

**2010 GRAND RAPIDS
CORPORATION INCOME TAX
FORM AND INSTRUCTIONS**
For use by corporations doing business
in the City of Grand Rapids

**ORDINANCE
CHANGE
FOR 2010**

**Corporate tax rate increased from 1.3% to 1.5%.
2010 change effective July 1, 2010**

See Form GR-1120, page 2, Schedule H, for calculation of tax rate and tax information

**MAILING
OF TAX
FORMS**

2011 tax return forms will be mailed to corporations placing a check mark in the box on page 1 return form. The check box is located on the left side of the Identification and Information area at the top of the form in line A and in front of the statement, "[c]heck box if you need a return form mailed to you next year."

All Grand Rapids income tax forms are available on the City's website, www.grcity.us/incometax, menu item, Tax Forms.

**RENAISSANCE
ZONES 1 – 6
PHASE OUT**

Renaissance Zones 1 through 6 started phasing out in calendar year 2009. For 2009 January – December, the deduction was reduced to 75%. For 2010 January – December, the deduction is 50%. Schedule RZ has been updated to show this phase out and to adjust for the new tax rate. See the new Schedule RZ at www.grcity.us/incometax. To check which Renaissance Zone a property is located in, go to www.grcity.us and in search field type Renaissance Zone.

FILING DATE

The due date is May 2, 2011. Penalty and interest (\$2.00 minimum) will be assessed on all late payments.

**PAYMENT
OF TAX DUE**

Tax due, if one dollar (\$1.00) or more, must be paid with your return. **NOTE: If you are paying \$250.00 or more with your 2010 return, you may need to make estimated income tax payments for 2011. See page 2 of instructions.**

Make check or money order payable to: **GRAND RAPIDS CITY TREASURER**
Mail tax return and payment to: **Grand Rapids Income Tax, P.O. Box 347, Grand Rapids, MI 49501-0347.**

**NEW CHECK
PROCESSING
NOTIFICATION**

When you make a payment by check, your check may be converted into an electronic fund transfer. By paying via check, you are authorizing us to copy your check and use the account information from the check to make an electronic funds transfer from your account for the amount of the check. You will not receive your check back. The check will be copied and we will destroy your original check, but keep the electronic copy for recordkeeping purposes.

CONTACT

For assistance, visit Grand Rapids Income Tax, City Hall, 300 Monroe NW, Grand Rapids, Michigan, call (616) 456-3415, or find us online: www.grcity.us/incometax. Mail returns to: Grand Rapids Income Tax, P.O. Box 347, Grand Rapids, MI 49501-0347.

**Failure to attach documentation or attaching incorrect or incomplete documentation
will delay processing of the return or result in corrections being made to the return.**

2010 INSTRUCTIONS FOR FILING FORM GR-1120, CORPORATION INCOME TAX RETURN

INCOME TAX ORDINANCE AMENDMENT

On May 4, 2010 by a vote of the electorate, the corporation income tax rate was raised from 1.3% to 1.5% effective July 1, 2010.

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 Grand Rapids Corporation Income Tax Return, Form GR-1120. **Attach a copy of federal Form 1120, 1120-A or 1120S, Schedule K and all ancillary schedules filed with the IRS to the Grand Rapids return.**

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

The Grand Rapids 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.

MAILING OF RETURN FORMS

2011 corporation income tax return forms will not mailed unless a 2010 corporation is filed and the box on page 1, line A of the 2010 return form is checked.

RENAISSANCE ZONE DEDUCTION

A corporation located and "doing business" in a Grand Rapids Renaissance Zone may be eligible to claim the Renaissance Zone deduction. This deduction allows the corporation to deduct the portion of its income earned in a Grand Rapids Renaissance Zone from income subject to Grand Rapids income tax. A taxpayer is not qualified to claim the deduction if the corporation is delinquent for any Michigan or local taxes. A Grand Rapids income tax return must be filed to claim this deduction. Schedule RZ of GR-1120 is required to be attached to the corporation return when claiming the Renaissance Zone deduction.

A taxpayer claiming the RZ deduction uses Schedule RZ to compute the deduction and the Grand Rapids income tax due. Schedule RZ of GR-1120 is designed to handle all calculations relative to the deduction. The calculation is complicated by the fact that: the RZ deduction is reduced in each of the last three years of the zones existence; the reduction factors are based on a calendar year; and the tax rate change effective 7/1/2010. See the instructions for Schedule RZ for GR-1120 and the form for additional information.

TAX RATE

The tax rate for months of the tax year or short tax year prior to 7/1/2010 is 1.3% and for months after 6/30/2010 is 1.5%. Schedule H of the tax form calculates the blended tax rate and the tax due for the tax year.

FILING DATE

Taxpayers on a calendar year are required to file by May 2, 2011. 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.

EXTENSIONS

Upon filing the form APPLICATION FOR EXTENSION OF TIME TO FILE GRAND RAPIDS INCOME TAX RETURN (available on the City's website) 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 must be paid.

When an extension form is filed, it may be assumed that the extension is automatically granted unless otherwise notified. When the return is filed, a copy of the application for extension must be attached. If the return is filed after the extended due date, and tax is due, penalty and interest will apply from the original due date.

REMITTANCE

The tax due must be paid when filing the return. Make check or money order payable to:

GRAND RAPIDS CITY TREASURER

MAILING ADDRESS

Mail return and payment to:

GRAND RAPIDS INCOME TAX OFFICE
PO BOX 347
GRAND RAPIDS, MI 49501-0347

EFFECTIVE DATE OF TAX

The City of Grand Rapids income tax became effective July 1, 1967. Corporations are required to pay the tax each year on that part of its net income attributable to business activity conducted in Grand Rapids, commencing with its first year ending after July 1, 1967.

PAGE 1 INSTRUCTIONS

Lines 1 - 9. Follow the instructions printed on the return form.

Line 10. Corporations qualified to claim the Renaissance Zone deduction must calculate their tax on Schedule RZ of GR-1120, enter an "X" in the box on line 10 to show the tax was calculated on Schedule RZ and enter the tax amount on line 10. All other taxpayers compute their tax on page 2, Schedule H, enter an "X" in the box on line 10 to show the tax was calculated on Schedule H and enter the tax on line 10.

PAYMENTS AND CREDITS

Lines 11 & 12. Follow the instructions printed on the return form. Credit for tax paid by a partnership on behalf of the corporation is claimed on line 11c.

COMPUTATION AND PAYMENT OF TAX

Line 13. If tax due (line 10) is greater than the total tax payments (line 12) subtract line 12 from line 10 and enter the tax due.

To pay with a check or money order make the check or money order payable to the GRAND RAPIDS CITY TREASURER and mail the payment with the return to: Grand Rapids Income Tax Office, P.O. Box 347, Grand Rapids, Michigan 49501-0347.

To make payment via direct withdrawal from a bank account mark the box on line 18 to Pay tax due - Electronic funds withdrawal, enter the electronic funds withdrawal effective date and complete (a) the bank routing number, (b) the bank account number and (c) the account type. For additional information on completing line 18 to pay the tax due via an electronic funds withdrawal refer to the Income Tax Office web page located at: www.grcity.us/incometax/e-payments. Mail your return to the address listed in the preceding paragraph.

OVERPAYMENT OF TAX

Line 14. If the total tax payments (line 12) is greater than tax due (line 10) subtract line 10 from line 12 and enter the tax overpayment.

Line 15. Enter all or the portion of the overpayment to be applied to the 2009 estimated tax as a credit forward.

Line 16. If you wish to make a donation of any portion or all of your overpayment to the City to purchase American flags to be placed on veterans' graves in Grand Rapids, to the Grand Rapids Children's Fund, or to the Grand Rapids Parks' Fund, mark the box in front of your choice and enter the amount of the overpayment you wish to donate, otherwise leave blank.

Line 17. 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 18 for Refund - Direct Deposit and entering (a) the bank routing number, (b) the bank account number and (c) the account type. For additional information on completing line 18 to receive your refund via direct deposit, refer to the Income Tax Office web page located at: www.grcity.us/incometax/e-refunds.

PREPARER AUTHORIZATION

Line 19. If the "Yes" box is marked, the corporation is authorizing the Grand Rapids Income Tax Office to contact the preparer to answer any questions that may arise during the processing of its return. The corporation is also authorizing the preparer to give the Income Tax Office any information that is missing from the return; to call the Income Tax Office for information about the processing of the return or the status of any related refund or payments; and to respond to notices about math errors, offsets and return preparation.

PAGE 2 INSTRUCTIONS

SCHEDULE D

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

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 Grand Rapids. 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 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 Grand Rapids. 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

2010 INSTRUCTIONS FOR FILING FORM GR-1120, CORPORATION INCOME TAX RETURN

to employees for work or services performed within the City of Grand Rapids 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 Grand Rapids during the year. A corporation must be "doing business" outside of Grand Rapids 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 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 a 11 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 Grand Rapids activity on the same basis as general administrative and overhead costs are apportioned.

SCHEDULE E

Line 3. Enter on line 3 the nondeductible portion of a loss from the sale or exchange of property acquired prior to July 1, 1967. The portion of the loss occurring prior to the inception of the Ordinance, July 1, 1967 is not recognized. The amount of loss occurring prior to July 1, 1967, 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 Grand Rapids taxable portion of the loss computed by substituting the fair market value of the property on July 1, 1967, (the June 30, 1967, 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 July 1, 1967 and denominator being the total number of months the property was held. See line 10 for instructions relative to gains from sales or exchanges of property acquired prior to July 1, 1967.

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. If you claimed a domestic activities production deduction on federal Form 1120, line 25, enter the amount here.

Line 5. Enter the losses from entities filing as partnerships that are included in taxable income reported on page 1, line 1.

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.

Line 9 and Line 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 Grand Rapids 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 July 1, 1967. The portion of the gain occurring prior to the inception of the Ordinance, July 1, 1967, is not recognized. Refer to the instructions for Schedule E, 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 10.

Line 12. Enter income from entities filing as partnerships that are included in taxable income reported on page 1, line 1.

SCHEDULE F

S corporations must file as C corporations. Schedule F is used to

reconcile the amount reported on line 1, page 1 GR-1120 with federal Form 1120S and Schedule K (Form 1120S).

SCHEDULE G

Line 1. 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 to be allocated to Grand Rapids at the percentage of business conducted in Grand Rapids in the year in which the loss was sustained. If all business was not conducted in Grand Rapids 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.

Line 2. Enter on this line the net capital loss carry over applicable to Grand Rapids. Net capital losses sustained by a corporation for periods subsequent to July 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 July 1, 1967. If all business was not conducted in Grand Rapids 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 3. Corporations who are partners in a business activity taxed as a partnership that has business activity in Grand Rapids must enter on this line their portion of the Grand Rapids taxable income or loss from the partnership(s). Attach a schedule showing your computation for the amount reported on this line including the name and taxpayer identification number of the partnership(s).

SCHEDULE H

All corporations except for those qualified and claiming the Renaissance Zone deduction must use Schedule H to calculate the blended tax rate and the tax due for the tax year.

Line 1. Enter the number of months in the tax year or short tax year.

Line 2. Enter in column 2 the number of months in the tax year prior to 7/1/2010, and enter in column 3 the number of months in the tax year after 6/30/2010.

Line 4. Calculate the blended tax rate for the tax year by multiplying line 2 by the tax rate on line 3 for each column; add the results for the two periods together; and then divide the resulting total by the number of months in the tax year as reported on line 1. Round the tax rate to 6 decimal places.

Line 5. Calculate the income tax due by multiplying total income subject to tax (page 1, line 9) by the tax rate from Schedule H, line 4 and enter here. Also, page 1, line 10 enter a "X" to indicate tax calculated on Schedule H and enter the amount of tax.

DECLARATION AND PAYMENT OF ESTIMATED TAX

- 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 GR-1040ES). A Declaration is not required from corporations if the estimated tax is two hundred fifty dollars (\$250.00) or less.
- WHEN AND WHERE TO FILE AND PAY:**

- Declaration for Calendar Year:** The Declaration for a calendar year must be filed on or before April 30th of that year. The estimated tax is payable in equal installments on or before April 30th, June 30th, September 30th and January 31st.
- Declaration for Fiscal Year:** The Declaration for a year, or period differing from a calendar year, must be filed within four (4) months after the beginning of each fiscal year or period. For example, if a fiscal year begins on April 1st, the Declaration will be due on July 31st. Remaining installments will then be due on the last day of the 6th, 9th and 13th months after the beginning of the fiscal year.
- Filing and Payment:** The Declaration should be filed with the City Income Tax Office, P.O. Box 347, Grand Rapids, MI 49501-0347. The first installment payment must accompany the Declaration. The estimated 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 (616)456-4084. Questions by mail should be directed to: Grand Rapids Income Tax Office, P.O. Box 347, Grand Rapids, Michigan 49501-0347.

WEBSITE

Income tax forms, instructions and additional information are available on the Grand Rapids website at www.grcity.us/incometax. Income Tax is listed under the Treasury Department on the City's website.

NOTICE

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

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Name as shown on page 1	Federal Employer Identification Number
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SCHEDULE D - BUSINESS ALLOCATION FORMULA			
	Column 1 Located Everywhere	Column 2 Located in Grand Rapids	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 three percentages computed from column 3, lines 1c, 2 and 3)			%
5. Business allocation percentage (One-third of line 4) Enter here and on page 1, line 6			%
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 page 1, line 6	
b. Denominator		d. Date of Administrator's approval letter	

SCHEDULE E - ADJUSTMENTS PRIOR TO ALLOCATION			
Schedule E is used to adjust the income reported on page 1, line 1, to give effect to the requirements of the Grand Rapids Income Tax Ordinance. The period of time used to compute items for Schedule E must be the same as the period of time used to report income on page 1, line 1. Schedule E entries are allowed only to the extent directly related to net income as shown on page 1, line 1.			
Period: From <input style="width:100px;" type="text"/> To <input style="width:100px;" type="text"/>			
Column 1 Add - Items Not Deductible		Column 2 Deduct - Items Not Taxable and Allowable Deductions	
1. All expenses (including interest) incurred in connection with derivation of income not subject to Grand Rapids income tax		7. Interest from U.S. obligations and from United States governmental units	\$
2. Grand Rapids income tax paid or accrued		8. Dividends received deduction	
3. Nondeductible portion of loss, from sale or exchange of property acquired prior to July 1, 1967		9. Dividend gross up of foreign taxes	
4. Domestic production activities deduction (Federal Form 1120, page 1, line 25)		10. Foreign tax deduction	
5. Other (submit schedule)		11. Nontaxable portion of gain from sale or exchange of property acquired prior to July 1, 1967	
6. Total additions (Add lines 1 through 5, enter here and on page 1, line2)		12. Other (submit schedule)	
		13. Total deductions (Add lines 6 through 11) Enter here and on page 1, line 4	\$

SCHEDULE F - SUBCHAPTER S CORPORATION INCOME	
Schedule F is used by Subchapter S corporations to reconcile the amount reported on line 1, page 1, GR-1120, with federal Form 1120S and Schedule K of federal 1120S. Attach federal Form 1120S and Schedule K of federal 1120S.	
1. Ordinary income (loss) from trade or business (Per federal 1120S)	\$
2. Income (loss) per Schedule K, federal 1120S, lines 2 through 10	
3. Total income (loss) (Add lines 1 and 2)	
4. Deductions per Schedule K, federal 1120S	
5. Taxable income before net operating loss deduction and special deductions (Subtract line 4 from line 3) Enter here and on page 1, line 1	\$

SCHEDULE G - ADJUSTMENTS AFTER ALLOCATION	
1. Allocated net operating loss deduction (Enter as a negative amount (ATTACH SCHEDULE))	\$
2. Allocated capital loss carryover (Enter as a negative amount) (ATTACH SCHEDULE)	
3. Allocated partnership income (Enter income as a positive and losses as a negative) (ATTACH SCHEDULE)	
4. Total adjustments (Add lines 1 through 3) Enter here and on page 1, line 8	\$

SCHEDULE H - TAX CALCULATION			
	DATA PERTAINING TO ENTIRE TAX YEAR (Column 1)	MONTHS IN TAX YEAR PRIOR TO 07/01/2010 (Column 2)	MONTHS IN TAX YEAR AFTER 06/30/2010 (Column 3)
If qualified to claim the Renaissance Zone deduction, use Schedule RZ of GR-1120 to compute tax due.			
If not qualified to claim a Renaissance Zone deduction, continue with Schedule H.			
1. Number of months in tax year or short tax period			
2. Number of months in each period of tax year (Total of columns must equal amount on line 1)			
3. Tax rates in effect during different periods of tax year		1.3% (0.013)	1.5% (0.015)
4. Blended tax rate (Multiply line 2 times the tax rate on line 3 for each column; add the result together; and divide the result by line 1) (Round tax rate to 6 decimal places)			
5. Tax Due (Multiply the amount on page 1, line 9, by Schedule H, line 4; enter here and on page 1, line 10; also check the box on page 1, line 10, indicating tax calculated on Schedule H)			