

GRAYLING, MICHIGAN 2013 Partnership Income Tax Return

FORM GR-1065

FOR: PARTNERSHIPS DOING BUSINESS IN GRAYLING

POINTS OF CONTACT:

We encourage comments and questions.
The Income Tax Department numbers are:
website: www.cityofgrayling.org
email: incometax@cityofgrayling.org
Phone: (989) 348-2131 ext.19
Fax: (989) 348-6752

FILING INSTRUCTIONS

FILING DATE:

Calendar year taxpayers must file by May 1. Fiscal year taxpayers must file four (4) months after the end of their fiscal year.

REMITTANCE:

Partnerships electing to pay tax for partners must remit for all partners when filing return. The tax due, if one dollar (\$1.00) or more, must be paid when filing the return.

Make remittance payable to:

TREASURER, CITY OF GRAYLING

MAILING ADDRESS: Mail your return and remittance to:

**CITY TREASURER
P.O. Box 549, 1020 City Blvd.
Grayling, Michigan 49738**

WHO MUST FILE A PARTNERSHIP RETURN:

(Form GR-1065)

Every partnership that conducts business activities in the City of Grayling, whether or not an office or place of business is maintained in the city, is required to file a return within four (4) months following the end of the taxable year. If on a calendar year basis, the return must be filed by May 1. Syndicates, joint ventures, pools and like organizations will also use Form GR-1065. So called "tax option" corporations (under Secs. 1371-1377, Internal Revenue Code) must file as corporations on Form GR-1120.

RESIDENT VS. NON-RESIDENT PARTNERS

Partners who are residents of Grayling are taxed on their entire distributive shares of the net profits of the partnership, including that arising from business activity outside the city, and including interest, dividends and royalties and gains from the sale or exchange of property, either tangible or intangible.

Partners who are non-residents of Grayling are taxed on their distributive shares of the portion of the net profit which is attributable to business activity in the City, plus net rentals or property in the City and gains from the sale or exchange of real or tangible personal property in the City. They are not taxed on their share of net rentals on property outside the city, gains from the sale or exchange of real or tangible property outside the city, gains from the sale or exchange of securities or other intangible property, or interest or dividends.

The Partnership Return, Form GR-1065, is designed to distinguish between that income taxed to residents and that taxed to non-residents.

The return shall set fourth the entire net profit for the period covered and show the distributive share of each partner, indicating those who are residents of Grayling and those who are non-residents. If residency changes during the taxable period for any partner, use two lines to indicate allocation of income by status in all schedules where applicable.

OPTIONS TO PAY TAX

At it's election, the partnership may file either an information return or it may compute and pay the tax which is due with respect to each partner's share of the net profit of the business, after giving effect to exemptions and other items to which each partner is entitled. Such election is available to all partnerships regardless of the residency of the partners. The partnership may pay the tax for partners only if it pays for all partners subject to the tax.

If the partnership elects to pay the tax on behalf of the partners thereof, then such election and payment shall be deemed to meet the requirements for the filing of a return, as provided by the Ordinance, for each partner who has no other income subject to the tax. However, a return shall be required from any partner having taxable income other than his distributive share of the net profits of the partnership. In such instances, the partner should enter as "Income from Partnerships" on his individual return the amount shown on the partnership return on Page 1, column 1. The deductions shown in Columns 2 and 3 and the credit in Column 7 paid on his behalf by the partnership should also be listed on his individual return.

PARTNERSHIP AS TAXPAYER

If the partnership elects to pay the tax on behalf of the partners, then it assumes the status of a taxpayer to the following extent:

1. Timely payment. Payment must be made within four (4) months from the end of the fiscal year or period otherwise it will be subject to interest and penalties the same as a delinquent payment from any other taxpayer.

2. Payment of Estimated Tax. The election of the partnership to pay the tax on behalf of the individual partners also carries with it the requirement to file a Declaration of Estimated Income Tax Form GR-1040-ES, if the total estimated tax for the partnership is expected to exceed \$40, and to pay such a tax.

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If the partnership so files and makes payments; the partners will not be required to file a Declaration as individuals, unless they have additional income (from which Grayling Income Tax was not withheld) on which the Grayling tax is expected to exceed \$40. The fiscal year of the partnership will govern in establishing the dates for filing the Declaration and paying the estimated tax.

INCOME: INSTRUCTIONS FOR PAGE 1

EXCLUSIONS: Column 2, Dividend Exclusion, 50% Capital Gains Deduction and Other Deductions. Any item of income which are non-taxable and which are included in Column 1 of this section may be deducted in Column 2.

If analysis of Column 7, Schedule I, Page 3, indicates a net *long term* capital gain, the capital gains deduction of 50% of the excess of net long term capital gains over net short term capital loss is to be deducted in Column 2, Page 1.

If the analysis of Column 7, Schedule I on Page 3 indicates that a net capital loss has been realized by any of the partners, the amount of the excess of the net capital loss included in Column 7, Schedule I, Page 3 over the partner's allowable capital loss deduction must be added back in Column 2, Page 1. The allowable capital loss deduction for each partner is the lower of (1) the net capital loss, (2) the amount in Column 1, Page 1, computed without regard to capital gains and losses, or (3) \$1,000.00.

If the partnership is filing an information return only, the individual partners will report their distributive shares of the partnership's sales and exchanges of property on their individual GR-1040 returns in the same manner as provided by the Federal Internal Revenue Code.

Any deduction other than the dividend exclusion allowed by the Federal Internal Revenue Code must be explained in an attached schedule.

EXEMPTIONS: Column 3. Exemptions are allowed for each partner and his or her dependents. An exemption of \$3,000 is allowed for the partner, the partner's spouse and each dependent. In general, the same rules apply in determining dependents as under the Federal Internal Revenue Code. A spouse may be taken as an exemption on the partnership return only if such spouse has no income subject to the Grayling income tax and taxpayer contributes at least 50% of his (her) support. Additional exemptions are allowed if the partner or his spouse is over 65, or blind.

Total Tax. Columns 5, 6 and 6(1). Enter the tax computed at 1% for resident partners in Column 5, the tax computed at 1/2% for

non-resident partners in Column 6 and the total tax (the sum of Columns 5 and 6) in the box designated 6 (1).

Credits. Column 7. Enter in Column 7: Payments made by the partnership for tax paid with a tentative return; or for payments on prior year Declaration of Estimated Income Tax, or any payments and credits made by the partnership on behalf of Grayling resident partners for income taxes to any other municipality, if the income on which such tax was levied is included in this return. Do not take credit for income taxes paid another municipality on behalf of partners who are not Grayling residents. The credit shall be the lesser amount of either; (1) the income tax paid the other municipality, or (2) the amount of tax that would be due to the City of Grayling on earnings in the other municipality.

All other credits of Column 7 are to be distributed on lines 7a, b and c and totaled on line 8. The total of line 8 must agree with the total of Column 7.

SCHEDULE A - ORDINARY INCOME FROM BUSINESS

This schedule is used to indicate all of the ordinary income of the partnership which may be subject to the Grayling Income Tax. Line 14 of the Schedule, therefore, will show the total partnership income to account for. Schedule B, E, F and G will then be filled out to compute the taxable portion of the other partnership income. These taxable amounts are then compiled in the Summary Schedule I on Page 3. The amounts shown in Column 10 of Schedule I for each partner are to be transferred to the income section on Page 1, Column 1. If the partnership elects to pay the tax, fill in lines 7 through 11.

Line 2. If the Grayling or Federal Income Tax has been included as an expense in Schedule C, it should be added back here.

SCHEDULE B - INCOME FROM DIVIDENDS AND INTEREST

Line 2. Interest from obligations of the United States, the states or subordinate units of government of the states, and dividends from national and state bank stock are exempt from the tax. If they have been included in the total on line 1, they should be deducted here.

Line 5. Use line 5 to exclude dividends and interest applicable to non-resident partners since dividends and interest are not taxable to non-residents.

When the receipt of interest and other intangible income is directly related to the nature of the business, such interest, etc., shall be considered as business income taxable to non-residents.

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OR OTHER TAXABLE YEAR BEGINNING 2013, ENDING 20

Form with fields: NUMBER OF PARTNERS, NAME OF PARTNERSHIP, Employer I.D. Number, NUMBER AND STREET, County Located, PRINCIPAL BUSINESS ACTIVITY, CITY OR TOWN, STATE, ZIP CODE, Date Business Commenced. Includes a checkbox for information only returns.

Table with 4 columns: NAME AND HOME ADDRESS OF EACH PARTNER, SOCIAL SECURITY NUMBER, Grayling Resident YES, Grayling Resident NO. Rows (a) through (e).

Table with 7 columns: INCOME SCHEDULE, DEDUCTIONS (COLUMNS 2-4), TOTAL TAX (COLUMNS 5-6), CREDITS (COLUMN 7). Rows 1-5 and TOTALS.

6. (1) TOTAL RESIDENT AND NON-RESIDENT TAX - COLUMN 5 PLUS COLUMN 6

PAYMENTS & CREDITS section with lines 7a, 7b, 7c, and 8. Includes a table for audit result with columns: File, Subj. to inv., Items.

TAX DUE OR REFUND section with lines 9, 10, 11, and 12. Includes checkboxes for refund and overpayment credit.

NOTE 1 - A partner who has other income in addition to the partnership income must file an individual return...

NOTE 2 - The Partnership may pay tax for partners only if it pays for ALL partners subject to the tax...

I declare that I have examined this return (including accompanying Schedules and Statements) and to the best of my knowledge and belief, it is true, correct and complete.

SIGN HERE. SIGNATURE OF PARTNER OR MEMBER DATE

SIGN HERE. SIGNATURE OF PREPARER OTHER THAN PARTNER OR MEMBER ADDRESS DATE

ORDINARY INCOME FROM BUSINESS - SCHEDULE A ADDITIONS:

- 1. Ordinary Income from business from Federal Form 1065 (Attach copy)
- 2. Add City of Grayling and/or Federal Income Tax if included in Federal Form 1065
- 3. Add Interest and other costs included in Federal Form 1065 which were incurred in connection with the production of tax exempt income or partner's personal expenses which were charged to the business.
- 4. Add miscellaneous expenses included in Federal Form 1065 applicable to sales of property shown in Schedule E.
- 5. Total ordinary income from business for the year (add Lines 1 through 4)

\$	
\$	

**PARTNERSHIP INCOME OR LESS (Taxable or non-taxable depending on residency of partners)
SUBTRACTIONS:**

- 6. Dividends and interest from Federal Form 1065 (Attach copy)
- 7. Income (or loss) from other partnerships and other income
- 8. Net Gain (or loss) from sale or exchange of property other than capital assets
- 9. Net short term gain (or loss) from sale or exchange of capital assets
- 10. Net long term gain (or loss) from sale or exchange of capital assets
- 11. Net Gain or loss from sales or exchange of property under section 1231
- 12. Rents \$..... Royalties \$..... (enter total of rents and royalties)
- 13. Total Subtractions
- 14. Total adjusted ordinary income, Line 13 subtracted from Line 5 (enter here and on Page 3, Schedule I, Column 1).

\$			
\$			

THE FOLLOWING SCHEDULES, B, E, F, AND G ARE TO BE USED TO COMPUTE THE TAXABLE PORTION OF THAT INCOME OF THE PARTNERSHIP

SCHEDULE B - INCOME FROM DIVIDENDS AND INTEREST

- 1. Total interest and dividends
- 2. Less: (a) Interest on obligations from any governmental unit included in Line 1
- (b) Dividends from National and State Bank stock included in Line 1
- 3. Total of Lines 2a and 2b
- 4. Net interest and dividends - Line 1 less Line 3
- 5. Portion of Line 4 applicable to non-resident partners
- 6. Balance taxable to residents - Line 4 less Line 5. Enter here and in Col. 6 of Schedule I, Page 3

TOTAL	
\$	

SCHEDULE E - SALE OR EXCHANGE OF PROPERTY

- 1. Non-Resident Partners Only - Gain or loss applicable to non-resident partners from tangible property located in Grayling
- 2. Enter amount of Line 1 occurring after July 1, 1972, in Column 2 and in Column 7(b) of Schedule I, Page 3
- 3. Resident Partners Only - Gain or loss from all tangible and intangible property applicable to resident partners
- 4. Enter the amount of Line 3 occurring after July 1, 1972, in Column 2 and in Column 7(a) of Schedule I, Page 3

COLUMN 1		COLUMN 2	
\$			

SCHEDULE F - INCOME (OR LOSS) FROM RENTS AND ROYALTIES

- 1. Income or loss from rents and royalties taxable to residents. Enter total of Col. 3 in Col. 8(a) of Schedule I, Page 3
- 2. Income or loss from rents and royalties taxable to non-residents. Enter total of Col. 3 in Col. 8(b) of Schedule I, Page 3

COLUMN 1 GROSS INCOME	COLUMN 2 EXPENSES	COLUMN 3 NET INCOME
\$		\$

SCHEDULE G - INCOME FROM OTHER PARTNERSHIPS, ETC.

- 1. Amount taxable to residents. Enter here and on Schedule I, Column 9(a) (See instructions)
- 2. Amount taxable to non-residents. Enter here and on Schedule I, Column 9(b). (See instructions)

COLUMN 1 INCOME	COLUMN 2 EXPENSES	COLUMN 3 NET INCOME
\$		\$

SCHEDULE I (SUMMARY OF SCHEDULES A, B, E, F, AND G)

COLUMN 1 Income From Business Operations (From P.2, Sch. A, Line 14)	COLUMN 2 Payment to Partners - Salaries and Interest (From Fed. Form 1065)	COLUMN 3 Income Subject to Allocation (Add Col. 1 & 2)	COLUMN 4 Allocation % from P.3, Sch. D, Line 5 - Apply non-res. only (Enter 100% for Res.)	COLUMN 5 Allocated Income (Column 3 x % in Column 4)	COLUMN 6 Income To Residents Dividends and Interest (From Line 6 of Sch. B)
(a) \$	\$	\$	\$	\$	\$
(b)
(c)
(d)
(e)
TOTALS

COLUMN 7 Income from Sale of Property (From Sch. E)		COLUMN 8 Income from Royalties (From Sch. F, Col. 3)		COLUMN 9 Income from Partnerships, Etc. (From Sch. G, Col. 3)		COLUMN 10
(a) Taxable to Residents (From Line 4, Col. 2 of Sch. E)	(b) Taxable to Non-Residents (From Line 2, Col. 2 of Sch. E)	(a) Taxable to Residents (From Line 1, of Sch. F)	(b) Taxable to Non-Residents (From Line 2, of Sch. F)	(a) Taxable to Residents (From Line 1, of Sch. G)	(b) Taxable to Non-Residents (From Line 2, of Sch. G)	Total Taxable Income Add Cols. 5, 6, 7, 8 & 9 for each partner (Enter here and on P. 1, Col. 1)
(a) \$	\$	\$	\$	\$	\$	\$
(b)
(c)
(d)
(e)

INSTRUCTIONS FOR BUSINESS ALLOCATION FORMULA - SCHEDULE D

The business allocation percentage formula is to be used by NON-RESIDENT owners of businesses with business activity both within and outside the City of Grayling unless permission had been granted by the Income Tax Division to use another method.

LINE 1. Enter in Column 1 the average net book value of all real and tangible personal property owned by the business, regardless of location; and in Column 2 show the net book value of the real and tangible personal property located in the City of Grayling. The average net book value of real and tangible personal property may be determined by adding the net book values at the beginning of the year and the net book values at the end of the year and dividing the sum thus obtained by two. Any other method which will accurately reflect the average net book value for the year will also be permitted.

LINE 1a. Enter in Column 1 the gross annual rentals multiplied by

8 for all rented real property used by the business regardless of location. In Column 2 show the gross annual rentals multiplied by 8 for all rented real property used by the business and located in the City of Grayling. Gross annual rentals refer to real property, rented or leased and should include the actual sums of money or other consideration payable, directly or indirectly, by the taxpayers for the use or possession of such real property.

LINE 2. Enter in column 1 the total compensation paid to all employees during the year and in Column 2 show the amount of compensation paid to employees for work done or for services performed within the City of Grayling during the year.

LINE 3. Enter in Column 1 the total gross revenue from all sales or services rendered during the year and in Column 2 show the amount of revenue derived from sales made or services rendered in the City of Grayling during the year.

BUSINESS ALLOCATION FORMULA - SCHEDULE D

- Average net book value of real and tangible personal property
 - Gross Annual rentals multiplied by 8
 - TOTAL (Add Lines 1 and 1a)
- Total wages, salaries, commissions and other compensations of all employees (exclude partners)
- Gross revenue from sales made or services rendered
- Total Percentages - add the three percentages computed for Lines 1b, 2 and 3 which you have entered in the last Column (you must compute a percentage for each of Lines 1b, 2 and 3)
- Average percentage (One-third of Line 4) - Enter here and on Schedule I, Col. 4 above. (see note below).

	Located Everywhere I	Located in Grayling II	Percentage II ÷ I
1. a. Gross Annual rentals multiplied by 8	\$ _____	\$ _____	
1. b. TOTAL (Add Lines 1 and 1a)			
2. Total wages, salaries, commissions and other compensations of all employees (exclude partners)			%
3. Gross revenue from sales made or services rendered			%
4. Total Percentages - add the three percentages computed for Lines 1b, 2 and 3 which you have entered in the last Column (you must compute a percentage for each of Lines 1b, 2 and 3)			%
5. Average percentage (One-third of Line 4) - Enter here and on Schedule I, Col. 4 above. (see note below).			%

NOTE: In determining the average percentage (Line 5) a factor shall be excluded from the computation only when such factor does not exist anywhere insofar as the taxpayer's business operation is concerned and, in such cases, the sum of the percentages on Line 4 shall be divided by the number of factors actually used.

In the case of a taxpayer authorized by the Administrator of the Income Tax Division to use on the special formula, use the lines provided below.

a. Numerator c. Percentage (a÷b) Enter here and on Schedule I, Column 4 above.

b. Denominator d. Date of Administrator of the Income Tax Division approval letter

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SCHEDULE - SALE OR EXCHANGE OF PROPERTY

Gains and losses from the sale or exchange of property are treated in the same manner, and the amount subject to tax determined on the same basis, as under the Federal Internal Revenue Code.

Only the amount of the gain or loss occurring from July 1972, to date of disposition, shall be recognized for purposes of the Grayling Income Tax. The amount of gain or loss occurring after July 1, 1972, is to be determined by either; (1) computing the difference between the July 1, 1972 fair market value (July 1 closing price for traded securities) or the cost if the date acquired was subsequent to July 1, 1972, and the proceeds from the sale or exchange, or (2) by using the gain or loss for the entire holding period, as computed for Federal Income Tax purposes, and computing the taxable portion of such gain or loss on the ratio that the number of months held in the period subsequent to July 1, 1972, is to the total time the property was held.

**SCHEDULE F - INCOME (OR LOSS)
FROM RENTS AND ROYALTIES**

Lines 1 and 2. Income or loss from rents from tangible property located in Grayling is taxable to both residents and non-residents. Income or loss from royalties, and rents or property located outside Grayling is not taxable to non-residents.

**SCHEDULE G - INCOME FROM
OTHER PARTNERSHIPS, ETC.**

Line 1. Enter here the amount taxable to residents only. If all members of the partnership are residents, it will not be necessary to complete line 2 of this schedule. Enter the full amount received from other partnerships in Column 1. If any interest on governmental obligations or dividends from National or State Bank stock is included in the total, deduct such amounts in Column 2 and show the net amount in Column 3.

Whenever the members of a partnership include both resident and non-residents of Grayling, it will be necessary to analyze the type of income received from other partnerships and may include amounts for business activity in Grayling and also amounts for business activity outside Grayling. It may also include amounts for dividends and interest. Some elements of this income are taxable to both residents and non-residents, some to residents only. Attach a schedule of your analysis or computations.

**SCHEDULE I - SUMMARY OF SCHEDULES
A, B, E, F, AND G**

Column 1. If additional first year depreciation is included in federal Form 1065, and if the partners have unequal credits for such addi-

tional first year depreciation (e.g. if one partner is single and one is married filing jointly for Federal Income Tax purposes) the apportionment of income to partners in this Column will require special computation.

TAX DUE OR REFUND

If the partnership has elected to pay the tax for the partners and payments and credits exceed the tax due, show the amount of such overpayment on Page 1, line 10 and check the box on line 11 or 12 to indicate disposition of overpayment. Refunds will be made as quickly as possible, but please allow 90 days before making any inquiry. Refunds of less than a dollar (1.00) will not be made unless requested in writing. Tax due of less than one dollar (\$1.00) need not be paid.

ASSISTANCE

If there are questions not answered in these instructions, call 989-348-2131 or visit the Income Tax Division. Questions by mail should be directed to:

INCOME TAX DIVISION
P.O. Box 549, 1020 City Blvd.
Grayling, Michigan 49738
or
website: www.cityofgrayling.org
email: incometax@cityofgrayling.org