



# 2016 INSTRUCTIONS FOR FILING PARTNERSHIP INCOME TAX RETURN, FORM J-1065

## 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 S-1065. To obtain a Jackson - 1065 form go to [www.cityofjackson.org](http://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 a 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 taxes.

If the partnership elects to pay the tax for the partners, the deduction is claimed on the partnership return. The Renaissance Zone Certificate is required to be attached to the partnership return when claiming a Renaissance Zone deduction.

## FILING DATE

Calendar year taxpayers must file by April 30, 2016. 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 information 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 1/1/1970, the income tax rate is 1.00% for 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.

## MAILING ADDRESS

City of Jackson Income Tax Division  
161 W. Michigan Ave.  
Jackson, Michigan 49201

## PARTNERSHIP AS TAXPAYER

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 tax. However, an individual return is required from any partner having taxable income other than his 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.)

Partnerships electing to pay the tax on behalf of the partners assume the status of a taxpayer to the following extent: (1) timely payment must be made; and (2) a 2016 Declaration of Estimated Income Tax, Form S-1040ES, is required if the total 2016 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 business and non-business income. Partnerships with rental real estate must complete Schedule E. Page 1 are to be totally completed.

## PARTNERSHIP FILING AN INFORMATION RETURN

Partnerships filing information returns are required to complete: Page 2: Schedules A, B, C and if appropriate 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 distributable 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 outside 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 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. Nonresidents are not taxed on their share of net rentals on property located outside the City, gains from the sale or exchange of tangible 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 INSTRUCTION

**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 information 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.

**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 a 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, in excess of 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 IN COLUMN 2.

**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. 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 one partnership return. **Exemptions are not allowed to other persons who are partners** (i.e., corporations who are partners, partnerships who are partners, etc.).

**Column 6.** In column 6 enter payments made by the partnership: tax paid with a tentative return; payments on a 2016 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) 0.75% 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 column 6 are to be distributed on lines 8a and b, and totaled on line 9. The total on line 9 must agree with the total of column 6.

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## COMPUTATION OVERPAYMENT OF TAX

**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.

**Line 11.** Enter all or the portion of the overpayment to be credited forward to the next year.

**Line 12.** If you wish to make a donation of any portion or all of the overpayment to the Jackson Parks and Recreation enter the amount of the donation, otherwise leave blank.

**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.

## COMPUTATION AND PAYMENT OF TAX

**Line 15.** If 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.

To pay with a check or money order make the check or money order payable to the **TREASURER, CITY OF JACKSON** and mail the payment with the return to: City of Jackson Income Tax Department, 161 W. Michigan Ave. Jackson, MI 49201

**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 its 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.

## PAGE 2 INSTRUCTIONS

### SCHEDULE A - ALLOCABLE BUSINESS INCOME

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 the Jackson tax.

Non-business income is reported in Schedule B. The taxable portion of non-business income is transferred to Schedule C.

Instructions for Schedules B and C indicate how amounts transferred from Schedules A and B are allocated to the individual partners.

### 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 the resident partners' excludable and taxable portion, 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 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, lines 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 partner's 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.

### SCHEDULE D - 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 consideration payable, 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 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 Jackson during the year. To allocate net profit (or loss), a partnership must have business activity outside of Jackson.

### ASSISTANCE AND WEBSITE

If you have questions or need assistance, call (517) 788-4043. Questions by mail should be directed to: City of Jackson, Income Tax Division, 161 W. Michigan Ave. Jackson, MI 49201. Income tax forms, instructions and additional information are available on City's website, [www.Cityofjackson.org](http://www.Cityofjackson.org)

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

**SCHEDULE A - ALLOCABLE PARTNERSHIP ORDINARY BUSINESS INCOME**

1. ORDINARY INCOME (OR LOSS) from Page 1, Line 22, U.S. Partnership Return of Income, Form 1065. (ATTACH COPY OF PAGES 1-5 FEDERAL 1065)	
2. Add City of Walker income tax, if deducted in determining income on Federal Form 1065	
3. Add interest and other costs incurred in connection with the production of income exempt from Walker income tax	
4. Deduct Sec. 179 depreciation	
5. TOTAL adjusted ordinary business income (Add Lines 1, 2 and 3 and subtract line 4)	

**SCHEDULE B - NON-BUSINESS INCOME AND EXCLUSIONS**

ATTACH COPY OF FEDERAL SCHEDULE K (1065) ATTACH SCHEDULES TO EXPLAIN ALL EXCLUSIONS	Federal Form 1065 Reference	COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5
		NON-BUSINESS INCOME	EXCLUDABLE RESIDENT PARTNERS PORTION OF COLUMN 1	TAXABLE RESIDENT PARTNERS PORTION OF COLUMN 1	EXCLUDABLE NONRESIDENT PARTNERS PORTION OF COLUMN 1	TAXABLE NONRESIDENT PARTNERS PORTION OF COLUMN 1
<b>INTEREST AND DIVIDENDS</b>						
1. Interest income	Sch. K, Line 5					
2. Dividend income	Sch. K, Line 6a					
<b>SALE OR EXCHANGE OF PROPERTY (SEE INSTRUCTIONS)</b>						
3. Net short term capital gain (loss)	Sch. K, Line 8					
4. Net long term capital gain (loss)	Sch. K, Line 9a					
5. Net Section 1231 gain (loss)	Sch. K, Line 10					
<b>RENTS AND ROYALTIES (IF NON-BUSINESS INCOME INCLUDES RENTAL REAL ESTATE, ATTACH COPY OF FEDERAL FORM 8825)</b>						
6. Net income (loss) from rental real estate activities	Sch. K, Line 2					
7. Net income (loss) from other rental activities	Sch. K, Line 3c					
8. Royalty Income	Sch. K, Line 7					
<b>OTHER INCOME</b>						
9. Other Income	Sch. K, Line 11					
10. TOTALS (Add lines 1 through 9)				*		*

**SCHEDULE C - DISTRIBUTION TO PARTNERS**

	COLUMN 1 ADJUSTED BUSINESS INCOME (Schedule A, Line 5)	COLUMN 2 GUARANTEED PAYMENTS TO PARTNERS (Fed. 1065, line 10)	COLUMN 3 INCOME SUBJECT TO ALLOCATION (Add Column 1 and Column 2)	COLUMN 4 NONRESIDENT ALLOCATION PERCENTAGE PER SCH. D (Enter 100% for resident partners)	COLUMN 5 ALLOCATED BUSINESS INCOME (Column 3 times % in Column 4)	COLUMN 6a RESIDENT PARTNER'S NON-BUSINESS INCOME (Total equals Sch. B Column 3, Line 10)	COLUMN 6b NONRESIDENT PARTNER'S NON-BUSINESS INCOME (Total equals Sch. B Column 5, Line 10)	COLUMN 7 TOTAL INCOME (Add Columns 5, 6a and 6b) (Enter here and on page 1, column 1)
(a)				%				
(b)				%				
(c)				%				
(d)				%				
(e)				%				
Totals								

**SCHEDULE D - BUSINESS ALLOCATION FORMULA**

	COLUMN 1 LOCATED EVERYWHERE	COLUMN 2 LOCATED IN WALKER	COLUMN 3 PERCENTAGE (Column 2 divided by Column 1)
1. a. Average net book value of real and tangible personal property			
b. Gross annual rent paid for real property only, multiplied by 8			
c. TOTALS (Add Lines 1a and 1b)			%
2. Total wages, salaries, commissions and other compensation of all employees			%
3. Gross receipts from sales made or services rendered			%
4. Total Percentages - add the percentages computed in Column 3, Lines 1c, 2 and 3 (A percentage must be computed for each line)			%
5. Business Allocation Percentage (Divide Line 4 by the number of factors) Enter here and on Schedule C, Column 4 (See note below)			%
<b>NOTE 3.</b> In determining the business allocation percentage (Line 5), a factor shall be excluded from the computation only when such factor does not exist anywhere insofar as the taxpayer's business operation is concerned, in such cases, the sum of the remaining percentages shall be divided by the number of factors actually used.			
In the case of a taxpayer authorized by the Income Tax Administrator to use one of the special formulae, attach an explanation and use the lines provided below:			
a. Numerator		c. Percentage (a divided by b) Enter here and on Schedule C, Column 4	
b. Denominator		d. Date of Administrator's approval letter	

**SCHEDULE E - RENTAL REAL ESTATE**

If the business activity of this partnership includes rental of real estate, indicate below the complete address and the gain or loss of each property.

PROPERTY	STREET ADDRESS	GAIN OR LOSS	PROPERTY	STREET ADDRESS	GAIN OR LOSS
A			D		
B			E		
C			TOTALS	(ATTACH COPY OF FEDERAL FORM 8825)	

