

CITY OF HIGHLAND PARK INCOME TAX CORPORATION RETURN

Instructions for Form HP-1120 for CORPORATIONS doing business in Highland Park

Corporations Required to File

Every corporation doing business in the city, whether or not it has an office or place of business in the city, and having a tax liability under the ordinance, is required to file an annual City of Highland Park Corporation Income Tax Return, Form HP. 1120.

Corporations cannot elect to file and be taxed as partnerships. Likewise, partnerships cannot elect to file and be taxed as corporations.

The ordinance specifically exempts from taxation state and national banks, trust companies, insurance companies, building and loan and savings and loan associations, credit unions, safety and collateral deposits 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 from the use of money or credit.

Filing Date

Taxpayers on a calendar year are required to file by April 30 of each year 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.

The tax due, if one dollar (\$1.00) or more, must be paid when filing the return. Make remittance payable to:

TREASURER-CITY OF HIGHLAND PARK

MAILING ADDRESS:

Mail and return your remittance to:
CITY OF HIGHLAND PARK
INCOME TAX DIVISION
3401 EVALINE AVE.
HAMTRAMCK, MI 48212

Extensions

Upon written request of the taxpayer made on or before the date for filing a return the Administrator may extend the time for filing up to six months. Where an extension greater than two months is requested a tentative return must be filed and the estimated tax paid by the last day of the second month.

When an extension is granted, the Administrator will assign an extension number. This number is to be entered in the upper right hand corner of the final return and on any correspondence required before filing the final return.

Instructions for Page 1

Line 4. If you entered an amount on line 2 of pages 1, use either of the methods explained in the instructions for computing the gain or loss for the taxable period. Do not include capital gains and losses on the sale or exchange of United States obligations since such gains and losses are excluded from taxation under the Highland Park Ordinance.

Line 12. Enter on this line the net capital loss carryover applicable to Highland Park.

Net capital losses sustained by a corporation for periods subsequent to July 1, 1966 may be carried forward the following five consecutive years. No deduction will be allowed for capital loss carryover are deductible only to the extent of capital gains.

Effective January 1, 1971, net operating loss carrybacks or capital loss carrybacks will not be allowed. This effects returns covering the calendar year ending December 31, 1971 and fiscal years ending after January 1, 1972 on which operating or capital losses are reported.

Carryover losses are to be allocated to Highland Park at the percentage of business conducted in Highland Park in the year in which the loss was sustained. If all business was not conducted in

Highland Park in the year in which the loss was sustained. Use the business allocation percentage formula to arrive at the deductible portion of the loss.

Separate Accounting Method

In order to report under the separate accounting method for taxable years beginning on and after January 1, 1970, permission must be requested in writing from the administrator not more than 90 days after the beginning of the taxpayer's year. Also, to report under the separate accounting method the taxpayer must regularly keep its books and records in such a manner as to show with reasonable accuracy the portion of its net profits attributable to work done, services performed or rendered, and other business activities conducted within the city. Generally a corporation that is unitary in nature i.e. has central management purchasing, warehousing, advertising, etc. cannot use separate accounting.

Nonunitary Income

Dividends and Interest. 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, using a direct allocations if the income is received by the divisions subject to the Highland Park tax, or apportioning it on the same basis as general administrative and overhead costs are apportioned to Highland Park activity.

Income from rents and royalties. Follow the same instructions here as for dividends and interest above.

Gain or less from sale or exchange of property. Enter on line 2 of page 1 the total amount of gain or loss from sale or exchange of property for the same period as reported on your Federal return. Only the amount of the gain or loss occurring from July 1, 1966 to date of disposition shall be recognized for purposes of the Highland Park income tax. Adjustment for this is to be made on page 1, however, rather than on Schedule C by removing the gain or loss on line 2 and inserting, on line 3, only the portion of the gain or loss applicable to the holding period subsequent to July 1, 1966 to the date of disposition. Any net capital loss carryover included in line 2 of page 1 should be excluded before entry on line 8 of page 1. The portion of line 2 that represents net capital loss carryover is to be entered on line 12 of page 1 in accordance with the instructions for that line. The amount of gain or loss occurring after July 1, 1966 (to be entered on page 1, line 8) is to be determined by either (1) computing the difference between the July 1, 1966 fair market value (June 30th closing price for traded securities) or the cost if the date acquired was subsequent to July 1, 1966, and the proceeds from the sale or exchange, or (2) by using the gain or loss for the entire holding period, as computed for Federal income tax purposes, and computing the taxable portion of such gain or loss on the ratio that the number of months held in the period subsequent to July 1, 1966 is to the total time the property was held.

Schedule D - Instructions

The business allocation percentage formula is to be used by corporations with business activity both within and without the City of Highland Park unless permission to use the separate accounting method has been granted.

HP-1120

CITY OF HIGHLAND PARK INCOME TAX CORPORATION RETURN

EXTENDED FILING NO Do Not Write in this Space

TAXPAYER MUST FILL IN DATES

For taxable year beginning , ending , 20

PLEASE TYPE OR PRINT Name, Number and Street, City, Town or Post Office, State, Zip, Where incorporated, Date of incorporation, Nature of business, Telephone number, Person in charge of records, Main address in Highland Park, Federal employer identification number

TAXABLE INCOME COMPUTATION

1. a. Taxable income before net operating loss deduction and special deductions... b. Income from p. 2, Schedule C, line 30... 2. Enter gain or loss from sale or exchange of property... 3. Result after excluding line 2 from line 1a OR 1b... 4. Enter items not deductible under Highland Park Income Tax Ordinance... 5. Total - add lines 3 and 4... 6. Enter items not taxable under Highland Park Income Tax Ordinance... 7. Total - line 5 less line 6... 8. Amount in line 2 above (after excluding any capital loss carryover)... 9. Total income - add lines 7 and 8... 10. Allocation percentage from p. 2, Schedule D, line 5... 11. Total - multiply line 9 by % on line 10... 12. Less: Applicable portion of net operating loss carryover and/or capital loss carryover... 13. Total income subject to tax - line 11 less line 12... 14. CITY OF HIGHLAND PARK TAX - multiply line 13 by 2%

PAYMENTS AND CREDITS

15. a. Tax paid with tentative return... b. Payments and credits made on Declaration of Estimated Highland Park Income Tax... c. Other Credits - explain in attached statement... 16. Total - add lines 15a, b, and c

TAX DUE OR REFUND

17. If your tax (line 14) is larger than your payments (line 16) enter BALANCE DUE... - PAY IN FULL WITH THIS RETURN TO "Treasurer, City of Highland Park" - AND MAIL TO: Income Tax Division, 12050 Woodward Ave., Highland Park, Michigan 48203... 18. If your payments (line 16) are larger than your tax (line 14) enter OVERPAYMENT... 19. Amount on line 18 to be: (A) Credited on next year's estimated tax (B) Refunded (Reported to IRS)

A. Name and address of resident agent in Michigan... B. Did you file a consolidated return with the Federal Internal Revenue Service?... C. IMPORTANT: Check this box if the amount shown on line 1b is not in agreement with the amount shown for this item on the return which you filed with the Federal Government... D. Number of Highland Park location(s) included in this return... E. Indicate the last fiscal or calendar year audited by the Federal Internal Revenue Service... F. Was your federal tax liability for any year subsequent to 1965 changed either by a review by the Federal Government or the filing of an amended federal return?... Do Not Write in Space Below AUDIT BY FORM LETTER REFUND CK. # ASSESS. \$ NO. TO INVEST.

NOTE 1 - Use line 1b for reporting income if the "separate accounting" method is used. 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 taxpayer, his declaration is based on all information of which he has any knowledge.

(Date) (Signature of Officer) (Title) (Date) (Individual or firm signature of preparer) (Address)

Mail to: City of Highland Park Income Tax Division, c/o 3401 Evaline Ave., Hamtramck, MI 48212

NAME:

FEDERAL ID#:

PROFIT (OR LOSS) FROM BUSINESS - SCHEDULE C

Period from _____ to _____

Show period covered and check appropriate box to indicate data used for Schedule C.

Separate accounting method.

Includes operations of all locations.

Table with 2 columns: Description (1-11) and Amount (\$). Includes Gross Receipts, Less: Returns and allowances, Net Receipts, COST OF GOODS SOLD, Inventory at beginning of period, Merchandise bought for manufacture or sale, Salaries and wages, Other costs, Total - lines 4 through 7, Less: inventory at end of period, Cost of goods sold, Gross Profit - line 3 less line 10.

Table with 2 columns: Description (12-24) and Amount (\$). Includes BUSINESS DEDUCTIONS: Compensation of officers, Salaries and wages - not deducted elsewhere, Rents, Depreciation, Contributions, Taxes, Interest, Repairs, Bad debts, Other (attach statement), Total - lines 12 through 22, Operating profit or loss - line 11 less line 23.

Table with 2 columns: Description (25-30) and Amount (\$). Includes Dividend income, Interest income, Income from rents and royalties, Gain or loss from sale or exchange of property, Other income, Net Profit or Loss (add lines 24 through 29). Enter here and on p. 1, line 1b.

BUSINESS ALLOCATION FORMULA - SCHEDULE D

Table with 4 columns: Description (1-5), Located Everywhere I, Located in Highland Park II, Percentage II / I. Includes Average net book value of real and tangible personal property, Total wages, salaries, commissions, and other compensation of all employees, Gross revenue from sales made or services rendered, Total percentages, Average percentage (one-third of line 4).

In determining the average percentage (line 5), a factor shall be excluded from the computation only when such a factor does not exist anywhere insofar as the taxpayer's business operation is concerned and, in such cases, the sum of the percentages shall be divided by the number of factors actually used.

In the case of a taxpayer authorized by the Administrator to use one of the special formulas, attach explanation and use the lines provided below:

- a. Numerator _____ c. Percentage (a/b) _____ enter here and on p. 1, line 10
b. Denominator _____ d. Date of Administrator's approval letter _____

SCHEDULE E

Schedule E is used to adjust the income reported on page 1 on lines 1a or 1b to give effect to the requirements of the Highland Park Income Tax Ordinance. The period of time used to compute items for Schedule E must be the same as the time period used to report income on lines 1a or 1b. Schedule E entries are allowed only to the extent directly related to net income as shown on lines 1a or 1b on Page 1.

Period: From _____ to _____

Table with 2 columns: Column I Add - Items Not Deductible (1-5) and Column II Deduct - Items Not Taxable and Allowable Deductions (6-11). Includes Adjustments to income relating to the prior periods, All expenses (including interest) incurred in connection with derivation of income not subject to Highland Park income tax, Highland Park income tax paid or accrued, Other (submit schedule), Total Additions, Interest from U.S. obligations and from United States governmental units, Dividends received deduction, Dividend gross up of foreign taxes, Foreign taxes paid or accrued deduction, Other (submit schedule), Total deductions.