

# CITY OF MUSKEGON

## 2004 PARTNERSHIP INCOME TAX RETURN INSTRUCTIONS FOR FORM M-1065 FOR PARTNERSHIPS WITH BUSINESS ACTIVITY IN MUSKEGON

### Filing Date:

Calendar year taxpayers must file by May 2, 2005. Fiscal year taxpayers must file within four (4) months after the end of their fiscal year.

### Remittance:

Partnerships electing to pay the tax for partners must remit for all partners when filing. The tax due, if One Dollar (\$1.00) or more, must be paid when filing the return. Make remittance payable to:  
CITY OF MUSKEGON.

### Mailing Address:

INCOME TAX DEPARTMENT  
P.O. BOX 29  
MUSKEGON, MI 49443-0029

### Effective Date of Tax:

The Muskegon income tax became effective July 1, 1993. Partnerships are required to file a return for each year commencing with their first calendar or fiscal year ending after July 1, 1993.

### Who Must File a Partnership Return: (Form M-1065)

Every partnership that carried on business activities in Muskegon on or after July 1, 1993, whether or not an office or place of business was maintained in the City, is required to file an annual return within four (4) months following the end of their tax year. If reporting on a calendar year basis, the return must be filed by April 30 of the following year. LLC's, LLP's, syndicates, joint ventures, pools and like organizations will also use Form M-1065. So called "tax option" corporations (those filing under Sections 1371-1377, Internal Revenue Code) must file as a corporation on Form M-1120.

### Renaissance Zone Reduction

A partnership located and doing business in a Muskegon Renaissance Zone may be eligible to claim the new Renaissance Zone deduction. This deduction allows the partnership or the partners, if qualified, to deduct the portion of the partnership income earned in a Renaissance Zone from income subject to Muskegon's income tax. A taxpayer is not qualified to claim the deduction if the taxpayer is delinquent for any Michigan or local taxes.

If the partnership elects to pay the tax for the partners, the deduction is claimed on the partnership return. Otherwise, the deduction is passed through to the partners who claim the deduction by filing Schedule RZ with their individual returns. A Muskegon income tax return must be filed to claim this deduction. Contact the Income Tax Department to request Schedule RZ of M-1065.

### Resident vs. Non-Resident Partners:

Partners who are RESIDENTS of Muskegon are taxed on their entire distributive share of the net profit of the partnership, including that arising from business activities outside of the City of Muskegon and including interest, dividends, rents and royalties and gains from the sale or exchange of property, either tangible or intangible.

Partners who are non-residents of Muskegon are taxed on their distributive share of the portion of the net profit attributable to:

1. Business activity in the City of Muskegon,
2. Rental of property in the City, and
3. The gains from the sale or exchange of real or tangible personal property in the City.

Non-residents are not taxed on their share of the net profit from business activity outside of Muskegon, net rentals from property located outside the City, gains from the sale or exchange of real or tangible property located outside the City, gains from the sale or exchange of securities or other intangible property, interest or dividends.

The Partnership Return, Form M-1065, is designed to distinguish between that income taxed to both residents and non-residents, and that taxed to residents only.

The return shall set forth the entire net profit for the period covered and show the distributive share of each partner, indicating those who are residents of Muskegon and those who are non-residents. If residency changes during the taxable period for any partner, use two lines to indicate the allocation of income by status in all schedules where applicable, based on the proration of time in each status.

### Option to Pay Tax:

At its election, a partnership may file either an information return or it may compute and pay the tax which is due with respect to each partner's share of the net profit of the business, after giving effect to exemptions and other items to which each partner is entitled. Such election is available to all partnerships regardless of the residency of the partners. The partnership may pay the tax for partners only if it pays for all partners subject to the tax. Compute the tax to be paid on the "Tax Payment by Partnership" section, Schedule 1, Page 1, Columns 1 through 7. Do not fill out this schedule if the return is for information purposes only.

If the partnership elects to pay the tax on behalf of the partners, then such election and payments shall be deemed to meet the requirements for the filing of a return, as provided by the Ordinance, for each partner who has no other income subject to the tax. However, an individual return shall be required from any partner having taxable income other than his (her) distributive share of the net profit of the partnership. In such instances, the individual partner should enter the total partnership income from his (her) Federal Form 1040 on the Muskegon tax return, M-1040, Lines 2, 4 and 6 of Column I and enter applicable exclusions in Column II. Credit for tax paid by the partnership is to be entered on Line 22 of the M-1040.

### Partnership as Taxpayer:

If the partnership elects to pay the tax on behalf of the partners, then it assumes the status of a taxpayer to the following extent:

1. Timely Payment: Payment must be made within four (4) months of the end of the tax year or period. Delinquent tax payments will be subject to interest and penalty the same as delinquent payments from any other taxpayer.
2. Payment of Estimated Tax: The election of the partnership to pay the tax on behalf of the individual partners also carries with it the requirement to file a Declaration of Estimated Income Tax Form M-1040ES. A declaration must be filed, and quarterly estimated tax payments must be made, if the estimated annual tax liability for the partnership is expected to exceed \$100.00. If the partnership files Form M-1040ES and makes the required quarterly payments, the partners will not be required to file Declarations as individuals, unless they have additional income, not subject to Muskegon income tax withholding, on which the Muskegon income tax is expected to exceed \$100.00. The fiscal year of the partnership will govern in establishing the dates for filing the declaration and paying the estimated tax.

### INSTRUCTIONS FOR PAGE 1

#### Identification and Information Section:

All partnerships must complete the Identification and Information Section and check only one box, at the bottom of the section, designating the return as an information return or a return on which the partnership elects to pay tax on behalf of the partners.

#### Schedule 1, Tax Payment by Partnership:

Column 1, Adjusted Partnership Income: Complete the appropriate schedules on Page 2 of Form M-1065. Transfer the amounts from Schedule C, (Distribution to Partners), Column 7, to this column. List amounts in same order as partners are listed in the Identification and Information Section of page 1.

Column 2, Allowable individual partner deductions which relate to the partnership are deducted in column 2. These deductions include net operating loss carryover and the Renaissance Zone deduction. This column is also used to adjust 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 2, page 1. The allowable capital loss deduction for each partner is the lesser of (1) the net capital loss, (2) the amount in column 1, page 1, computed without regard to capital gains and losses, or (3) \$3,000. Capital gains and losses, and net operating loss carryovers are to be handled in the same manner as provided in the Federal Internal Revenue Code. Nonresident partners must allocate net operating losses to Grand Rapids at the percentage of business conducted in Grand Rapids in the year in which the loss was sustained. ATTACH A SCHEDULE DETAILING COMPUTATION OF AMOUNTS REPORTED IN COLUMN 2.

Column 3, Exemptions: Exemptions are allowed for each partner and his or her dependents. An exemption of \$600.00 is allowed for the partner, the partner's spouse, and each dependent. 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 Muskegon income tax. Additional exemptions are allowed for a taxpayer who is: age 65 or over; blind; deaf; or paraplegic, quadriplegic, hemiplegic or totally and permanently disabled.

Column 5, Total Tax: Resident partners are taxed at the rate of 1% of their taxable income (Column 4). Non-residents partners are taxed at the rate of 1/2 of 1% of their taxable income. Partners who changed residency status during the year are to use two lines to indicate the allocation of income by status in all schedules where applicable, based on the proration of time in each status.

Column 6, Credits: Enter in this column tax payments made by the partnership and the applicable credit for payments made by the partnership on behalf of Muskegon resident partners for income taxes paid to another municipality, if the income on which such tax was levied is included in this return. Do not take credit for income taxes paid another municipality on behalf of partners who are not Muskegon residents. The credit shall be the lesser amount of either (1) the income tax paid the other municipality, or (2) 1/2 of 1% of the amount obtained by deducting the amount of exemptions claimed on Page 1, Column 3 of the of this return from the gross income subject to tax by such other city.

## **INSTRUCTIONS FOR SCHEDULES ON PAGE 2:**

### **Schedule A, Allocable Partnership Income:**

The ordinary income or loss reported on the Federal Form 1065 must be adjusted to arrive at the partnership income to be apportioned to the nonresident partners on the basis of the Business Allocation Formula, Schedule D. To Line 1, add those deductions on the federal return, such as partners' salaries and the Muskegon city income tax (if deducted) and deduct the Section 179 depreciation and the non-business income as developed on Schedule B, Line 9. The resulting answer on Line 6 is to be distributed on the basis of the partnership agreement and shown in Schedule C, Column 1, in the same order as the partners are listed in the Identification and Information Section.

### **Schedule B, Non-Business Income and Exclusions:**

A direct determination can be made of certain partnership income as to whether or not it was earned in the City. A resident partner is taxed on all income regardless where earned but a non-resident partner is taxed only on that portion earned in the City. In addition, the income tax ordinance exempts specific income from both residents and non-residents (see NOTE on Page 2, Schedule B). In Column 1, enter the amounts from the various pages, lines and schedules of Federal Form 1065 as indicated. In Columns 2 and 4, prorate Column 1, on the ratio of residents' and nonresidents' percentages according to the partnership agreement. Determine the amount of non-taxable income in each category in accordance with the exclusions allowed by the ordinance and enter in Columns 3 and 5. Each individual partners' proportionate share is to be determined for Lines 10 through 17 Columns 3 and 5 and reported on the individual partners' Form M-1040. If the partnership income is not divided evenly or if three or more persons are partners, attach a schedule showing distribution of income and exclusions.

Gains and losses from the sale or exchange of property are treated in the same manner, and the amount subject to tax determined on the same basis, as under the Federal Internal Revenue Code.

Only the amount of the gain or loss occurring from July 1, 1993, to date of disposition, shall be recognized for purposes of the Muskegon income tax. The amount of gain or loss occurring after July 1, 1993 is to be determined by either (1) computing the difference between July

1, 1993 fair market value (June 30th closing price for traded securities) or the cost if the date acquired was subsequent to July 1, 1993, 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 after July 1, 1993, is to the total number of months the property was held. The fair market value of property shall be determined by an appraisal or similar reliable evidence.

### **Schedule C, Distribution to Partners:**

Complete this schedule according to captions and transfer figures in Column 7 to Page 1, Column 1, only if the partnership is paying the tax for all its partners. Column 4 is a memorandum column only and is to be used to compute the amount of exclusion to be transferred to the individual partner's Form M-1040.

### **Schedule D, Business Allocation Formula:**

The Business Allocation Percentage Formula is to be used by NONRESIDENT owners of businesses with business activity both within and without the City of Muskegon who, because they do not maintain sufficient records to accurately reflect the net profits from operations conducted within the City of Muskegon, or for other reasons, are not using the separate accounting method.

Line 19a. Enter in Column 1 the average net book value of all real and tangible personal property including inventories owned by the business, regardless of location; and in Column 2 enter the net book value of the real and tangible personal property including inventories located in the City of Muskegon. The average net book value of real and tangible personal property including inventories may be determined by adding the net book values at the beginning of the year and the net values at the end of the year and dividing the sum thus obtained by two. Any other method which will accurately reflect the average net book value for the year will also be permitted.

Line 19b. Enter in Column 1 the gross annual rentals of real property multiplied by 8 for all rented real property regardless of location. In Column 2 enter the gross annual rentals of real property multiplied by 8 for all rented real property located in the City of Muskegon. Gross annual rentals refer to real property, rented or leased 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 real property.

Line 20. Enter in Column 1 the total compensation paid to all employees during the year and in Column 2 enter the amount of compensation paid to employees for work done or for services performed within the City of Muskegon during the year.

Line 21. Enter in Column 1 the total gross receipts from all sales or services rendered during the year and in Column 2 enter the amount of gross receipts from sales made or services rendered in the City of Muskegon during the year.

Line 23. In determining the average percentage (Line 23), 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 and, in such cases, the sum of the percentage on Line 22 shall be divided by the number of factors actually used.

### **Tax Due or Refund:**

If the partnership has elected to pay the tax for the partners and tax due is one dollar (\$1.00) or more it must be paid when filing the return. Make check or money order payable to: City of Muskegon. Mail both the return and payment to: Income Tax Department, P.O. Box 29, Muskegon, MI 49443-0029.

If the payments and credits exceed the amount of tax, enter the amount of the overpayment on Page 1, Line 11. The over-payment will be refunded by check. Do not take credit for the over-payment on your Estimated Tax Form M-1040ES for 2004. 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.

### **Assistance:**

If you have any questions not answered by these instructions, or if you need assistance in preparing your return, please call the Income Tax Department at (231 ) 724-6770. You may write or visit our office located in City Hall, 933 Terrace, Muskegon, Michigan. Forms available online at: [www.shorelinecity.com/incometax.asp](http://www.shorelinecity.com/incometax.asp)

# 2004 CITY OF MUSKEGON M-1065

## PARTNERSHIP INCOME TAX RETURN

FOR CALENDAR YEAR 2004 OR OTHER TAXABLE PERIOD BEGINNING \_\_\_\_\_, 2004 AND ENDING \_\_\_\_\_, 20 \_\_\_\_.

IDENTIFICATION AND INFORMATION			
<b>PLEASE TYPE OR PRINT</b>	NAME OF PARTNERSHIP	DATE BUSINESS STARTED	
		NUMBER OF EMPLOYEES ON DECEMBER 31, 2004	
	NUMBER AND STREET	NUMBER OF PARTNERS	
		TELEPHONE NUMBER	
	CITY, TOWN OR POST OFFICE	MAIN ADDRESS IN MUSKEGON	
		FEDERAL EMPLOYER IDENTIFICATION NUMBER	

NAME AND HOME ADDRESS OF EACH PARTNER	SOCIAL SECURITY NUMBER	MUSKEGON RESIDENT	
		YES	NO
a. ....			
b. ....			
c. ....			
d. ....			
e. ....			

**ATTACH A COPY OF PAGE 1 OF FEDERAL 1065 AND SCHEDULE K**

<input type="checkbox"/> INFORMATION RETURN. COMPLETE IDENTIFICATION AND INFORMATION SECTIONS AND APPLICABLE SCHEDULES ON PAGE 2.	<input type="checkbox"/> PARTNERSHIP ELECTS TO PAY THE TAX ON BEHALF OF THE PARTNERS. THE PARTNERSHIP MAY PAY TAX FOR PARTNERS ONLY IF IT PAYS FOR ALL PARTNERS SUBJECT TO THE TAX.
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### SCHEDULE 1: TAX PAYMENT BY PARTNERSHIP (IF INFORMATION RETURN ONLY, DISREGARD THIS SECTION)

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5	COLUMN 6	COLUMN 7
ADJUSTED PARTNERSHIP INCOME (FROM PAGE 2, SCHEDULE C, COLUMN 7) (SEE NOTE 1 BELOW)	ALLOWABLE INDIVIDUAL DEDUCTIONS (SEE INSTRUCTIONS)	EXEMPTIONS (SEE NOTE 2 AND INSTRUCTIONS)	TAXABLE INCOME (COLUMN 1 LESS COLUMNS 2 AND 3)	TOTAL TAX (MULTIPLY COLUMN 4 BY 1% FOR RESIDENTS AND .5% FOR NON-RESIDENTS (SEE INSTRUCTIONS))	CREDITS (SEE INSTRUCTIONS)	TAX DUE (COLUMN 5 LESS COLUMN 6)
a. \$	\$	\$	\$	\$	\$	\$
b.						
c.						
d.						
e.						
<b>TOTALS</b>						

**NOTE 1** A PARTNER WHO HAS OTHER INCOME IN ADDITION TO THE PARTNERSHIP INCOME MUST FILE AN INDIVIDUAL RETURN AND SHOW ON SUCH RETURN THE AMOUNTS ENTERED ABOVE IN COLUMN 1, 2 AND 6. A PARTNER WHO IS CLAIMING HIS EXEMPTION AS A MEMBER OF ANOTHER PARTNERSHIP IS **NOT** TO CLAIM HIS EXEMPTION IN THIS PARTNERSHIP RETURN IN COLUMN 3.

### PAYMENTS AND CREDITS

		DO NOT WRITE IN SPACE BELOW	
8. a. TAX PAID WITH TENTATIVE RETURN	\$	FILE	ITEMS
b. PAYMENTS ON DECLARATION OF ESTIMATED MUSKEGON INCOME TAX	\$		
c. OTHER CREDITS - EXPLAIN IN ATTACHED STATEMENT	\$	CODE	
9. TOTAL - ADD LINES 8a, b AND c (THIS TOTAL MUST AGREE WITH THE TOTAL OF COLUMN 6 ABOVE)	\$	AUDIT RESULTS	
<b>TAX DUE OR REFUND</b>			
10. IF YOUR TAX (COLUMN 5) IS LARGER THAN YOUR PAYMENTS (LINE 9), ENTER BALANCE DUE	\$	AUDITOR	
PAY BALANCE DUE IN FULL WITH THIS RETURN. MAKE REMITTANCE PAYABLE TO: CITY OF MUSKEGON MAIL TO: INCOME TAX DEPARTMENT, P.O. BOX 29, MUSKEGON, MICHIGAN 49443-0029.			
11. IF THE PAYMENTS (LINE 9) ARE LARGER THAN THE TAX (COLUMN 5 TOTAL) ENTER OVERPAYMENT TO BE REFUNDED	\$	APPROVAL	
12. IF THE PAYMENTS (LINE 9) ARE LARGER THAN THE TAX (COLUMN 5 TOTAL) ENTER OVERPAYMENT TO BE CREDITED TO 2005 ESTIMATED TAX	\$	APPROVAL	

<b>SIGN HERE</b>	I DECLARE THAT I HAVE EXAMINED THIS RETURN (INCLUDING ACCOMPANYING SCHEDULES) AND TO THE BEST OF MY KNOWLEDGE AND BELIEF, IT IS TRUE, CORRECT AND COMPLETE. IF PREPARED BY A PERSON OTHER THAN THE TAXPAYER, THIS DECLARATION IS BASED ON ALL INFORMATION OF WHICH THE PREPARER HAS MY KNOWLEDGE.		
	<input type="checkbox"/> I AUTHORIZE THE INCOME TAX DEPARTMENT TO DISCUSS THIS RETURN AND ATTACHMENTS WITH THE PREPARER.		
	DATE	SIGNATURE OF PARTNER OR MEMBER	TITLE
	PHONE		
DATE	INDIVIDUAL OR FIRM SIGNATURE OF PREPARER	ADDRESS	PHONE

**SCHEDULE A - ALLOCABLE PARTNERSHIP INCOME**

1. ORDINARY INCOME (OR LOSS) FROM PAGE 1, LINE 22, U.S. PARTNERSHIP RETURN OF INCOME, FORM 1065 (ATTACH COPY OF PAGE 1 FEDERAL 1065)	\$
2. ADD PARTNERS' SALARIES AND INTEREST DEDUCTED IN DETERMINING INCOME ON FEDERAL FORM 1065	
3. ADD CITY OF MUSKEGON INCOME TAX, IF DEDUCTED IN DETERMINING INCOME ON FEDERAL FORM 1065	
4. TOTAL (ADD LINES 1, 2 AND 3)	
5. LESS NON-BUSINESS INCOME INCLUDED IN LINE 1 ABOVE (FROM SCHEDULE B, COLUMN 1, LINE 9 BELOW)	
6. TOTAL INCOME SUBJECT TO ALLOCATION - TO SCHEDULE C BELOW	\$

**SCHEDULE B - NON-BUSINESS INCOME AND EXCLUSIONS**

ATTACH COPY OF FEDERAL SCHEDULE K (1065) ATTACH SCHEDULES TO EXPLAIN ALL EXCLUSIONS	FEDERAL FORM 1065 REFERENCE	COLUMN 1 TOTAL NON-BUSINESS INCOME	COLUMN 2 RESIDENT PARTNERS' SHARE OF COL. 1	COLUMN 3 RESIDENT PARTNERS' EXCLUSIONS	COLUMN 4 NON-RESIDENT PARTNERS' SHARE OF COL. 1	COLUMN 5 NON-RESIDENT PARTNERS' EXCLUSIONS
7. INCOME FROM OTHER PARTNERSHIPS, TRUSTS ETC.	PAGE 1, LINE 4	\$	\$	\$	\$	\$
8. OTHER - ATTACH STATEMENT DETAILING						
9. NON-ALLOCABLE INCOME (ADD LINES 7 AND 8)	TO SCH A, LINE 5					
10. RENTAL ACTIVITIES	SCHEDULE K, LINES 2 & 3c					
11. INTEREST INCOME	SCH K, LINE 4a					
12. DIVIDEND INCOME	SCH K, LINE 4b					
13. ROYALTY INCOME	SCH K, LINE 4c					
14. NET SHORT TERM CAPITAL GAIN (LOSS)	SCH K, LINE 4d					
15. NET LONG TERM CAPITAL GAIN (LOSS)	SCH K, LINE 4e					
16. NET SECTION 1231 GAIN (LOSS)	SCH K, LINE 6					
17. OTHER GAIN (LOSS) - ATTACH STATEMENT DETAILING						
18. TOTALS (ADD LINES 9 THROUGH 17)		\$	\$	\$	\$	\$

**NOTE 2** ALL PARTNERS EXCLUDE INTEREST FROM GOVERNMENTAL OBLIGATIONS AND INCOME, GAINS AND LOSSES PRIOR TO JULY 1, 1993. IN ADDITIONS, NON-RESIDENT PARTNERS EXCLUDE ALL OTHER DIVIDENDS, INTEREST AND NO-TAXABLE INCOME FROM ACTIVITIES OUTSIDE THE CITY OF MUSKEGON.

**SCHEDULE C - DISTRIBUTION TO PARTNERS**

PARTNER	COLUMN 1 ALLOCABLE INCOME (SCHEDULE A, LINE 6)	COLUMN 2 ALLOCATION PERCENTAGE APPLY ONLY TO NON-RESIDENTS (ENTER 100% OF RESIDENTS)	COLUMN 3 ALLOCATED INCOME (COL. 1 X COL. 2)	COLUMN 4 MEMO ALLOCATION EXCLUSION (COL. 1 LESS COL. 3) (TO SCH H, M-1040)	COLUMN 5 NON-BUSINESS TAXABLE INCOME RESIDENTS (SCH B. COL. 2 LESS COL. 3)	COLUMN 6 NON-BUSINESS TAXABLE INCOME NON- RESIDENTS (SCH B. COL. 4 LESS COL. 5)	COLUMN 7 ADJUSTED PARTNERSHIP INCOME (ADD COLS. 3, 5 AND 6)
a.		%					
b.		%					
c.		%					
d.		%					
e.		%					
TOTALS							

**SCHEDULE D - BUSINESS ALLOCATION FORMULA**

	COLUMN 1 LOCATED EVERYWHERE	COLUMN 2 LOCATED IN MUSKEGON	COLUMN 3 PERCENTAGE (COLUMN 2 DIVIDED BY COLUMN 1)
19. 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 b)			%
20. TOTAL WAGES, SALARIES, COMMISSIONS AND OTHER COMPENSATION OF ALL EMPLOYEES			%
21. GROSS RECEIPTS FROM SALES MADE OR SERVICES RENDERED			%
22. TOTAL PERCENTAGES - ADD THE PERCENTAGES COMPUTED IN COLUMN 3, LINES 19c, 20 AND 21 (A PERCENTAGE MUST BE COMPUTED FOR EACH LINE)			%
23. BUSINESS ALLOCATION PERCENTAGE (DIVIDE LINE 22 BY THE NUMBER OF FACTORS) ENTER HERE AND ON PAGE 2, SCH C, COL 2 (SEE NOTE BELOW)			%

**NOTE 3** IN DETERMINING THE BUSINESS ALLOCATION PERCENTAGE (LINE 23), 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 b.) ENTER HERE AND ON PAGE 1, LINE 8	
b. DENOMINATOR		d. DATE OF ADMINISTRATOR'S APPROVAL LETTER	