City of Flint, Michigan

Partnership Return

Instructions for Form F1065 for Partnerships doing business in Flint

Form F1065 Partnership Return 2011

FILING DATE: Calendar year taxpayers must file by April 30, 2012. Fiscal year taxpayers must file within 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. Tax due of one dollar or more ($1.00), must be paid when filing the return. Make remittance payable to:
TREASURER - CITY OF FLINT.

MAILING ADDRESS:

REFUND OR CREDIT:
TREASURER, CITY OF FLINT
INCOME TAX OFFICE
1101 S. SAGINAW ST.
FLINT, MI 48501

Who Must File a Partnership Return (Form F1065)

The City of Flint income tax became effective January 1, 1965. Every Partnership that conducts business activities in the City of Flint, 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 April 30. Syndicates, joint ventures, pools and like organizations will also use Form F1065. So called "tax option" Subchapter S corporations (under Secs. 1371 - 1377, Internal Revenue Code) must file as corporations on Form F1120.

Resident vs. Non-Resident Partners

Partners who are residents of Flint 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 Flint 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 of 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 F1065, is designed to distinguish between that income taxed to residents and that taxed to non-residents.

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 Flint 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.

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.

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 a 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 requirements to file a Declaration of Estimated Income Tax, Form 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 Flint income tax was not withheld) on which the Flint 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 Please Complete Page 1 of Form F1065.

Column 2:

New For 2011 - The Renaissance Zone Deduction is limited to 25% of net income. Dividend Exclusion, Renaissance Zone Deduction and items of income which are non-taxable and which are included in Column 1 of this section may be deducted in Column 2. Partnerships qualified to claim the Renaissance Zone deduction must attach a copy of Renaissance Approval Letter for 2011.

If the analysis of Column 7, Schedule 1 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 1, Page 3 over the Partners allowable capital loss deduction must be added back in Column 2, Page 1. The allowable capital loss deduction for each Partner is lower of (1) the net loss, (2) the amount in Column 1, Page 1, computed without regard to capital gains and losses, or (3) $3,000.00.

If the Partnership is filing an information return only, the individual partners will report their distributed shares of the Partnership's sales and exchanges of property on their individual F1040 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/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 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 Flint income tax and taxpayer

contributes at least 50% of his/her support. Additional exemptions are not allowed if the Partner or his spouse is over 65, or is blind.

Total Tax - Columns 5, 6, and 6 (1).

Enter the tax computed at 1% for resident Partners in Column 5, the tax computed 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 Flint 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 Flint residents. The credit shall be 1/2% (.5%) of the total taxable income earned in the other municipality.

All 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 C - Income from Partnership

Line 17 - Depreciation. Use the same basis and method used for Federal Income Tax reporting. See also the additional instructions for Schedule C on Page 4 of the return.

Schedule A - Ordinary Income from Business

Line 2 - If the Flint 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, are exempted from the tax. If they have been included in the total on Line 1 they should be deducted here.

Line 4 - Use Line 4 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, and is to be reported on Schedule C rather than as dividends and interest on Schedule B.

Schedule E - 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 is determined on the same basis, as under the Federal Internal Revenue Code.

Only the amount of the gain or loss occurring from January 1, 1965 to the date of disposition shall be recognized for purposes of the Flint income tax. The amount of gain or loss occurring after January 1, 1965 is to be determined by either (1) computing the difference between the January 1, 1965 fair market value (January 4 closing price for traded securities) or the costs if the date acquired was subsequent to January 1, 1965, and the proceeds from the sale or exchange, or (2) by using the gain or loss for the entire holding period, as computed for the 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 January 1, 1965 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 property located in Flint is taxable to both residents and non-residents.

Line 3 - Income or loss from royalties, and rents of property located outside Flint, 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 Lines 2 and 3 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.

Lines 2 and 3 - Whenever the members of a Partnership include both residents and non-residents of Flint it will be necessary to analyze the type of income received from other Partnerships. This is necessary since the income received from such other Partnerships may include amounts for business activity in Flint and also amounts for business activity outside Flint. 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 1 - Summary of Schedules A, B, E, F, and G

Column 1 - If additional first year depreciation is included in Schedule C, Line 17, and if the Partners have unequal credits for such additional 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 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 proper box on Line 11 to indicate whether you wish the overpayment as a refund or as a credit on your estimated tax. Refunds will be made as quickly as possible, but please allow 90 days before making any 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 call **(810) 766-7015.** Questions by mail should be directed to:

Income Tax Administrator
City of Flint, Income Tax Office
1101 S. Saginw Street
Flint, MI 48501
www.cityofflint.com