

2008 INSTRUCTIONS FOR D-1041

Each estate with gross income of more than \$600, each simple trust (one that is required to distribute all of its income currently) with gross income of more than \$300, and all other trusts (complex trusts) with gross income of more than \$100 subject to Detroit tax must file Form D-1041 and complete Schedule G. Business trusts which file with the Internal Revenue Service as a corporation must file a corporation return with the city.

TAXABLE INCOME

The taxable income of the trust or estate will only be those kinds of income taxable to a non-resident. Detroit resident beneficiaries will report their portion of distributable net income on their individual returns and should receive this information from the fiduciary.

Distributable and nondistributable income from the following sources is subject to tax:

1. All gross income that the decedent had a right to receive and that is not properly includible on the decedent's final return, including compensation received as an employee for work done or services performed in Detroit.
"Compensation" means salary, pay or emolument given as compensation or wages for work done or services rendered, in cash or in kind, and includes but is not limited to the following: salaries, wages, bonuses, commissions, fees, tips, incentive payments, severance pay, vacation pay and sick pay.
2. Net profits of a business or profession based on business activity conducted in Detroit whether or not such business or profession is located in Detroit.
3. Net profits from rental of real and tangible personal property located in Detroit.
4. Gain on the sale or exchange of real and tangible personal property located in Detroit.

LINE-BY-LINE INSTRUCTIONS

Enter name, address, and Federal Identification Number or social security number. Check box to indicate estate, simple or complex trust.

Line 1 - BUSINESS INCOME. Enter amount from Federal Schedule C. A copy of Federal Schedule C must be submitted for each business conducting activity in Detroit.

Line 2 - RENTAL INCOME. Enter the net profit or loss from rentals of real and tangible personal property located in Detroit. Attach schedules from estate or trust Federal Income Tax Return to support line 2.

Please Note: The Passive Loss Limitations as set forth in the Internal Revenue Code apply when taking the rental loss deduction on the Detroit Income Tax Return.

Line 3 - SALES OF TANGIBLE PROPERTY.

Note: Gains or losses on sale of intangible assets (i.e., stocks, bonds, etc.) are not taxed nor deductible by estates and trusts on the Detroit return. The gains and losses from the sale or exchange of real and tangible personal property located in Detroit are entered on this line. Attach schedules from estate or trust Federal Income Tax Return to support entry. Gain or loss on property purchased prior to July 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 July 1, 1962, or
2. Divide the number of months the property has been held since July 1, 1962 by the total number of months the property was held and apply this fraction to the total gain or loss as reported on estate or trust Federal Income Tax Return.

Line 4 - OTHER INCOME. Report estate or trust share of Detroit partnership income (or loss). If the estate or trust is a shareholder in a tax-option corporation that has elected to file under Subchapter S of the Internal Revenue Code it is not required to report a distribution nor may it deduct its share of any loss sustained by the corporation.

Attach copy of Federal Schedule K-1 for estate or trust share of partnership losses on Detroit activities and Federal Form 8582 - Passive Activity Loss Limitations.

Other Detroit income subject to tax that is not reported elsewhere, includ-

ing all gross income that the decedent has a right to receive and that is not properly includible on the decedent's final return.

Line 5 - Add lines 1, 2, 3 and 4; enter total.

Line 6 - Complete Schedule G-1 showing resident beneficiaries names, social security numbers and amounts distributable. Enter total distributable income from line 11 of Schedule G-1.

Line 7 - Subtract line 6 from line 5; enter total.

Line 8 - Estates and trusts are allowed the same exemptions as under the Federal Internal Revenue Code (\$600 for an estate, \$300 for a simple trust and \$100 for a complex trust). Enter exemption amount.

Line 9 - Subtract line 8 from line 7; enter total.

Line 10 - Enter Renaissance Zone Deduction.

Line 11 - Subtract line 10 from line 9.

Line 12 - Multiply by 1.25%.

PAYMENTS AND CREDITS

Claim as a credit against your tax the following:

Line 13 - Enter the amount of Detroit tax withheld. Credit will not be allowed unless form W-2 (Wage and Tax Statement) is submitted with your return.

Line 14 - Enter total payments made on a 2008 Detroit Declaration of Estimated Tax (Form D-1040ES). Include overpayment carried forward from the prior year and payments made with extensions.

Line 15 - Add lines 13, 14, enter total.

OVERPAYMENT OR TAX DUE

Line 16 - If line 15 is larger than line 12, enter amount of OVERPAYMENT.

Line 17 - The city cannot refund an amount of less than one dollar (\$1.00); enter amount to be refunded.

Line 18 - Determine amount of overpayment you want credited to your 2009 estimated tax, enter amount.

Line 19 - If line 12 is larger than line 15, enter amount of TAX DUE DETROIT - Pay in full if one dollar (\$1.00) or more.

Make check or money order payable to TREASURER-CITY OF DETROIT.

The Detroit income tax is imposed under City Ordinance 900F. Enabling legislation was provided by the State of Michigan (The Uniform City Income Tax Ordinance, Chapter 2 of Act 284 of the Public Acts of 1964). These instructions are intended as an aid in the preparation of the Detroit return.

AMENDED RETURNS

If an amended return, complete lines B, C and D. Recompute the correct tax on lines 1-12. Adjust the payments and credits section lines 13-15 to include on line 14 any payments made with the original return. Also, adjust the overpayment or tax due to include original refunds or credits to estimated tax on lines 17 and 18.

The disclosure of Social Security account number(s) on this tax return is mandatory. This solicitation and use of Social Security account numbers is authorized by federal law (42 USC § 405(c)(2)(C)(i)). Michigan law (MCL 141.642) and City of Detroit ordinance (1984 Detroit City Code § 18-10-11). The City of Detroit uses Social Security account numbers in the administration of its income tax law for the purpose of establishing taxpayer identification, to automate and unify its tax reporting and collection, and as otherwise needed for the administration of the City's income tax laws.

Under 1984 Detroit City Code § 18-10-16, any information gained by the income tax administrator, City treasurer, or other City official, agent or employee as a result of a tax return, investigation, hearing or verification required or authorized by the Uniform Income Tax Ordinance is confidential, except for official purposes in connection with the administration of the ordinance, and except in accordance with a proper judicial order.