

Income/Franchise:

Michigan: Computing Pro-forma FTI for Unitary Business Group Members Filing Federal Consolidated Return

Revenue Administrative Bulletin (RAB) 2022-23, Mich. Dept. of Treas. (12/6/22). The Michigan Department of Treasury (Department) issued an administrative bulletin addressing the composition of a Michigan unitary business group (UBG) and calculation of the pro-forma federal taxable income (FTI) of each member to be used as the starting point for the required filing of a Michigan combined corporate income tax (CIT) return by the UBG. In doing so, the Department provides some numerical examples illustrating both the difference in composition between a federal consolidated group and a UBG, as well as adjustments that must be made in computing each member's FTI under the CIT.

URL: <https://www.michigan.gov/taxes/rep-legal/rab/2022-revenue-administrative-bulletins/revenue-administrative-bulletin-2022-23>

The Department notes that because of differences between the ownership test at the federal level and the control test codified in the CIT, differences in the composition of the membership in a federal consolidated group and the UBG may exist – specifically, the CIT defines UBG and establishes a “more than 50 percent” ownership test in contrast to the 80 percent test required for federal consolidated groups. Furthermore, the bulletin notes that inclusion in a UBG requires the entities to meet certain relationship tests, whereas there are no relationship requirements for purposes of a federal consolidated group. The bulletin also notes that because of differences in applicable federal regulations and the CIT, the combined pro-forma FTI of a UBG will not necessarily equal the FTI on the federal consolidated return, even if membership in the two returns is the same. Please contact us with any questions.

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