

CITY OF HIGHLAND PARK INCOME TAX CORPORATION RETURN

Instructions from Form HP-1120 for CORPORATIONS doing business in Highland Park

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, and having a tax liability under the ordinance, is required to file an annual City of Highland Park Corporation Income Tax Return, Form HP-1120.

Corporations cannot elect to file and be taxed as partnerships. Likewise, partnerships cannot elect to file and be taxed as corporations.

The ordinance specifically exempts from taxation state and national banks, trust companies, insurance companies, building and loan and savings and loan associations, credit unions, safety and collateral deposits companies, and any other association and joint stock company or corporation at least 90% of whose assets consist of intangible personal property and at least 90% of whose gross income from the use of money or credit.

Filing Date

Taxpayers on a calendar year are required to file by April 30 of each year. 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.

The tax due, if one dollar (\$ 1.00) or more, must be paid when filing the return. Make remittance payable to:

CITY OF HIGHLAND PARK

MAILING ADDRESS:

Mail and return your remittance to:
CITY OF HIGHLAND PARK
INCOME TAX DIVISION
P.O. BOX 239
EATON RAPIDS, MI 48827

Extensions

Upon written request of the taxpayer made on or before the date for filing a return the Administrator may extend the time for filing up to six months. Where an extension greater than two months is requested a tentative return must be filed and the estimated tax paid by the last day of the second month.

Instructions for Page 1

Line 4. If you entered an amount on line 2 of pages 1, use either of the methods explained in the instructions for computing the gain or loss for the taxable period. Do not include capital gains and losses on the sale or exchange of United States obligations since such gains and losses are excluded from taxation under the Highland Park Ordinance.

Line 12. Enter on this line the net capital loss carryover applicable to Highland Park.

Net capital losses sustained by a corporation for periods subsequent to July 1, 1966 may be carried forward the following five consecutive years. No deduction will be allowed for capital loss carryover are deductible only to the extent of capital gains.

Effective January 1, 1971, net operating loss carrybacks or capital loss carrybacks will not be allowed. This affects returns covering the calendar year ending December 31, 1971 and fiscal years ending after January 1, 1972 on which operating or capital losses are reported.

Carryover losses are to be allocated to Highland Park at the percentage of business conducted in Highland Park in the year in which the loss was sustained. If all business was not conducted in Highland Park in the year in which the loss was sustained. Use the business allocation percentage formula to arrive at the deductible portion of the loss.

Separate Accounting Method

In order to report under the separate accounting method for taxable years beginning on and after January 1, 1970, permission, must be requested in writing from the administrator not more than 90 days after the beginning of the taxpayer's year. Also, to report under the separate accounting method the taxpayer must regularly keep its books and records in such a manner as to show with reasonable accuracy the portion of its net profits attributable to work done, services performed or rendered, and other business activities conducted within the city. Generally a corporation that is unitary in nature i.e. has central management purchasing, warehousing, advertising, etc. cannot use separate accounting.

Non-unitary Income

Dividends and Interest. 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, using a direct allocations if the income is received by the divisions subject to the Highland Park tax, or apportioning it on the same basis as general administrative and overhead costs are apportioned to Highland Park activity.

Income from rents and royalties. Follow the same instructions here as for dividends and interest above.

Gain or less from- sale or exchange of property. Enter on line 2 of page 1 the total amount of gain or loss from sale or exchange of property for the same period as reported on your Federal return. Only the amount of the gain or loss occurring from July 1, 1966 to date of disposition shall be recognized for purposes of the Highland Park income tax. Adjustment for this is to be made on page 1, however, rather than on Schedule C by removing the gain or loss on line 2 and inserting, on line 3, only the portion of the gain or loss applicable to the holding period subsequent to July 1, 1966 to the date of disposition. Any net capital loss carryover included in line 2 of page 1 should be excluded before entry on line 8 of page 1. The portion of line 2 that represents net capital loss carryover is to be entered on line 12 of page 1 in accordance with the instructions for that line. The amount of gain or loss occurring after July 1, 1966 (to be entered on page 1, line 8) is to be determined by either (1) computing the difference between the July 1, 1966 fair market value (June 30th closing price for traded securities) or the cost if the date acquired was subsequent to July 1, 1966, 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, 1966 is to the total time the property was held.

Schedule D - Instructions

The business allocation percentage formula is to be used by corporations with business activity both within and without the City of Highland Park unless permission to use the separate accounting method has been granted.