

# CITY OF GRAND RAPIDS INCOME TAX

## 2005 CORPORATION RETURN

Instructions for Form GR-1120 for CORPORATIONS doing business in Grand Rapids.

### ELECTRONIC FILING

Electronic filing of Grand Rapids corporation income tax returns is scheduled for tax year 2005 returns. Direct deposit refund of overpayments is available for 2005 tax returns. Check the Income Tax section of the City's website, [www.grand-rapids.mi.us/incometax](http://www.grand-rapids.mi.us/incometax), for information on the availability of electronic filing. Grand Rapids will continue to accept paper filed returns.

### CORPORATIONS REQUIRED TO FILE

Every corporation doing business in the city, whether or not it has an office or place of business in the city, is required to file an annual City of Grand Rapids Corporation Income Tax Return, Form GR-1120.

Corporations cannot elect to file and be taxed as partnerships. Subchapter S corporations are treated as C corporations.

The Grand Rapids Income Tax Ordinance specifically exempts financial institutions from taxation. "Financial institutions" are defined as state and national banks, trust companies, building and loan associations, savings and loan associations, credit unions, safety and collateral deposit companies, and any other association, joint stock company or corporation at least 90% of whose assets consist of intangible personal property and at least 90% of whose gross income consists of dividends, interest or other charges resulting from the use of money or credit.

### MAILING OF RETURN FORMS

Corporation income tax return forms are normally mailed to every corporation that filed a return for the previous tax year. If you do not need printed return forms because you use software-generated forms, please indicate by placing a mark in the box on page 1, line A of the Corporation return form.

### RENAISSANCE ZONE DEDUCTION

A corporation located and doing business in a Grand Rapids Renaissance Zone may be eligible to claim the Renaissance Zone deduction. This deduction allows the corporation to deduct the portion of their income earned in a Grand Rapids Renaissance Zone from income subject to Grand Rapids income tax. A taxpayer is not qualified to claim the deduction if the corporation is delinquent for any Michigan or local taxes. A Grand Rapids income tax return must be filed to claim this deduction. Schedule RZ of GR-1120 is required to be attached to the corporation return when claiming the Renaissance Zone deduction.

### TAX RATE

1.3% effective January 1, 1996.

### FILING DATE

Taxpayers on a calendar year are required to file by April 30, 2006. Those on a fiscal year must file by the last day of the fourth month following the end of the fiscal year. Returns shall be for the same calendar year, fiscal year or other accounting period as the taxpayer uses for federal income tax purposes.

### REMITTANCE

The tax due must be paid when filing the return. Make check or money order payable to:

GRAND RAPIDS CITY TREASURER

### MAILING ADDRESS

Mail your return and remittance to:

GRAND RAPIDS INCOME TAX DEPARTMENT

PO BOX 347

GRAND RAPIDS, MI 49501-0347

### EFFECTIVE DATE OF TAX

The City of Grand Rapids income tax became effective July 1, 1967. Corporations are required to pay the tax each year on that part of their net income attributable to business activity conducted in Grand Rapids, commencing with their first year ending after July 1, 1967.

### EXTENSIONS

Upon filing the form APPLICATION FOR EXTENSION OF TIME TO FILE GRAND RAPIDS INCOME TAX RETURN (available on the City's website) 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 must be paid.

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

### PAGE 1 INSTRUCTIONS

**LINES 1 - 9.** Follow the instructions printed on the return form.

### RENAISSANCE ZONE DEDUCTION

**LINE 10.** Corporations qualified to claim the Renaissance Zone deduction calculate the tax due on Schedule RZ of GR-1120. When claiming a Renaissance Zone deduction, enter "Sch. RZ" on line 10 to the left of the tax due and attach Schedule RZ to Form GR-1120. All other corporations compute the tax due at 1.3% of line 9.

### PAYMENTS AND CREDITS

**LINES 11 & 12.** Follow the instructions printed on the return form. Credit for tax paid by a partnership on behalf of the corporation is claimed on line 11c.

### COMPUTATION AND PAYMENT OF TAX

**Line 13.** If tax due (line 10) is greater than the total tax payments (line 12) subtract line 12 from line 10 and enter the tax due. Tax due must be paid when filing the return. Make check or money order payable to the GRAND RAPIDS CITY TREASURER, and mail the remittance with the return to GRAND RAPIDS INCOME TAX DEPARTMENT, PO BOX 347, GRAND RAPIDS, MI 49501-0347.

### OVERPAYMENT OF TAX

**Line 14.** If the total tax payments (line 12) is greater than tax due (line 10) subtract line 10 from line 12 and enter the tax overpayment.

**Line 15.** Enter all or the portion of the overpayment to be applied to the 2006 estimated tax as a credit forward.

**Line 16.** Enter all or the portion of the overpayment the corporation is donating to the City to fund the purchase of American flags for placement on veterans' graves in Grand Rapids.

**Line 17.** Enter all or the portion of the overpayment to be refunded via a paper refund check.

**Line 18.** Enter all or the portion of the overpayment to be refunded via a direct deposit and enter the following: routing number, type of account and account number.

An overpayment refund will be issued via a paper check or direct deposit. A refund may not be split. Please allow 90 days before making any inquiry relative to a refund.

### PREPARER AUTHORIZATION

**Line 19.** If the "Yes" box is marked, the corporation is authorizing the Grand Rapids Income Tax Department to call the preparer to answer any questions that may arise during the processing of its return. The corporation is also authorizing the preparer: to give the Department any information that is missing from the return; to call the Department for information about the processing of the return or the status of any related refund or payments; and to respond to certain notices that the corporation has shared with the preparer about math errors, offsets and return preparation.

### PAGE 2 INSTRUCTIONS

#### SCHEDULE D

The business allocation percentage formula must be used by corporations with business activity both within and outside the City of Grand Rapids who have not been approved to use the separate accounting method.

**LINE 1a.** 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 owned and located or used in the City of Grand Rapids. 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.

**LINE 1b.** Enter in column 1 the gross annual rent multiplied by 8 for all rented real property regardless of location. In column 2 show the gross annual rent multiplied by 8 for rented real property located in the City of Grand Rapids. Gross annual rent refers to real property only, rented or leased during the taxable period, and should include the actual sums of

# CITY OF GRAND RAPIDS INCOME TAX

## 2005 CORPORATION RETURN

### Instructions for Form GR-1120 for CORPORATIONS doing business in Grand Rapids (continued)

money or other consideration paid, directly or indirectly, by the taxpayer for the use or possession of such 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 or services performed within the City of Grand Rapids 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 Grand Rapids during the year. If there is no regularly maintained sales force outside of the city, this allocation factor must be 100% for businesses with no other business activity outside the city.

**Separate Accounting** - The taxpayer may petition for, or the administrator may require, use of the separate accounting method. If such method is petitioned, the administrator may require a detailed statement to determine whether the net profits attributable to the city will be apportioned with reasonable accuracy (Ordinance Section 19).

Generally, a corporation that is unitary in nature (i.e., has central management, purchasing, warehousing, advertising, etc.) cannot use separate accounting. Taxpayers allocating on any basis other than separate accounting shall include all interest, dividends and other non-operating income to arrive at the total income subject to the allocation percentage.

Taxpayers using separate accounting shall include in income subject to tax a proportionate share of dividends, interest and other non-operating income of the total corporation. This type of income is apportioned to Grand Rapids activity on the same basis as general administrative and overhead costs are apportioned.

#### SCHEDULE E

**LINE 3.** Enter on line 3 the nondeductible portion of a loss from the sale or exchange of property acquired prior to July 1, 1967. The portion of the loss occurring prior to the inception of the Ordinance, July 1, 1967 is not recognized. The amount of loss occurring prior to July 1, 1967, is determined by either (1) computing the difference between the total gain or loss for the property as reported for federal income tax purposes and the Grand Rapids taxable portion of the loss computed by substituting the fair market value of the property on July 1, 1967, (the June 30, 1967, closing price for traded securities) for the basis in determining or loss; or (2) by multiplying the loss for the entire holding period, as computed for federal income tax purposes, by a fraction, the numerator being the number of months the property was held prior to July 1, 1967 and denominator being the total number of months the property was held. See line 10 for instructions relative to gains from sales or exchanges of property acquired prior to July 1, 1967.

Capital losses from US Government obligations included in income reported on page 1, line 1, are not deductible. Remove these losses by including them in the amount reported on line 3.

**LINE 4.** Enter the losses from entities filing as partnerships that are included in taxable income reported on page 1, line 1.

**LINE 6.** Enter the amount of interest income from obligations of the United States, the states or subordinate units of government of the state that is included in taxable income reported on page 1, line 1.

**LINE 7.** If you reported dividend income, enter on this line the amount of the dividend-received deduction allowed by the federal Internal Revenue Code for dividends received.

**LINE 8 AND LINE 9.** Taxpayers may deduct income, war profits and excess profits taxes imposed by foreign countries or possessions of the United States, allocable to income included in taxable net income, any part of which would be allowable as a deduction in determining federal taxable income under the applicable provisions of the federal Internal Revenue Code.

If a foreign tax credit, rather than a foreign tax deduction, was claimed on your federal return, enter on line 8 the portion of the foreign tax credit which was grossed up and included in your Grand Rapids return as dividends received.

Enter on line 9 the "foreign taxes paid or accrued" portion of the foreign tax credit claimed on your federal return, not in excess of the federal limitations thereon. The balance of your foreign tax credit is not deductible.

**LINE 10.** Enter on line 10 the nontaxable portion of a gain from the sale or exchange of property acquired prior to July 1, 1967. The portion of the gain occurring prior to the inception of the Ordinance, July 1, 1967, is not recognized. Refer to the instructions for Schedule E, line 3 for computation instructions.

Capital gains from US Government obligations included in income reported on page 1, line 1, are not taxable. Remove these gains by including them in the amount reported on line 10.

**LINE 11.** Enter income from entities filing as partnerships that are included in taxable income reported on page 1, line 1.

#### SCHEDULE F

S corporations must file as C corporations. Schedule F is used to reconcile the amount reported on line 1, page 1 GR-1120 with federal Form 1120S and Schedule K (Form 1120S).

#### SCHEDULE G

**LINE 1.** Net operating losses carried forward are to be reported on this line. There is no provision for carrying back losses to prior tax years. Carryover losses are to be allocated to Grand Rapids at the percentage of business conducted in Grand Rapids in the year in which the loss was sustained. If all business was not conducted in Grand Rapids in the year in which the loss was sustained, use the business allocation percentage formula to arrive at the deductible portion of the loss. Attach a schedule showing your computation for the amount reported on this line.

**LINE 2.** Enter on this line the net capital loss carryover applicable to Grand Rapids. Net capital losses sustained by a corporation for periods subsequent to July 1, 1967, may be carried forward in the same manner as under the federal Internal Revenue Code. No deduction will be allowed for capital losses sustained prior to July 1, 1967. If all business was not conducted in Grand Rapids in the year in which the loss was sustained, use the business allocation percentage formula to arrive at the deductible portion of the loss. Attach a schedule showing your computation for the amount reported on this line.

**LINE 3.** Corporations who are partners in a business activity taxed as a partnership that has business activity in Grand Rapids must enter on this line their portion of the Grand Rapids taxable income or loss from the partnership(s). Attach a schedule showing your computation for the amount reported on this line including the name and taxpayer identification number of the partnership(s).

#### DECLARATION AND PAYMENT OF ESTIMATED TAX

- WHO MUST FILE:** Every corporation subject to the tax on all or part of its net profits must file a Declaration of Estimated Income Tax (Form GR-1040ES). A Declaration is not required from corporations if the estimated tax is two hundred fifty dollars (\$250.00) or less.
- WHEN AND WHERE TO FILE AND PAY:**
  - Declaration for Calendar Year:** The Declaration for a calendar year must be filed on or before April 30th of that year. The estimated tax is payable in equal installments on or before April 30th, June 30th, September 30th and January 31st.
  - Declaration for Fiscal Year:** The Declaration for a year, or period differing from the calendar year must be filed within four (4) months after the beginning of each fiscal year or period. For example, if a fiscal year begins on April 1st, the Declaration will be due on July 31st. Remaining installments will then be due on the last day of the 6th, 9th and 13th months after the beginning of the fiscal year.
  - Filing and Payment:** The Declaration should be filed with the City Income Tax Department, P.O. Box 347, Grand Rapids, MI 49501-0347. The first installment payment must accompany the Declaration. The estimated tax may be paid in full with the Declaration.

#### ASSISTANCE

If you have questions, would like to request forms, or need assistance in preparing your return call (616)456-3485. Questions by mail should be directed to: Grand Rapids Income Tax Department, P.O. Box 2528, Grand Rapids, Michigan 49501-2528.

#### WEBSITE

Income tax forms, instructions and additional information are available under the Income Tax Department section of the City of Grand Rapids web site, [www.ci.grand-rapids.mi.us/incometax](http://www.ci.grand-rapids.mi.us/incometax).

#### NOTICE

These instructions are interpretations of the Grand Rapids Income Tax Ordinance. The Ordinance will prevail in any disagreement between the instructions and the Ordinance.



Name as shown on page 1	Federal Employer Identification Number
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<b>SCHEDULE D - BUSINESS ALLOCATION FORMULA</b>			
	Column 1 Located Everywhere	Column 2 Located in Grand Rapids	Column 3 Percentage (Column 2 divided by column 1)
1. a. Average net book value of real and tangible personal property	\$	\$	
b. Gross annual rent paid for real property only, multiplied by 8			
c. Totals (Add lines 1a and 1b)			%
2. Total wages, salaries, commissions and other compensation of all employees			%
3. Gross receipts from sales made or services rendered			%
4. Total percentages (Add the three percentages computed from column 3, lines 1c, 2 and 3)			%
5. Business allocation percentage ( One-third of line 4) Enter here and on page 1, line 6			%
<b>In determining the business allocation 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. In such cases, the sum of the remaining percentages shall be divided by the number of factors actually used.</b>			
In the case of a taxpayer authorized by the Income Tax Administrator to use one of the special formulae, attach an explanation and use the lines provided below:			
a. Numerator		c. Percentage (a divided by b) Enter here and on page 1, line 6	
b. Denominator		d. Date of Administrator's approval letter	

<b>SCHEDULE E - ADJUSTMENTS PRIOR TO ALLOCATION</b>			
Schedule E is used to adjust the income reported on page 1, line 1, to give effect to the requirements of the Grand Rapids Income Tax Ordinance. The period of time used to compute items for Schedule E must be the same as the period of time used to report income on page 1, line 1. Schedule E entries are allowed only to the extent directly related to net income as shown on page 1, line 1.			
Period: From <input style="width: 80px;" type="text"/> To <input style="width: 80px;" type="text"/>			
Column 1 Add - Items Not Deductible		Column 2 Deduct - Items Not Taxable and Allowable Deductions	
1. All expenses (including interest) incurred in connection with derivation of income not subject to Grand Rapids income tax	\$	6. Interest from U.S. obligations and from United States governmental units	\$
2. Grand Rapids income tax paid or accrued		7. Dividends received deduction	
3. Nondeductible portion of loss, from sale or exchange of property acquired prior to July 1, 1967		8. Dividend gross up of foreign taxes	
4. Other (submit schedule)		9. Foreign tax deduction	
5. Total additions (Add lines 1 through 4) Enter here and on page 1, line 2	\$	10. Nontaxable portion of gain from sale or exchange of property acquired prior to July 1, 1967	
		11. Other (submit schedule)	
		12. Total deductions (Add lines 6 through 11) Enter here and on page 1, line 4	\$

<b>SCHEDULE F - SUBCHAPTER S CORPORATION INCOME</b>	
Schedule F is used by Subchapter S corporations to reconcile the amount reported on line 1, page 1, GR-1120, with federal Form 1120S and Schedule K of federal 1120S. <b>Attach federal Form 1120S and Schedule K of federal 1120S.</b>	
1. Ordinary income (loss) from trade or business (per federal 1120S)	\$
2. Income (loss) per Schedule K, federal 1120S, lines 2 through 10	
3. Total income (loss) (Add lines 1 and 2)	
4. Deductions per Schedule K, federal 1120S	
5. Taxable income before net operating loss deduction and special deductions (Subtract line 4 from line 3) Enter here and on page 1, line 1, GR-1120	\$

<b>SCHEDULE G - ADJUSTMENTS AFTER ALLOCATION</b>	
1. Allocated net operating loss deduction (Enter as a negative amount)	\$
2. Allocated capital loss carryover (Enter as a negative amount)	
3. Allocated partnership income (Enter income as a positive and losses as a negative)	
4. Total adjustments (Add lines 1 through 3) Enter here and on page 1, line 8, GR-1120	\$