

## Instructions for Form MI-1041D

### Adjustments of Capital Gains and Losses

#### When To File

Use this form to adjust Michigan taxable income if the estate or trust has capital gains or losses that are attributable to:

1. Gains or losses from certain types of property located outside of Michigan or from business property subject to allocation and/or apportionment.
2. Periods before October 1, 1967 (Section 271 adjustment). If U.S. Forms *1041 Schedule D* or *4797* were filed, and an election to adjust under Section 271 of the Michigan Income Tax Act was made, file the equivalent Michigan forms (MI-1041D or MI-4797). All items of gain or loss realized during the tax year must be included.
3. Gains or losses from the sale or exchange of U.S. obligations that cannot be taxed by Michigan.

Form MI-1041D must be attached to the *Michigan Fiduciary Income Tax Return* (MI-1041).

#### General Information

Page 1 of Form MI-1041D follows the pattern of page 1 of the U.S. Form *1041 Schedule D* and all the information necessary for completing it should be taken from the U.S. Form *1041 Schedule D*.

#### Rounding Off

Round down amounts of 49 cents or less. Round up amounts of 50 cents or more. If cents are entered on the form, they will be treated as whole dollar amounts.

#### Identification

Enter the name of the estate or trust and the Federal Employer Identification Number (FEIN) at the top of the MI-1041D.

#### Parts 1 and 2: U.S. Information

If U.S. Form *8949* Sales and Other Dispositions of Capital Assets was filed, complete Form MI-8949 in the same manner. Transfer the information to MI-1041D, following the instructions on Form MI-1041D. If the U.S. Form *8949* discloses capital assets reported under Sections 1245 and 1250, these assets must be reported on MI-8949. Also, if capital assets are allocated to another state, they are excluded from the portion subject to Michigan income tax. A capital loss carryover from preceding years is entered as a short-term loss on line 4 or as a long-term loss on line 12.

#### Federal Information

**Line 1.** Combine the amount from MI-8949, line 2, and the amount from U.S. Form *1041 Schedule D* line 1a.

**For lines 2, 3, 4, 5, 7, 8, 9, 10, 12 and 13** column D, enter the amounts from U.S. Form *1041 Schedule D*, for the corresponding line numbers listed on the top of the next column.

Corresponding lines on MI-1041D and U.S. 1041 Schedule D										
MI-1041D	2	3	4	5	7	8	9	10	12	13
U.S. 1041 Schedule D	4	5	6	7	11	12	13	14	15	16

**Line 6.** Combine the amount from MI-8949, line 4, and the amount from U.S. Form *1041 Schedule D*, line 8a.

#### Michigan Gain or Loss

Enter the portion of federal gain and loss subject to Michigan income tax on lines 2, 3, 4, 5, 7, 8, 9, 10, 11, 12 and 13 column E.

#### Michigan Gain or Loss

**Section 271.** To apportion under Section 271, multiply the gain (loss) in column E by the number of months the property was held after September 30, 1967. Divide the result by the total number of months held. Enter the result in Michigan column E. For the purpose of this computation, the first month is excluded if acquisition took place after the 15th, and the last month is excluded if disposal took place on or before the 15th.

Gains from installment sales made before October 1, 1967, must show the federal gain in federal column D and zero in Michigan column E. Gains or losses from installment sales made after October 1, 1967, are subject to Michigan tax but may be apportioned under Section 271.

Distributions from employee's pension, stock bonus or profit-sharing trust plans that are considered to be long-term capital gains (under Section 402 of the Internal Revenue Code) and capital gains distributions are not eligible for Section 271 treatment. Enter the total gain in both the federal and state columns.

**U.S. Obligations.** Gains from the sale or exchange of some U.S. obligations are not subject to tax and losses are not deductible. Enter a zero in the Michigan column for gains or losses realized from the sale of these non-taxable U.S. obligations.

**Note:** Any interest expense and other expenses incurred in the production of income from U.S. obligations should be entered on MI-1041, line 31. (See MI-1041 instruction booklet for line 31 on page 4.)

Capital gains or losses from the sale or exchange of municipal bonds are taxable for Michigan residents.

**Out-of-State Property.** Gains from the sale of property located in another state are not subject to Michigan tax, and losses are not deductible. Enter in the Michigan column the gain or loss from the sale or exchange of (1) real property located in Michigan, or (2) tangible personal property located in Michigan at the time of the sale or if the taxpayer was a Michigan resident estate or trust, or (3) intangible personal property sold by a Michigan resident estate or trust.

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**Part 3: Lines 14, 15, and 16**

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**Column A.** Enter the corresponding net short-term or long-term gain (loss) from column D (federal) and column E (Michigan) in the appropriate boxes. Combine lines 14 and 15 and enter the result on line 16.

**Column B.** Enter the share of short-term and long-term gains and losses retained by the fiduciary. **Follow the instructions on the form for resident and nonresident estates and trusts.**

**Column C.** Enter the share of short-term and long-term gains (losses) distributed to the beneficiaries. Totals on line 16 should equal the totals on Form MI-1041, Schedule 5, line 73.

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**Part 6**

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If the net loss on line 16, column A, is more than \$3,000, or if the taxable income on U.S. Form *1041*, page 1, line 22 or U.S. Form *990-T*, Unrelated Business Taxable Income is zero or less, complete this section to determine the capital loss carryover.

# Instructions for Completing Form MI-8949

## When to File

**NOTE: Only use this form to adjust your Michigan taxable income if you have capital gains or losses attributable to one of the following:**

- Gains or losses from the sale of certain types of properties located in other states and/or subject to the allocation and apportionment provisions; or
- Periods before October 1, 1967 (Section 271 adjustment). If you file U.S. *Schedule D* or Form 4797 and you elect to adjust under Section 271 of the Michigan Income Tax Act, you must file the equivalent Michigan forms (MI-1040D or MI-4797). You must include all items of gain or loss realized during the tax year; or
- Gains or losses from the sale or exchange of U.S. obligations that cannot be taxed by Michigan.

## General Information

Michigan Form MI-8949 follows the U.S. Form 8949 and all the information needed to complete it should be taken from your U.S. Form 8949.

Form MI-8949 computations must be carried to Form MI-1040D. Both forms (MI-8949 and MI-1040D) must be attached to your Form MI-1040.

## Rounding Dollar Amounts

Round all amounts to whole dollar amounts. Round down amounts less than 50 cents. Round up amounts of 50 through 99 cents. Do not enter cents.

## Identification

Be sure to enter your name(s) and Social Security number(s) at the top of the form.

## Parts 1 and 2

### Federal Information

Complete columns A, B, C and D of the MI-8949 from corresponding columns a, b, c and h of your U.S. Form 8949.

**Line 2:** The amount reported on MI-1040D, line 1, includes this line and any amount reported on U.S. *Schedule D*, line 1a, column h.

**Line 4:** The amount reported on MI-1040D, line 6, includes this line and any amount reported on U.S. *Schedule D*, line 8a, column h.

### Michigan Gain or Loss

For each asset, enter the portion of federal gain and loss subject to Michigan income tax in column E. If more space is needed to list assets, attach additional sheets.

**Section 271.** To apportion under Section 271, multiply the gain or loss in column D by the number of months the property was held after September 30, 1967. Divide the result by the total number of months held. Enter the result in column E. For the purpose of this computation, the first month is excluded if acquisition took place after the 15th, and the last month is excluded if disposal took place on or before the 15th.

Gains from installment sales made before October 1, 1967, must show federal gain in column D and zero in column E. Gains from installment sales made after October 1, 1967, are subject to Michigan tax but may be apportioned under Section 271.

Distributions from pension, stock bonus or profit-sharing trust plans that are considered to be long-term capital gains (under Section 402 of the Internal Revenue Code) and capital gains distributions are not eligible for Section 271 treatment.

**Sale of Property.** Enter the total gain in the federal column. Enter in the Michigan column the gain or loss from the sale or exchange of:

- Real property located in Michigan; or
- Tangible personal property located in Michigan at the time of the sale or owned by a Michigan resident and not subject to tax in the state where the property is located; or
- Intangible personal property sold by a Michigan resident; or
- Business property apportioned to Michigan on Form MI-1040H.

**U.S. Obligations.** Gains from the sale of some U.S. obligations are not subject to tax and losses are not deductible. Enter a zero in the Michigan column for gains or losses realized from the sale of these non-taxable U.S. obligations.

**Note:** Any interest expense and other expenses incurred in the production of income from U.S. obligations should be offset against dividend and interest income from U.S. obligations on the MI-1040 return. See the instructions for Schedule 1, line 10, in the MI-1040 instruction booklet.

**Out-of-State Property.** Gains from the sale of property located in another state are not subject to tax and losses are not deductible.

## Totals

Enter on line 2, the total from line 1 and any additional sheets listing short-term capital gains and losses. Enter on line 4, the total from line 3 and any additional sheets listing long-term capital gains and losses.