

CITY OF DETROIT INCOME TAX
2014 PARTNERSHIP RETURN
INSTRUCTIONS FOR FORM D-1065

WHO MUST FILE A PARTNERSHIP RETURN

Every partnership that conducted business activities in the City of Detroit, whether or not an office or place of business was maintained in the city is required to file an annual information return.

FILING DATE

An information return is due on or before the last day of the fourth (4th) month after the end of the accounting period. Calendar year returns are due April 30.

INCOME TAXABLE TO RESIDENT VS. NON-RESIDENT PARTNERS

The partnership Return Form D-1065 is designed to distinguish between that income taxed to residents and that taxed to 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.

Schedule C indicates the total income of the partnership which may be subject to the tax. Ordinary business income in Schedule C is transferred to Schedule E, Column 1, showing the amount of ordinary income distributable to each partner. The non-business income portion of Schedule C is first transferred to Schedule B, by total amounts for each type of income, to determine the taxable portion for each class of partners. This taxable income is then transferred to Schedule E showing the amounts applicable to the individual partners. Column 1 on Page 1 is the final summary transferred from Schedule E, Column 7.

Partners who are RESIDENTS are taxed on their entire distributive share of the net profits of the partnership, including those arising from business activities outside the city.

RENAISSANCE ZONE

Areas in Detroit have been designated Renaissance Zones by the State of Michigan. Most income of qualified residents and businesses in those areas is not taxable. Contact the Renaissance Zone Manager at 313/224-3053 to determine if you are in a Renaissance Zone or if you qualify.

ROUNDING DOLLAR AMOUNTS

Only whole dollar amounts are shown on the return. Do not enter cents. Round down all dollar amounts less than 50 cents. Round up all amounts of 50 through 99 cents.

INTERNET

Additional information, return instructions and forms are available at the website for the CITY OF DETROIT at www.detroitmi.gov.

INSTRUCTIONS FOR SCHEDULE C, PAGE 2

Schedule C is used to indicate all of the income of the partnership which may be subject to the Detroit tax. Line 24 of Schedule C will be the total of the partnership ordinary income from business operations, and Lines 25 through 31 of Schedule C will show the total non-business income of the partnership.

Ordinary income from business on Line 24 of Schedule C is to be transferred to Column 1 of Schedule E. Non-business income on Lines 25 through 31, Schedule C is to be transferred to Schedule B. Instructions for Schedules B and E will indicate how amounts transferred from Schedule C are to be allocated to the individual partners.

GENERAL INSTRUCTIONS FOR SCHEDULE B, PAGE 3

Schedule B is used to allocate the total non-business income of the partnership between the total amount distributable to resident partners, and the total amount distributable to non-resident partners. Non-resident income is further allocated to compute the total income of non-resident partners which is subject to the Detroit tax. (Resident partners are taxed on their entire distributive share of non-business income.) After determining the total taxable income for each class of partners, these totals are transferred to Schedule E wherein an analysis is made to show the amounts of non-business income applicable to the individual partners.

INTEREST AND DIVIDENDS, LINES 1-3

In Column 1, Line 1, report the total partnership income from interest and dividends and on Line 2, deduct the total non-taxable interest (interest from obligations of the United States and U.S. governmental units). The net taxable dividends and interest, reported on Line 3, Column 1 is to be apportioned between the amount applicable to resident partners (Line 3, Column 2) and the amount applicable to non-resident partners (Line 3, Column 3). Since interest and dividend income is not taxable to non-residents, the entire amount shown on Line 3, Column 3 will also be inserted on Line 3, Column 4 as excludable income of non-residents.

SALES OR EXCHANGE OF PROPERTY, LINE 4 AND 5

Report on Line 4, Column 1 the total net gain or loss from all sales and exchange of property as shown in Schedule C, Page 2, Lines 27 through 30. To arrive at the amount to enter on Line 5 of Schedule B first exclude any gain or loss on the sale of obligations of the United States which are included in Line 4 Schedule B. Then enter on Line 5 only that portion of the remainder of Line 4 which represents gain or loss attributable to the period after July 1, 1962. If the property was acquired prior to July 1, 1962, the basis may be the adjusted fair market value of the property on July 1, 1962, (July 2nd closing price for traded securities), or the gain or loss applicable to the period after June 30, 1962 may be computed by multiplying the total gain or loss by the ratio of the months the property was held after June 30, 1962 to the total months the property was held.

The non-resident excludable portion of the amount shown in Column 3, to be entered in Column 4, is that portion of the gain (or loss) which arose from the sale or exchange of intangible assets, and of tangible property located outside of Detroit. The remaining portion of Line 5, Column 3, which is to be entered on Line 5, Column 5 will then include gain (or loss) attributable to the period after June 30, 1962 from the sale or exchange of tangible property located in Detroit.

RENTS AND ROYALTIES, LINE 6

Report on Line 6, Column 1, the total net income (or loss) from all rents and royalties, and then fill in Columns 2, 3, and 4. Subtract Column 4 (net income or loss from royalties and rents attributable to property OUTSIDE Detroit) from Column 3 and enter the difference in Column 5.

INCOME FROM OTHER PARTNERSHIPS, ETC.**— LINE 7-9**

Include on Line 7, Column I, the net income (or loss) from other partnerships, etc. On Line 8, deduct any income which is specifically exempt for all taxpayers (interest on U.S. governmental obligations, etc.) and which was included in the amount on Line 7, and enter the net amount on Line 9, Column I.

Fill in Column 2, 3, and 4. Subtract Column 4 (income not taxable to non-residents) from Column 3 and enter the difference in Column 5.

TOTALS, LINE 10

Enter on Line 10 the total of Lines 3, 5, 6 and 9 for each column in Schedule B. After transferring the amounts from Column 2 and 5 of Schedule B to Schedule E, where distribution of the total is made to the individual partners. The total of Column 2 (taxable non-business income of resident partners) must equal the total of Column 6a of Schedule E. The total of Column 5 must equal the total of Column 6b of Schedule E.

INSTRUCTIONS FOR SCHEDULE E, PAGE 3

The totals of Columns 1, 4, 6a and 6b of Schedule E, showing the distribution to individual partners of ordinary and non-business income, must agree with the totals transferred from Schedules B and C.

COLUMN 1 — Enter in Column I the individual partner's share of business income from Schedule C, Line 24.

COLUMN 2 — Enter 100% for resident partners or the allocation percentage from Page 4, schedule D.

COLUMN 3 — Multiply Column 2 times Column 1 and enter the result here.

COLUMN 4 — Enter the total partners salaries, interest or other guaranteed payments.

COLUMN 5 — Enter 100% of resident partners salaries, interest or guaranteed payment or the portion of non-resident salaries, interest or guaranteed payments earned in Detroit. (Based on actual time inside Detroit for each partner as computed per Schedule on Page 4.)

COLUMN 6a — Enter non-business income taxable to resident partners per Schedule B, Column 2, Line 10.

COLUMN 6b — Enter non-business income taxable to non-resident partners per Schedule B, Column 5, Line 10.

COLUMN 7 — Transfer the amount of each individual partner's share shown in Column 7, Schedule E to Column 1, Page 1 of the return.

OPTION TO PAY TAX: At its election, the partnership may compute and pay the tax which is 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 the tax. Partnerships electing to pay for all partners must remit with the return if the amount due is \$1.00 or more.

Make remittance payable to:

TREASURER — CITY OF DETROIT

If the partnership elects to pay the tax for the partners, the individual partners are not required to file a return if such partners have no other income subject to the tax. However, an individual return shall be required from any partner having Detroit taxable income other than his/her 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 instructions for such return.)

If the partnership elects to pay the tax on behalf of the partners, then it assumes the status of a taxpayer to the extent that:

1. Timely payment must be made;
2. A 2014 Declaration of Estimated Income Tax, Form D-1040-ES will be required if the 2013 tax for the partnership is expected to exceed \$100.

TAX RATE: The tax rate is 2.40% for residents, 1.20% for non-residents of the City of Detroit and 2.0% for partners who are corporations.

INSTRUCTIONS FOR PAGE 1

The amounts to be inserted in Column 1, Page 1 are transferred from Schedule E on Page 3 of the return. If this return is to be an information return only, the remaining Columns 2 through 6 on Page 1, need not be filled in; however, if the partnership elects to pay the tax, Columns 2 through 6 must be completed. A copy of the Federal Partnership 1065 Return, including Schedule K-1, must be attached to support the amount on Column 1.

COLUMN 2 — Any items of income which are non-taxable and which are included in Column 1 are to be deducted in Column 2. These items will include the net operating loss carry-over, etc. The net operating loss carry-overs are to be handled in the same manner as provided by the Federal Internal Revenue Code, except that the Detroit Income Tax Ordinance does not provide for a carry-back of such losses. Non-resident partners must allocate net operating losses to Detroit at the percentage of business conducted in Detroit in the year in which the loss was sustained. A schedule of computations must be attached for all entries in Column 2.

COLUMN 3 — Exemptions. A \$600 exemption is allowed for each individual partner, his/her spouse and his/her dependents. Additional exemptions are allowed if the taxpayer or his/her spouse is 65 or over; is blind; is deaf; or is paraplegic, quadriplegic, hemiplegic or totally and permanently disabled. A trust or an estate is allowed the same exemption 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 the Detroit Income Tax.

COLUMN 6 — Enter in Column 6 payments made by the partnership for tax paid with a 2014 extension, or for payments on a 2014 Declaration of Estimated Income Tax, or any payments and credits made by the partnership on behalf of Detroit 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 any other municipality on behalf of partners who are not Detroit residents. The credit shall be the lesser amount of either (1) the income tax paid the other municipality for Detroit resident partners, or (2) the tax that a non-resident of Detroit would have paid on the same income. All credits in Column 6 are to be distributed on Lines 8a, b, and c, and totaled on Line 9. The total of Line 9 must agree with the total of Column 6.

EXTENSION

Upon written request to the City of Detroit, 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 (FORM D-1065-EXT) is available on request.

PLEASE NOTE: An approved Federal extension will not be accepted in place of the approved Detroit extension.

TAX DUE OR REFUND

If the partnership has elected to pay the 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 2015 estimated tax. 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.

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.

ASSISTANCE

IF YOU HAVE QUESTIONS OR NEED ASSISTANCE:

Call 313-224-3315

**The Income Tax Division is located in Suite 130
Coleman A. Young Municipal Center**

QUESTIONS BY MAIL SHOULD BE DIRECTED TO:

**DETROIT INCOME TAX DIVISION
2 WOODWARD AVENUE, ROOM 130
DETROIT, MICHIGAN 48226**

ARE YOU DUE A REFUND?

MAIL YOUR RETURN TO:

**DETROIT CITY INCOME TAX
P.O. BOX 33406
DETROIT, MICHIGAN 48232**

DO YOU OWE TAX?

MAIL YOUR RETURN TO:

**TREASURER, CITY OF DETROIT
P.O. BOX 33406
DETROIT, MICHIGAN 48232**

The Detroit income tax is imposed under Ordinance 900F. 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 Detroit return.

THANK YOU.