

CITY OF HAMTRAMCK INCOME TAX

CORPORATION RETURN INSTRUCTIONS

Corporations Required to File

Each corporation doing business in the city, whether or not it has an office or place of business in the city, is required to file a City of Hamtramck Corporation Income Tax return, Form H-1120.

An amended Hamtramck return is required if a determination is made by the Internal Revenue Service that affects the taxpayer's Hamtramck income tax liability. This return is due within 90 days from the date of the service's final determination.

Organizations that have an Internal Revenue Service exemption from taxation but have income from operations not related to the purpose for which they received the exemption are subject to Hamtramck tax on the unrelated income.

A tax-option corporation must file a Hamtramck corporation return and pay the tax on its income.

The election provided in the Internal Revenue Code for a qualifying Domestic International Sales Corporation is not available in the Hamtramck Income tax Ordinance.

Hamtramck may require a parent corporation to file a consolidated return with its subsidiaries if the business is unitary and such filing would more accurately determine net profits attributable to Hamtramck.

The Hamtramck ordinance exempts financial institutions and insurance companies from taxation. Financial institutions are defined in Section 14, Ordinance 292, as amended.

Filing Date

Taxpayers on a calendar year are required to file by April 30, 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 used for federal income tax filing.

Extension

Upon written request from the taxpayer made on or before the due date the Administrator may extend the time for filing up to six months. An application for extension of time is available on request.

The Administrator will assign an extension number. This number should be entered on the return and on any correspondence with the Income Tax Department.

If an extension longer than two months is requested a tentative return must be filed and an estimated tax paid.

Income or Loss from Activity in Hamtramck

Formulary apportionment is used to determine taxable income or loss. However, a taxpayer may petition the Administrator for approval to use a separate accounting method (or an alternate method).

A petition to use separate accounting (or an alternate method) must be made in writing within 90 days following the beginning of the accounting period for which its use is requested. If the petition is approved, a copy of the approval letter must be submitted with any return that has been prepared using this method to determine taxable income or loss. If the taxpayer's petition is not approved formulary apportionment must be used.

Unless a separate accounting method has been approved total income (including interest, dividends, and other non operating income) shall be subject to the apportionment percentage.

Generally, a corporation that is unitary in nature (i.e. has central management, purchasing, advertising, etc.) cannot use separate accounting.

Instructions for Page 1

Line 1. Attach a copy of your federal return or a schedule; reconcile the income on your schedule to your federal return. Include in the reconciliation the reinstatement of payroll expense not allowable on the federal return as a result of the targeted jobs credit provisions.

Line 2. Add items deducted on your federal return but not deductible under the Hamtramck ordinance. Schedule C, column 1, (on page 2), is used to support line 2.

Schedule C, column 1, line 1, is used to adjust profit for the non-deductible portion of losses from the sale or exchange of property acquired prior to October 1, 1962. See instructions below for Schedule C, column 2, line 5 for computing losses or gains on property acquired before October 1, 1962.

Line 4. Deduct items not taxable by Hamtramck. Complete Schedule C, column 2 to substantiate your deduction.
Schedule C, Column 2 —

Line 1. Interest from obligations of the United States and its subordinate units is exempt from tax.

Line 2. If you reported dividend income, enter on this line the amount of the dividend-received deduction allowed in the Internal Revenue Code.

Line 3. Enter the amount of foreign "taxes deemed to have been paid" which were grossed-up and included in your Hamtramck return as dividends received.

Line 4. If a foreign tax credit rather than a foreign tax deduction was taken on your federal return enter that portion of the credit reported on Internal Revenue Service form 1118 as "taxes paid or accrued" for the taxable year.

Line 5. Enter here the nontaxable portion of the gains from the sale or exchange of property acquired prior to October 1, 1962.

Gain or loss on property purchased prior to October 1, 1962 must be determined by one of the following methods:

1. The base may be the adjusted fair market value of the property on October 1, 1962. (October 2nd closing price for traded securities), or;
2. Divide the number of months the property was held prior September 30, 1962 by the total number of months the property was held. Apply this fraction to the entire gain or loss reported for federal tax purposes.

Line 6. Total income must be apportioned if the corporation had activity within and without the city, and permission to use separate accounting (or an alternate method) has not been granted. Complete Schedule D, page 2 to support the apportionment.

Schedule D --

Line 1. Enter in column I the average net book value of all real and tangible personal property owned by the business regardless of location, and in column II show the average net book value of the real and tangible personal property owned and located in the city.

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 by two. If this method will not properly reflect the average net book value of tangible property owned during the year, any other method that will accurately reflect it will be permitted.

Line 1a. Enter in column I the gross annual rent multiplied by 8 for all rented real property regardless of location. In column II show the gross annual rent multiplied by 8 for rented real property located in the city.

Gross annual rent should include money and other consideration given for the use of or possession of real property rented or leased.

Line 2. Enter in column I total compensation paid to all employees during the year. In column II show compensation paid to employees for work or services performed within the city.

Line 3. Enter in column I the total gross revenue from all sales or services rendered during the year. In column II show the amount of revenue derived from sales made or services rendered in the city. Rental income is to be considered as derived from services rendered and is to be included in gross receipts.

Multistate Tax Compact

Taxable income for accounting periods after October 1, 1970 may be determined by the apportionment provisions of Michigan Act 343, Public Acts of 1969, for those multi-state corporations that qualify under the act. Computation of the tax must be supported by schedules.

Line 8. Enter the net capital loss carryover and net operating loss carryover applicable to Hamtramck. Capital losses and capital loss carryovers are deductible only to the extent of capital gains.

If 100% of a corporation's activity was not conducted in the city in the year in which the loss was sustained the apportionment percentage in the loss year must be applied. If Schedule D, "Income Apportionment Formula" was not prepared when the loss was claimed it must be completed and reported, so that the allowable loss carryover can be determined.

Computation and Payment of Tax

Tax due of one dollar or more must be paid with the return. Make check or money order payable to TREASURER — CITY OF HAMTRAMCK.

If your payments and credits exceed the tax indicate if the overpayment is to be refunded or credited to your estimated tax. The city cannot refund an amount of less than one dollar.

Declaration and Payment of Estimated Tax

Each corporation subject to tax must file a Declaration of Estimated Income Tax (Form H-1040-ES) if the estimated tax for the next calendar or fiscal year is more than TWO HUNDRED FIFTY DOLLARS (\$250.00).

ASSISTANCE

If you have questions, or need assistance, call 876-7745. The Income Tax Unit.

Questions by mail should be directed to:

DIRECTOR OF HAMTRAMCK INCOME TAX
3401 Evaline
Hamtramck, Michigan 48212

The Hamtramck income tax is imposed under Ordinance 292. Enabling legislation was provided by the State of Michigan. The Uniform City Income Tax Ordinance is set forth in Chapter 2 of Act 284 of the Public Acts of 1964. These instructions are intended as an aid in the preparation of your Hamtramck return.