

CITY OF MUSKEGON

INSTRUCTIONS FOR SCHEDULE RZ OF M-1065 PARTNERSHIP RENAISSANCE ZONE DEDUCTION

GENERAL INFORMATION

The Renaissance Zone designation for the City of Muskegon has been in effect for residents and businesses since January 1, 2000. The City of Muskegon has four geographic areas that are designated as Renaissance Zones which are the Former Mall Zone, Boilerworks/Amazon Zone, Watermark Zone, and the Whittaker Electric Zone. These zones start to phase out in 2012. Please see phase out deduction instructions.

The City of Muskegon has also created two new sub-zones Highpoint Flats and Heritage Square that are effect until 2023. The phase out period for these sub-zones does not begin until 2020.

WHO MAY CLAIM A RENAISSANCE ZONE DEDUCTION

A partnership that is located and conducting business activity in a Muskegon Renaissance Zone is qualified to claim the Renaissance Zone Deduction. 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. Partners claim the deduction by filing Schedule RZ of M-1040 with their individual returns.

HOW TO CLAIM A RENAISSANCE ZONE DEDUCTION

To claim or pass through the City of Muskegon Renaissance Zone deduction, a partnership must file a Schedule RZ with their Muskegon partnership income tax return.

RENAISSANCE ZONE DEDUCTION DISQUALIFIERS

A partnership is not eligible to claim a Renaissance Zone deduction if the partnership:

1. Is delinquent in filing or paying any of the following state or local taxes: Michigan single business tax, Michigan income tax, city income tax, Act 198 industrial abatement tax, commercial abatement tax, enterprise zone tax, city utility tax or general property taxes on real or personal property.
2. Owns residential property and did not file an affidavit with the County of Muskegon Assessor's office by December 31 of the prior tax year attesting that the property is in substantial compliance with all applicable state and local zoning, building and housing laws or codes.
3. Is located within Muskegon outside of a Renaissance Zone and moves to a location within a Renaissance Zone in Muskegon without approval of the City.
4. Relocates more than 25 full-time equivalent jobs from one or more Non-Renaissance Zone local governmental units (city, village or township) and any of the local government units from which a job was relocated adopts a resolution objecting to the relocation within 60 days of being notified of the job relocation by the business.

DEDUCTIBLE INCOME

A partnership may deduct that portion of its net income from business activity within a Muskegon Renaissance Zone. Business activity consists of two components, business income and nonbusiness income. Business income from activity conducted within a Muskegon Renaissance Zone is determined via a two-factor Renaissance Zone apportionment formula. Nonbusiness income is allocated based upon situs of the income and domicile of the partners. Income used to calculate any other deduction allowed by the income tax ordinance and income derived from illegal activity shall not be used to calculate the Renaissance Zone deduction.

RENAISSANCE ZONE PHASE OUT

The Renaissance Zone deduction is phased out during the final three year of Renaissance Zone's designation. The phase out percentages are: 25% for the tax year that is 2 years before the final year of designation; 50% for the tax 1 year immediately preceding the final year of designation; and 75% for the final year of designation.

Calculation of the phase out percentage must be done separately for business income and nonbusiness income. If reporting on a fiscal year, the calculations get more complicated due to the different phase out percentages for the months in each different calendar year.

LINE BY LINE INSTRUCTIONS

Fill out form M-1065 through Schedule E, before doing Schedule RZ.

- Line 1. Enter partnership's name as shown on the Muskegon income tax return, Form M-1065.
- Line 2. Enter the partnership's Federal Employer Identification Number.
- Line 3. Enter the street address of each location in a Muskegon Renaissance Zone.
- Line 4. Enter the beginning date and ending date the partnership was qualified to claim the Muskegon Renaissance Zone Deduction for the tax year.

RENAISSANCE ZONE APPORTIONMENT PERCENTAGE - BUSINESS INCOME

The Renaissance Zone apportionment percentage is used by partnerships located and doing business in Muskegon in a Renaissance Zone and outside the Renaissance Zones.

Line 5a. In column 1, enter the average net book value of all real and tangible personal property owned and located in Muskegon. In column 2, enter the average net book value of the real and tangible personal property may be determined by adding the net book value at the beginning of the year to the net book value at the end of the year and dividing the sum by two. If the business was located in the Renaissance Zone for less than a year, a monthly average basis is to be used.

Line 5b. Enter in column 1, the gross annual rent multiplied by 8 for all rented real property located in Muskegon. In column 2, show the gross annual rent multiplied by 8 for rented real property located in a Muskegon Renaissance Zone.

Line 6. Enter in column 1 compensation paid to employees for work or services performed within Muskegon. In column 2, enter compensation paid to employees for work or services performed within a Muskegon Renaissance Zone. In column, enter the percentage, column 2 divided by column 1.

Line 7. Enter the total of line 5c and line 6.

Line 8. Divide line 7 by 2 and enter the result.

RENAISSANCE ZONE DEDUCTION FOR BUSINESS INCOME PRIOR TO PHASE OUT

Line 9a-9e

Column 1. Enter the allocated income from the partnership return, Form M-1065, Schedule C, column 5.

Column 2. Enter the net operating loss deduction from the partnership claimed on each partner's individual Muskegon income tax return.

Column 3. Enter the retirement plan deduction claimed on each partner's individual Muskegon income tax return that was based upon income from the partnership.

Column 4. Subtract the amount from column 2 and 3 from column 1 and enter the result.

Column 5. Multiply the amount from column 4 for each partner by the percentage on line 8 and enter the result.

DEDUCTION PHASE OUT FOR BUSINESS INCOME

Lines 10a-10e

Column 1. Enter the business income phase out percentage computed in Schedule A, line 4 (on page 2) for each partner.

Column 2. Compute the Renaissance Zone deduction phase out for business income for each partner by multiplying the amount on line 9, column 5, for the partner by the business income phase out percentage on line 10, column 1, for the partner.

RENAISSANCE ZONE DEDUCTION FOR NONBUSINESS INCOME

Lines 11a-11e

- Column 1. For partners who were qualified residents domiciled in a Muskegon Renaissance Zone during the tax year, enter the beginning and ending dates of qualification. For other partners leave this column blank.
- Column 2. For each partner who was a resident domiciled in a Muskegon Renaissance Zone, enter the partner's share of the interest and dividend income. For all other partners enter zero.
- Column 3. For each partner who was a resident domiciled in a Muskegon Renaissance Zone, enter the partner's share of the income from sale and exchange of property. For all other partners enter zero.
- Column 4. For each partner who was a resident domiciled in a Muskegon Renaissance Zone, enter the partner's share of income from rents and royalties. For other partners enter partner's share of rent and royalty income from property located in a Muskegon Renaissance Zone.
- Column 5. For each partner who was a resident domiciled in a Muskegon Renaissance Zone, enter the partner's share of other income. For all other partners enter zero.
- Column 6. Add line 11, column 2 through 5 for each partner.

DEDUCTION PHASE OUT FOR NONBUSINESS INCOME

Lines 12a-12e

- Column 1. Not used.
- Columns 2 through 5. Calculate the Renaissance Zone phase out for line 12 for each partner in columns 2 through 5 by multiplying the

phase out percentage from Schedule A, line 4, by the amount on line 11 in the corresponding columns 2 through 5.

Column 6. Add line 12, column 2 through 5 for each partner.

RENAISSANCE ZONE DEDUCTION

Lines 13a-13e

- Column 1. Add the amounts from line 9, column 5, and line 11, column 6 for each partner and enter the result.
- Column 2. Add the amounts from line 10, column 3, and line 12, column 6 for each partner and enter the result.
- Column 3. Subtract line 13, column 2 from line 13, column 2 for each partner and enter the result, the Renaissance Zone Deduction. Also enter the Renaissance Zone deduction on form M-1065 page 1, column 2.

ASSISTANCE

If you have a question not answered in these instructions, or if you need assistance in preparing your return call 231-724-6770. Questions by mail should be directed to City of Muskegon Income Tax Office, PO 29, Muskegon, Michigan 49443.

WEBSITE

Income tax forms, instructions and additional information are available under the Income Tax Office section of the City of Muskegon website, www.shorelinecity.com/incometax.asp.

NOTICE

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



PARTNERSHIP SCHEDULE RZ OF M-1065 CITY OF MUSKEGON INCOME TAX

TAX YEAR: _____

COMPUTATION OF THE RENAISSANCE ZONE DEDUCTION FOR USE BY A PARTNERSHIP LOCATED AND DOING BUSINESS IN A MUSKEGON RENAISSANCE ZONE

1. Partnership name as shown on M-1065	2. Federal Employer Identification Number
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3. Address of each location in a Muskegon Renaissance Zone

4. Dates qualified to claim Renaissance Zone deduction this tax year:	Starting date	/	/	Ending date	/	/
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DISQUALIFICATION SECTION

An partnership is not qualified to claim the Renaissance Zone deduction if any of the following taxes are delinquent:

Muskegon Income Tax	Personal Property Tax	Commercial Facilities Tax (CFT)	City (Detroit) Utilities Users Tax
Michigan Income Tax	Michigan Single Business Tax	Enterprise Zone Tax	Technology Park Development Tax
General Property Tax	Industrial Facilities Tax (IFT)	Neighborhood Enterprise Zone Tax	Commercial Forest Tax

PARTNERSHIP LOCATED AND DOING BUSINESS IN A MUSKEGON RENAISSANCE ZONE
TO CLAIM A RENAISSANCE ZONE DEDUCTION A PARTNERSHIP MUST HAVE REAL AND/OR PERSONAL PROPERTY
LOCATED IN A MUSKEGON RENAISSANCE ZONE AND BE CONDUCTING BUSINESS ACTIVITY IN THE ZONE.

RENAISSANCE ZONE APPORTIONMENT PERCENTAGE	COLUMN 1 LOCATED IN MUSKEGON	COLUMN 2 LOCATED IN RENAISSANCE ZONE	COLUMN 3 PERCENTAGE (Column 2 divided by column 1)
5a. Average net book value of real and tangible personal property (If qualified for less than a full tax year, use monthly average)	5a.		
5b. Gross rents paid on real property multiplied by 8	5b.		
5c. Total property (Add lines 5a and 5b of columns 1 and 2)	5c.		%
6. Total wages, salaries and other compensation	6.		%
7. Total percentages (Add column 3 lines 5c and 6)		7.	%
8. Renaissance Zone deduction percentage (Divide line 7 by 2)		8.	%

RENAISSANCE ZONE DEDUCTION FOR BUSINESS INCOME PRIOR TO PHASE OUT

	COLUMN 1 ALLOCATED BUSINESS INCOME FROM M-1065 SCHEDULE C COLUMN 5	COLUMN 2 NET OPERATING LOSS DEDUCTION CLAIMED ON PARTNERS MUSKEGON RETURN, M-1040R OR M-1040NR	COLUMN 3 RETIREMENT PLAN DEDUCTION CLAIMED ON PARTNERS MUSKEGON RETURN, M-1040R OR M-1040NR	COLUMN 4 BASIS FOR COMPUTING RENAISSANCE ZONE DEDUCTION FOR BUSINESS INCOME (Column 1 less columns 2 and 3)		COLUMN 5 RENAISSANCE ZONE DEDUCTION FOR BUSINESS INCOME BEFORE PHASE OUT (Column 4 times line 8)
9a.						9a.
9b.						9b.
9c.						9c.
9d.						9d.
9e.						9e.
Totals						Totals

RENAISSANCE ZONE DEDUCTION PHASE OUT FOR BUSINESS

	COLUMN 1 ALLOCATED BUSINESS INCOME FROM M-1065 SCHEDULE C COLUMN 5	COLUMN 2 NET OPERATING LOSS DEDUCTION CLAIMED ON PARTNERS MUSKEGON RETURN, M-1040R OR M-1040NR	COLUMN 3 RETIREMENT PLAN DEDUCTION CLAIMED ON PARTNERS MUSKEGON RETURN, M-1040R OR M-1040NR	
10a.				The Renaissance Zone designation starts on January 1 of the first year of designation and ends on December 31 of the final year of designation. The deduction is reduced during the last 3 calendar years of a zone's designation. The reduction phase out is: 0% for all but the last three years of a zone's designation; 25% for the tax year that is 2 years before the final year of designation; 50% for the tax year immediately preceding the final year of designation; and 75% for the final year of designation.
10b.				
10c.				
10d.				
10e.				
Totals				

RENAISSANCE ZONE DEDUCTION FOR NONBUSINESS INCOME COMPUTED ON OTHER SIDE

RENAISSANCE ZONE DEDUCTION FOR NONBUSINESS INCOME PRIOR TO PHASE OUT

	COLUMN 1 IF PARTNER WAS A RESIDENT DOMICILED IN A RENAISSANCE ZONE ENTER BEGINNING AND ENDING DATES FOR TAX YEAR	COLUMN 2 INTEREST & DIVIDENDS (See instructions)	COLUMN 3 SALE OR EXCHANGE OF PROPERTY (See instructions)	COLUMN 4 RENTS AND ROYALTIES (See instructions)	COLUMN 5 INCOME FROM OTHER PARTNERSHIPS ETC. (See instructions)		COLUMN 6 RENAISSANCE ZONE DEDUCTION BEFORE PHASE OUT FOR NONBUSINESS INCOME (Add line 11, columns 2 through 5)
11a.						11a.	
11b.						11b.	
11c.						11c.	
11d.						11d.	
11e.						11e.	
Totals						Totals	

RENAISSANCE ZONE DEDUCTION PHASE OUT FOR NONBUSINESS INCOME

	COLUMN 1 (Purposefully blank)	COLUMN 2 INTEREST & DIVIDENDS (Enter phase out amount for each; attach schedule)	COLUMN 3 SALE OR EXCHANGE OF PROPERTY (Enter phase out amount for each; attach schedule)	COLUMN 4 RENTS AND ROYALTIES (Enter phase out amount for each; attach schedule)	COLUMN 5 INCOME FROM OTHER PARTNERSHIPS ETC. (Enter phase out amount for each; attach schedule)		COLUMN 6 RENAISSANCE ZONE DEDUCTION BEFORE PHASE OUT FOR NONBUSINESS INCOME (Add line 12, columns 2 through 5)
12a.						12a.	
12b.						12b.	
12c.						12c.	
12d.						12d.	
12e.						12e.	
Totals						Totals	

RENAISSANCE ZONE DEDUCTION PHASE OUT FOR NONBUSINESS INCOME

	COLUMN 1 RENAISSANCE ZONE DEDUCTION BEFORE PHASE OUT (Add line 9, columns 5 and line 11, columns 6)	COLUMN 2 RENAISSANCE ZONE DEDUCTION PHASE OUT (Add line 10, columns 3 and line 12 columns 6)	COLUMN 3 TOTAL RENAISSANCE ZONE DEDUCTION (Subtract line 13, columns 2, from line 13, column 1; enter here and on Form 1065, page 1, columns 2)	
13a.				
13b.				
13c.				
13d.				
13e.				
Totals				

SCHEDULE A - RENAISSANCE ZONE DEDUCTION PHASE OUT PERCENTAGE

	COLUMN 1 MONTHS IN TAX YEAR PRIOR TO 01/01/2012	COLUMN 2 MONTHS IN TAX YEAR AFTER 12/31/2011
1. Enter the number of months in each column for the stated time period	1.	
2. Enter Renaissance Zone Deduction Phase Out Factor for each column. (Must be equal to 0%, 25%, 50%, 75% or 100%)	2.	
3. Renaissance Zone phase out for each portion of the tax year (Line 2 times line 1 of the column divided by the total number of months in the tax year, line 1 columns and 2)	3.	
4. Renaissance Zone phase out percentage for tax year (Add line 3 of columns 1 and 2)	4.	