

GENERAL INFORMATION

PARTNERSHIPS REQUIRED TO FILE A RETURN

Every partnership with business activity in the City of East Lansing, 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 and Limited Liability Companies (LLCs) electing to be taxed as partnerships at the federal level will also use Form EL-1065.

TAXABILITY OF PARTNERSHIP INCOME UNDER THE EAST LANSING INCOME TAX ORDINANCE

Partners who are individual RESIDENTS are taxed on their entire distributive share of the net profits of the partnership, including that arising from business activities outside of East Lansing, interest, dividends, rents, royalties, other income, and gains from the sale or exchange of property, either tangible or intangible, regardless of where the property is located.

Partners who are individual NONRESIDENTS including estates and trusts are taxed on their distributive share of the partnership's ordinary business income which is attributable to business activity in East Lansing, plus net rentals of tangible property located in East Lansing and gains from the sale or exchange of tangible property in the City. Nonresidents are not taxed on their share of net rentals of property located outside East Lansing, gains from the sale or exchange of tangible property located outside East Lansing, gains from the sale or exchange of securities or other intangible property, or on non-business interest and dividend income.

When the receipt of interest and other intangible income is directly related to the nature of the business, such interest, etc., is business income taxable to a nonresident, and is to be included in ordinary business income in Schedule A.

Partners who are CORPORATIONS are taxed at the corporate tax rate on their distributive share of the partnership's: ordinary business income attributable to business activity in East Lansing; net rentals of tangible property; and gains from the sale or exchange of tangible property attributable to business activity in East Lansing. Thus, all taxable income of a corporate partner (net profits of a corporation) are determined by the business allocation percentage of the partnership.

Partners who are PARTNERSHIPS, LLC's electing to be taxed as a partnership, JOINT VENTURES, ETC. are taxed at the resident individual or corporation tax rate unless documentation is provided to determine the correct taxable income tax rate for each partner of the downstream partnership. Contact the East Lansing Income Tax Department to see how to report these items.

Refer to the chart on page 6 of these instructions for information on the taxability of the various types of partnership income based upon the partner's entity classification. Also refer to the instructions under Schedule B for additional information on taxability of the various types of income.

LISTING OF FORMS AND SCHEDULES (Form EL-1065)

Form EL-1065, page 1

Schedule 1 – Partner Information Schedule

Schedule 1A – Partner Information Schedule for Downstream Partnership

Schedule 2 – Tax Calculation Schedule for Partnerships Electing to Pay Tax (If information return, disregard this schedule)

Schedule 2A – Tax Calculation Schedule for Downstream Partnership

Schedule A – Allocable Partnership Ordinary Business Income

Schedule B – Apportioned Income (income not included in Schedule A or Schedule F)

Schedule B1 – Interest Income (Schedule B, line 1, by partner)

Schedule B2 – Dividend Income (Schedule B, line 2, by partner)

Schedule B3 – Net Short-term Capital Gain (Loss) (Schedule B, line 3, by partner)

Schedule B4 – Net Long-Term Capital Gain (Loss) (Schedule B, line 4, by partner)

Schedule B5 – Net Section 1231 Gain (Loss) (Schedule B, line 5, by partner)

Schedule B6 – Net Income or Loss from Rental Real Estate Activities (Schedule B, by partner)

Schedule B7 – Net Income or Loss from Other Rental Activities (Schedule B, line 7)

Schedule B8 – Royalty Income (Schedule B, line 8, by partner)

Schedule B9 – Other Income (Schedule B, line 9, by partner)

Schedule B10 – Ordinary income from Other Partnerships (Schedule B, line 10, by partner)

Schedule B11 – Schedule B summary by Partner by Schedule B Line Number (Schedule B, line 11, by partner)

Schedule C – Distribution to Partners

Schedule D – Business Allocation Percentage

Schedule E – Rental Real Estate

Schedule F – Allocated or Apportioned Guaranteed Payments to Partners

Schedule G – Credit for Tax Paid to Another City in behalf of Resident Partners

Schedule K-1 (Form EL-1065) – Partner's Share of Income, Exclusions, Deductions, Credits and Tax Paid

Schedule RZ (Form EL-1065) – Partnership Renaissance Zone Deduction

Schedule S – Supplemental Notes and Schedules

OBTAINING PARTNERSHIP RETURN FORMS

Partnership return forms are not mailed. The forms are available at www.cityofeastlansing.com/incometax.

Allocate and Apportion - Defined

The word allocate in these instructions means to determine partner's taxable portion of the type of partnership income using: the partner's classification and the Business Allocation Percentage calculated on Schedule D, Business Allocation Percentage, line 5; or in the case of a taxpayer authorized by the Income Tax Administrator of the city, the special allocation formula percentage calculated on Schedule D, line c.

The meaning of the word apportion as used in these instructions means to: directly determine the partner's taxable income based upon the partner's classification; or the partner's classification and the location of the source of the income.

DUE DATE OF PARTNERSHIP RETURN

Calendar year taxpayers must file by April 30, 2019. Fiscal year taxpayers must file within four (4) months after the end of their fiscal year. If the due date falls on a Saturday, Sunday or holiday, the due date is the next business day.

EXTENSION OF TIME TO FILE A PARTNERSHIP RETURN

For partnerships electing to pay tax, Form EL-7004, Automatic Extension of Time to File Certain Business Income Tax, Information and Other Returns, must be filed on or before the due date for filing the partnership return. An extension is automatically granted upon filing of Form EL-7004 and payment of the tentative tax 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.

For partnerships filing an information return, a six month extension of time to file is automatically granted. Do not file Form EL-7004, Application for Automatic Extension of Time to File Certain Business Income Tax, information and Other Returns.

REQUIRED RETURN ATTACHMENTS

When filing a East Lansing partnership return, Form EL-1065, certain schedules and copies of federal forms are required to be attached. See Page 8 of these instructions for a listing of required return attachments and attachment order.

MAILING ADDRESS FOR FILING A PARTNERSHIP RETURN

EAST LANSING INCOME TAX DEPARTMENT PROCESSING CENTER
PO BOX 526
EATON RAPIDS, MICHIGAN 48827

PARTNERSHIPS FILING AN INFORMATION RETURN

A partnership is required to file an information return unless the partnership elects to compute and pay the tax due on behalf of all partners.

Partnerships filing information returns are required to complete: Page 1: the Partner Information Schedule, Schedules A, B, C and if appropriate Schedules D, E and F.

The Partnership Return, Form EL-1065, is designed to distinguish between income taxed at the resident, nonresident or corporation tax rates. The purpose of the return is to set forth the entire net profit for the tax period and to show the distributive share of each partner and indicate the entity type of the partner and, if an individual, the residency status of the partner. If residency changes during the year for any individual partner, use two lines to indicate allocation of income by residency status. On Schedule 1, Partner Information Schedule, enter the start date of residency on the resident line and the end date of residency on the nonresident line.

INSTRUCTIONS FOR FILING 2018 FORM EL-1065, PARTNERSHIP INCOME TAX RETURN

Ordinary business income of the partnership is reported in Schedule A. Each partner's distributable share of the ordinary business income is reported on Schedule C, column 1.

Apportioned income is reported in Schedule B, by type of income and the taxable and nontaxable portions for partners taxed at the resident, nonresident or corporation tax rate. Schedules B1 through B11 are used to report the partner's share for each line of Schedule B. The taxable income from Schedule B, columns 6 and 7 is reported by partner in Schedule C, columns 5 or 6.

Schedule K-1 (Form EL-1065), Partners Share of Income, Exclusions, Deductions, Credits and Tax Paid, is to be provided to each partner to assist them in filing their East Lansing income tax return.

PARTNERSHIPS ELECTING TO PAY TAX

If the partnership elects to pay tax for the partners, the individual partners are not required to file a return if such partners have no other income subject to East Lansing income tax. However, an individual return is required from any partner having taxable income other than the distributive share of the net profits of the partnership. In such instances, a partner required to file an individual return should refer to the instructions for the individual return, Form EL-1040 or EL-1040, for instructions on reporting partnership income and claiming credit for tax paid by the partnership.

Partnerships electing to pay the tax on behalf of the partners assume the status of taxpayer to the following extent: (1) timely payment must be made; and (2) estimated income tax payments, Form EL-1065ES, are required if the total 2017 estimated tax for the partnership is expected to exceed \$100. The calendar or fiscal year of the partnership will govern in establishing the due dates for making estimated tax payments.

Partnerships electing to pay tax must prepare and file all the forms and schedules required for an information return and complete Schedule 2, Tax Calculation Schedule, and Form EL-1065, lines 1 through 8. Schedule 2 details each partner's share of their East Lansing taxable income, deductions, exemptions, tax at the resident, nonresident or corporation tax rate and any credit for tax paid to another city. Form EL-1065, lines 1 through 8, reports: the tax; all payment and credits; any balance due or overpayment; and how any overpayment is to be credited, donated or refunded.

Payment of tax for partnership partners (downstream partnership) requires additional schedules, Schedule 1A, Partnership Information Schedule for Downstream Partnership, and Schedule 2A, Tax Calculation Schedule for Downstream Partnership. An alternative to adding the additional schedules is calculation of taxable income for the downstream partnership as a resident partner and calculation of the tax at the East Lansing resident tax rate.

PAGE 1 INSTRUCTIONS

A partnership filing an information return is required to complete the Identification and Information section and the Signature section of page 1. Also in the Disclosure of Return Information section, the partnership may elect to allow disclosure of return information between a designated individual or firm and the East Lansing Income Tax Department.

A partnership electing to pay tax is required to complete the Identification and Information section, lines 1 through 7 and the Signature section of page 1. Also in the Disclosure of Return Information section, the partnership may elect to allow disclosure of return information between a designated individual or firm and the East Lansing Income Tax Department.

IDENTIFICATION AND INFORMATION

All partnerships are to provide the information requested and answer all questions in this section. New for tax year

TAX

Line 1. Add the totals from the Tax Due Schedule, columns 8 and 9, and enter on line 1.

PAYMENTS AND CREDITS

Line 2. Enter the total payments and credits for each type of tax payment listed on lines 2a through 2d and, for resident individual partners, the total of any credits for tax paid to another city on line 2e. Enter the total of the payments and credits on line 2f.

BALANCE DUE

Line 3. If total tax (line 1) is greater than the total tax payments (line 2) subtract line 2 from line 1 and enter balance of tax due. The balance 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 CITY OF EAST LANSING, place the payment in front of the return and mail the payment and return to: East Lansing Income Tax Department Processing Center, PO Box 526, Eaton Rapids, Michigan 48827.

OVERPAYMENT

Line 4. If the total payments and credits (line 2) is greater than the tax due (line 1) subtract line 1 from line 2 and enter the overpayment amount.

CREDIT FORWARD

Line 5. Enter all or the portion of the overpayment to be credited forward.

DISCLOSURE OF RETURN INFORMATION

By marking (X) the "Yes" box in the Disclosure of Return Information section the partnership is authorizing the East Lansing Income Tax Department to contact the preparer for answers to any questions that may arise relating to its return and to answer any questions from the preparer about the return. Also, by marking (X) the "Yes" box, the partnership is authorizing the preparer to: provide the East Lansing Income Tax Department with any information about or missing from the return; respond to notices about math errors, offsets and return preparation; and contact the Income Tax Department for information about the return or the status of any related refund or payments.

SIGNATURE

In the Signature section the partner or member representing the entity must sign the return and the following information must be provided: the date the return was signed; the printed name of the partner or member signing the return; and a day time phone number of the partner or member.

Also preparer must sign the return and enter the date prepared, the name and address of the preparer's firm, the preparer's PTIN, EIN or SSN, the preparer's telephone number and the NACTP number of the software used to prepare the return.

INSTRUCTIONS FOR OTHER SCHEDULES

SCHEDULE 1 – PARTNER INFORMATION SCHEDULE

All partnerships must complete the Partner Information Schedule. See Partner Classification Table on page 4 for information to complete columns 3, 4 and 5. Column 3 data entry is based upon federal Form 1065 instructions for Schedule K-1, Item I.

If column 3 for the partner equals individual, nominee for an individual or a disregarded entity owned by an individual, enter the residency classification of the individual in column 4 (R, N, PR or PN). If column 4 for the partner equals part-year resident (PR or PN), report the resident portion (PR) and nonresident portion (PN) on separate partner lines and in column 5 enter the residency start date (mm/dd/yyyy) for the tax year on the resident (PR) line and the residency end date for the year on the nonresident (PN) line.

SCHEDULE 1A – PARTNER INFORMATION SCHEDULE FOR DOWNSTREAM PARTNERSHIP (Disregard if information return)

When partnership is a partner (downstream partnership) subsidiary Schedule 1A, Partner Information for Downstream Partnership, must be completed in the same manner as Schedule 1 and placed directly behind Schedule 1 when partnership elects to pay tax in behalf of all partners.

SCHEDULE 2 – TAX CALCULATION SCHEDULE (Disregard if information return)

Partnerships electing to pay tax for partners must complete the Schedule 2, Tax Calculation Schedule. Partnerships filing an information return disregard this schedule.

Columns 1, 2 and 3. Enter partner's name, entity type and tax identification number as listed on Partner Information Schedule.

Column 4. Enter partner's total East Lansing income as reported on Schedule C, column 6 or column 7.

Column 5. Allowable partner deductions which relate to the partnership are deducted in column 5. These deductions include the self-employed pension

INSTRUCTIONS FOR FILING 2018 FORM EL-1065, PARTNERSHIP INCOME TAX RETURN

plan deduction, the Renaissance Zone deduction and any other deduction allowed the partner under the East Lansing Income Tax Ordinance. This column is also used to adjust (add back) 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 5. The allowable capital loss deduction for each partner is the lesser of (1) the net capital loss, (2) the amount in column 4, computed without regard to capital gains and losses, or (3) \$3,000. Capital loss carryovers may be carried forward to the same extent allowed in the Internal Revenue Code, but may not be carried back to prior years. **Attach a schedule detailing computation of amounts reported in column 5.**

Column 6. Personal and dependency exemptions are allowed to be claimed for each partner who is an individual resident or nonresident, the partner's spouse and dependents as allowed on the partner's federal return. 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 the East Lansing 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 East Lansing during the taxable year are first applied against income while a resident, with the balance, if any, applied to East Lansing income while a nonresident. A partner's personal and dependency exemptions may not be claimed on more than one partnership return. Partners who are estates or trusts are allowed one exemption. Exemptions are not allowed to any other partners (i.e., corporations, partnerships, etc.). The value of each East Lansing exemption is \$600.

Column 7. Enter the taxable income, column 4 less columns 5 and 6.

Column 8. Enter tax due at the resident or corporation tax rate of 1% (0.01) all taxpayers except nonresident individuals, estates or trusts.

Column 9. Enter tax due at the nonresident tax rate of 0.5% (0.005), nonresident individuals, estates or trusts only.

Column 10. The tax paid for each partner is equal to the tax due (column 8 or 9) less, for resident individual partners only, any credit for tax paid to another city (Schedule G, column 6, for the partner).

The total of column 10 should equal the actual amount of tax paid by the partnership; the sum of the amounts reported on page 1 lines 2a, 2b, 2c, 2d and 3 less line 4, the tax overpayment.

SCHEDULE 2A – TAX CALCULATION SCHEDULE FOR DOWNSTREAM PARTNERSHIP (Disregard if information return)

When partnership is a partner (downstream partnership) Schedule 2A, Tax Calculation Schedule for Downstream Partnership, must be completed in the same manner as Schedule 2. On the Schedule 2 line for the downstream partnership, enter the downstream partnership name, employer identification number and the totals from Schedule 2A, columns 4 through 10. Schedule 2A is to be placed directly behind Schedule 2 when filed. A separate Schedule 2A is required for each downstream partnership.

SCHEDULE A – ALLOCABLE ORDINARY BUSINESS INCOME (LOSS)

Schedule A is used to report and adjust the ordinary business income of the partnership. The ordinary business income as reported on federal Form 1065, page 1, line 22, must be adjusted for the following: East Lansing income tax deducted on the federal return must be added back; interest and any other costs incurred with the production of tax exempt income must be added back; the federal Section 179 deduction and other deductions allowed must be deducted; and ordinary income (loss) from another partnership must be removed (as it is reported in Schedule B).

The total adjusted ordinary business income reported on Schedule A, line 6, is allocated to the partners in Schedule C. The total reported on Schedule C, column 1, must equal the amount listed on Schedule A, line 6.

Income not included in Schedule A is reported in Schedule B, Apportioned Income, or Schedule F, Allocated or Apportioned Guaranteed Payments to Partners. Instructions for the Schedules indicate how amounts are allocated to the individual partners.

SCHEDULE B – APPORTIONED INCOME (INCOME NOT INCLUDED IN SCHEDULE A OR SCHEDULE F)

Schedule B is used to report income not included in Schedule A (Adjusted Ordinary Business Income) or Schedule F, (Allocated or Apportioned Guaranteed Payments to Partners) and apportion this income between partners taxed at the individual resident, corporation or individual nonresident tax rates. After determining the total taxable apportioned income for the various partners, the totals are transferred to Schedule C, columns 5 or 6 to report the amount of this income apportioned to each partner. Enter the income by category as reported on the federal Form 1065, Schedule K or page 1, on Schedule B, column 1.

Separate supporting schedules for each line of Schedule B (Schedules B1 through B11) are used to calculate the partners excluded and taxable

portions of the 10 types of income reported in Schedule B. For each type of income: use: column 2 to report partner's federal share of the income. Use column 3 to report the individual resident partner's East Lansing excludible portion; column 4 to report the nonresident, estate or trust partner's excludible portion; column 5 to report the corporation partner's excludible portion and column 6 to report all other partner's excludible portion. Column 7 is used to report the taxable portion for partners taxable at the individual resident or corporation tax rate, and column 8 is used to report taxable portion for partners taxable at the individual nonresident tax rate. The total of columns 3 through 8 must equal the total of column 2.

The various types in partnership income are taxed differently based upon the partner entity type. Refer to the chart page 8 of these instructions for information on the taxability of the various types of partnership income for the various types of partner entities. Also refer to the instructions below for additional information on exclusion or taxability of the various types of partnership income.

Interest and Dividend Income. All partners may exclude interest and dividend income from obligations of the United States, the states or subordinate units of government. Interest and dividend income is totally excluded for individual nonresident, estate and trust partners. Complete Schedules B1 and/or B2 to compute the excludible and taxable portions of interest or dividend income. Enter the excluded and taxable income totals (bottom of the schedules) on Schedule B.

Sales or Exchange of Property. This category included sales and exchanges of short-term, long-term and Section 1231 property. The portion of the gain or loss attributable to the period prior to January 1, 2019 is excludible for all partner entity types. Complete Schedules B3, B4 and/or B5 to compute the excludible and taxable portions of short-term, long-term and Section 1231 gains or losses. Enter the excluded and taxable income totals (bottom of the schedules) on Schedule B.

Rent and Royalty Income. Complete Schedules B6, B7 or B8 to compute the excludible and taxable portions of rental income from rental real estate activities, rental income from other rental activities or royalty income. Enter the excluded and taxable income totals (bottom of the schedules) on Schedule B.

Other Income. Complete Schedule B9 to determine the excludible and taxable portions of other income. Enter the excluded and taxable income totals (bottom of the schedule) on Schedule B.

Ordinary Income from Other Partnerships. Complete Schedule B10 to determine the excludible and taxable portions of ordinary income (or loss) from other partnerships. Attach a worksheet for each partnership, estate or trust that details the name, address, FEIN and the apportionment of this income. The ordinary business income of another partnership is allocated based upon the other partnership's East Lansing business allocation percentage and/or the entity type of partner. Enter the excluded and taxable income totals (bottom of the schedule) on Schedule B.

Total Apportioned Income. Complete Schedule B11 to summarize the taxable portion of income from the different categories of income as determined on Schedules B1 to B10. The partner totals from Schedule B11, column 11, are reported on Schedule C, columns 5 or 6. The totals from Schedule C, columns 5 and 6 must equal the total reported on Schedule B, columns 6 and 7, respectively.

SCHEDULE C – DISTRIBUTION TO PARTNERS

The totals reported in Schedule C, columns 1, 4, 5 and 6, the income distribution to partners of adjusted ordinary business income, apportioned income, and guaranteed payments to partners, must agree with the totals transferred from Schedule A, line 6, Schedule F, column 4 and Schedule B, line 11 of columns 6 and 7, respectively.

Column 1. Enter in column 1 each individual partner's share of ordinary adjusted business income from Schedule A, line 6. 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 may require a special computation.

Column 2. Enter the appropriate business allocation percentage based upon partner entity type. Individual resident and partnership partners use a 100% allocation. Individual nonresident, estate, trust, corporation, exempt entity and foreign government partners enter the business allocation percentage from Schedule D, line 5, or the special allocation percentage authorized. Disregarded entity and nominee partners enter the appropriate allocation percentage based upon the entity type of the actual owner of the partnership interest.

Column 4. Enter the taxable portion of the guaranteed payments to partners receiving them. If any portion of any guaranteed payment is nontaxable Schedule F must be completed. The total of Column 4 must equal the total of Schedule F, column 4.

Column 5. Enter taxable portion of the individual resident, corporation or other partners Schedule B income from Schedule B11, column 11.

Column 6. Enter the taxable portion of the individual nonresident, Estate or trust partners Schedule B income from Schedule B11, column 11.

INSTRUCTIONS FOR FILING 2018 FORM EL-1065, PARTNERSHIP INCOME TAX RETURN

Column 7. Add the amounts reported for each partner in columns 3, 4, 5, and 6 and enter the total for the column. Also enter the amount for each partner and the column total in 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 East Lansing.

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 report the net book value of the real and tangible personal property owned and located or used in the City of East Lansing. 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 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 East Lansing. 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 East Lansing.

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 East Lansing during the year. To allocate net profit (or loss), a partnership must have business activity outside of East Lansing.

SCHEDULE E – RENTAL REAL ESTATE

If the business activity of the partnership includes rental of real estate, list the complete address and the gain or loss from each separate piece of rental real estate in Schedule E.

SCHEDULE F – GUARANTEED PAYMENTS

A guaranteed payment, defined under the Internal Revenue Code of 1986, Section 707(c) and related regulations is a distributive share of the partnership's profits.

To the extent a "guaranteed payment" is includable in a resident partner's gross income, the amount is fully taxable under the East Lansing Income Tax Ordinance except for the amount paid as a retirement benefit to a retired partner that qualifies as a retirement benefit and is not self-employment earnings under the Internal Revenue Code.

A nonresident partner is taxed on a guaranteed payment for personal services to the extent the payment is includable in federal gross income and then multiplied by the partnership's business allocation percent. Except for when the guaranteed payment is expensed against rental receipts, then the portion expensed against East Lansing rental receipts is subject to tax. A guaranteed payment for the use of capital is allocated to the nonresident partner's residence (domicile) and is not taxable under the East Lansing Income Tax Ordinance. The amount paid as a retirement benefit to a retired partner that qualifies as excludible from East Lansing income under 4 USC Sec. 114(b)(1) is not taxable under the Ordinance.

SCHEDULE G – CREDIT FOR TAX PAID TO ANOTHER CITY IN BEHALF OF RESIDENT PARTNERS

If the partnership incurs an income tax liability to any other city in addition to East Lansing, a credit is allowed for tax paid to the other city on income of a East Lansing resident individual that is taxable by both cities. The credit is limited to the smaller of: (1) the income tax paid to the other municipality on behalf of the resident partner; or (2) 0.5% of the amount obtained by deducting the value of the exemptions claimed by the partner (Form EL-1065, page 1, column 3) from the amount of East Lansing income subject to tax by the other city. DO NOT take credit for income taxes paid to any other municipality on behalf of nonresident, corporate or partnership partners.

SCHEDULE K-1 (Form EL-1065) – PARTNER'S SHARE OF INCOME, EXCLUSIONS, DEDUCTIONS, CREDITS AND TAX PAID

A partnership is required to prepare and give Schedule K-1 (Form EL-1065) to each person who was a partner in the partnership at any time during the year. Schedule K-1 (Form EL-1065) must be provided to each partner on or before the day on which the partnership return is required to be filed.

Partnerships electing to pay tax that have a partnership partner (downstream partnership) are also required to provide Schedule K-1 (Form EL-1065) to each partner of the downstream partnership (or chain of downstream partnerships) if the tax for the downstream partnership is

calculated based upon the downstream partnership's partner's classification.

If the return is for a fiscal year or a short tax year fill in the fiscal tax year spaces at the top of each Schedule K-1. If this is a final or an amended K-1, mark (X) the appropriate box at the top of each Schedule K-1.

On each Schedule K-1, enter the information about the partnership and the partner in Parts I and II (items A through M). In Part III, enter: in column A the amounts from the partners federal Schedule K-1 (Form 1065); in column B the amounts of exclusions or adjustments to the amounts in column A; and in Column C the partner's city taxable share of each item of income, deduction or information.

Part I. Information About the Partnership

On each Schedule K-1, enter (A) the identifying number of the partnership, and its (B) name and address. Also enter the (C) partnership's business allocation percentage (Form EL-1065, Schedule D, line 5 or special formula line d).

Part II. Information About the Partner

On each Schedule K-1 complete the information for the partner for items E through I1 and J through M as it was completed on the partner's federal Schedule K-1 (Form 1065). For item I2, if the partner code for item I1 is a code that represents an individual, estate or trust, enter in item I2 the following code for the partner: R for resident partner, N for a nonresident partner, PR for the resident portion and PN for the nonresident portion of the year for a part-year resident partner. See page 8, Partner Classification Table, for additional information. For item I3, mark (X) the box if the partner is a retirement plan. For item N enter the partner's partner number as reported on Form EL-1065, Schedule 1. When a partner is a part-year resident, two Schedule K1's (Form EL-1065) are to be issued, one for the resident portion of the year and one for the nonresident portion of the year as two lines are required for reporting the partner's income.

If the partnership elects to pay tax and the partner is a partnership, mark (X) the item D box and enter the partnership partner's identification number. Complete the other items for this partnership partner. Parts III and Part IV for this downstream partnership is a compilation of their partner's Schedules K-1. Also, complete a Schedule K-1 (Form EL-1065) for each partner of the downstream partnership completing item D for the downstream partnership and completing Part II, Part III and Part IV for each downstream partnership partner.

Part III. Partner's share of Current Year Income, Exclusions/Adjustments and City Income.

This part of the Schedule K-1 (Form EL-1065) is divided into three columns: Column A, Federal Partnership Return Data; column B, Exclusions and Adjustments; and column C, City Taxable Income.

Column A, Federal Partnership Return Data.

Column A, line 1, lines 2 through 13 and line 20 are used for reporting income, deductions and other information as reported on the federal Schedule K-1 (Form 1065) for the partner. In each line of column A enter the data as reported in the federal Schedule K-1 except for lines 1a, 11, 13 and 20 follow the instructions below.

Line 1a. Ordinary income from other partnerships. This line on the city Schedule K-1 (EL-1065) is used to properly report ordinary business income from other partnerships, estates and trusts. Column A of this line is blank or zero (0) as this line is not on the federal Schedule K-1.

Codes for lines 11, 13 and 20. In boxes 11, 13 and 20, identify each item by entering the federal code in the column to the left of Column A.

Line 13. Other deductions. In box 13 report only the federal coded items that affect city income of the partner. There are only a few (line 13) other deductions that affect a partner's city income. Deductions that are claimed on the partner's federal return Form 1040 as adjustments to income or itemized deductions are not reported on line 13. If you have a question about reporting a line 13 item, please contact the city for an answer. An example of a line 13 is item I, deductions – royalty income.

Line 20. Other information. In box 20 report only the federal coded items that affect city income. There are few items of (line 20) other information that affect the partner's city income. If you have a question about reporting a line 20 item, please contact the city for an answer. An example of a line 20 item is M, recapture of section 179 deduction.

Column B, Exclusions and Adjustments

Complete column C, City Taxable Income, lines 1 through 13, before completing column B. Once the column C amount for a line is determined and entered, the column B amount for the line is calculated by subtracting the amount in column C from the amount in column A. Enter in the calculated amount in Column B for the line. If a line in any column is blank, it is to be read as a zero (0).

Column C, City Taxable Income

The amount of city taxable income for each partner is calculated in schedules attached to the partnership return. Enter the data for each line of Column C as determined in the schedule noted for the line.

INSTRUCTIONS FOR FILING 2018 FORM EL-1065, PARTNERSHIP INCOME TAX RETURN

Line 1. Ordinary business income. Enter the amount of the partner's ordinary business income as reported on Form EL-1065, Schedule C, column 3.

Line 1a. Ordinary income from other partnerships. Enter the amount of the partner's taxable share of ordinary income from other partnerships as reported on Form EL-1065, Schedule B11, column 10.

Line 2. Net rental real estate income (loss). Enter the amount of the partner's share of net rental real estate income (loss) as reported on Form EL-1065, Schedule B11, column 6.

Line 3. Other rental income (loss). Enter the amount of the partner's taxable share of other rental income (loss) as reported on Form EL-1065, Schedule B11, column 7.

Line 4. Guaranteed payments to partners. Enter the amount of the partner's taxable guaranteed payments as reported on Form EL-1065, Schedule C, column 4.

Line 5. Interest income. Enter the amount of the partner's taxable share of interest income as reported on Form EL-1065, Schedule B11, column 1.

Line 6. Dividend income. Enter the amount of the partner's taxable share of dividend income as reported on Form EL-1065, Sch. B11, column 2.

Line 7. Royalties. Enter the amount of the partner's taxable share of royalties as reported on Form EL-1065, Schedule B11, column 8.

Line 8. Net short term capital gain (loss). Enter the amount of the partner's taxable share of net short term capital gain (loss) as reported on Form EL-1065, Schedule B11, column 3.

Line 9. Net long term capital gain (loss). Enter the amount of the partner's taxable share of net long term capital gain (loss) as reported on Form EL-1065, Schedule B11, column 4.

Line 10. Net section 1231 gain (loss). Enter the amount of the partner's taxable share of net section 1231 gain (loss) as reported on Form EL-1065, Schedule B11, column 5.

Line 11. Other income. Enter the amount of the partner's taxable share of other income as reported on Form EL-1065, Schedule B11, column 9.

Line 12. Section 179 deduction. Enter a zero (0) or leave blank as this deduction is already included in the amount reported in column C, line 1.

Line 13. Other deductions. The amount to enter on this line must be calculated based upon the type of other deduction and the taxability of the city income related to the deduction. Example: Item I, deductions – royalty income, would be deductible at the same percentage the related royalty income is taxable by the city. There are very few other deduction items that relate to city income.

Line 20. Other information. The amount to enter on this line must be calculated based upon whether the other information is city income or a deduction allowed to determine city income. Example: Item M, recapture of section 179 deduction, would be taxable at the same percentage the related property was taxable by the city. There are very few other information items that relate to city income.

Part IV. Partner's City Deductions, Credits and Tax Paid

Part IV is divided into three sections. Refer to the following instructions to complete this section.

D – Partner's deductions for items paid by the partnership. Report the partner's share of deductions allowed under the city's income tax ordinance that were paid by the partnership. These deductions are the partner's: IRA deduction; Self-employed, SEP, SIMPLE and qualified plans deduction; Renaissance Zone deduction; etc.

C – Credit for tax paid by partnership to another city. Report the tax paid to other cities by partnership on behalf of partner who is a resident of the city named at the top of the Schedule K-1.

T – Income tax paid by the partnership. Report the actual tax paid by partnership on behalf of partner to the city named at the top of the Schedule K-1. This is the amount reported on Form EL-1065, Schedule 2, column 10, for the partner.

Partner Instructions for Schedule K-1 (Form EL-1065)

Instructions for partner's reporting their partnership income on their individual return (Form EL-1040), corporate return (Form EL-1120) or partnership return (EL-1065) are part of Schedule K-1 (Form EL-1040).

SCHEDULE N – SUPPLEMENTAL NOTES AND SCHEDULES

This schedule is used to explain items reported in other forms or schedules.

DISCLAIMER NOTICE

These instructions are interpretations of the East Lansing Income Tax Ordinance. The Ordinance will prevail in any disagreement between forms or instructions and the Ordinance.

PARTNER CLASSIFICATION TABLE				
Information for completing Partner Information section on Form EL-1065, page 1				
Enter federal classification in column 3; if column 3 equals individual owner, enter residency classification in column 4; and if column 4 equals part-year resident, enter residency start and end dates in column 5				
Column 3 Federal Classification		Column 4 Individual Partner Residency Status		Column 5 Residency Dates
Description	Entry	Description	Entry	Description
Individual	I	Resident	R	
		Nonresident	N	
		Part-year resident, resident portion	PR	Residency start date
		Part-year resident, nonresident portion	PN	Residency end date
Corporation	C	Nonresident	N	
Estate	F			
Trust	F			
Partnership	P			
Disregarded Entity	DE	If DE owner is an individual		
		Resident	R	
		Nonresident	N	
		Part-year resident, resident portion	PR	
		Part-year resident, nonresident portion	PN	Residency end date
Exempt Organization	E			
Foreign Government	FGOV			
Nominee Type				
Nominee Individual	NI	If actual owner is an individual:		
		Resident	R	
		Nonresident	N	
		Part-year resident, resident portion	PR	
		Part-year resident, nonresident portion	PN	Residency end date
Nominee Corporation	NC	Nonresident	N	
Nominee Estate or Trust	NF			
Nominee Partnership	NP			
Nominee Disregarded Entity	NDE	If actual owner of the DE is an individual:		
		Resident	R	
		Nonresident	N	
		Part-year resident, resident portion	PR	
		Part-year resident, nonresident portion	PN	Residency end date
Nominee Exempt Organization	NE			
Nominee Individual Retirement Arrangement	NIRA			
Nominee Foreign Government	NFGOV			

Revised 04/26/2019

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