

CITY OF LAPEER INCOME TAX

Instructions for Form L-1065 for Partnerships doing business in Lapeer

FILING DATE

Calendar year taxpayers must file by April 30, of the following year. Fiscal year taxpayers must file within 4 months after the end of their fiscal year

REMITTANCE

Partnerships electing to pay the tax for partners must remit for all partners when filing return. The tax due, of one dollar (\$1.00) or more, must be paid when filing the return. Make remittance payable to: CITY OF LAPEER, Income Tax Department, 576 Liberty Park, Lapeer MI 48446

Effective Date of Tax

The City of Lapeer income tax became effective January 1, 1967. Partnerships are required to file a return for each year commencing with their first calendar or fiscal year ending after January 1, 1967.

Partnerships Required to File

Every partnership that conducted business activities in the City of Lapeer after January 1, 1967, whether or not an office or place of business was maintained in the City, is required to file an annual return within four (4) months following the end of their tax year. If reporting on a calendar year basis, the return must be filed by April 30 of the following year. LLC's, LLP's, syndicates, joint ventures, pools and like organizations will also use Form L-1065. So called "tax option" corporations (those filing under Sections 1371-1377, Internal Revenue Code) must file as corporations on Form L-1120.

Extensions

Upon filing the form "Application for Extension of Time to File Lapeer Income Tax Return" on or before the date for filing a return, the Income Tax Administrator may extend the time for filing up to six months. When an extension is requested, the tentative tax estimated to be due must be paid.

When the application form is filed, it may be assumed that the extension is automatically granted unless otherwise notified. When the extended Lapeer Income Tax Return is filed, a copy of the application for extension must accompany it. If the return is filed after the extended due date, penalty and interest for late filing will apply from the original due date.

Resident vs. Nonresident Partners

Partners who are RESIDENTS of Lapeer are taxed on their entire distributive share of the net profit of the partnership, including that arising from business activities outside of the City of Lapeer and including interest, dividends, rents and royalties and gains from the sale or exchange of property, either tangible or intangible.

Partners who are NONRESIDENTS of Lapeer are taxed on their distributive share of the portion of the net profit attributable to:

1. Business activity in the City
2. Net rentals of property in the City
3. The gains from the sale or exchange of real or tangible personal property in the City.

Nonresidents are not taxed on their share of net profit from business activity outside of Lapeer, net rentals from property located outside the City, gains from the sale or exchange of real or tangible property located outside the City, gains from the sale or exchange of securities or other intangible property, interest or dividends.

The Partnership Return Form, L-1065, is designed to distinguish between that income taxed to both residents and nonresidents and that taxed to residents only.

The return shall set forth the entire net profit for the period covered and show the distributive share of each partner, indicating those who are residents of Lapeer, and those who are nonresidents. 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, based on the proration of time in each status.

Option to Pay Tax

At its 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. Compute the tax to be paid on the "Tax Payment by Partnership" section, Schedule 1, Page 1, Columns 1 through 7. Disregard Columns 2 thru 7 if the return is for information purposes only.

If the partnership elects to pay the tax on behalf of the partners, then such election and payments 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, an individual return shall be required from any partner having taxable income other than his (her) distributive share of the net profit of the partnership. In such instances, the partner should enter net profit (loss) on line 8 on his individual return Form L-1040. Attach a copy of the L-1065 to your Individual L-1040 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 of the end of the tax 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 L-1040-ES, if the total estimated tax for the partnership is expected to exceed \$100, and to pay such tax. 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 Lapeer income tax was not withheld) on which the Lapeer tax is expected to exceed \$100. 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

Column 1. Fill out schedules on page 2 first and transfer amounts in Column 7, Schedule C to this column. List amounts in same order as partners are listed in top section.

Column 2. Net operating loss carryover which relates to the partnership is deducted in column 2. This column is also used to adjust for a net capital loss realized by any of the partners, in excess of the partner's maximum allowable (\$3,000) capital loss

deduction. Therefore, a net capital loss realized by any of the partners, in excess of 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 lesser of (1) the net capital loss, (2) the amount in column 1, page 1, computed without regard to capital gains and losses, or (3) \$3,000. Capital gains and losses, and net operating loss carryovers are to be handled in the same manner as provided in the Federal Internal Revenue Code. Nonresident partners must allocate net operating losses to Lapeer at the percentage of business conducted in Lapeer in the year in which the loss was sustained. ATTACH A SCHEDULE DETAILING COMPUTATION OF AMOUNTS REPORTED IN COLUMN 2. Column 3. Exemptions are allowed for each partner and his or her dependents. An exemption of \$600 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 each spouse has no income subject to the Lapeer income tax. Additional exemptions are allowed if the partner or his spouse is 65 or over, or is blind, deaf, or paraplegic, quadriplegic, hemiplegic or totally and permanently disabled. Column 5. Total Tax: Resident partners are taxed at the rate of 1% of their taxable income (Column 4). Nonresident partners are taxed at the rate of 1/2 of 1% of their taxable income. Partners who changed residency status during the year are to use two lines to indicate the allocation of income by status in all schedules where applicable, based on the proration of time in each status. Column 6. Credits-Enter in this column payments made by the partnership for tax paid with a tentative return; or any payments and credits made by the partnership on behalf of Lapeer residents partners for income taxes to any other municipality, if the income on which such tax was levied is included in their return. Do not take credit for income taxes paid another municipality on behalf of partners who are not Lapeer 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 Lapeer on earnings in the other municipality and cannot exceed 1/2% of the amount that would be taxable by the City of Lapeer.

Schedule A – Income from Partnership

Schedule A is used to report ordinary business income of the partnership. Ordinary business income of Schedule A is transferred to Schedule C, column 1. Schedule C is used to determine the amount of ordinary business income subject to the Lapeer tax.

Non-business income is reported in Schedule B. The taxable portion of non-business income is transferred to Schedule C.

Instructions for schedules B and C indicate how amounts transferred from Schedules A and B are allocated to the individual partners.

Schedule B – Non-Business Income and Exclusions

Schedule B is used to allocate the total non-business income of the partnership between resident partners and nonresident partners. After determining the total taxable income for resident and nonresident partners, the totals are transferred to Schedule C wherein an analysis is made to determine the amount of non-business income distributable to each individual partner. Therefore, compute the total amount of distributable non-business income, by type of income, and enter these amounts on the proper lines of Schedule B, column 1. For each category of non-business income, use columns 2 and 3 to show the resident partners' excludable and taxable portion, and use columns 4 and 5 to show the nonresident partners excludable and taxable portion. The total of columns 2 through 5 must equal the total of column 1.

SCHEDULE C – DISTRIBUTION TO PARTNERS

Complete this schedule according to captions and transfer figures in column 7 to Page 1, Column 1. Column 4 is a memorandum column only and is to be used to compute the amount of exclusion to be transferred to the individual partner's form L-1040.

Schedule D - Business Allocation Formula

The business allocation percentage formula is to be used by NONRESIDENT owners of businesses with business activity both within and without the City of Lapeer who, because they do not maintain sufficient records to accurately reflect the net profits from operations conducted within the City of Lapeer, or for other reasons, are not using the separate accounting method.

Line 19a. Enter in column 1 the average net book value of all real and tangible personal property including inventories owned by the business, regardless of location; and in column 2 enter the net book value of the real and tangible personal property including inventories located in the City of Lapeer. The average net book value of real and tangible personal property including inventories 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 period, will also be permitted.

Line 19b. Enter in column 1 the gross rentals multiplied by 8 for all rented real property regardless of location. In column 2 show the gross rentals multiplied by 8 for all rented property located in the City of Lapeer. Gross 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 taxpayer for the use or possession of such real property.

Line 20. Enter in column 1 the total compensation paid to all employees, and in column 2 show the amount of compensation paid to employees for work done or for services performed within the City of Lapeer.

Line 21. Enter in column 1 the total gross receipts from all sales or services rendered and in column 2 show the amount of gross receipts from sales made or services rendered in the City of Lapeer.

Line 23. In determining the average percentage, 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 percentage on Line 22 shall be divided by the number of factors actually used.

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 11. The overpayment will be refunded by check. Do not take credit for overpayment on your Estimated Tax Form L-1040-ES. Refunds will be made as quickly as possible, but please allow 90 days before making an inquiry. Refunds of less than one dollar (\$1.00) will not be made. Tax due of less than one dollar (\$1.00) need not be paid.

Assistance

If there are questions not answered in these instructions, or if assistance is needed in preparing the return, call or visit the Income Tax Department