

2016 CF-1065 PARTNERSHIP COMMON FORM (FINAL VERSION)
INSTRUCTIONS FOR FILING 2016 FORM CF-1065, PARTNERSHIP INCOME TAX RETURN

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GENERAL INFORMATION

Disclaimer

These instructions are interpretations of the Uniform City Income Tax Ordinance, MCLA 141.601 et seq. The Ordinance will prevail in any disagreement between these instructions and the Ordinance.

Partnerships Required to File a Return

Every partnership with business activity in the city, whether or not an office or place of business was maintained in the city, is required to file an annual return. Syndicates, joint ventures, pools and like organizations and Limited Liability Companies (LLCs) electing to be taxed as partnerships at the federal level will also use Form GR-1065.

Taxability of Partnership Income under the Michigan Uniform City Income Tax Ordinance

Partners who are individual RESIDENTS are taxed on their entire distributive share of the net profits of the partnership, including that arising from business activities outside the city: ordinary business income, interest income, dividend income, rents, royalties, other income, and gains from the sale or exchange of property, either tangible or intangible, regardless of where the property is located.

Partners who are individual NONRESIDENTS including estates and trusts are taxed on their distributive share of the partnership's ordinary business income which is attributable to business activity in the city, plus net rentals of tangible property located in the city and gains from the sale or exchange of tangible property in the city. Nonresidents are not taxed on their share of net rentals of property located outside the city, gains from the sale or exchange of tangible property located outside the city, gains from the sale or exchange of securities or other intangible property, or on non-business interest and dividend income.

When the receipt of interest and other intangible income is directly related to the nature of the business, such interest, etc., is business income taxable to a nonresident, and is to be included in ordinary business income in Schedule A.

Partners who are CORPORATIONS are taxed at the corporate tax rate on their distributive share of the partnership's: ordinary business income attributable to business activity in the city; net rentals of tangible property; and gains from the sale or exchange of tangible property attributable to business activity in the city. Thus, all taxable income of a corporate partner (net profits of a corporation) is determined by the business allocation percentage of the partnership.

Partners who are PARTNERSHIPS, LLC's electing to be taxed as a partnership, JOINT VENTURES, ETC. (downstream partnership) are taxed based upon their partner's entity classification and share of partnership income. See section on Partnerships Electing to Pay Tax for more information on partnership partners.

Refer to the chart on page 7 of these instructions for information on the taxability of the various types of partnership income based upon the partner's entity classification. Also refer to the instructions under Schedule B for additional information on taxability of the various types of income.

MICHIGAN CITIES ACCEPTING THE PARTNERSHIP COMMON FORM

Albion	Highland Park	Pontiac
Battle Creek	Ionia	Port Huron
Big Rapids	Jackson	Portland
Flint	Lansing	Saginaw
Grand Rapids	Lapeer	Springfield
Grayling	Muskegon	Walker
Hamtramck	Muskegon Heights	

MICHIGAN CITIES NOT ACCEPTING THE PARTNERSHIP COMMON FORM

Detroit Hudson

FILING THE PARTNERSHIP COMMON FORM

Partnership Common Form returns must be printed and filed on paper with the city. Mail the partnership return with all required attachments to the address for the specific city listed in Appendix G. See Appendix F for a list of required partnership return attachments.

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LIST OF PARTNERSHIP FORMS AND SCHEDULES

Form CF-1065, page 1

Schedule 1 – Partner Information Schedule

Schedule 1A – Partner Information Schedule for Downstream Partnership

Schedule 2 – Tax Calculation Schedule for Partnerships Electing to Pay Tax (If information return, disregard this schedule)

Schedule 2A – Tax Calculation Schedule for Downstream Partnership

Schedule A – Allocable Partnership Ordinary Business Income

Schedule B – Partnership Income not included in Schedule A

Schedule B1 – Interest Income (Schedule B, line 1, by partner)

Schedule B2 – Dividend Income (Schedule B, line 2, by partner)

Schedule B3 – Net Short-term Capital Gain (Loss) (Schedule B, line 3, by partner)

Schedule B4 – Net Long-Term Capital Gain (Loss) (Schedule B, line 4, by partner)

Schedule B5 – Net Section 1231 Gain (Loss) (Schedule B, line 5, by partner)

Schedule B6 – Net Income or Loss from Rental Real Estate Activities (Schedule B, by partner)

Schedule B7 – Net Income or Loss from Other Rental Activities (Schedule B, line 7)

Schedule B8 – Royalty Income (Schedule B, line 8, by partner)

Schedule B9 – Other Income (Schedule B, line 9, by partner)

Schedule B10 – Ordinary income from Other Partnerships (Schedule B, line 10, by partner)

Schedule B11 – Schedule B summary by Partner by Schedule B Line Number (Schedule B, line 11, by partner)

Schedule C – Distribution to Partners

Schedule D – Business Allocation Percentage

Schedule E – Rental Real Estate

Schedule F – Allocated or Apportioned Guaranteed Payments to Partners

Schedule G – Credit for Tax Paid to Another City in behalf of Resident Partners

Schedule K-1 (Form CF-1065) – Partner's Share of Income, Exclusions, Deductions, Credits and Tax Paid

Schedule RZ (Form CF-1065) – Partnership Renaissance Zone Deduction

Schedule N - Supplemental Notes and Schedules (Attachment 22)

ALLOCATE AND APPORTION - DEFINED

The word allocate in these instructions means to determine partner's taxable portion of the type of partnership income using: the partner's classification and the Business Allocation Percentage calculated on Schedule D, Business Allocation Percentage, line 5; or in the case of a taxpayer authorized by the Income Tax Administrator of the city, the special allocation formula percentage calculated on Schedule D, line c.

The meaning of the word apportion as used in these instructions means to: directly determine the partner's taxable income based upon the partner's classification; or the partner's classification and the location of the source of the income.

PARTNERSHIPS REQUIRED TO FILE A RETURN

Every partnership with business activity in the city, whether or not an office or place of business was maintained in the city, is required to file an annual return. Syndicates, joint ventures, pools and like organizations and Limited Liability Companies (LLCs) electing to be taxed as partnerships at the federal level will also use Form CF-1065.

OBTAINING PARTNERSHIP RETURN FORMS

Partnership return forms are not mailed to partnerships. The forms are available for download on the website of the city. See Appendix H for a listing of the cities website addresses.

RENAISSANCE ZONE DEDUCTION

A partnership located and doing business in a city Renaissance Zone may be eligible to claim the 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 tax. A taxpayer is not qualified to claim the deduction if the taxpayer is delinquent for any Michigan or local taxes.

If a partnership elects to pay tax on behalf of its 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 return. A city income tax return must be filed to claim this deduction. Schedule RZ of CF-1065 is required to be attached to the partnership return when a partnership is qualified to claim the deduction. See separate instructions for Schedule RZ (Form 1065).

DUE DATE OF PARTNERSHIP RETURN

Calendar year taxpayers must file by April 30, 2016. Fiscal year taxpayers must file by the last day of the fourth month after the end of their fiscal year or short period return.

EXTENSION OF TIME TO FILE A PARTNERSHIP RETURN

For partnerships electing to pay tax, Form CF-7004, Automatic Extension of Time to File Certain Business Income Tax, Information and Other Returns, must be filed on or before the due date for filing the partnership return. An extension is automatically granted upon filing of Form CF-7004 and payment of the tentative tax balance due (Form CF-7004, line 3). Failure to pay the balance due invalidates the extension request. Interest and penalty will be assessed on taxes paid late even if an extension of time to file is granted.

For partnerships filing an information return, a six month extension of time to file is automatically granted. Do not file Form CF-7004, Application for Automatic Extension of Time to File Certain Business Income Tax, information and Other Returns.

REQUIRED RETURN ATTACHMENTS

When filing a city's partnership return, Form CF-1065, certain schedules and copies of federal forms are required to be attached. See Appendix F for a listing of attachments and attachment order.

MAILING ADDRESS FOR FILING A PARTNERSHIP RETURN

Mail the partnership return to the address listed for the city in Appendix G.

PARTNERSHIPS FILING AN INFORMATION RETURN

A partnership is required to file an information return unless the partnership elects to compute and pay the tax due on behalf of all partners.

Partnerships filing information returns are required to complete: Form CF-1040 (Identification and Information and Signature sections), Schedule 1, Schedule A, Schedule B (including subsidiary B schedules), Schedule C and if appropriate Schedule D, Schedule E and Schedule F.

The Partnership Return, Form CF-1065, is designed to distinguish between income taxed at the resident, nonresident or corporation tax rates. The purpose of the return is to set forth the entire net profit for the tax period and to show the distributive share of each partner and indicate the entity type of the partner and, if an individual, the residency status of the partner. If residency changes during the year for any individual partner, use two lines to indicate allocation of income by residency status. On Schedule 1, Partner Information Schedule, enter the start date of residency on the resident line and the end date of residency on the nonresident line.

Ordinary business income of the partnership is reported in Schedule A. Each partner's distributable share of the ordinary business income is reported on Schedule C, column 1.

Partnership income not reported in Schedule A is reported in Schedule B, by type of income and the taxable and nontaxable portions for partners taxed at the resident, nonresident or corporation tax rate. Schedules B1 through B11 are used to report the partner's share for each line of Schedule B. The taxable income from Schedule B, columns 6 and 7 is reported by partner in Schedule C, columns 5 or 6.

Schedule K-1 (Form CF-1065), Partners Share of Income, Exclusions, Deductions, Credits and Tax Paid, is to be provided to each partner to assist them in filing their city income tax return.

PARTNERSHIPS ELECTING TO PAY TAX

A partnership may elect to pay tax on behalf of all of its partners. When the partnership pays the tax, the individual partners are not required to file a return. However, a city's income tax return is required from any partner having city taxable income other than the distributive share of the net profits of the partnership. In such instances, a partner required to file a return should refer to the city's income tax return instructions for reporting partnership income and claiming credit for tax paid by the partnership.

Partnerships electing to pay the tax on behalf of the partners assume the status of taxpayer to the following extent: (1) timely payment must be made; and (2) estimated income tax payments, Form CF-1065ES, are required if the total 2017 estimated tax for the partnership is expected to exceed \$100. The calendar or fiscal year of the partnership will govern in establishing the due dates for making estimated tax payments.

Partnerships electing to pay tax must prepare and file all the forms and schedules required for an information return and complete Schedule 2, Tax Calculation Schedule, and Form CF-1065, lines 1 through 8. Schedule 2 details each partner's share of the city's taxable income, deductions, exemptions, tax at the resident, nonresident or corporation tax rate and any credit for tax paid to another city. Form CF-1065, lines 1 through 8, reports: the tax; all payment and credits; any balance due or overpayment; and how any overpayment is to be credited, donated or refunded.

Payment of tax for partnership partners (downstream partnership) requires additional schedules, Schedule 1A, Partnership Information Schedule for Downstream Partnership, and Schedule 2A, Tax Calculation Schedule for Downstream Partnership. An alternative to adding the additional schedules is calculation of taxable income for the downstream partnership as a resident partner and calculation of the tax at the city's resident tax rate.

PAGE 1 INSTRUCTIONS

A partnership filing an information return is required to complete the Identification and Information section and the Signature section of Form CF-1065. Also in the Disclosure of Return Information section, the

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partnership may elect to allow disclosure of return information between a designated individual or firm and the city's income tax department.

A partnership electing to pay tax is required to complete all of Form CF-1065 and specifically to mark (X) the box on line F. The partnership may elect to make payment of any tax due by a direct debit withdrawal from its bank account; or to receive any overpayment refund via a direct deposit to its bank account. Also, in the Disclosure of Return Information section, the partnership may elect to allow disclosure of return information between a designated individual or firm and the city's income tax department.

IDENTIFICATION AND INFORMATION

All partnerships are to provide the information requested and answer all questions in this section.

TAX

Line 1. Add the totals from Schedule 2, Tax Calculation Schedule, columns 8 and 9, and enter on line 1.

PAYMENTS AND CREDITS

Line 2. Enter the total payments and credits for each type of tax payment listed on lines 2a through 2d and, for resident individual partners, the total of any credits for tax paid to another city on line 2e. Enter the total of the payments and credits on line 2f.

BALANCE DUE

Line 3. If total tax (line 1) is greater than the total tax payments (line 2f) subtract line 2f from line 1 and enter balance of tax due. The balance due must be paid when filing the return.

To pay with a check or money order make the check or money order payable to the city, place the payment in front of the return and mail the payment and return to the address listed for the city in Appendix G.

To make payment via direct withdrawal from firm's bank account mark (X) the box on line 8b, Pay tax due – direct withdrawal, and complete (line 8c) the bank routing number, (line 8d) the bank account number and (line 8e1 or 8e2) the account type. **Not all cities allow payment by direct withdrawal.** See Appendix J for a listing of cities accepting direct withdrawal payment of tax due.

OVERPAYMENT

Line 4. If the total payments and credits (line 2f) is greater than the tax due (line 1) subtract line 1 from line 2f and enter the overpayment amount.

CREDIT FORWARD

Line 5. Enter all or the portion of the overpayment to be credited forward.

DONATIONS

Line 6. Donate all or any portion of overpayment. Most of the cities accepting the Common Form allow taxpayers to donate all or a part of their overpayment. Some cities have more than one donation option and allow taxpayers to split the donations between options, and some cities require taxpayers to pick only one donation option. See Appendix D for a list of the cities accepting donations and the donation options for each city.

There are three donation boxes on line 6 (see Appendix D). To donate to the first listed option for a city, enter the amount to be donated into donation box 6a; to donate to the second listed option, enter the amount to be donated into donation box 6b; to donate to the third listed option, enter the amount to be donated into donation box 6c. Enter the total of the donations on line 6d.

REFUND

Line 7. Enter the amount overpayment to be refunded. A refund will be issued via a paper refund check unless you choose to receive the refund via direct deposit. To receive the refund by direct deposit, mark (X) the box on line 8a for Refund – direct deposit and enter (line 8c) the bank routing number, (line 8d) the bank account number and (line 8e1 or 8e2) the account type, checking or savings. Not all cities make refunds by direct deposit. See Appendix J for a listing of cities making direct deposit refunds.

DISCLOSURE OF RETURN INFORMATION

Line 9. By marking (X) the "Yes" box (line 9a) and completing lines 10a and 10b in the Disclosure of Return Information section, the partnership is authorizing the city's Income Tax Department to contact the preparer for answers to any questions that may arise relating to its return and to answer any questions from the preparer about the return. Also, by marking (X) the "Yes" box (line 9a) and completing lines 10a and 10b, the partnership is authorizing the preparer to: provide the city's Income Tax Department with any information about or missing from the return; respond to notices about math errors, offsets and return preparation; and contact the Income Tax Department for information about the return or the status of any related refund or payments.

All cities accepting returns following the partnership common form format allow the check box for authorization for disclosure of return information.

SIGNATURE

Line 11. In the Signature section the partner or member representing the entity must sign the return (line 11b), and enter the following data: the date the return was signed (line 11a); the printed name of the partner or member signing the return (line 11c); and a day time phone number for the partner or member.

Line 12. The preparer must sign the return (line 12a) and enter the following data: the printed name of the preparer (line 12b); the name and address of the preparer's firm (line 12c through 12f); the date prepared (line 12g); and the preparer's telephone number (line 12h)

Line 13. The NACTP number of the software used to prepare the return must be entered on line 13.

INSTRUCTIONS FOR OTHER SCHEDULES

SCHEDULE 1 – PARTNER INFORMATION SCHEDULE

All partnerships must complete the Partner Information Schedule. See Appendix P, Partner Classification Table, for information to complete columns 3, 4 and 5. Column 3 data entry is based upon federal Schedule K-1 (Form 1065) instructions for Item I.

If column 3 for the partner equals individual, nominee for an individual or a disregarded entity owned by an individual, enter the residency classification in column 4 (R, N, PR or PN). If column 4 for the partner equals part-year resident (PR or PN), report the resident portion (PR) and nonresident portion (PN) on separate partner lines and in column 5 enter the residency start date (mm/dd/yyyy) for the tax year on the resident (PR) line and the residency end date for the year on the nonresident (PN) line.

SCHEDULE 1A – PARTNER INFORMATION SCHEDULE FOR DOWNSTREAM PARTNERSHIP (Disregard if information return)

When the partnership elects to pay tax for all partners and has a partnership as a partner (downstream partnership) Schedule 1A, Partner Information for Downstream Partnership, must be completed in the same manner as Schedule 1 and placed directly behind Schedule 1 when filed.

SCHEDULE 2 – TAX CALCULATION SCHEDULE (Disregard if information return)

Partnerships electing to pay tax for partners must complete Schedule 2, Tax Calculation Schedule. Partnerships filing an information return disregard this schedule.

Columns 1, 2 and 3. Enter partner's name, entity type and tax identification number as listed on Partner Information Schedule.

Column 4. Enter partner's total city income as reported on Schedule C, column 7.

Column 5. Allowable partner deductions which relate to the partnership are deducted in column 5. These deductions include the self-employed pension plan deduction, the Renaissance Zone deduction and any other deduction allowed the partner under the city's income tax ordinance. This column is also used to adjust (add back) 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 5. The allowable capital loss deduction for each partner is the lesser of (1) the net capital loss, (2) the amount in column 4, computed without regard to capital gains and losses, or (3) \$3,000. Capital loss carryovers may be carried forward to the same extent allowed in the Internal Revenue Code, but may not be carried back to prior years. **Attach a schedule detailing computation of amounts reported in column 5.**

Column 6. Personal and dependency exemptions are allowed to be claimed for each partner who is an individual resident or nonresident, to the same extent allowed on the partner's federal income tax return. Additional exemptions are allowed if the taxpayer or spouse is 65 years of age or older, or is blind. 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 the city's income tax. Exemptions for a partner whose residence status has changed from a resident to a nonresident or from a nonresident to a resident of the city during the taxable year are first applied against income while a resident, with the balance, if any, applied to the city's income while a nonresident. A partner's personal and dependency exemptions may not be claimed on more than one partnership return. Partners who are estates or trusts are allowed one exemption. Exemptions are not allowed to any other partners (i.e., corporations, partnerships, etc.). See Appendix B for personal exemption information for each city.

Column 7. Enter the taxable income, column 4 less columns 5 and 6.

Column 8. Enter tax due at the resident or corporation tax rate of 1.5% (0.015) all taxpayers except nonresident individuals, estates or trusts.

Column 9. Enter tax due at the nonresident tax rate of 0.75% (0.0075), nonresident individuals, estates or trusts only.

Column 10. The tax paid for each partner is equal to the tax due (column 8 or 9) less, for resident individual partners only, any credit for tax paid to another city (Schedule G, column 6, for the partner).

The total of column 10 should equal the actual amount of tax paid by the partnership; the sum of the amounts reported on page 1 lines 2a, 2b, 2c, 2d and 3 less line 4, the tax overpayment.

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SCHEDULE 2A – TAX CALCULATION SCHEDULE FOR DOWNSTREAM PARTNERSHIP (Disregard if information return)

When partnership is a partner (downstream partnership) Schedule 2A, Tax Calculation Schedule for Downstream Partnership, must be completed in the same manner as Schedule 2. On the Schedule 2 line for the downstream partnership, enter the downstream partnership name, employer identification number and the totals from Schedule 2A, columns 4 through 10. Schedule 2A is to be placed directly behind Schedule 2 when filed.

SCHEDULE A – ALLOCABLE ORDINARY BUSINESS INCOME (LOSS)

Schedule A is used to report and adjust the ordinary business income of the partnership. The ordinary business income as reported on federal Form 1065, page 1, line 22, must be adjusted for the following: city income tax deducted on the federal return must be added back; interest and any other costs incurred with the production of tax exempt income must be added back; the federal Section 179 deduction and other deductions allowed must be deducted; and ordinary income (loss) from another partnership must be removed (as it is reported in Schedule B).

The total adjusted ordinary business income reported on Schedule A, line 6, is allocated to the partners in Schedule C. The total reported on Schedule C, column 1, must equal the amount listed on Schedule A, line 6.

Income not included in Schedule A is reported in Schedule B, Partnership Income not reported in Schedule A. Instructions for the Schedules indicate how amounts are allocated or apportioned to the partners.

SCHEDULE B – PARTNERSHIP INCOME NOT INCLUDED IN SCHEDULE A

Schedule B is used to report income not included in Schedule A (Adjusted Ordinary Business Income) and allocate or apportion this income between partners taxed at the individual resident, corporation or individual nonresident tax rates. Enter the income by category as reported on the federal Form 1065, Schedule K or page 1, on Schedule B, column 1.

Separate supporting schedules for each line of Schedule B (**Schedules B1 through B11**) are used to calculate each partner's excludable and taxable portions of the 10 types of income reported in Schedule B. For each type of income: use: column 2 to report partner's federal share of the income. Use column 3 to report the individual resident partner's city excludable portion; column 4 to report the nonresident, estate or trust partner's excludable portion; column 5 to report the corporation partner's excludable portion and column 6 to report all other partner's excludable portion. Column 7 is used to report the taxable portion for partners taxable at the individual resident or corporation tax rate, and column 8 is used to report taxable portion for partners taxable at the individual nonresident tax rate. The total of columns 3 through 8 must equal the total of column 2.

The various types in partnership income are taxed differently based upon the partner entity classification. Refer to Appendix Q for information on the taxability of the various types of partnership income for the various types of partner entities. Also refer to the instructions below for additional information on exclusion or taxability of the various types of partnership income.

Interest Income and Dividend Income. All partners may exclude interest and dividend income from obligations of the United States, the states or subordinate units of government. Interest and dividend income is totally excluded for nonresident individuals, estate and trust partners. Complete **Schedules B1** and/or **Schedule B2** to compute the excludable and taxable portions of each partner's interest or dividend income. Enter the excluded and taxable income totals (bottom of the schedule) on Schedule B.

Sale or Exchange of Property. This category includes sales and exchanges of short-term, long-term and Section 1231 property. The portion of the gain or loss attributable to the period prior to July 1, 1967 is excludable for all partner entity types. Complete **Schedule B3**, **Schedule B4** and/or **Schedule B5** to compute the excludable and taxable portions of each partner's short-term, long-term and Section 1231 gains or losses. Enter the excluded and taxable income totals (bottom of the schedule) on Schedule B.

Rent and Royalty Income. Complete **Schedule B6**, **Schedule B7** and/or **Schedule B8** to compute the excludable and taxable portions of rental income from rental real estate activities, rental income from other rental activities or royalty income. Enter the excluded and taxable income totals (bottom of the schedule) on Schedule B.

Other Income. Complete **Schedule B9** to determine the excludable and taxable portions of other income. Enter the excluded and taxable income totals (bottom of the schedule) on Schedule B.

Ordinary Income from Other Partnerships. Complete **Schedule B10** to compute each partner's excludable and taxable portions of ordinary income (or loss) from other partnerships. Attach a worksheet for each partnership, estate or trust that details the name, address, FEIN and the apportionment of this income. The ordinary business income of another partnership is allocated based upon the other partnership's business allocation percentage for the city and/or the entity type of partner. Enter the excluded and taxable income totals (bottom of the schedule) on Schedule B.

Total Apportioned Income. Complete **Schedule B11** to summarize the taxable portion of income from the categories reported on Schedule B. Also enter on Schedules B1 to B10. The partner totals from Schedule B11, column 11, are reported on Schedule C, columns 5 or 6. The totals from Schedule C, columns 5 and 6 must equal the totals reported on Schedule B, columns 6 and 7 respectively.

SCHEDULE C – DISTRIBUTION TO PARTNERS

The totals reported in Schedule C, columns 1, 4, 5 and 6, the income distribution to partners of adjusted ordinary business income, apportioned income, and guaranteed payments to partners, must agree with the totals transferred from Schedule A, line 6, Schedule F, column 4 and Schedule B, line 11 of columns 6 and 7, respectively.

Column 1. Enter in column 1 each individual partner's share of ordinary adjusted business income from Schedule A, line 6. If Sec. 179 depreciation is included in Schedule A and the partners have unequal credits for such additional depreciation (e.g., if one partner is single and one is married filing jointly for federal income tax purposes), the apportionment of income to partners may require a special computation.

Column 2. Enter the appropriate business allocation percentage based upon partner entity type. Individual resident and partnership partners use a 100% allocation. Individual nonresident, estate, trust, corporation, exempt entity and foreign government partners enter the business allocation percentage from Schedule D, line 5, or the special allocation percentage authorized. Disregarded entity and nominee partners enter the appropriate allocation percentage based upon the entity type of the actual owner of the partnership interest.

Column 4. Enter the taxable portion of the guaranteed payments to partners receiving them. If any portion of any guaranteed payment is nontaxable Schedule F must be completed. The total of Column 4 must equal the total of Schedule F, column 4.

Column 5. Enter taxable portion of the individual resident, corporation or other partners Schedule B income from Schedule B11, column 11.

Column 6. Enter the taxable portion of the individual nonresident, Estate or trust partners Schedule B income from Schedule B11, column 11.

Column 7. Add the amounts reported for each partner in columns 3, 4, 5, and 6 and enter the total for the column. Also enter the amount for each partner and the column total in column 1, page 1 of the return.

SCHEDULE D – BUSINESS ALLOCATION PERCENTAGE

The business allocation percentage is to be applied to the distributive share of business income of CORPORATE AND NONRESIDENT partners if business activity of the partnership is conducted both within and outside the city.

Elective use of the Multistate Tax Compact apportionment provisions is no longer allowed. On 09/14/2014 the Multistate Tax Compact provisions of Michigan law were retroactively repealed effective 01/01/2008.

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 report the net book value of the real and tangible personal property owned and located or used in the city. The average net book value of real and tangible personal property may be determined by adding the net book values at the beginning and end of the year and dividing the sum 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. 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 1 the total compensation paid to all employees during the year and in column 2 show the amount of compensation paid to employees for work or services performed within the city.

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 during the year. To allocate net profit (or loss), a partnership must have business activity outside of the city.

SCHEDULE E – RENTAL REAL ESTATE

If the business activity of the partnership includes rental of real estate, list the complete address and the gain or loss from each separate piece of rental real estate in Schedule E.

SCHEDULE F – GUARANTEED PAYMENTS

A guaranteed payment, defined under the Internal Revenue Code of 1986, Section 707(c), is compensation for services rendered, compensation for the use of capital, or a retirement benefit paid to a retired partner. It is not a distributive share of the partnership's profits. The payment, to the extent included in federal adjusted gross income, is characterized as compensation, interest or a retirement benefit on the individual partner's income tax return.

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To the extent a "guaranteed payment" is includable in a resident partner's gross income, the amount is fully taxable under the city's income tax ordinance except for the amount paid as a retirement benefit to a retired partner that qualifies as a retirement benefit and is not self-employment earnings under the Internal Revenue Code.

A nonresident partner is taxed on a guaranteed payment to the extent the payment is includable in federal gross income and is for compensation received for personal services performed in the city. A guaranteed payment for the use of capital is allocated to the nonresident partner's residence (domicile) and is not taxable under the city's income tax ordinance. The amount paid as a retirement benefit to a retired partner that qualifies as excludible from the city's income under 4 USC Sec. 114(b)(1) is not taxable under the ordinance.

SCHEDULE G – CREDIT FOR TAX PAID TO ANOTHER CITY IN BEHALF OF RESIDENT PARTNERS

If the partnership incurs an income tax liability to any other city in addition to this city, a credit is allowed for tax paid to the other city on income of a resident individual that is taxable by both cities. The credit is limited to the smaller of: (1) the income tax paid to the other city on behalf of the resident partner; or (2) the amount of tax that would be due on the same amount of income of a nonresident of this city after deducting the value of the exemptions claimed by the partner for this city (Form CF-1065, Schedule 2, column 6). DO NOT take credit for income taxes paid to any other city on behalf of nonresident, corporate or partnership partners.

SCHEDULE K-1 (Form CF-1065) – PARTNER'S SHARE OF INCOME, EXCLUSIONS, DEDUCTIONS, CREDITS AND TAX PAID

Partnership Instructions for Schedule K-1 (Form CF-1065)

A partnership is required to prepare and give Schedule K-1 (Form CF-1065) to each person who was a partner in the partnership at any time during the year. Schedule K-1 (Form CF-1065) must be provided to each partner on or before the day on which the partnership return is required to be filed.

Partnerships electing to pay tax that have a partnership partner (downstream partnership) are also required to provide Schedule K-1 (Form CF-1065) to each partner of the downstream partnership (or chain of downstream partnerships) if the tax for the downstream partnership is calculated based upon the downstream partnership's partner's classification.

If the return is for a fiscal year or a short tax year fill in the fiscal tax year spaces at the top of each Schedule K-1. If this is a final or an amended K-1, mark (X) the appropriate box at the top of each Schedule K-1.

On each Schedule K-1, enter the information about the partnership and the partner in Parts I and II (items A through M). In Part III, enter: in column A the amounts from the partners federal Schedule K-1 (Form 1065); in column B the amounts of exclusions or adjustments to the amounts in column A; and in Column C the partner's city taxable share of each item of income, deduction or information.

Part I. Information About the Partnership

On each Schedule K-1, enter (A) the identifying number of the partnership, and its (B) name and address. Also enter the (C) partnership's business allocation percentage (Form CF-1065, Schedule D, line 5 or special formula line d).

Part II. Information About the Partner

On each Schedule K-1 complete the information for the partner for items E through I and J through M as it was completed on the partner's federal Schedule K-1 (Form 1065). For item I2, if the partner code for item I1 is a code that represents an individual, estate or trust, enter in item I2 the following code for the partner: R for resident partner, N for a nonresident partner, PR for the resident portion and PN for the nonresident portion of the year for a part-year resident partner. See Appendix P, Partner Classification Table, for additional information. For item I3, mark (X) the box if the partner is a retirement plan. For item N enter the partner's partner number as reported on Form CF-1065, Schedule 1. When a partner is a part-year resident, two Schedule K1's (Form GR-1065) are to be issued, one for the resident portion of the year and one for the nonresident portion of the year as two lines are required for reporting the partner's income.

If the partnership elects to pay tax and the partner is a partnership, mark (X) the item D box and enter the partnership partner's identification number. Complete the other items for this partnership partner. Parts III and Part IV for this downstream partnership is a compilation of their partner's Schedules K-1. Also, complete a Schedule K-1 (Form CF-1065) for each partner of the downstream partnership completing item D for the downstream partnership and completing Part II, Part III and Part IV for each downstream partnership partner.

Part III. Partner's share of Current Year Income, Exclusions/Adjustments and City Income

This part of the Schedule K-1 (Form CF-1065) is divided into three columns: Column A, Federal Partnership Return Data; column B, Exclusions and Adjustments; and column C, City Taxable Income.

Column A, Federal Partnership Return Data

Column A, line 1, lines 2 through 13 and line 20 are used for reporting income, deductions and other information as reported on the federal Schedule K-1 (Form 1065) for the partner. In each line of column A enter the data as reported in the federal Schedule K-1 except for lines 1a, 11, 13 and 20 follow the instructions below.

Line 1a. Ordinary income from other partnerships. This line on the city Schedule K-1 (CF-1065) is used to properly report ordinary business income from other partnerships, estates and trusts. Column A of this line is blank or zero (0) as this line is not on the federal Schedule K-1.

Codes for lines 11, 13 and 20. In boxes 11, 13 and 20, identify each item by entering the federal code in the column to the left of Column A.

Line 13. Other deductions. In box 13 report only the federal coded items that affect city income of the partner. There are only a few (line 13) other deductions that affect a partner's city income. Deductions that are claimed on the partner's federal return Form 1040 as adjustments to income or itemized deductions are not reported on line 13. If you have a question about reporting a line 13 item, please contact the city for an answer. An example of a line 13 is item I, deductions – royalty income.

Line 20. Other information. In box 20 report only the federal coded items that affect city income. There are few items of (line 20) other information that affect the partner's city income. If you have a question about reporting a line 20 item, please contact the city for an answer. An example of a line 20 item is M, recapture of section 179 deduction.

Column B, Exclusions and Adjustments

Complete column C, City Taxable Income, lines 1 through 13, before completing column B. Once the column C amount for a line is determined and entered, the column B amount for the line is calculated by subtracting the amount in column C from the amount in column A. Enter in the calculated amount in Column B for the line. If a line in any column is blank, it is to be read as a zero (0).

Column C, City Taxable Income

The amount of city taxable income for each partner is calculated in schedules attached to the partnership return. Enter the data for each line of Column C as determined in the schedule noted for the line.

Line 1. Ordinary business income. Enter the amount of the partner's ordinary business income as reported on Form CF-1065, Sch. C, col. 3.

Line 1a. Ordinary income from other partnerships. Enter the amount of the partner's taxable share of ordinary income from other partnerships as reported on Form CF-1065, Schedule B11, column 10.

Line 2. Net rental real estate income (loss). Enter the amount of the partner's share of net rental real estate income (loss) as reported on Form CF-1065, Schedule B11, column 6.

Line 3. Other rental income (loss). Enter the amount of the partner's taxable share of other rental income (loss) as reported on Form CF-1065, Schedule B11, column 7.

Line 4. Guaranteed payments to partners. Enter the amount of the partner's taxable guaranteed payments as reported on Form CF-1065, Schedule C, column 4.

Line 5. Interest income. Enter the amount of the partner's taxable share of interest income as reported on Form CF-1065, Schedule B11, column 1.

Line 6. Dividend income. Enter the amount of the partner's taxable share of dividend income as reported on Form CF-1065, Sch. B11, column 2.

Line 7. Royalties. Enter the amount of the partner's taxable share of royalties as reported on Form CF-1065, Schedule B11, column 8.

Line 8. Net short term capital gain (loss). Enter the amount of the partner's taxable share of net short term capital gain (loss) as reported on Form CF-1065, Schedule B11, column 3.

Line 9. Net long term capital gain (loss). Enter the amount of the partner's taxable share of net long term capital gain (loss) as reported on Form CF-1065, Schedule B11, column 4.

Line 10. Net section 1231 gain (loss). Enter the amount of the partner's taxable share of net section 1231 gain (loss) as reported on Form CF-1065, Schedule B11, column 5.

Line 11. Other income. Enter the amount of the partner's taxable share of other income as reported on Form CF-1065, Schedule B11, column 9.

Line 12. Section 179 deduction. Enter a zero (0) or leave blank as this deduction is already included in the amount reported in column C, line 1.

Line 13. Other deductions. The amount to enter on this line must be calculated based upon the type of other deduction and the taxability of the city income related to the deduction. Example: Item I, deductions – royalty income, would be deductible at the same percentage the related royalty income is taxable by the city. There are very few other deduction items that relate to city income.

Line 20. Other Information. The amount to enter on this line must be calculated based upon whether the other information is city income or a deduction allowed to determine city income. Example: Item M, recapture of

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section 179 deduction, would be taxable at the same percentage the related property was taxable by the city. There are very few other information items that relate to city income.

Part IV. Partner's City Deductions, Credits and Tax Paid

Part IV is divided into three sections. Refer to the following instructions to complete this section.

D – Partner's deductions for items paid by the partnership. Report the partner's share of deductions allowed under the city's income tax ordinance that were paid by the partnership. These deductions are the partner's: IRA deduction; Self-employed, SEP, SIMPLE and qualified plans deduction; Renaissance Zone deduction; etc.

C – Credit for tax paid by partnership to another city. Report the tax paid to other cities by partnership on behalf of partner who is a resident of the city named at the top of the Schedule K-1.

T – Income tax paid by the partnership. Report the actual tax paid by partnership on behalf of partner to the city named at the top of the Schedule K-1. This is the amount reported on Form CF-1065, Schedule 2, column 10, for the partner.

Partner Instructions for Schedule K-1 (Form CF-1065)

Instructions for partner's reporting their partnership income on their individual return (Form CF-1040), corporate return (Form CF-1120) or partnership return (CF-1065) are part of Schedule K-1 (Form CF-1040).

SCHEDULE N – SUPPORTING NOTED AND SCHEDULES

If supporting notes or schedules are needed to explain items reported elsewhere on the partnership return, use this attachment for those notes, calculation or explanations.

SCHEDULE RZ OF (Form CF-1065) – Partnership Renaissance Zone Deduction

See separate instructions for Schedule RZ (Form CF-1065).

ASSISTANCE AND WEBSITE ADDRESS

If you have questions or need assistance, contact the income tax department of the specific city. See to Appendix H for the website address or phone number of the city.

PARTNER CLASSIFICATION TABLE				
Information for completing Partner Information section on Form GR-1065, page 1				
Enter federal classification in column 3; if column 3 equals individual owner, enter residency classification in column 4; and if column 4 equals part-year resident, enter residency start and end dates in column 5				
Column 3 Federal Classification		Column 4 Individual Partner Residency Status		Column 5 Residency Dates
Description	Entry	Description	Entry	Description
Individual	I	Resident	R	
		Nonresident	N	
		Part-year resident, resident portion	PR	Residency start date
		Part-year resident, nonresident portion	PN	Residency end date
Corporation	C			
Estate	F	Nonresident	N	
Trust	F	Nonresident	N	
Partnership	P			
Disregarded Entity	DE	If DE owner is an individual		
		Resident	R	
		Nonresident	N	
		Part-year resident, resident portion	PR	Residency start date
		Part-year resident, nonresident portion	PN	Residency end date
Exempt Organization	E			
Foreign Government	FGOV			
Nominee Type				
Nominee Individual	NI	If actual owner is an individual:		
		Resident	R	
		Nonresident	N	
		Part-year resident, resident portion	PR	Residency start date
		Part-year resident, nonresident portion	PN	Residency end date
Nominee Corporation	NC			
Nominee Estate or Trust	NF	Nonresident	N	
Nominee Partnership	NP			
Nominee Disregarded Entity	NDE	If actual owner of the DE is an individual:		
		Resident	R	
		Nonresident	N	
		Part-year resident, resident portion	PR	Residency start date
		Part-year resident, nonresident portion	PN	Residency end date
Nominee Exempt Organization	NE			
Nominee Individual Retirement Arrangement	NIRA			
Nominee Foreign Government	NFGOV			

Revised 04/27/2016

2016 CF-1065 PARTNERSHIP COMMON FORM (FINAL VERSION)
Partnership Instructions for Schedule K-1 (Form CF-1065)

General Information

Generally, a partnership is required to prepare and give Schedule K-1 (Form CF-1065) to each person who was a partner in the partnership at any time during the year. Schedule K-1 (Form CF-1065) must be provided to each partner on or before the day on which the partnership return is required to be filed.

Partnerships electing to pay tax that have a partnership partner (downstream partnership) are required to provide Schedule K-1 (Form CF-1065) to each partner of the downstream partnership (or chain of such partnerships) if the tax for the downstream partnership is calculated based on the downstream partnership's partner's classification.

How to Complete Schedule K-1 (Form CF-1065)

If the return is for a fiscal year or a short tax year fill in the fiscal tax year spaces at the top of each Schedule K-1. If this is a final or an amended K-1, mark (X) the appropriate box at the top of each Schedule K-1.

On each Schedule K-1, enter the information about the partnership and the partner in Parts I and II (items A through M). In Part III, enter: in column A the amounts from the partners federal Schedule K-1 (Form 1065); in column B the amounts of exclusions or adjustments to the amounts in column A; and in Column C the partner's city taxable share of each item of income, deduction or information.

Part I. Information About the Partnership

On each Schedule K-1, enter (A) the identifying number of the partnership, and its (B) name and address. Also enter the (C) partnership's business allocation percentage (Form CF-1065, Schedule D, line 5 or special formula line d).

Part II. Information About the Partner

On each Schedule K-1 complete the information for the partner for items E through I and J through M as it was completed on the partner's federal Schedule K-1 (Form 1065). For item I2, if the partner code for item I1 is a code that represents an individual, estate or trust, enter in item I2 the following code for the partner: R for resident partner, N for a nonresident partner, PR for the resident portion and PN for the nonresident portion of the year for a part-year resident partner. See Appendix J, Partner Classification Table, for additional information. For item I3, mark (X) the box if the partner is a retirement plan. For item N enter the partner's partner number as reported on Form CF-1065, Schedule 1. When a partner is a part-year resident, two Schedule K1's (Form GR-1065) are to be issued, one for the resident portion of the year and one for the nonresident portion of the year as two lines are required for reporting the partner's income.

If the partnership elects to pay tax and the partner is a partnership, mark (X) the item D box and enter the partnership partner's identification number. Complete the other items for this partnership partner. Parts III and Part IV for this downstream partnership is a compilation of their partner's Schedules K-1. Also, complete a Schedule K-1 (Form CF-1065) for each partner of the downstream partnership completing item D for the downstream partnership and completing Part II, Part III and Part IV for each downstream partnership partner.

Part III. Partner's share of Current Year income, Exclusions/Adjustments and City Income.

This part of the Schedule K-1 (Form CF-1065) is divided into three columns: Column A, Federal Partnership Return Data; column B, Exclusions and Adjustments; and column C, City Taxable Income.

Column A, Federal Partnership Return Data.

Column A, line 1, lines 2 through 13 and line 20 are used for reporting income, deductions and other information as reported on the federal Schedule K-1 (Form 1065) for the partner. In each line of column A enter the data as reported in the federal Schedule K-1 except for lines 1a, 11, 13 and 20 follow the instructions below.

Line 1a. Ordinary income from other partnerships. This line on the city Schedule K-1 (CF-1065) is used to properly report ordinary business income from other partnerships, estates and trusts. Column A of this line is blank or zero (0) as this line is not on the federal Schedule K-1.

Codes for lines 11, 13 and 20. In boxes 11, 13 and 20, identify each item by entering the federal code in the column to the left of Column A.

Line 13. Other deductions. In box 13 report only the federal coded items that affect city income of the partner. There are only a few (line 13) other deductions that affect a partner's city income. Deductions that are claimed on the partner's federal return Form 1040 as adjustments to income or itemized deductions are not reported on line 13. If you have a question about reporting a line 13 item, please contact the city for an answer. An example of a line 13 is item I, deductions – royalty income.

Line 20. Other information. In box 20 report only the federal coded items that affect city income. There are few items of (line 20) other information that affect the partner's city income. If you have a question about reporting a line 20 item, please contact the city for an answer. An example of a line 20 item is M, recapture of section 179 deduction.

Column B, Exclusions and Adjustments

Complete column C, City Taxable Income, lines 1 through 13, before completing column B. Once the column C amount for a line is determined and entered, the column B amount for the line is calculated by subtracting the amount in column C from the amount in column A. Enter in the calculated amount in Column B for the line. If a line in any column is blank, it is to be read as a zero (0).

Column C, City Taxable Income

The amount of city taxable income for each line for each partner is calculated in schedules attached to the partnership return enter the data for each line of Column C as determined in the schedule noted for the line.

Line 1. Ordinary business income. Enter the amount of the partner's ordinary business income as reported on Form CF-1065, Sch. C, column 3.

Line 1a. Ordinary income from other partnerships. Enter the amount of the partner's taxable share of ordinary income from other partnerships as reported on Form CF-1065, Schedule B11, column 10.

Line 2. Net rental real estate income (loss). Enter the amount of the partner's share of net rental real estate income (loss) as reported on Form CF-1065, Schedule B11, column 6.

Line 3. Other rental income (loss). Enter the amount of the partner's taxable share of other rental income (loss) as reported on Form CF-1065, Schedule B11, column 7.

Line 4. Guaranteed payments to partners. Enter the amount of the partner's taxable guaranteed payments as reported on Form CF-1065, Schedule C, column 4.

Line 5. Interest income. Enter the amount of the partner's taxable share of interest income as reported on Form CF-1065, Schedule B11, column 1.

Line 6. Dividend income. Enter the amount of the partner's taxable share of dividend income as reported on Form CF-1065, Sch. B11, column 2.

Line 7. Royalties. Enter the amount of the partner's taxable share of royalties as reported on Form CF-1065, Schedule B11, column 8.

Line 8. Net short term capital gain (loss). Enter the amount of the partner's taxable share of net short term capital gain (loss) as reported on Form CF-1065, Schedule B11, column 3.

Line 9. Net long term capital gain (loss). Enter the amount of the partner's taxable share of net long term capital gain (loss) as reported on Form CF-1065, Schedule B11, column 4.

Line 10. Net section 1231 gain (loss). Enter the amount of the partner's taxable share of net section 1231 gain (loss) as reported on Form CF-1065, Schedule B11, column 5.

Line 11. Other income. Enter the amount of the partner's taxable share of other income as reported on Form CF-1065, Schedule B11, column 9.

Line 12. Section 179 deduction. Enter a zero (0) or leave blank as this deduction is already included in the amount reported in column C, line 1.

Line 13. Other deductions. The amount to enter on this line must be calculated based upon the type of other deduction and the taxability of the city income related to the deduction. Example: Item I, deductions – royalty income, would be deductible at the same percentage the related royalty income is taxable by the city. There are very few other deduction items that relate to city income

Line 20. Other Information. The amount to enter on this line must be calculated based upon whether the other information is city income or a deduction allowed to determine city income. Example: Item M, recapture of section 179 deduction, would be taxable at the same percentage the related property was taxable by the city. There are very few other information items that relate to city income.

Part IV. Partner's City Deductions, Credits and Tax Paid

Part IV is divided into three sections. Refer to the following instructions to complete this section.

D – Partner's deductions for items paid by the partnership. Report the partner's share of deductions allowed under the city's income tax ordinance that were paid by the partnership. These deductions are the partner's: IRA deduction; Self-employed, SEP, SIMPLE and qualified plans deduction; Renaissance Zone deduction; etc.

C – Credit for tax paid by partnership to another city. Report the tax paid to other cities by partnership on behalf of partner who is a resident of the city named at the top of the Schedule K-1.

T – Income tax paid by the partnership. Report the actual tax paid by partnership on behalf of partner to the city named at the top of the Schedule K-1. This is the amount reported on Form CF-1065, Schedule 2, column 10, for the partner.

Revised 06/19/2014

2016 CF-1065 PARTNERSHIP COMMON FORM (FINAL VERSION)
Partner Instructions for Schedule K-1 (Form CF-1065)

GENERAL INFORMATION

A partner with income from a partnership is required to file a city income tax return unless: (1) the partnership elects to pay the city income tax on behalf of all partners; and (2) the partner has no other income taxable under the city's income tax ordinance. This applies to all types of partners, individuals, corporations and partnerships.

TAX PAID BY THE PARTNERSHIP ON BEHALF OF PARTNER

If the partnership elects to pay tax on behalf of its partners, a partner may claim the share of tax paid, Schedule K-1 (Form CF-1065), Part IV, item T, as a tax payment on the partner's city income tax return.

CORPORATION PARTNERS

A corporation partner may or may not have nontaxable partnership income depending on where the business activity of the partnership takes place and the type of income flowing through from the partnership. A corporation partner should follow the instructions for filing the city's corporation income tax return, reporting and paying the city's income tax on the taxable partnership income.

PARTNERSHIP PARTNERS

A partnership partner may or may not have nontaxable partnership income depending on where the business activity of the partnership takes place and the type of income flowing through from the partnership. A partnership partner should follow the instructions for filing the city's partnership income tax return.

INDIVIDUAL PARTNERS (RESIDENTS AND NONRESIDENTS)

A resident, nonresident or part-year resident partner filing form CF-1040 should follow the following instructions when preparing their city return. Form CF-1040, lines 1 through 16. The form uses a three column format for reporting income: column A is used to report federal income; column B is used to report exclusions and adjustments to income; and column C is used to report the city's taxable income.

A partner should first complete his/her federal return. After completing the federal return the partner should: first enter the income reported on Form 1040, lines 1 through 22, on Form CF-1040 in column A; the partner should then compute the exclusions and adjustments allowed for each income line of the city's return; then the partner should calculate the city's taxable income (column C) for each income line by subtracting the exclusions and adjustments (column B) amount from the federal income (column A); and last the partner should prepare the remainder of the return.

Generally, a resident partner will have no exclusions and adjustments to partnership income.

A nonresident partner may or may not have exclusions and adjustments depending on where the business activity of the partnership takes place and the type of income flowing through from the partnership.

A partner who is a part-year resident must follow the resident reporting instructions for the portion of the partnership income earned while a resident, and follow the nonresident instructions for the portion of the partnership income earned while a nonresident. A separate Schedule K-1 (Form CF-1065) should have been received from the partnership for income in each residence status.

Computing Exclusions and Adjustments

Exclusions and adjustments to an individual partner's income are to be computed and reported separately for each income line of the return form. For example, the ordinary income exclusions and adjustments reported to the partner on Schedule K-1 (Form CF-1065), line 1, column B, are included in the exclusions and adjustments reported on the partner's Form CF-1040, line 11, column B.

Exclusions and adjustments to partnership income reported on Schedule K-1 (Form CF-1065), column B, are reported on the exclusion and adjustment schedules for each type of income for Form CF-1040, column B, lines 2, 3, 7, 8 and 11 as follows:

Schedule K-1 (Form CF-1065)	Exclusion and Adjustment Schedule	Form CF-1040
Line 5, column B	Excludible Interest Income	Line 2, col. B
Line 6, column B	Excludible Dividend Income	Line 3, col. B
Line 8, column B	Exclusions and Adjustments to Capital Gain or (Loss)	Line 7, col. B
Line 9, column B	Exclusions and Adjustments to Capital Gain or (Loss)	Line 7, col. B
Line 10, column B	Exclusions and Adjustments to Other Gains or (Losses)	Line 8, col. B
Line 1, column B	Exclusions and Adjustments to Income from Rental Real, Royalties, Partnerships, S Corporations, Trusts, Etc.	Line 11, col. B
Line 1a, column B		Line 11, col. B
Line 2, column B		Line 11, col. B
Line 3, column B		Line 11, col. B
Line 4, column B		Line 11, col. B
Line 7, column B		Line 11, col. B
Line 11, column B		Line 11, col. B
Line 12, column B		Line 11, col. B
Line 13, column B		Line 11, col. B
Line 20, column B		Line 11, col. B

After completing the exclusions and adjustments schedules the partner reports the exclusions and adjustments on Form CF-1040, column B, on the line for the type of income excluded or adjusted.

Differences in Reporting Between Federal Schedule K-1 (Form 1065) and city Schedule K-1 (Form CF-1065)

There are differences in reporting certain partnership income items between federal Schedule K-1 (1065) and the city Schedule K-1 (CF-1065). Explanations for these items follow.

Line 1. Ordinary business income (loss) from other partnerships, estates and trusts included in the partner's Schedule K-1 (1065), line 1, is not included in partner's city Schedule K-1 (CF-1065), line 1. Line 1a was added to the city Schedule K-1 (CF-1065) to properly report this income. The adjustment amount to report in column B is taxable income reported in column C multiplied by a negative one (-1). The reason is that the other partnership's business allocation percentage is used to allocate this income for nonresident and corporation partners.

Line 12. Section 179 expenses reported on the partner's Schedule K-1 (1065), line 12, are included in amount reported on Schedule K-1 (CF-1040), line 1. Therefore an adjustment must be made to remove reporting of Section 179 expenses on Schedule K-1 (1065), line 12.

Line 13. Other deductions reported on Schedule K-1 (CF-1065), line 13, column A, are deductions used to determine income included on an income line of the partner's Form 1040 (lines 7 to 21). An example is deductions from royal income, line 13, code I.

Line 20. Other information reported on Schedule K-1 (CF-1065), column A, line 20, is information used by the partner to determine income included on an income line of the partner's Form 1040 (lines 7 to 21). An example of is recapture of a section 179 deduction.

Deductions Allowed

Deductions allowed on the city return of a partner are reported by the partnership on Schedule K-1 (Form CF-1065), Part IV. These deductions may be claimed on the partner's city return, Form CF-1040, Page 2, Deductions Schedule, lines 1 through 6.

Credit for Tax Paid by Partnership to another City

If the partnership elects to pay tax on behalf of its partners to another city, an individual resident partner may claim a tax credit for tax paid to the other city. The partner's share of the amount of tax paid to the other city is reported on Schedule K-1 (Form CF-1065), Part IV, item T.

Revised 06/19/2014

2016 CF-1065 PARTNERSHIP COMMON FORM (FINAL VERSION)
INSTRUCTIONS FOR SCHEDULE RZ (CF-1065)
PARTNERSHIP RENAISSANCE ZONE DEDUCTION

Revised 12/04/2014

GENERAL INFORMATION

Renaissance Zone designation grants tax relief to qualified partnerships located and conducting business activity within a Renaissance Zone. In conjunction with the designation of these zones, the Michigan Uniform City Income Tax Ordinance was amended effective January 1, 1997, to include a Renaissance Zone deduction.

WHO MAY CLAIM A RENAISSANCE ZONE DEDUCTION

A partnership that is located and conducting business activity in a 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 CF-1040 with their individual returns.

HOW TO CLAIM A RENAISSANCE ZONE DEDUCTION

To claim or pass through the city's Renaissance Zone deduction, a partnership must file Schedule RZ (Form CF-1065) with their partnership income tax return.

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 Zone income. No deduction is allowed after the expiration of the Renaissance Zone designation.

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 rental property and did not file an affidavit with the city 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 the city outside of a Renaissance Zone and moves to a location within a Renaissance Zone in the city 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.

QUALIFICATION DATE

RENAISSANCE ZONES 1 THROUGH 6. A partnership located a Renaissance Zone becomes a qualified taxpayer on the first day after December 31, 1996, that the partnership is located and conducting business activity in a Renaissance Zone. The qualification continues until the partnership ceases to be located and conducting business activity in the Renaissance Zone or until expiration of the Renaissance Zone designation.

DEDUCTIBLE INCOME

A partnership may deduct that portion of its net income from business activity within a Renaissance Zone not phased out. Business activity consists of two components: 1) adjusted ordinary business income; and 2) income not included in adjusted ordinary business income (apportioned income). Business income from activity conducted within a Renaissance Zone is determined via a two-factor Renaissance Zone allocation formula. Income not included in adjusted ordinary business income (apportioned income) is apportioned based upon situs of the income, the type of partner and/or domicile of the individual resident or nonresident partner.

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 this deduction.

LINE BY LINE INSTRUCTIONS

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

- Line 1. Enter the street address of each location in a Renaissance Zone.
- Line 2. Enter the beginning date and ending date the partnership was qualified to claim the Renaissance Zone Deduction for the tax year.

RENAISSANCE ZONE ALLOCATION PERCENTAGE - BUSINESS INCOME

The Renaissance Zone allocation percentage is used by partnerships located and doing business in a Renaissance Zone and also outside the Renaissance Zone.

- Line 3. In column 1, enter the average net book value of all real and tangible personal property owned and located in the city. In column 2, enter the average net book value of the real and tangible personal property owned and located in a Renaissance Zone in the city. 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. If the business was located in the Renaissance Zone for less than a year, a monthly average basis is to be used.
- Line 4. Enter in column 1 the gross annual rent multiplied by 8 for all rented real property located in the city. In column 2, show the gross annual rent multiplied by 8 for rented real property located in a Renaissance Zone in the city.
- Line 5. In column 3, enter the total of columns 2 and 3, line 5.
- Line 6. Enter in column 1 compensation paid to employees for work or services performed within the city. In column 2, enter compensation paid to employees for work or services performed within a Renaissance Zone in the city. In column 3, enter the percentage, column 2 divided by column 1.
- Line 7. Enter the total of the amount from column 3, lines 5c and 6.
- Line 8. Enter the result of line 7 divided by 2.

RENAISSANCE ZONE DEDUCTION FOR ORDINARY BUSINESS INCOME PRIOR TO PHASE OUT

Line 9.

Partner Number Enter the partner number for each partner.

- Column 1. Enter the allocated ordinary business income from the partnership return, Form CF-1065, Schedule C, column 3, for each partner.
- Column 2. Enter the net operating loss deduction from the partnership claimed on each partner's individual city's income tax return.
- Column 3. Enter the retirement plan deduction claimed on each partner's individual city's income tax return that was based upon income from the partnership.
- Column 4. Enter the basis for computing the Renaissance Zone deduction for business income, column 1 less columns 2 and 3.
- Column 5. Enter the Renaissance Zone deduction for business income before phase out, column 4 multiplied by line 8 for each partner.

Total each column of line 9.

RENAISSANCE ZONE DEDUCTION FOR PARTNERSHIP INCOME NOT INCLUDED IN LINE 9 AND GUARANTEED PAYMENTS PRIOR TO PHASE OUT

Line 10.

Partner Number Enter the partner number for each partner.

- Column 1. For each partner who was a qualified resident domiciled in a Renaissance Zone during the tax year, enter the

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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 Renaissance Zone, enter the partner's taxable share of the interest and dividend income included in the amount reported on Form CF-1065, Schedule B, column 3, lines 1

and 2. For each partner who is another partnership or a corporation enter the partner's share of the interest and dividend income included in the amount reported on Form CF-1065, Schedule B, column 3, lines 1 and 2. For individual nonresident partners enter zero.

Column 3. For each partner who was a resident domiciled in a Renaissance Zone, enter the partner's share of income from the sale and exchange of property included in the amount reported on Form CF-1065, Schedule B, column 3, lines 3, 4 and 5. For all other partners enter their share of income from the sale and exchange of property located in a Renaissance Zone included in the amount reported on Form CF-1065, Schedule B, columns 3 or column 5, lines 3, 4 and 5.

Column 4. For each partner who was a resident domiciled in a Renaissance Zone, enter the partner's share of income from rents and royalties included in the amounts reported on Form CF-1065, Schedule B, column 3, lines 6, 7 and 8. For other partners enter partner's share of rent and royalty income from property located in a Renaissance Zone included in the amounts reported on Form CF-1065, Schedule B, column 3 or column 5, lines 6, 7 and 8.

Column 5. For each partner who was a resident domiciled in a Renaissance Zone, enter the partner's share of other income included in the amounts reported on Form CF-1065, column 3, lines 9 and 10. For all other partners enter their share of the other income reported on Form CF-1065, Schedule B, column 3 or column 5, lines 9 and 10.

Column 6. For each partner receiving guaranteed payments, enter the amounts reported on Form CF-1065, Schedule C, column 4.

Column 7. For each partner, add the amounts reported on line 10, columns 2 through 6, and enter the total in column 7.

Total each column of line 10.

RENAISSANCE ZONE DEDUCTION PHASE OUT PERCENTAGE

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 two 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. For example, properties in Renaissance within Zones 1 through 6, designated beginning January 1, 1997, entered the phase out period in 2009 (unless the specific property was granted an extension).

If the partnership files their city income tax return on a fiscal year basis, the deduction phase out will be made up of two different phase out percentages, one for the number of months of the fiscal year in the year in the first phase out calendar year, and one for the number of months in the fiscal year in the following phase out year. A short tax year may or may not be in two different phase out years.

Line 11. In column 1 enter the number of months in the tax year or short period prior to January 1, 2017. In column 2 enter the number of months in the tax year or short period after December 31, 2016.

Line 12. In column 1 enter the Renaissance Zone deduction phase out percentage for calendar year 2016. In Column 1 enter the Renaissance Zone deduction phase out percentage for calendar year 2016.

Line 13. Calculate and enter the Renaissance Zone phase out percentage for each column by multiplying line 11 by line 12 and dividing the result by the number of months in the tax year or short period (usually 12).

Line 14. Compute and enter the Renaissance Zone phase out percentage by adding the amounts on line 13 of columns 1 and 2.

RENAISSANCE ZONE DEDUCTION

Line 15.

Partner Number Enter the partner number for each partner.

Partner Number Column. Enter each partner's partner number in the Partner Number column.

Column 1. Add the amounts for each partner and the total as reported on line 9, column 5 and line 10, column 7.

Column 2. Calculate and enter the deduction phase-out for each partner and the total by multiplying the amount reported in column 1 by the percentage on line 14, column 1.

Column 3. Calculate and enter the Renaissance Zone deduction for each partner and the total by subtracting the amount in column 2 from the amount in column 1.

Total each column of line 15. Enter Renaissance Zone deduction for each partner and the total Renaissance Zone deduction from column 3 on Schedule 2, column 5.

WEBSITE

Income tax forms, instructions and additional information are available on the website of the city. The website address for a city is found in Appendix I.

NOTICE

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