

CITY OF MUSKEGON

INSTRUCTIONS FOR SCHEDULE RZ OF M-1040

RENAISSANCE ZONE DEDUCTION FOR TAX YEARS 2012 OR LATER

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.

PHASE OUT OF RENAISSANCE ZONE DEDUCTION

Prior to the phase out period, 100% of the income qualified as Renaissance Zone income is deductible. Over the last three years of designation, the deduction is phased out in 25% increments. In the second to the last year of designation the deduction allowed is 75% of the Renaissance Zone income. In the year prior to the last year of designation the deduction allowed is 50% of the Renaissance Zone. Income in the last year of designation, the deduction allowed is 25% of the Renaissance income. No deduction is allowed after the expiration of the Renaissance Zone designation.

WHO MAY CLAIM A RENAISSANCE ZONE DEDUCTION

A qualified resident of Muskegon domiciled in a Renaissance Zone for 183 consecutive days, and qualified resident and nonresident individuals with income from rental real estate, business, profession or other activity located and doing business in a Renaissance Zone.

HOW TO CLAIM A RENAISSANCE ZONE DEDUCTION

To claim a Renaissance Zone deduction, a taxpayer must file a Muskegon income tax return and attach a completed Schedule RZ of M-1040R or M-1040NR.

RENAISSANCE ZONE DEDUCTION DISQUALIFIERS

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

1. The person is delinquent in filing or paying any of the following state or local taxes: Michigan Business Tax, 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.
2. The person 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.

A business owner is subject to the above disqualifiers and eligible to claim a Renaissance Zone deduction if the business:

1. 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.
2. 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 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.

RESIDENT DOMICILED IN A RENAISSANCE ZONE

DOMICILE DEFINED: Domicile is the place where a person has his or her true, fixed and permanent home and principal establishment, to which, whenever absent therefrom, he or she intends to return.

QUALIFICATION DATE: A resident domiciled in a Renaissance Zone for the required 183 consecutive days becomes a qualified taxpayer as of the first day of domicile.

DEDUCTIBLE INCOME: Income earned or received during the period of domicile in a Renaissance Zone may be deducted except the following: lottery winnings from an instant game or online game won before becoming a qualified taxpayer; the portion of gains from the sale or

exchange or property occurring before the qualification date; and income from illegal activities.

OTHER INDIVIDUAL (NOT DOMICILED IN A RENAISSANCE ZONE) WITH INCOME FROM RENTAL REAL ESTATE, A BUSINESS, A PROFESSION, A PARTNERSHIP OR DOING BUSINESS IN A RENAISSANCE ZONE

INCOME QUALIFIED FOR RENAISSANCE ZONE DEDUCTION

1. That portion of business or professional income from business activity in a Renaissance Zone after adjustment for any net operating loss deduction and other deductions related to the income from the business activity in the zone. The Renaissance Zone portion of business activity is determined via a two-factor apportionment formula, property and payroll within a Muskegon Renaissance Zone.
2. Income from rental of real property located in a Renaissance Zone after adjustment for any net operating loss deduction and other deductions related to the income from the business activity in the zone.
3. The partner's share of partnership income from business activity in a Renaissance Zone after adjustment for any net operating loss deduction and other deductions related to the income from the business activity in the zone.

LINE BY LINE INSTRUCTIONS

Line 1 Enter taxpayer's name as show on the Muskegon income tax return, Forms M-1040R or M-1040NR.

Line 2 Enter the taxpayer's Social Security number.

RESIDENTS DOMICILED IN A RENAISSANCE ZONE

Line 3 Enter address of domicile in the Renaissance Zone.

Line 4 Enter the date domicile was established at residence on line 3.

Line 5 Enter the starting and ending dates of domicile in the Renaissance Zone this year and the total number of days domiciled.

Line 6 Divide the number of days on line 5 by 365, and enter the percentage. Part-year Muskegon residents divide the number odd days as a resident domiciled in a Renaissance Zone (line 5) by the total number odd days as a Muskegon resident during tax year.

Line 7 Enter total income reported on M-1040, line 15.

Line 8 Enter the capital gain or loss (not ordinary income or loss) included in the amount reported for sale or exchange of property on M-1040, line 7.

Line 9 Enter all lottery winnings included in the other income reported on M-1040 line 13.

Line 10 Enter the total of the deductions claimed M-1040, line 16 Schedule I.

Line 13 Determine the portion of capital gains (not including capital losses) from sale or exchange of property reported on M-1040R, line 7 that occurred after the qualification date listed on line 4 and enter the amount. Attach a schedule showing the computation. The allowable Renaissance Zone deduction for capital gains may be determined by one of the following methods:

A. Adjust the basis for the property to the fair market value on the qualification date (the prior days closing price for traded securities) and subtract the basis from the sale proceeds; or

B. Divide the number of months the property was held since the qualification date by the total number of months the property was held and apply this fraction th the gain reported for the property on the federal income tax return.

Line 14 Enter lottery winnings from instant games or online games won after the qualification date listed on line 4.

Line 15a Enter the total of lines 12, 13 and 14 to determine your Renaissance Zone deduction base.

Line 15b Enter the Renaissance Zone deduction. Compute the deduction by multiplying the amount on line 15a by the Renaissance Zone allowance factor. Also enter on M-1040 Line 14.

INDIVIDUALS (NOT DOMICILED IN A RENAISSANCE ZONE) WITH INCOME FROM RENTAL REAL ESTATE, BUSINESS, PROFESSION, PARTNERSHIP OR S CORPORATION

For this section of Schedule RZ, residents (not domiciled in a Renaissance Zone) are to use the resident column and nonresidents are to use the nonresident column. A part-year resident is to divide each line item and report the resident and nonresident portions accordingly.

Line 16 List the business name, DBA and address of each location within a Renaissance Zone.

Line 17 Enter the business and farm income reported on M-1040, lines 6 and 7 from business activity in a Renaissance Zone.

Line 18 Enter the net operating loss deduction claimed on M-1040.

Line 19 Enter the total of the deductions reported of Form M-1040, lines 18 through 22, related to income reported on line 17.

Line 20 Base for Renaissance Zone Deduction, line 17 less lines 18 and 19.

Line 21 The Renaissance Zone apportionment percentage is used by companies doing business in Muskegon inside a Renaissance Zone and outside the Renaissance Zones. If the business income is 100% within the Renaissance Zones, enter 100% on line 21f and complete the form from there.

Line 21a 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 owned and located in a Muskegon Renaissance Zone. The average net book value of 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, or if the business was located in the Renaissance Zone for less than a year, on a monthly average basis.

Line 21b Enter in column 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 21c Total Column 1 and column 2. In column 3, enter the percentage, column 2 divided by column 1.

Line 21d Enter in column 1 compensation paid to employees for work or services performed within. In column 2, enter compensation paid to employees for work or services performed within a Muskegon Renaissance Zone. In column 3 enter the percentage, column 2 divided by column 1.

Line 21e Add column 3, line 21c and 21d.

Line 21f Divide Line 21e by 2.

Line 22 Renaissance Zone deduction for business line 20 multiplied by line 21f.

Line 23 Enter partnership's FEIN and the partner's share of the partnership's Renaissance Zone deduction (Schedule RZ of M-1065, line 13, column for the partner) less the following deductions related tot he partnership income in the zone: any net operating loss deduction claimed on Form M-1040, any deductions claimed on Form M-1040 line 6 from Schedule I.

Line 24 Enter the address for each parcel of rental real estate located in a Renaissance Zone. Attach list if more room is needed to report the address of each parcel of rental real estate located in a Muskegon Renaissance Zone.

Line 25 Enter the income from rental real estate located in Muskegon Renaissance Zone less the following deductions related to the rental income in the zone: any net operating loss deduction claimed on Form M-1040, line 16; and any deductions claimed on Form M-1040 line 6 from Schedule I.

Line 26a Enter the total of lines 22, 23 and 25 to determine your deduction before phase-out and Partnership Returns.

Line 26b Enter the Renaissance Zone deduction. Compute the deduction by multiplying the amount on line 26a by the Renaissance Zone allowance factor. Also enter on M-1040 line 14

ASSISTANCE

If you have questions or need assistance, contact the Muskegon income Tax Office by phone at 231-724-6770. or by mail to PO Box 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.



SCHEDULE RZ OF M-1040 CITY OF MUSKEGON INCOME TAX

TAX YEAR:

FOR TAX YEARS
2012 OR LATER

COMPUTATION OF THE RENAISSANCE ZONE DEDUCTION FOR USE BY A RESIDENT DOMICILED IN A RENAISSANCE ZONE, AN INDIVIDUAL WITH INCOME FROM RENTAL REAL ESTATE LOCATED IN A RENAISSANCE ZONE OR AN INDIVIDUAL PROPRIETORSHIP, PROFESSION OR PARTNERSHIP LOCATED AND CONDUCTING BUSINESS IN A RENAISSANCE ZONE.

1. Name(s) as shown on M-1040				2. Your social security number				
DISQUALIFICATION SECTION								
An individual is not qualified to claim the Renaissance Zone deduction if any of the following taxes are delinquent:								
Muskegon Income Tax		General & Personal Property Tax		Michigan Income Tax		Michigan Single Business Tax		
						Michigan Business Tax		
RESIDENT DOMICILED IN A RENAISSANCE ZONE								
COMPLETE THIS SECTION IF YOU ARE OR WERE A RESIDENT OF MUSKEGON DOMICILED IN A RENAISSANCE ZONE. A 183 DAY RESIDENCE REQUIREMENT MUST BE COMPLETED BEFORE QUALIFYING TO CLAIM THE RENAISSANCE ZONE DEDUCTION.								
3. Address of domicile in Renaissance Zone								
4.	Date domicile established at this residence	/	/	If domicile is continuous for at least 183 days, taxpayer is qualified on this date.				
5.	Dates of domicile this year: Starting date	/	/	Ending date	/	/	Total Number of Days	
							Days	
6.	Percentage of year as a qualified resident of a Renaissance Zone (line 5 divided by 365, part-year residents see instructions)						6.	%
7.	Total income from line 15 of M1040						7.	00
8.	Capital gains (not ordinary income) included in amount reported on M-1040, line 7						8.	00
9.	Lottery winnings included in income reported on M-1040, line 15						9.	00
10.	Total deductions related to income included in line 6 Schedule I						10.	00
11.	Base income for Renaissance Zone deduction (line 7 less lines 8, 9 and 10)						11.	00
12.	Total qualified ordinary income (line 11 multiplied by line 6)						12.	00
13.	Portion of gains from sale or exchange of property occurring after qualification date						13.	00
14.	Lottery winnings from an instant lottery game or an online game won after becoming a qualified taxpayer						14.	00
15a.	Renaissance Zone deduction base (add lines 12, 13 and 14)						15a.	00
15b.	Renaissance Zone deduction (multiply line 15a by the deduction allowance factor) (2012 is the 13th year of most Renaissance Zones) Deduction Allowance Factor: 100% for year's 1 through 12 of the Renaissance Zone: 75% for the 13th year of the Renaissance Zone: 50% for the 14th year of the Renaissance Zone: 25% for the 15th year of the Renaissance Zone. Enter here and on M-1040, line 14.						15b.	00
OTHER INDIVIDUAL (NOT DOMICILED IN A RENAISSANCE ZONE) WITH INCOME FROM RENTAL REAL ESTATE, A BUSINESS, A PROFESSION, A PARTNERSHIP DOING BUSINESS IN A RENAISSANCE ZONE COMPLETE THIS SECTION IF YOU ARE A RESIDENT OR NONRESIDENT INDIVIDUAL WITH INCOME FROM RENTAL REAL ESTATE, A BUSINESS, A PROFESSION, A PARTNERSHIP DOING BUSINESS IN A RENAISSANCE ZONE.								
16.	Business name, DBA, and address of each location a Renaissance Zone					RESIDENT COLUMN	NONRESIDENT COLUMN	
17.	Business and farming income reported on M-1040				17.	00	00	
18.	Net operating loss deduction claimed on M-1040				18.	00	00	
19.	Total deductions claimed on M-1040				19.	00	00	
20.	Base for Renaissance Zone deduction (Subtract line 20 from line 19, if less than zero, enter 0)				20.	00	00	
21.	Renaissance Zone Apportionment Percentage	COLUMN 1 IN MUSKEGON	COLUMN 2 IN REN. ZONE	COLUMN 3 PERCENTAGE (column 2 divided by column 1)				
	21a. Average net book value of real and personal property							
	21b. Gross rents paid on real property multiplied by 8							
	21c. Total property (Add lines 21a and 21b)							
	21d. Total wages, salaries and other compensation							
	21e. Total percentages (Add column 3, line 21c and 21d)							
	21f. Renaissance Zone deduction percentage (Line 21e divided by 2)				21f.	%	%	
22.	Renaissance Zone deduction for business (Line 20 multiplied by line 21f)				22.	00	00	
23.	Renaissance Zone deduction from partnership (See Instructions) FEIN				23.	00	00	
24.	Address of each parcel of rental real estate located in a Renaissance Zone					24.		
25.	Income from rental real estate located within a Renaissance Zone (See Instructions)				25.	00	00	
26a.	Renaissance Zone deduction base (Add lines 22, 23 and 25)				26a.	00	00	
26b.	Renaissance Zone deduction (Multiply line 26a by the Deduction Allowance Factor) Deduction Allowance Factor: 100% for year's 1 through 12 of the Renaissance Zone; 75% for the 13th year of the Renaissance Zone; 50% for the 14th year of the Renaissance Zone: or 25% for the 15th year of the Renaissance Zone (2013 is the 13th year of most Renaissance Zones) Enter here & on CF-1040, line 14				26b.	00	00	

