

INSTRUCTIONS FOR FORM GR-1120 CITY OF GRAYLING CORPORATION RETURN

For corporations doing business in the City of Grayling

Filing Date and Remittance

An annual return is due on or before the last day of the fourth month following the end the corporation's taxable year. Returns must be for the same calendar year, fiscal year, or other accounting period as the taxpayer uses for federal income tax purposes. For calendar year filers the due date is April 30.

Make remittance payable to: City of Grayling

Mail your return and remittance to:

City of Grayling Income Tax Division
PO BOX 549
Grayling, MI 49738

Who Must File a Corporation Return (GR-1120)

The City of Grayling income tax became effective January 1, 1994. Every corporation doing business in the City of Grayling after January 1, 1994, whether or not an office or place of business was maintained in the City, is required to make and to file an annual City of Grayling Income Tax Corporation Return, Form GR-1120. An annual return must be filed whether or not the corporation has net profits.

Corporations cannot elect to file and be taxed as partnerships. A corporation that elects to file under Subchapter S of the internal revenue code must file as a C corporation for Grayling Income Tax purposes.

Non-profit corporations which have applied for and received approval for exemption from Federal income tax shall not be required to file an Grayling return provided they submit, to the Administrator, a copy of their approved exemption from the Internal Revenue Service. The exemption from filing a City of Grayling return will continue as long as the Federal exemption is in effect.

The ordinance also specifically exempts state and national banks, trust companies, insurance companies, building and loan and saving and loan associations, and credit unions (chartered by either the state or federal government).

Extensions

The Administrator may extend the time for filing up to six months with a written request of the taxpayer or to one month beyond the extension when a longer extension has been granted by the Internal Revenue Service. All requests for extension must be made on or before the required filing date of the return.

A valid extension does not extend the time for paying the tax due. Payment of the total estimated tax due must be made with the request for extension. Interest and penalty will be charged for underestimation of, or not paying, the estimated tax due.

PAGE 1 INSTRUCTIONS

Line 1 - 9. Follow the instructions printed on the return form.

Line 10. Not applicable in the City of Grayling.

Line 11 - 12. Follow the instructions printed on the return form.

PAYMENTS AND CREDITS

Line 13. Enter the total of estimated payments, amounts carried forward from an GR-1120, amounts paid with an extension request (Grayling extension form) and a credit for tax paid by a partnership on behalf of the corporation.

OVERPAYMENT OF TAX

Line 14. If the total tax payments (line 13) are greater than tax due (line 12) subtract line 12 from line 13 and enter the tax overpayment.

Line 15. Enter all or the portion of the overpayment to be applied to the next year's estimated tax as a credit forward.

Line 16. Enter all or the portion of the overpayment to be refunded via a paper refund check.

Line 17. EFT and Direct Deposit not available.

An overpayment refund will be issued via a paper check.

TAX DUE

Line 18. If tax due (line 12) is greater than the total tax payments (line 13) subtract line 13 from line 12 and enter the tax due. Tax due must be paid when filing the return. Make check or money order payable to: CITY OF GRAYLING, and mail the remittance with the return to CITY OF GRAYLING INCOME TAX DIVISION, PO BOX 549, Grayling, MI 49738

PAGE 2 INSTRUCTIONS

SCHEDULE S

S corporations must file as C corporations. Schedule S is used to reconcile the amount reported on line 1, page 1 of GR-1120 with Federal Form 1120S and Schedule K (Form 1120S).

SCHEDULE C

COLUMN 1, LINE 1. Enter on line 1 the nondeductible portion of a loss from the sale or exchange of property acquired prior to January 1, 1994. The portion of the loss occurring prior to the inception of the Ordinance, January 1, 1994 is not recognized. The amount of loss occurring prior to January 1, 1994 is determined by either (1) computing the difference between the total gain or loss for the property as reported for federal income tax purposes and the Grayling taxable portion of the loss computed by substituting the fair market value of the property on January 1, 1994, (the December 31, 1993, closing price for traded securities) for the basis in determining gain or loss; or (2) by multiplying the loss for the entire holding period, as computed for federal income tax purposes, by a fraction, the numerator being the number of months the property was held prior to January 1, 1994 and the denominator

being the total number of months the property was held. See Column 2, line 5 for instructions relative to gains from sales or exchanges of property acquired prior to January 1, 1994.

Capital losses from U.S. Government obligations included in income reported on page 1, line 1 are not deductible. Remove these losses by including them in the amount reported on line 1.

COLUMN 1, LINE 4. Enter the losses from entities filing as partnerships that are included in taxable income reported on page 1, line 1.

COLUMN 2, LINE 1. Enter the amount of interest income from obligations of the United States, the states or subordinate units of government of the state that is included in taxable income reported on page 1, line 1.

COLUMN 2, LINE 2. If you reported dividend income, enter on this line the amount of the dividend-received deduction allowed by the federal Internal Revenue Code for dividends received.

COLUMN 2, LINE 3 AND LINE 4. Taxpayers may deduct income, war profits and excess profits taxes imposed by foreign countries or possessions of the United States, allocable to income included in taxable net income, any part of which would be allowable as a deduction in determining federal taxable income under the applicable provisions of the federal Internal Revenue Code. If a foreign tax credit, rather than a foreign tax deduction, was claimed on your federal return, enter on line 3 the portion of the foreign tax credit which is grossed up and included in you Grayling return as dividend received.

Enter on line 4 the "foreign taxes paid or accrued" portion of the foreign tax credit claimed on you federal return, not in excess of the federal limitations thereon. The balance of your foreign tax credit is not deductible.

COLUMN 2, LINE 5. Enter on line 5 the nontaxable portion of a gain from the sale or exchange of property acquired prior to January 1, 1994. The portion of the gain occurring prior to the inception of the Ordinance is not recognized. Refer to the instructions for Schedule C, column 1, line 1 for computation instructions.

Capital gains from U.S. Government obligations included in income reported on page 1, line 1 are not taxable. Remove these gains by including them in the amount reported on line 5.

COLUMN 2, LINE 6. Enter income from entities filing as partnerships that are included in taxable income reported on page 1, line 1.

SCHEDULE D

The business allocation percentage formula must be used by corporations with business activity both within and outside the City of Grayling who have not been approved to use the separate accounting method. If a corporation has property and payroll percentage that is 100% Grayling, you do not have business activity outside the City of Grayling and may not allocate sales. Enter 100% on Schedule D, line 5.

LINE 1. 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 Grayling. 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 thus obtained by two.

LINE 1a. 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 Grayling. 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 consideration paid, 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 Grayling during the year.

LINE 3. Enter in column 1 the total gross revenue 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 Grayling during the year. If there is no regularly maintained sales force outside of the city, this allocation factor must be 100% for businesses with no other business activity outside the city.

Separate Accounting – The taxpayer may petition for, or the administrator may require, use of the separate accounting method. If such method is petitioned, the administrator may require a detailed statement to determine whether the net profits attributable to the city will be apportioned with reasonable accuracy.

Generally a corporation that is unitary in nature (i.e., has central management, purchasing, warehousing, advertising, etc.) can not use separate accounting. 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. This type of income is apportioned to Grayling activity on the same basis as general administrative and overhead costs are apportioned.

SCHEDULE G

LINE 1. Net operating losses carried forward are to be reported on this line. There is no provision for carrying back losses to prior tax years. Carryover losses are to be allocated to Grayling at the percentage of business conducted in Grayling in the year in which the loss was sustained. If all business was not conducted in Grayling in the year in which the loss was sustained, use the business allocation percentage formula to arrive at the deductible portion of the loss. Attach a schedule showing your computation for the amount reported on this line.

LINE 2. Enter on this line the net capital loss carryover applicable to Grayling. Net capital losses sustained by a corporation for periods subsequent to January 1, 1994 may be carried forward in the same manner as under the federal Internal Revenue Code. No deduction will be allowed for capital losses sustained prior to January 1, 1994. If all business was not conducted in Grayling in the year in which

the loss was sustained, use the business allocation percentage formula to arrive at the deductible portion of the loss. Attach a schedule showing your computation for the amount reported on this line.

LINE 3. Corporations who are partners in a business activity taxed as a partnership that has business activity in Grayling must enter on this line their portion of the Grayling taxable income or loss from the partnership(s). Attach a schedule showing your computation for the amount reported on this line including the name and taxpayer identification number of the partnership(s).

INFORMATION AND PREPARER AUTHORIZATION

Third Party Designee. If the "Yes" box is marked, the corporation is authorizing the Grayling Income Tax Department to call the preparer to answer any questions that may arise during the processing of its return. The corporation is also authorizing the preparer: to give the Department any information that is missing from the return or the status of any related refund or payments; and to respond to certain notices that the corporation has shared with the preparer about math errors, offsets and return preparation.

DECLARATION AND PAYMENT OF ESTIMATED TAX

1. **WHO MUST FILE:** Every corporation subject to the tax on all or part of its net profits must file a Declaration of Estimated Income Tax (Form GR-1040ES). A Declaration is not required from corporations if the estimated tax is two hundred fifty dollars (\$250.00) or less.
2. **WHEN AND WHERE TO FILE:**
 - A. **Declaration for Calendar Year:** The Declaration for a calendar year must be filed on or before April 30th of that year. The estimated tax is payable in equal installments on or before April 30th, June 30th, September 30th and January 31st.
 - B. **Declaration for Fiscal Year:** The Declaration for a year, or period differing from the calendar year must be filed within four (4) months after the beginning of each fiscal year or period. For example, if a fiscal year begins on April 1st, the Declaration will be due on July 31st. Remaining installments will then be due on the last day of the 6th, 9th and 13th months after the beginning of the fiscal year.
 - C. **Filing and Payment:** The Declaration should be filed with the City of Grayling Income Tax Division, PO Box 549, Grayling, MI 49738. The first installment payment must accompany the Declaration. The estimated tax may be paid in full with the Declaration.

WEBSITE

Income tax forms and instructions are available on the City of Grayling website, www.cityofgrayling.org.

NOTICE

These instructions are interpretations of the Grayling Income Tax Ordinance. The Ordinance will prevail in any disagreement between the instructions and the Ordinance.

ASSISTANCE

If you have questions or would like to request forms, call (989) 348-2131

Questions by mail should be directed to:
City of Grayling Income Tax Division,
PO BOX 549, Grayling, MI 49738
www.cityofgrayling.org