

# CITY OF LAPEER INCOME TAX

## Instructions for Form L-1120 for Corporations doing business in Lapeer

### 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, is required to file an annual City of Lapeer Corporation Income Tax Return, Form L-1120.

Corporations cannot elect to file and be taxed as partnerships. Subchapter S corporations are treated as C corporations.

The ordinance specifically exempts from taxation: 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 AND ROUNDING TO NEAREST DOLLAR

The City of Lapeer Corporate tax rate is 1.0%. Round all amounts to the nearest dollar (i.e., \$.00 to \$.49=\$.00, \$.50 to \$.99= next dollar).

### FILING DATE

Calendar year taxpayers must file by April 30, of the following year. Fiscal year taxpayers must file within 4 months after the end of their 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.

### REMITTANCE

Make remittance payable to: CITY OF LAPEER  
Mail to: Income Tax Department, 576 Liberty Park, Lapeer MI 48446

### EFFECTIVE DATE OF TAX

The City of Lapeer income tax became effective January 1, 1967. Corporations are required to pay the tax each year on that part of their net income attributable to business activity conducted in Lapeer, commencing with their first year, calendar or fiscal, ending after January 1, 1967.

### EXTENSIONS

Upon filing the form "Application for Extension of Time to File Lapeer Income Tax Return" on or before the 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 estimated due must be paid.

When the application form is filed, it may be assumed that the extension is automatically granted unless otherwise notified. When the extended Lapeer Income Tax Return is filed, a copy of the application for extension must accompany it. If the return is filed after the extended due date, penalty and interest for late filing will apply from the original due date.

### PAGE 1 INSTRUCTIONS

LINE 8. Only the amount of the gain or loss occurring from January 1, 1967, to date of disposition shall be recognized for purposes of the Lapeer income tax. Adjustment for this is to be made here by removing the gain or loss on line 2 and inserting, on line 8, only the portion of the gain or loss applicable to the holding period subsequent to January 1, 1967, 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. The portion of line 2 that represents net capital loss carryover is to be entered on line 12 in accordance with the instructions for that line. The amount of gain or loss occurring after January 1, 1967, is to be determined by either (1) computing the difference between the January 1, 1967, fair market value (December 31 closing price for traded securities) or the cost if the date acquired was subsequent to January 1, 1967, 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 January 1, 1967, is to the total time the property was held. 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 Lapeer Ordinance.

Line 12. Enter on this line the net capital loss carryover and net operating loss carryover applicable to Lapeer. Net capital losses sustained by a corporation for periods subsequent to January 1, 1967, may be carried forward in the same manner as under the Federal Internal Revenue Code. No deduction will be allowed for capital losses sustained prior to January 1, 1967.

Net operating losses carried forward are to be shown on line 12 of this return. No deduction is allowed for net operating losses sustained prior to January 1, 1967. There is no provision for carryback losses. Carryover losses are to be allocated to Lapeer at the percentage of business conducted in Lapeer in the year in which the loss was sustained. If all business was not conducted in Lapeer 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 your computation for the amount reported on this line.

Line 14. Compute the tax due at 1.0% of line 13.

### PAGE 2 INSTRUCTIONS

#### SCHEDULE D

Corporations must use the business allocation percentage formula with business activity both within and outside the City of Lapeer who have not been approved to use the separate accounting method.

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 Lapeer. 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 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 Lapeer. 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 City of Lapeer 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 City of Lapeer during the year. If there is no regularly maintained sales force outside of the city, this allocation factor must be 100% for businesses with no other business activity outside the city.

Separate Accounting – The taxpayer may petition for, or the administrator may require, use of the separate accounting method. If such method is petitioned, the administrator may require a detailed statement to determine whether the net profits attributable to the city will be apportioned with reasonable accuracy (ordinance Section 19).

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 Lapeer activity on the same basis as general administrative and overhead costs are apportioned.

## SCHEDULE E

Line 5. The City of Lapeer Income Tax Ordinance provides for the specific exclusion from the tax of interest from obligations of the United States, the states or subordinate units of government of the state.

Line 6. 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 7 and 8. 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 taken on your federal return, enter on line 7 the portion of the foreign tax credit which was grossed up and included in your Lapeer return as dividends received. Enter on line 8 the "foreign taxes paid or accrued" portion of the foreign tax credit claimed on your federal return, not in excess of the federal limitations thereon. The balance of your foreign tax credit is not deductible.

## SCHEDULE F

S corporations must file as C corporations. Schedule F is used to reconcile the amount reported on line 1, page 1 L-1120 with federal form 1120S and Schedule K.

## COMPUTATION AND PAYMENT OF TAX

After computing your Lapeer income tax and deducting your credits, if there is any tax due it must be paid when filing this return. Make check or money order payable to City of Lapeer and mail with this return to City Income Tax Department, 576 Liberty Park, Lapeer MI 48446. If your payments and credits exceed the tax, show the amount of such overpayment on line 17. If the overpayment is to be applied to the following years estimated tax, indicate the amount on line 19. If the overpayment is to be refunded, indicate the amount on line 20. Refunds will be made as quickly as possible, but please allow 90 days before making any inquiry. Refunds of less than one dollar (\$1.00) will not be made. Tax due of less than one dollar (\$1.00) need not be paid.

## DECLARATION AND PAYMENT OF ESTIMATED TAX

### 1. WHO MUST FILE

Every corporation subject to the tax on all or part of its net profits must file a Declaration of Estimated Income Tax (Form L-1040ES). A Declaration is 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. Declaration for Calendar Year. The Declaration for a calendar year must be filed on or before April 30<sup>th</sup> of that year. The estimated tax is payable in equal installments on or before April 30, June 30, September 30 and January 31.

B. Declaration of Fiscal Year. The Declaration for a year or period differing from the calendar year must be filed within four (4) months after the beginning of each fiscal year or period. For example, if your fiscal year begins on April 1, your Declaration will be due on July 31. Remaining installments will then be due on the last day of the 6<sup>th</sup>, 9<sup>th</sup> and 13<sup>th</sup> months after the beginning of the fiscal year.

C. Filing and Payment. The Declaration should be filed with the City Income Tax Department, 576 Liberty Park, Lapeer, MI 48446. The first installment payment must accompany the Declaration. The estimate tax may be paid in full with the Declaration.

## ASSISTANCE

If you have questions, would like to request forms, or need assistance in preparing your return call (810) 667-7155. Questions by mail should be directed to Lapeer Income Tax Department, 576 Liberty Park, Lapeer, MI 48446

## WEBSITE

Income tax forms, instructions and additional information are available under the Income Tax Department section of the City of Lapeer website, [www.ci.lapeer.mi.us](http://www.ci.lapeer.mi.us).

## NOTICE

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