



City of East Lansing

INCOME TAX DEPARTMENT

2020 Instructions for Form EL-1120 for CORPORATIONS doing business in East Lansing

CORPORATIONS REQUIRED TO FILE

Every corporation "doing business" in East Lansing, whether or not it has an office or place of business in East Lansing, is required to file an annual Corporation Income Tax Return, Form EL-1120. Attach a copy of federal Form 1120, 1120-A, 1120S, or other corporate return form along with Schedule K and all ancillary schedules filed with the IRS to the EL-1120 return.

Corporations cannot elect to file and be taxed like partnerships. A tax option corporation (S corporation, REIT, etc.) is treated as a C corporation.

The Michigan City Income Tax Ordinance specifically exempts financial institutions from taxation. "Financial institutions" are defined as state and national banks, trust companies, building and loan associations, savings and loan associations, credit unions, safety and collateral deposit companies, and any other association, joint stock company or corporation at least 90% of whose assets consist of intangible personal property and at least 90% of whose gross income consists of dividends, interest or other charges resulting from the use of money or credit.

TAX RATE

1% effective January 1, 2019.

FILING DATE

Taxpayers on a calendar year are required to file by April 30, 2020. Those on a fiscal year must file by the last day of the fourth month following the end of the fiscal year. Returns shall be for the same calendar year, fiscal year or other accounting period as the taxpayer uses for federal income tax purposes.

REMITTANCE

The tax due must be paid when filing the return. Make check or money

order payable to: CITY OF EAST LANSING

MAILING ADDRESS

Mail your return and remittance to:
CITY OF EAST LANSING INCOME TAX DEPARTMENT
PROCESSING CENTER
PO BOX 526
EATON RAPIDS, MI 48827

EFFECTIVE DATE OF TAX

The City of East Lansing income tax became effective January 1, 2019. Corporations are required to pay the tax each year on that part of their net income attributable to business activity conducted in East Lansing, commencing with their first year ending after January 1, 2019.

EXTENSIONS

A six month extension is automatically granted without a request if all tax due has been paid by the due date of the return.

Upon filing an APPLICATION FOR EXTENSION OF TIME TO FILE A CORPORATION INCOME TAX RETURN, Form EL-7004, on or before the due date for filing a return, the Income Tax Administrator may extend the time for filing up to six months. When an extension is requested, the tentative tax must be paid.

An extension is automatically granted upon payment of the balance due (Form EL-7004, line 3). Failure to pay the balance due invalidates the extension request. Interest and penalty will be assessed on taxes paid late even if an extension of time to file is granted.

PAGE 1 INSTRUCTIONS

LINES 1 – 7 Follow the instructions printed on the return form.

Line 9. Enter the net income (line 7 less line 8).

Line 10. Enter adjustments after Apportionment (Schedule G, line 4).

LINES 11 Enter total income subject to tax (line 9 less line 10).

Line 12. Compute the tax by multiplying the total income subject to tax (line 11) by the corporation tax rate (1%) and enter the amount of tax.

TAX PAYMENTS

Line 13a. Enter the credit forward from the prior year's return.

Line 13b. Enter the total estimated income tax paid for the tax year.

Line 13c. Enter the amount of tax paid with an extension request for the tax year.

Line 13d. Enter the amount of tax paid a partnership on behalf of the corporation for the tax year. When reporting tax paid by a partnership, attach a separate schedule listing the partnership name, federal employer identification number and the amount of tax paid by the partnership.

Line 13e. Enter the total of lines 13a through 13d.

TAX DUE

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

OVERPAYMENT

Line 15. If the total tax payments (line 13) is greater than the tax (line 12) subtract line 12 from line 13 and enter the overpayment.

Line 16. Enter all or any portion of the overpayment to be credited forward and applied as a payment against the corporation's tax liability for the subsequent tax year.

Line 17. If you wish to make a donation of any portion or all of your overpayment, enter the amount of the overpayment you wish to donate on lines 17a, 17b and/or 17c, otherwise leave blank. Enter the total of the donations on line 17d.

Lines 18 and 19. Enter the amount of your overpayment to be refunded. A refund will be issued via a paper refund check unless you elect to receive the refund via direct deposit to the corporation's bank account. To elect to receive the refund via an electronic direct deposit, mark (X) the box on line 19a, Refund – Direct Deposit and enter the bank routing number (line 19c), the bank account number (line 19d) and the account type, checking (line 19e1) or savings (line 19e2). Not all cities make electronic refunds. See Appendix J, column 1 before completing the electronic refund information to ensure that the applicable city makes electronic refunds.

DISCLOSURE OF RETURN INFORMATION BETWEEN CITY AND PREPARER

Line 20. By marking (X) the "Yes" box (line 20a), the corporation is authorizing the applicable city income tax department to: contact the preparer for answers to any questions that may arise relating to its return; and answer any questions from the preparer about the return. Also, by marking (X) the "Yes" box (line 20a), the corporation is authorizing the preparer to: provide the applicable income tax department with any information about or missing from the return; contact the income tax department for information about the return or the status of any related refund or payments; and respond to notices about math errors, offsets and return preparation.

PAGE 2 INSTRUCTIONS

SCHEDULE S

Tax option corporations (S corporations, etc.) must file as C corporations. Schedule S is used to reconcile the amount reported on Form EL-1120, line 1, page 1, with the amounts on federal Form 1120S and Schedule K.

SCHEDULE C – Adjustments prior to Apportionment

Column 1 – Add – Items Not Deductible

Line 1. Enter on line 1 all expenses (including interest expense) incurred in connection with the derivation of income not subject to the applicable city's income tax.

Line 2. Enter on line 2 the amount of applicable city's income paid or accrued during the tax year.

Line 3. Enter on line 3 the nondeductible portion of a loss from the sale or exchange of property acquired prior to the effective date of the tax. See Appendix A for effective dates. The portion of the loss occurring prior to the inception of the income tax is not recognized. The amount of loss occurring prior to the effective date of the tax 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 applicable city taxable portion of the loss computed by substituting the fair market value of the property on the effective date, (closing price for traded securities) for the basis in determining 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 the effective date and denominator being the total number of months the property was held.

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 3.

Line 4. Reserved for future use.

Line 5. Other. Enter on line 5a the losses from entities filing as partnerships included in taxable income reported on page 1, line 1. Enter and explain on lines 5b and 5c, any other items deducted on the corporation's federal return but not deductible on the city return.

Column 2 – Deduct – Items Not Taxable and Allowable Deductions

Line 7. 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.

Line 8. 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.

Lines 9 & 10. 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 9 the portion of the foreign tax credit which was grossed up and included in your corporation common return as dividends received.

Enter on line 10 the "foreign taxes paid or accrued" portion of the foreign tax credit claimed on the federal return, not in excess of the federal limitations. The balance of your foreign tax credit is not deductible.

Line 11. Enter on line 11 the nontaxable portion of a gain from the sale or exchange of property acquired prior to the effective date of the tax. See Appendix A for effective dates. The portion of the gain occurring prior to the inception of the tax is not recognized. Refer to the instructions for Schedule C, line 3 for computation instructions.

Capital gains from US 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 11.

Line 12. Other Items not taxable. Enter on line 12a income from entities filing as partnerships included in taxable income reported on page 1, line 1. Enter on line 12b the amount of wages claimed as a credit on the corporation's federal income tax return.

SCHEDULE D

The business allocation percentage formula must be used by corporations "doing business" both within and outside the applicable city who have not been approved to use separate accounting.

Elective use of the Multistate Tax Compact apportionment provisions is no longer allowed. On 09/14/2014 the Multistate Tax Compact provisions of Michigan law were retroactively repealed effective 01/01/2008.

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 applicable city. 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 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 applicable city. 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 applicable city 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 applicable city during the year. A corporation must be "doing business" outside of the applicable city to allocate net profit (or loss).

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

Generally, a corporation that is unitary in nature (i.e., has central management, purchasing, warehousing, advertising, etc.) cannot 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 applicable city activity on the same basis as general administrative and overhead costs are apportioned.

SCHEDULE G

Line 1. A corporation who is a partner in a business activity taxed as a partnership that has business activity in the applicable city must enter on this line their portion of the applicable city's taxable income or loss from the partnership. Attach a schedule showing the computation for the amount reported on this line including the name and taxpayer identification number of the partnership.

Line 2. Enter on this line the net capital loss carryover applicable to the taxing city and utilized this tax year. Net capital losses sustained by a corporation may be carried forward in the same manner as under the federal Internal Revenue Code. If all business was not conducted in the applicable city in the year in which the loss was sustained, use the business allocation percentage formula for the year of the loss to calculate the deductible portion of the loss. Attach a schedule showing your computation of the amount reported on this line.

Line 3. 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 allocated to the applicable city at the same apportionment percentage reported for the year in which the loss was sustained. If all business was not conducted in the applicable city 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 the computation for the amount reported on Line 1.

ESTIMATED INCOME TAX PAYMENTS

1.WHO MUST FILE: Every corporation subject to the tax on all or part of its net profits must make estimated income tax payments using Form EL-1120ES. Estimated income tax payments are not required from corporations if the estimated tax is two hundred fifty dollars (\$250.00) or less.

2.WHEN AND WHERE TO FILE AND PAY:

A. Calendar year taxpayers must make the first estimated payment on or before April 30th of the year. The estimated tax is payable in equal installments on or before April 30th, June 30th, September 30th of the tax year and January 31st of the following year.

B.A corporation filing on a fiscal year or a short tax year basis must make the first quarterly estimated income tax payment within four (4) months after the beginning of each fiscal year or short period. For example, if a fiscal year begins on April 1st, the first quarterly payment is due on or before July 31st of the tax year. The remaining installments must be paid on or before the last day of the 6th, 9th and 13th months after the beginning of the tax year.

C. Filing and Payment: See Appendix G for mailing addresses. The estimated tax may be paid in full by the due date of the first quarterly installment.

NOTICE

These instructions are interpretations of the Michigan City Income Tax Ordinance. The city's Income Tax Ordinance will prevail in any disagreement between the instructions and the Ordinance.