

# CITY OF PONTIAC INCOME TAX

## 20 \_\_\_\_\_ CORPORATION RETURN

### Instructions for Form, P-1120 for CORPORATIONS doing business in Pontiac

#### FILING DATE:

Calendar year taxpayers must file by April 30, of the next year.

Fiscal year taxpayers must file within 4 months after the end of their fiscal year.

#### REMITTANCE:

The tax due, if one dollar (\$1.00) or more, must be paid when filing the return. Make remittance payable to:

TREASURER – CITY OF PONTIAC

#### MAILING ADDRESS:

Mail your return and remittance to:

TREASURER, CITY OF PONTIAC  
INCOME TAX DIVISION  
47450 WOODWARD AVENUE  
PONTIAC, MI 48342-2245

#### Effective Date of Tax

The City of Pontiac income tax became effective January 1, 1968. Corporations are required to pay the tax each year on that part of their net income attributable to business activity conducted in Pontiac commencing with their first year, calendar or fiscal, ending after January 1, 1968.

#### 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, and whether or not it has net profits, is required to file an annual City of Pontiac Corporation Income Tax Return, Form P-1120.

Corporations cannot elect to file and be taxed as partnerships. (Likewise, partnerships cannot elect to file and be taxed as corporations.)

The ordinance specifically exempts from taxation state and national banks, trust companies, insurance companies, building and loan and 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 or interest or other charges resulting from the use of money or credit.

#### Filing Date

Taxpayers on a calendar year are required to file by April 30, of the next year. 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

All taxpayers having a liability for filing a City of Pontiac Income Tax Return must file either a final return or a tentative return or before the due date for filing. For calendar-year taxpayers the due date is April 30. Fiscal-year taxpayers must file either the final return or a tentative return on or before the last day of the fourth month after the close of the fiscal year. The amount of income tax liability estimated on a tentative return, less prior payments if any, must be paid at the time of filing.

When a tentative return is filed, a final return must be filed no later than six (6) months after the filing of the tentative return. Additional tax due, if any, must be paid with the final return.

#### Instructions for Page 1

**Line 8.** If you entered an amount on line 2 of page 1, use either of the methods explained in the instructions for line 28 of Schedule C to determine the taxable portion of the gain or loss for the taxable period. 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 uniform city income tax ordinance.

**Line 12.** Enter on this line the net capital loss carryover and net operating loss carryover applicable to Pontiac. Do not use this line for a net operating loss carryback or capital loss carryback. Net operating losses and capital losses cannot be carried back and applied to prior years, but may be carried forward to the same extent and on the same basis as under the Federal Internal Revenue Code.

Carryover losses are to be allocated to Pontiac at the percentage of business conducted in Pontiac in the year in which the loss was sustained. If all business was not conducted in Pontiac in the year in which the loss was sustained, use the business allocation percentage formula to arrive at the deductible portion of the loss. If you did not allocate the loss reported on prior years' returns and you did not conduct 100% of your business in Pontiac, attach a schedule showing your computation for the amount reported on this line.

#### Schedule C – Option

A corporation has the option of either entering on line 1a of page 1 the taxable income before net operating loss deductions and special deductions as shown on its U.S. Corporation Income Tax Return, Form 1120, or of starting with line 1b, and entering there the total from line 30 of Schedule C of this return.

If the Corporation starts with line 1a of page 1 it must attach a copy of its Federal return.

Corporations reporting on the separate accounting method are required to complete Schedule C and report income on line 1b of page 1.

#### Schedule C – Instructions

Taxpayers electing to report under the separate accounting method (Sec. 19 of the Ordinance) rather than under the apportionment formula (Secs. 20-24) will enter only the amounts applicable to Pontiac business activity in Schedule C. To report under the separate accounting method the taxpayer must regularly keep its books and records in such a manner as to show with reasonable accuracy the portion of its net profits attributable to work done, services performed or rendered, and other business activities conducted within the city. Generally, a corporation, that is unitary in nature, i.e., has central management, purchasing, warehousing, advertising, etc., cannot use separate accounting.

**Depreciation – Line 15.** Use the same basis and method as used for Federal income tax reporting.

**Contributions – Line 16.** Contributions are deductible to the same extent, and under the same limitations, as under the Federal Internal Revenue Code.

**Dividends and Interest – Lines 25 and 26.** 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 using a direct allocation if the income is received by the divisions subject to the Pontiac tax, or apportioning it on the same basis as general administrative and overhead costs are apportioned to Pontiac activity.

**Income from rents and royalties – Line 27.** Follow the same instructions here as for dividends and interest above.

**Gain or loss from sale or exchange of property – Line 28.** Enter on line 28 of Schedule C the total amount of gain or loss from sale or exchange of property for the same period as reported in this schedule. Only the amount of the gain or loss occurring from January 1, 1968 to date of disposition shall be recognized for purposes of the Pontiac Income Tax. Adjustment for this is to be made on page 1, however, rather than on Schedule C 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, 1968 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 of page 1. The portion of line 2 that represents net capital loss carryover is to be entered on line 12 of page 1 in accordance with the instructions for that line. The amount of gain or loss occurring after January 1, 1968 (to be entered on page 1, line 8) is to be determined by either (1) computing the difference between the January 1, 1968 fair market value (December 29, 1967 closing price for traded securities) or the cost if the date acquired was subsequent to January 1, 1968, and the proceeds from the sale or exchange, or (2) by suing 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, 1968 is to the total time the property was held.

#### **Schedule D – Instructions**

The business allocation percentage formula is to be used by corporations with business activity both inside and outside the City of Pontiac who, because they do not maintain sufficient records to accurately reflect the net profits from operations conducted within the City of Pontiac, or for other reasons, are not using the separate accounting method.

**Line 1.** 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 II show the net book value of the real and tangible personal property owned and located or used in the City of Pontiac. 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. Any other method which will accurately reflect the average net book value for the year will also be permitted.

**Line 1a.** Enter in column I the gross annual rent multiplied by 8 for all rented real property regardless of location. In column II show the gross annual rent multiplied by 8 for rented real property located in the City of Pontiac. 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 payable, directly or indirectly, by the taxpayer for the use or possession of such property.

**Line 2.** Enter in column I the total compensation paid to all employees during the year and in column II show the amount of

compensation paid to employees for work or services performed within the City of Pontiac 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 II show the amount of revenue derived from sales made or services rendered in the City of Pontiac during the year.

#### **Schedule E – Instructions**

**Line 1.** Use this line to adjust net profit for those items reflected in the taxable period, which are attributable to any period prior to January 1, 1968.

Examples of items of this nature which are adjustments to prior periods would be assessments and interest based on deficiencies in sales and use taxes, federal excise tax, personal and real property taxes, etc.

**Line 6.** The City of Pontiac 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 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.

#### **Computation and Payment of Tax**

After computing your Pontiac 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 TREASURER – CITY OF PONTIAC and mail with this return to CITY TREASURER, INCOME TAX DIVISION, 47450 WOODWARD AVENUE, PONTIAC, MI 48342-2245. If your payments and credits exceed the tax, show the amount of such overpayment on line 17 and check the proper box on line 19 to indicate whether you wish the overpayment as a refund or as a credit on your estimated tax. 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 P-1040-ES). A Declaration is not required from corporations if the estimated tax on Line 3 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<sup>th</sup>, June 30<sup>th</sup>, September 30<sup>th</sup>, and January 31<sup>st</sup>.
- B. Declaration for 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<sup>st</sup>, your declaration will be due on July 31<sup>st</sup>. 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 Treasurer, Income Tax Division, 47450 Woodward Avenue, Pontiac, Michigan 48342-2245. The first installment payment must accompany the Declaration. However, the estimated tax may be paid in full with the Declaration.