

CITY OF PORTLAND INCOME TAX

Partnership Return

FOR CALENDAR YEAR 2008
OR FISCAL YEAR ENDING:

PLEASE TYPE OR PRINT
Name of Partnership
Date Business Commenced
Number and Street
Number of Employees on December 31, 2008
City or Town, State and Zip Code
Number of Partners
FEDERAL ID NUMBER

Table with 5 columns: NAME AND HOME ADDRESS OF EACH PARTNER, SOCIAL SECURITY NUMBER, City Resident Full Year, Non Resident Full Year, If City Resident Part of Year Indicate Time Period. Rows a through e.

TAX PAYMENT BY PARTNERSHIP (If an informational return only, disregard this section)

Table with 7 columns: COL. 1 Adjusted Partnership Income, COL. 2 Allowable Individual Deductions, COL. 3 Exemptions, COL. 4 Taxable Income, COL. 5 Total Tax, COL. 6 Credits, COL. 7 Balance of Tax Payable. Rows a through e and Totals.

Note 1: If this is an information return, check here [] and fill in the applicable schedules on page 2 only. The partnership may pay tax for partners only if it pays for ALL partners subject to the tax. Check here [] if the partnership elects to pay tax on behalf of all partners.

Note 2: A partner who has other income in addition to the partnership income must file an individual return and show such amounts from the Federal Form 1065 and take credit for his exclusions on page two of this return. A partner who is claiming his exemption as a member of another partnership is NOT to claim his exemption in this partnership return in column 3.

PAYMENTS AND CREDITS

8a. Tax paid with tentative return \$
8b. Payments on 2008 Declaration of Estimated Portland Income Tax \$
8c. Other credits - you must attach explanation and support \$
9. TOTAL - add lines 8a, 8b, and 8c \$

TAX DUE OR REFUND

10. If your tax (total of Col. 5) is larger than your payments (line 9) enter BALANCE DUE \$
- ANY BALANCE DUE MUST BE PAID IN FULL WITH THIS RETURN.
11. If your payments (line 9) are larger than your tax (total of Col. 5) enter OVERPAYMENT \$
12. Line 11 to be (a) Credited on 2009 estimated tax \$ or (b) refunded \$

I declare that I have examined this return (including accompanying schedules and statements) and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than the taxpayer, the preparer's declaration is based on all information of which the preparer has any knowledge.

SIGN HERE
Signature of Officer Title Date

SIGN HERE
Signature of Preparer Address Date

MAIL TO: CITY OF PORTLAND, 259 KENT STREET, PORTLAND, MI 48875

ALLOCABLE PARTNERSHIP INCOME - SCHEDULE A

1. ORDINARY INCOME (LOSS) from Page 1, Line 22, US Partnership Return of Income, Form 1065	\$
2. Add partners' salaries and interest deducted on Page 1, Federal Form 1065.....	
3. Add City of Portland tax, if deducted in determining income on Federal Form 1065.....	
4. TOTAL (add Lines 1, 2, and 3).....	
5. Less non-business income included in Line 1 above (from Schedule B, Column I, Line 9 below).....	
6. TOTAL INCOME SUBJECT TO ALLOCATION - To Schedule C below.....	\$

NON BUSINESS INCOME AND EXCLUSIONS - SCHEDULE B

	Federal Form 1065 Reference	Column I	Column II	Column III	Column IV	Column V
		Total Non-Business Income	Resident Partners' Share of Column I	Resident Partners' Exclusion	Non-Resident Partners' Share of Column I	Non-Resident Partners' Exclusions
7. Income from other partnerships, trusts, etc.....	page 1, line 4	\$	\$	\$	\$	\$
8. Other - attach statement detailing.....						
9. Non-allocable income (line 7 plus line 8).....	To Sch A. In. 5	\$				
10. Rental activities.....	Sch K, line 3c					
11. Interest income.....	Sch K, line 4a					
12. Dividend income.....	Sch K, line 4b					
13. Royalty income.....	Sch K, line 4c					
14. Net short-term capital gain (loss).....	Sch K, line 4d					
15. Net long-term capital gain (loss).....	Sch K, line 4e					
16. Net section 1231 gain (loss).....	Sch K, line 6					
17. Other gain (loss) - attach statement.....						
18. Totals (line 7, 8 and 10 thru 17).....		\$	\$	\$	\$	\$

Note: All partners exclude interest from governmental obligations and income, gains and losses prior to January 1, 1984. In addition, non-resident partners exclude all dividends, interest and non-taxable income from activities outside of the City of Portland.

DISTRIBUTION TO PARTNERS - SCHEDULE C

	Column 1 Allocable Income (SCH A. LINE 6)	Column 2 Allocation % Apply only to Non-residents (enter 100% For Residents)	Column 3 Allocated Income (COL 1 X COL 2) (SCH A. LINE 6)	Column 4 Memo Allocation Exclusion (Col 1 less Col 3) to Sch D P-1040	Column 5 Non-Business Taxable Income Residents (Sch B, Col II less Col III)	Column 6 Non-Business Taxable Income Non-Residents (Sch B, Col IV less Col V)	Column 7 Adjusted Partnership Income Add Col 3, 5 & 6
(a)		%					
(b)		%					
(c)		%					
(d)		%					
(e)		%					
Totals							

BUSINESS ALLOCATION FORMULA - SCHEDULE D

(To be used by non-resident partners only)

	I Located Everywhere	II Located In Portland	III Percentage II / I
19a. Average net book value of real and tangible personal property			
19b Gross rentals of real property, multiplied by 8			
19c. Total - add lines 19a and 19b			
20. Total wages, salaries, commissions and other compensation paid to all employees			
21. Gross receipts from sales made or services rendered			
22. Total Percentages - add the percentages computed in Column III on lines 19c, 20 and 21			
23. Average percentage (Column III line 22 divided by three - see note below and instructions) Enter here and on page 2, Sch. C, Col. 2			

Note: In determining the average percentage (line 23), if a factor does not exist, the sum of the percentages shall be divided by the number of factors actually used.

In case of a taxpayer authorized by the Administrator to use a special formula, attach the Administrator's approval letter and detail of formula used.

**INSTRUCTIONS FOR FORM P-1065
CITY OF PORTLAND PARTNERSHIP RETURN**

Filing Date and Remittance:

An annual return is due on or before the last day of the fourth month following the end of the partnership's taxable year. Calendar year 2008 returns are due by April 30, 2009.

Partnerships electing to pay the tax for partners must remit the tax for all partners when filing the return. Tax due, if one dollar (\$1.00) or more must be paid when the return is filed.

Make remittance payable to:
City of Portland

Mail to:
Income Tax Division
259 Kent Street
Portland MI 48875

Who Must File a Partnership Return (I-1065)

Every partnership that has conducted business activities in the City of Portland after January 1, 1984, whether or not an office or place of business was maintained in the City, is required to make and to file an annual return. So-called "tax option" corporations or S corporations (under Sections 1371-1377, Internal Revenue Code) must file as corporations on form I-1120.

Resident vs. Non-resident Partners

Partners who are residents of the City of Portland are taxed on their entire distributive share of the net profits of the partnership. This is to include income arising from business activities outside the City and includes interest, dividends, rents, royalties and gains from the sale of property, either tangible or intangible.

Partners who are non-residents of the City of Portland are taxed on their distributive shares of the portion of the net profits that are attributable to business activity in the City, plus net rentals of property in the City and gains from the sale or exchange of real or tangible personal property in the City. Non-resident partners are not taxed on their share of net rentals on property located outside the City, gains from the sale or exchange of real property or tangible property located outside the City, gains from the sale or exchange of securities or other intangible property or on interest or dividends.

The Portland Partnership Return, Form P-1065, is designed to distinguish between taxable income to both residents and non-residents and income taxable to residents only.

The return shall set forth the entire net profit for the period covered and show the distributive share of each partner. The return shall indicate partners who are residents of the City of Portland and those who are non-residents. If residency changes during the taxable year for any partner, use two lines to indicate the allocation of income by residency status in all schedules based on the length of time in each status, where applicable.

Option to Pay Tax

At its election, the partnership may file either an informational return or it may compute and pay the tax that is due for all partners. This election is available to all partnerships regardless of the residency status of the partners. The partnership may pay the tax for the partners only if it pays the tax for all partners subject to the tax. The "Tax Payment by Partnership" Schedule, Page 1, Columns 1 through 7, is to be used to compute the tax to be paid. Do not use this schedule if an informational return is filed. If the partnership elects to pay the tax on half of the partners, then such an election and payment of the tax is deemed to meet the requirements for filing a return as provided in the Ordinance, for each partner who has no other income subject to City of Portland Income Tax.

However, an individual return shall be required from any partner having taxable income other than their distributive share of the net profits of the partnership. In such cases, an individual partner should enter their total partnership income form Federal Form 1040 on the appropriate lines (2, 4, or 6), in Column 1, of Form I-1040. Applicable exclusions should be shown in Column II. Credits for exemptions and tax paid are to be shown on the Form I-1040, Lines 10 and 13d respectively.

Partnership as a Taxpayer

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

1. **Timely Payment.** Payment must be made within four (4) months from the end of the fiscal year or period. Payments made after the due date are subject to interest and penalty in the same manner as a delinquent payment from any other taxpayer.
2. **Payment of estimated tax.** The election of a partnership to pay the tax behalf of the individual partners also carries with it the requirement to file a Declaration of Estimated Income Tax (Form P-1040ES). Form P-1045ES must be filed, and quarterly estimated payments of the tax must be made, if the estimated tax for the partnership is expected to exceed \$100.00. If the partnership files Form P-1040ES and makes the required quarterly estimated payments, the partners will not be required to file a Declaration, unless they have additional income (not subject to Portland withholding) on which City of Portland income tax is expected to exceed \$100.00. The fiscal year for the partnership will govern in establishing dates for filing the declaration and paying the estimated tax.

Instructions for Tax Payment by the Partnership:

Column 1, Adjusted Partnership Income - Fill out all appropriate schedules on page 2 of Form I-1065. Transfer amounts from Schedule C (Distribution to Partners), Column 7, to this column. List the amounts in the same order as partners are listed on the upper half of page 1.

Column 2, Allowable Individual Deductions - Any non-taxable items included in Column 1 are to be deducted in Column 2. Deductible items will include the dividend exclusion, net operating loss carryover, etc., handled in accordance with the Federal Internal Revenue Code. A net capital loss realized by any of the partners, in excess of the partner's allowable capital loss deduction, must be added back in this column. 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) Three Thousand Dollars (\$3,000.00). Non-resident partners must allocate net operating losses to Portland at the percentage of business conducted in the City of Portland in the year in which the loss was sustained. Any net operating or capital losses shall not be carried back to offset prior gains. Such losses may only be carried forward in accordance with the Federal Internal Revenue Code. Attach a schedule for all entries in Column 2.

Column 3, Exemptions - An exemption of One Thousand Dollars (\$1,000.00) is allowed for each partner, the partner's spouse, and each dependent. In general the same rules apply in determining dependents as under the Federal Internal Revenue Code. A spouse may be taken as an exemption only if the spouse has no income subject to the Portland income tax. Exemptions are allowed for age and blindness. Exemptions claimed on Form P-1065 cannot be claimed on Form P-1040.

Column 5, Total Tax - Resident partners are taxed a 1% of taxable

income (Column 4). Non-resident partners are taxed at 1/2 of 1% of taxable income. Report both dollar and cents in the tax computation. Partners who changed residency status during the year are to follow the instructions in the fourth paragraph under "Resident vs. Non-resident Partners".

Column 6, Credits - Enter in this column, tax payments made by the partnership; or the applicable credit for payments made by the partnership on behalf of Portland resident partners for income taxes paid to another municipality, if the income on which such a tax was levied is included in this return. **Do not take credit** for income taxes paid to another municipality on behalf of partners who are not City of Portland residents. The credit shall be the lesser amount of either (1) the income tax paid to the other municipality, or (2) 1/2 of 1% of the income subject to tax in the other municipality after deduction of exemptions.

Column 7, Balance of Tax Payable - Enter in this column the amount in Column 5 less the amount in Column 6.

Instructions for Schedules on Page 2

Schedule A - Allocable Partnership Income

The ordinary income or loss reported on the Federal Form 1065 must be adjusted to arrive at the partnership income to be apportioned to the non-resident partners on the basis of the Business Allocation Formula, Schedule D. To Line 1, add those deductions on the federal return, such as partner's salaries, and City of Portland income tax (if deducted). Subtract the non-business income as developed in Schedule B, Line 9. The resulting answer on Line 6 is to be distributed on the basis of the partnership agreement and shown Schedule C, Column 1, in the same order as the partners are listed in the upper half of Page 1.

Schedule B - Non-Business Income and Exclusions

A direct determination can be made of certain partnership income as to whether or not it was earned in the City. A resident partner is taxed on all income regardless of where earned but a non-resident partner is taxed only on that portion earned in the City. In addition, the income tax ordinance exempts specific income of both residents and non-residents (see note on Page 2). In Column 1, insert amounts from the various pages, lines, and schedules of federal Form 1065 indicated. In Columns II and IV, prorate Column 1 on the ratio of residents' and non-residents' percentages according to the partnership agreement. Determine the amount of non-taxable income in each category in accordance with the exemptions allowed by the ordinance and show in Columns III and V. The proportionate share for each individual is to be determined for lines 10 through 17, Columns III and V and reported on the individual partner's Form I-1040. If the partnership income is not divided evenly or if three or more persons are partners, attach a schedule showing the distribution of income and exclusions.

Gains and losses from the sale or exchange of property are treated in the same manner, and the amount subject to tax determined on the same basis, as under the Federal Internal Revenue Code.

Only the amount of gain or loss occurring after January 1, 1984 is to be recognized for City of Portland income tax purposes. The amount of gain or loss occurring after January 1, 1984 is to be determined either by (1) computing the difference between the January 1, 1984 fair market value or the cost if the date acquired was subsequent to January 1, 1984, and the proceeds from the sale or exchange, or by (2) using the gain or loss for the entire holding period, as computed for Federal income tax purposes, and computing the taxable portion by applying the ratio of the number of months held after January 1, 1984, divided by to the total number of months the property was held. Fair market value is to be determined by an appraisal or similar reliable evidence.

Schedule C - Distribution to Partners

Complete this schedule according to the captions and transfer the figures in Column 7 to Page 1 only if the partnership is paying the

tax for all partners. Column 4 is a memorandum column only and is to be used to compute the amount of the exclusion to be transferred to the individual partner's Form P-1040.

Schedule D - Business Allocation Formula

The Business Allocation Percentage Formula is to be used by NON-RESIDENT owners of businesses with business activity both inside and outside the City of Portland. A separate accounting method may also be used.

Line 19a. Enter in column I the average net book value of all real and tangible personal property owned by the business regardless of location. In column II show the net book value of all real and tangible personal property owned by the business located in the City of Portland. 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 to the net book values at the end of the year and dividing the sum by two. Any other method that accurately reflects the average net book value for the year will also be permitted.

Line 19b. Enter in column I the gross rentals for the year multiplied by eight for all rented property regardless of location. In column II enter the gross rentals for the year multiplied by eight for all rented property located in the City of Portland. Gross rentals refer only to real property, rented or leased, and should include the actual sums of money or other consideration payable, directly or indirectly by the taxpayer for the use or possession of such real property for the year.

Line 20. Enter in column I the total compensation paid to all employees during the year. In column II enter the amount of compensation paid to employees for work done or services performed within the City of Portland during the year.

Line 21. Enter in column I the total gross receipts from all sales or services rendered during the year. In column II enter the amount of receipts derived from sales made or services rendered in the City of Portland during the year.

Line 23. In determining the average percentage, a factor shall be excluded only if it does not exist insofar as the taxpayers business operation is concerned. In such cases, the sum of the percentages shall be divided by the number of factors used.

Payment of Tax or Refund Due

If the partnership has elected to pay the tax for the partners and the tax due is one dollar (\$1.00) or more (please round up .50 to \$1.00 and .49 and less may be dropped) it must be paid when filing this return. Make check or money order payable to City of Portland. Mail both the return and payment to: Income Tax Division, 259 Kent Street, Portland, MI 48875.

If your payments and credits exceed the amount of the tax, show the amount of the overpayment on page 1, line 11. Indicate on line 12 whether you wish the overpayment to be credited to the next years estimated taxes or refunded by check. Amounts less than one dollar (1.00) will not be refunded or credited forward. Refunds will be made as quickly as possible but please allow 90 days before making an inquiry.

Assistance

If you have any questions not answered by these instructions, or if you need assistance in preparing the return, please call (517) 647-2941. Or, you can write or visit our office located in City Hall, 259 Kent Street, Portland, MI 48875.