

PARTNERSHIPS REQUIRED TO FILE A RETURN

Every partnership that conducted business activity in the City of Jackson, whether or not an office or place of business was maintained in the city, is required to file an annual return. Syndicates, joint ventures, pools and like organizations will also use Form J-1065. To obtain a Jackson 1065 form go to www.cityofjackson.org then quick links Income Tax Forms.

RENAISSANCE ZONE DEDUCTION

A partnership located and doing business in a Jackson Renaissance Zone may be eligible to claim the Renaissance Zone deduction. This deduction allows the partnership or the partners, if qualified, to deduct the portion of the partnership income earned in the Renaissance Zone from income subject to tax. A taxpayer is not qualified to claim the deduction if the taxpayer is delinquent for any Michigan or local tax.

FILING DATE

Calendar year taxpayers must file by April 30th. Fiscal year taxpayers must file within four (4) months after the end of their fiscal year.

OPTION TO PAY TAX AND APPLICABLE TAX RATES

The Partnership may elect to file an informational return or to compute and pay the tax due with respect to each partner's share of the net profits of the business. The Partnership may pay the tax for partners only if it pays for ALL partners subject to tax. Effective 6/12/64, the income tax rate of 1.00% for all corporations, 1.00% for residents and 0.50% for nonresidents.

REMITTANCE

Partnerships electing to pay the tax for all partners must remit the tax when filing the return. Make check or money order payable to Treasurer, City of Jackson. Mail to: Income Tax Division, 161 W Michigan Ave, Jackson, MI 49201

**** PARTNERSHIP AS TAXPAYER**

If the Partnership elects to pay the tax for each of the partners, the Individual partners are not required to file a return if such partners have no other income subject to tax. However, an individual return is required from any partner having taxable income other than the distributive share of the net profits of the partnership. (in such instances, a partner who is required to file an individual return should refer to the instruction of such return).

Partnerships electing to pay the tax on behalf of the partners assume the status if taxpayer to the following extent: (1) timely payment must be made (2) a Declaration of Estimated Income Tax (Form J-1040ES) is required if the total estimated tax for the Partnership is expected to exceed \$100. The calendar or fiscal year of the partnership will govern in establishing the dates for filing the declaration and paying the estimated tax.

Partnerships electing to become the taxpayer should start preparation of the return on page 2 with Schedules A and B. If the Partnership is subject to allocation of business income, Schedule D should be completed next.

Schedule C is then completed to determine each partner's share of the business and non-business income. Partnerships with rental real estate must complete Schedule E. Page 1 is to be totally completed.

**** PARTNERSHIPS FILING AN INFORMATIONAL RETURN**

Partnerships filing informational returns are required to complete Page 2, Schedules A, B, C and if applicable Schedules D and E, and page 1 "Identification and Information" section and Column 1.

The Partnership Return Form J-1065 is designed to distinguish between that income taxed to residents, nonresidents, and corporations. The purpose of the return is to set forth the entire net profit for the period covered and to show the distributive share of each partner, indicating those who are residents of Jackson, nonresidents or corporations. (If residency changes during the taxable period for any partner, use two lines to indicate allocation of income by residency status in all schedules where applicable.)

Ordinary business income of the partnership is reported in schedule A. This ordinary business income is transferred to Schedule C, Column 1, by showing the amount of ordinary income distributed to each partner.

Non-business income that may be taxable is reported in Schedule B, by type of income. The taxable portion for resident, nonresident and corporate partners is determined in this schedule in columns 2 through 5. The taxable non-business income is then transferred to Schedule C by showing the amounts applicable to the individual partners. Column 1, on page 1 is the final summary transferred from Schedule C, column 7.

RESIDENT PARTNERS are taxed on their entire distributive share of the net profits of the partnership, including that arising from business activities out of Jackson, interest, dividends, rents, royalties, other income, and gains from the sale or exchange of property, either tangible or intangible, regardless of where such property was located.

NONRESIDENT PARTNERS are taxed on their distributive share of the partnership's ordinary business income, which is attributed to business activity in Jackson, plus net rentals of tangible property in the City and gains from the sale or exchange of tangible property in the City. Nonresidents are not taxed on their share of net rentals on property located outside the City, gains from the sale or exchange of securities or other intangible property, or on interest and dividends. When the receipt of interest and other intangible income is directly related to the nature of the business, such interest, etc., shall be considered business income taxable to nonresidents and is to be included in the ordinary business income reported in Schedule A, line 1.

CORPORATION PARTNERS are taxed on their distributive share of the partnership's ordinary business income attributable to business activity in Jackson, plus net rentals of tangible property in the City and gains from the sale or exchange of tangible property in the City. Corporations are not taxed on their share of net rentals of property located outside the City or gains from the sale or exchange of tangible property located outside the City.

PAGE 1 INSTRUCTIONS	COMPUTATION OVERPAYMENT OF TAX
<p>Column 1. The amounts to be inserted in column 1 page 1 are transferred from Schedule C on page 2 of the return. If this return is an informational return the remaining columns, 2 through 6, on page 1 need not be completed. However, if the partnership elects to pay the tax, columns 2 through 6 must be completed.</p> <p>Column 2. Allowable individual partner deductions, which relate to the partnership are deducted in column 2. These deductions include net operating loss carryover and the Renaissance Zone deduction. This column is also used to adjust for 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 more than 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 Jackson at the percentage of business conducted in Jackson in the year in which the loss was sustained. ATTACH A SCHEDULE DETAILING COMPUTATION OF AMOUNTS REPORTED ON COLUMN 2.</p> <p>Column 3. A \$600 exemption is allowed for each partner who is an individual, the partner's spouse, and dependents. Additional exemptions are allowed if the taxpayer or spouse is 65 years of age or older, or is blind, or is paraplegic. 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 such spouse has no income subject to Jackson Income Tax. Exemptions for a partner whose residence status has changed from a resident to a nonresident or from a nonresident to a resident of Jackson during the taxable year are first applied against income while a resident, with the balance, if any, applied to Jackson income while a nonresident. A partner's personal and dependency exemptions may not be claimed on more than on partnership return. Exemptions are not allowed to other people who are partners (ie., corporations who are partners, partnerships who are partners, etc.)</p> <p>Column 6. In column 6 enter payments made by the partnership tax paid with a tentative return, payments made against filing year, declaration of estimated income tax, or any credits for income taxes paid to any other municipality by the partnership on behalf of Jackson resident partners. If the income on which such tax was levied is included in this return DO NOT take credit for income taxes paid to any other municipality on behalf of nonresident partners. The credit for tax paid to another city shall be the lesser of (1) the income tax paid the other municipality for Jackson resident partners or (2) 0.50% of an amount obtained by deducting the amount for exemptions claimed for Jackson resident partners on page 1, column 3, of this return from the gross amount of income of Jackson resident partners subject to tax by such other city. All credits in line 6 are to be distributed on lines 6a and 6b and totaled on line 9.</p>	<p>Line 10. If the total tax payments (line 9) is greater than tax due (line 7) subtract line 7 from line 9 and enter the tax overpayment.</p> <p>Line 12. If you wish to donate any portion or all of the overpayment to the Parks and Recreation Fund or the Water Fund, enter the amount of the donation, otherwise leave blank.</p> <p>Line 13. Enter the amount of your overpayment to be refunded. A refund will be issued via a paper refund check unless you choose to get the refund via direct deposit by marking the box on line 14 for REFUND-DIRECT DEPOSIT and enter (a) the bank routing number, (b) the bank account number and (c) the account type.</p> <p>COMPUTATION AND PAYMENT OF TAX</p> <p>Line 15. If the tax due (line 7) is greater than the total tax payments (line 9) subtract line 9 from line 7 and enter tax due. Tax due must be paid when filing the return.</p> <p>Check or Money Order must be payable to Jackson City Treasurer and mailed along with the return to: Jackson Income Tax Department, 161 W Michigan Ave, Jackson, MI 49201.</p> <p>To make payment via direct withdrawal from your bank account, mark the box on line 14 to Pay Tax Due – Electronic Funds Withdrawal, enter the electronic funds and complete (a) the bank routing number, (b) the bank account number and (c) the account type.</p> <p>Line 16. If the "Yes" box is marked, the partnership is authorizing the Jackson Income Tax Department to call the preparer to answer any questions that may arise during the processing of the return. The partnership 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 partnership has shared with the preparer about math errors, offsets and return preparation.</p>
	<p style="text-align: center;">PAGE 2 INSTRUCTIONS</p> <p>SCHEDULE A – ALLOCABLE BUSINESS INCOME</p> <p>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 Jackson income tax.</p> <p>Non-business income is reported on Schedule B. The taxable portion of non-business income is transferred to Schedule C.</p> <p>Instructions for Schedules B and C indicate how amounts transferred from Schedules A and B are allocated to the individual partners.</p>

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 resident partners' excludable and taxable portions, 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.

INTEREST AND DIVIDENDS

In column 1, line 1, report total partnership non-business interest income. In column 1, line 2, report total partnership income from dividends. The interest and dividends reported on lines 1 and 2, column 1, are to be apportioned between resident partners (columns 2 and 3) and nonresident partners (columns 4 and 5). Resident partners exclude in column 2 the total nontaxable interest from obligations of the United States, the states or subordinate units of government of the states. Interest and dividend income is not taxable to nonresidents.

SALE OR EXCHANGE OF PROPERTY

Report in column 1, lines 3, 4, and 5, the total taxable net gain or loss from sales and exchanges of property, short-term, long-term and Section 1231, respectively. Gains or losses on the sale of obligations of the United States or attributable to the period prior to July 1, 1965, are excluded.

The nonresident excludable portion also includes that portion of the gain (or loss), which arose from the sale or exchange of the intangible assets, and of tangible property located outside Jackson. The taxable nonresident partners' portion in column 5 will be the gain (or loss) attributable to the period after July 1, 1965, from the sale or exchange of tangible real and personal property located in Jackson.

RENTS AND ROYALTIES

Report in Column 1, line 6, 7, and 8, the total net income or loss from all rents and royalties. The resident partners' portion of rents and royalties is taxable. Nonresident and corporate partners exclude net income or loss from rents, and royalties attributable to property located OUTSIDE Jackson.

OTHER INCOME

Report in Column 1, line 9, all other partnership income.

TOTAL NON-BUSINESS INCOME

Enter on line 10 the totals for each column in Schedule B. After transferring the amounts from Columns 3 and 5 of Schedule B to Schedule C, the total of Schedule C, column 6a, (taxable resident partners' non business income, must equal the total of Schedule B, column 3, and the total of Schedule C, column 6b, (taxable nonresident partners' non-business income) must equal the total of Schedule B, column 5.

SCHEDULE C – DISTRIBUTION TO PARTNERS

The totals of columns 1, 6a and 6b of Schedule C, showing the distribution to individual partners of ordinary and non-business income, must agree with the totals transferred from Schedules A and B.

Column 1 – Enter in column 1 the individual partners' share of business income from Schedule A, line 5. If Sec. 179 depreciation is included in Schedule A and the partners have unequal credits for such additional 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 a special computation.

Column 7 – Transfer the amount of each individual partner's share shown in column 7, Schedule C to column 1, page 1 of the return.

SCHEDULED BUSINESS ALLOCATION PERCENTAGE

The business allocation percentage is to be applied to the distributive share of business income of CORPORATE and NONRESIDENT partners if business activity of the partnership is conducted both within and outside the City of Jackson.

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 Jackson. The average net book value of real and tangible personal property may be determined by adding the net book values at the beginning and 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 Jackson. Gross annual rent refers to real property only, rented or leased during the taxable period, and should include the actual sums of money or other payables, 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 Jackson.

Line 3 – Enter in Column 1 the total gross revenues 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 Jackson during the year. To allocate net profit (or loss), a partnership must have business activity outside of Jackson.

NOTICE: These instructions are interpretations of the Jackson Income Tax Ordinance. The Ordinance will prevail in any disagreement between instruction and the Ordinance.

