or carryback, or the Michigan Business Tax (MBT) business loss carryforward, neither of which can be claimed on the CIT return.

This line is used only by the DM and by any member that had its own CIT business loss carryforward (hereafter, loss carryforward) when it joined this group. That latter category includes a member that generated loss carryforward on a separately filed CIT return, and a member that left another UBG and took its share of that group's loss carryforward.

On the DM's copy of this form, enter loss carryforward from the group's immediately preceding *CIT Annual Return* (Form 4891) (2012, line 34), less any part of that loss carryforward attributable to members that had their own loss carryforward when they joined the group, and less any part of that carryforward subsequently taken by departing members (see below). In calculating this division of the loss carryforward from the prior return, keep in mind that loss carryforward consumed on a return always is the oldest available on that return, regardless of whether the oldest loss was generated by the group or brought by an incoming member. Loss carryforward of a UBG, including loss carryforward brought by an incoming member, ages according to the tax years of the group, rather than tax years of any particular member.

On any non-DM member's copy of this form, loss carryforward brought to this group by an incoming member is determined by two different methods, depending on when the member joined this group:

- To report activity of a member that joined this group in the group's tax year prior to the current filing period, or earlier, and brought loss carryforward with it, enter the portion of the loss carryforward from the group's immediately preceding Form 4891 that is attributable to this member.
- To report activity of a member that joined this group during the group's current filing period and brought loss carryforward with it, enter the entire amount of loss carryforward brought by this member.

Loss carryforward generated by the group is maintained by Treasury under the DM's account. Loss carryforward brought to the group by a joining member is maintained by Treasury under that member's account until it expires, is fully used, or is taken from the group when that same member departs. If these instructions are not followed carefully, loss carryforward available for use by the group in the current filing period will be miscalculated.

When membership of a UBG changes, the business loss carryforward of the UBG is divided among the UBG and the departing member(s) in proportion to the losses the member(s) would have generated had each member filed separately for all CIT periods that contribute to the loss.

Additional direction is found in the "Supplemental Instructions for Standard Members in UBGs" section in Form 4890.

Line 12: Enter, to the extent deducted in determining federal taxable income (as defined for CIT purposes), a carryback or carryover capital loss from Schedule D of federal Form 1120. Enter as a positive number.

Line 13: The proration percentage applies only for the first filing period ending in 2012 and only if all of the following are satisfied:

- This member reports federal taxes on a fiscal year.
- The DM for the standard taxpayer return (i.e., Form 4891) of this UBG reports federal taxes on a fiscal year.
- The DM for the standard taxpayer return of this UBG, on behalf of the UBG, elects to calculate the MBT filing period ending in 2012 using the annual method; or, the UBG did not file under the MBT and the initial 2012 short-period CIT year is

the group's first return.

If these criteria are not satisfied, this member **cannot** calculate by the annual method.

If these criteria are all satisfied, this member may calculate by the annual method. In this case, calculate the following percentage and enter it in this cell:

$$\frac{\text{Number of months in 2012 of this member's 2011-12 fiscal year}}{12}$$

If a proration percentage is calculated, enter answers based on the member's full 2011-12 federal tax year, multiplied by the member's proration percentage in lines 12, and 14 through 32 for this member.

In the case of a standard taxpayer, if the method used by the UBG is different from the method used by this member on its MBT return for the period ending December 31, 2011, and this member was a stand-alone taxpayer under the MBT, this member must amend its MBT return for the period ending December 31, 2011 to achieve consistency. This restriction does not apply to a financial institution because financial institutions must use the annual method for short periods.

If the 2011-12 fiscal year of a UBG member other than the DM ends after the end of the first 2012 filing period of the UBG, that member will not be included in the UBG's first combined return (except in Form 4896, as an excluded affiliate).

A member that is not included in the UBG's initial filing because its year ends after the UBG filing period may not elect a method of filing when included in the UBG's next return. Such election is available only to the first tax year of the taxpayer, which is the UBG. All subsequent returns must be reported on an actual basis.

Line 14: Sale or Sales means amounts received by a member as consideration from the following:

- 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 member if on hand at the close of the tax period, or property held by the member 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.
- Rental, leasing, licensing, or use of tangible or intangible property, including interest, that constitutes business activity.
- Any combination of business activities described above.
- For a member 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.

If a member has nexus in Michigan and the member does not establish nexus in another state, all sales are allocated to Michigan. *State* is defined to include a foreign country. A member is subject to a tax in another state or foreign country if, in that state or foreign country, the member 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 Corporation stock tax, or a tax of the type imposed under the CIT Act, or that state has jurisdiction to subject the member to one or more of such taxes regardless of whether the tax is imposed. A member will be treated as subject to a tax in another state for these purposes if the member has due process and commerce clause nexus with that state.

If this member is subject to tax in another state, as described above, use the “Sourcing of Sales to Michigan” information in the Form 4891 instructions to determine Michigan sales. If sales reported are adjusted by a deduction for qualified sales to a qualified customer, as determined by the Michigan Economic Growth Authority (MEGA), attach the Anchor District Tax Credit Certificate or Anchor Jobs Tax Credit Certificate from the Michigan Economic Development Corporation (MEDC) as support.

If this member has no Michigan sales, enter zero.

Complete this line using amounts for the member’s business activity only. Do not include amounts from an interest owned by a member in a Partnership or S Corporation (or LLC taxed federally as such).

Transportation services that source sales based on revenue miles: Include on this line the taxpayer’s total sales of transportation services multiplied by the ratio of Michigan revenue miles over revenue miles everywhere as provided in the “Sourcing of Sales to Michigan” chart 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 15: Enter on this line all Michigan sales made by the member to a flow-through entity that is unitary with the UBG and is included in Form 4900.

NOTE: Elimination, where required, applies to transactions between any members of the UBG — not just members that report on the standard taxpayer combined return supported by this form. For example, if the UBG includes standard taxpayers (not owned by and unitary with a financial institution in the UBG), an insurance company, and two financial institutions with nexus, transactions between a standard taxpayer member and an insurance or financial member are eliminated whenever elimination is required, despite the fact that the insurance and financial members are not reported on the combined return filed by standard taxpayer members.

Members that are unitary with one or more flow-through entities: Include on this line Michigan sales made by this member to a flow-through entity that is unitary with the member and is included in Form 4900.

Line 16: Enter the total sales that are directly attributable to this member.

Transportation services that source sales based on revenue miles: Include on this line the total sales that are directly attributable to the taxpayer.

Line 17: Enter on this line the sales made from the this member to another member in the UBG and the sales made by this member to a flow-through entity that is unitary with the UBG and is included in Form 4900.

Line 18: *Gross receipts* means the entire amount received by the member from any activity, whether in intrastate, interstate, or foreign commerce, carried out for direct or indirect gain, benefit, or advantage to the member or to others, with certain exceptions. See the Gross Receipts Checklist in the instructions for Form 4891, line 10, for further guidance.

A member should compute its gross receipts using the same accounting method used in computing its taxable income for federal income tax purposes. Gross receipts of a member of a UBG is reported here before eliminations. If the member is reporting on the annual method, enter here the prorated gross receipts figure as explained in the instructions to line 13. Do not include in this figure gross receipts imputed to this member from activity of a flow-through entity. That calculation is done on Form 4891, line 11.

Lines 19 through 23: *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.

IMPORTANT: As long as one member of a UBG has nexus with Michigan and exceeds the protections of PL 86-272, all members of the UBG, including members protected under PL 86-272, must be included when calculating the UBG’s Corporate Income Tax base and apportionment formula. (In other words, PL 86-272 will only remove business income from the apportionable Corporate Income Tax base when all members of the UBG are protected under PL 86-272.) The inclusion of the business income of members that fall under PL 86-272 in the tax base of the UBG and the subsequent apportionment of such income does not constitute taxation upon those PL 86-272 members. Rather, this method is required for properly determining the Michigan income of the UBG.

Line 21: There currently are no miscellaneous items to be entered on this line. Leave this line blank.

Line 22: Adjustments are required for all assets placed into service after December 31, 2007, for which bonus depreciation was taken.

Line 24: Enter any interest income and dividends from bonds and similar obligations or securities of states other than Michigan and their political subdivisions in the same amount that was excluded from federal taxable income (as defined for CIT purposes). Reduce this addition by any expenses related to the foregoing income that were disallowed on the federal return by IRC § 265 or § 291.

Line 25: To the extent deducted in arriving at federal taxable income (as defined for CIT purposes), enter all taxes on, or measured by, net income including city and state taxes, Foreign Income Tax, and Federal Environmental Tax claimed as a deduction on this member’s federal return. This includes the tax imposed under the CIT to the extent claimed as a

deduction on the taxpayer's federal return. This also includes the tax imposed under the Business Income Tax portion of the Michigan Business Tax and the portion of the Surcharge that is attributable to the Business Income Tax.

Line 26: Enter any net operating loss (NOL) carryover or carryback that was deducted in arriving at this member's federal taxable income (as defined for CIT purposes). If the member reporting on this form is a member of a federal consolidated group, or for any other reason did not file a separate federal return for the period reported here, the federal NOL carryover or carryback entered here must be based on a pro forma federal return for the member reporting on this form. Enter this amount as a positive number.

Line 27: To the extent deducted in arriving at federal taxable income (as defined for CIT purposes), enter any royalty, interest, or other expense paid to a person related to the member by ownership or control for the use of an intangible asset if the person is not included in this UBG. Royalty, interest, or other expense described here is not required to be included if the member can demonstrate that the transaction has a nontax business purpose other than avoidance of CIT, is conducted with arm's-length pricing and rates and terms as applied in accordance with IRC § 482 and § 1274(d), and satisfies one of the following:

- Is a pass-through of another transaction between a third party and the related person with comparable rates and terms.
- Results in double taxation. For purposes of this subparagraph, double taxation exists if the transaction is subject to tax in another jurisdiction.
- Is unreasonable as determined by the Treasurer, and the member agrees that the addition would be unreasonable based on the member's facts and circumstances.
- The related person (recipient of the transaction) is organized under the laws of a foreign nation which has in force a comprehensive income tax treaty with the United States.

Line 28: There currently are no miscellaneous items to be entered on this line. Leave this line blank.

Line 29: Enter the sum of all distributive shares of income and loss allocated to this member from flow-through entities with which this member has a non-unitary relationship. See instructions to *Non-Unitary Relationships with Flow-Through Entities* (Form 4898) for a description of unitary and non-unitary relationships with flow-through entities. On Form 4898, this UBG member will report the separate amounts allocated from each non-unitary flow-through entity.

Line 30: To the extent included in federal taxable income (as defined for CIT purposes), enter any dividends and royalties received from persons other than United States persons and foreign operating entities, including, but not limited to, amounts determined under IRC § 78 or IRC § 951 to § 964.

Line 31: To the extent included in federal taxable income (as defined for CIT purposes), deduct interest income derived from United States obligations.

Line 32: There currently are no miscellaneous items to be entered on this line. Leave this line blank.

Line 33: Enter overpayment credited from the prior period return (MBT or CIT, as applicable). When membership of a UBG changes from one filing period to the next, carryforward of an overpayment from the prior return remains with the DM's account. In general this line should be used only on the DM's copy of Form 4897 (credit forward from the group's prior return) or that of a new member (credit forward from the new member's final return as a separate filer).

Line 34: All CIT estimated payments for a UBG should be made by the DM. Enter estimates paid by the DM on this line of the DM's copy of Form 4897. If any other member paid estimates attributable to the group return supported by this form, enter those estimates on that member's copy of Form 4897. Include all payments made by that member for any portion of its federal filing period that is included on the group return. For example, if a non-DM member has a 12-month fiscal year beginning April 1, 2012, and is a member of a calendar year UBG throughout that period, its business activity from April 1, 2012, through March 31, 2013, will be reported on the group's December 31, 2013, return. If that member pays MBT quarterly estimates, it will make two estimates during 2012, before the DM's filing period begins. Because those estimates are attributable to activity that will be reported on the group's December 31, 2013, return, they should be included on the paying member's copy of Form 4897 for the December 31, 2013, group return.

Line 35: Enter the total withholding payments made on this member's behalf by Flow-Through Withholding (FTW) entities. Include all withholding payments made on returns that apply to this member's tax year included in this UBG return. Included on this line would be Flow-Through Withholding payments made by flow-through entities whose tax years ended within the member's tax year that is included in this UBG return. For example, consider a partnership with a June 30 year end, a UBG with a September 30 year end, and a UBG member that has a March 31 year and is a partner in the partnership. The partnership will make quarterly FTW payments in April 2012 (for its quarter ending March 31) and July 2012 (for its quarter ending June 30), and will file an annual FTW reconciliation return (Form 4918) for its year ending June 30, 2012. Because the partnership's year ends within the partner's 2012-13 fiscal year, all the FTW payments for that partner are attributable to the partner's 2012-13 fiscal year, regardless of the dates of the quarterly payments. Because the partner's (the UBG member's) 2012-13 fiscal year ends within the DM's (and UBG's) October 2012—September 2013 fiscal year, these FTW payments will be reported on this UBG member's Form 4897 for the UBG's October 2012-September 2013 CIT return.

Line 36: Only the DM may request a filing extension for a UBG. If any other member submits an extension request, it will not create a valid extension for the UBG, but any payment included with such a request can be credited to the UBG by entering that payment on this line in that member's copy of Form 4897.

Include completed Form 4897 as part of the tax return filing.