

2004 INSTRUCTIONS FOR FORM PH-1120 CITY OF PORT HURON CORPORATION RETURN

Who Must File a Return

Every corporation that is doing business in the City of Port Huron must file a return. You must file a return even if the corporation did not maintain an office or place of business in the City. You must file a return whether or not the business has a net profit.

Under the Uniform City Income Tax Act all corporations are taxed as corporations. A Sub-chapter S corporation must file as a corporation for Port Huron income tax purposes. A corporation cannot elect to be taxed as a partnership.

Nonprofit entities that are exempt from Federal income tax do not have to file a Port Huron return. Nonprofit entities must submit a copy of their IRS determination letter to our office. The ordinance also exempts banks, trust companies, insurance companies, building and loan and saving and loan associations, and credit unions.

Date Due and Payments

The return is due by the last day of the fourth month, following the end of your corporation's taxable year. Calendar year 2004 returns are due by April 30, 2005. The return must be for the same taxable period as your federal return.

Mail your return and payment to:

Income Tax Division
100 McMorran Boulevard
Port Huron, MI 48060

Make all checks payable to:

Treasurer, City of Port Huron

Extensions

To get an extension, use form PH-4868, Application for Automatic Extension of Time to File a City Income Tax Return. File the form on or before the due date of your return. **An extension does not extend the time for paying the tax due.** You must pay the total estimated tax due with the form. We will charge you penalty and interest if you underestimate or fail to pay the estimated tax due. You do not need to file an extension if you will be claiming a refund.

Declaration and Payment of Estimated Tax

Corporations must make estimated tax payments every year that their total City tax will exceed \$250.00. To make estimated payments, file Form PH-1040ES, Declaration of Estimated Tax.

Estimated taxes are payable in four equal installments. The payments are due on the last day of the 4th, 6th, 9th and 13th month after the start of your fiscal year. For calendar year taxpayers, the payments are due on April 30, June 30, September 30, and January 31. You may also pay in full with the first voucher. If you need estimated tax forms, please call (810) 984-9741.

Instructions for Page 1

Line 1a. Enter the net profit or loss from your Federal corporate income tax return. **You must attach a copy of pages one through four of your Federal Form 1120 or 1120S.**

Line 1b. If you have approval to use the separate accounting method, enter your net profit or loss from page 2, Schedule C.

Line 2. Exclude on this line any portion of capital gains and losses occurring before the effective date of the ordinance, January 1, 1969. Compute the exclusion by using one of the following methods:

- 1) The difference between the purchase price and the fair market value of the asset on 1/1/69.
- 2) Prorate the amount based on the number of months since 1/1/69 in relation to the total number of months held.

Line 8. Show on this line the net operating loss carryover for the City of Port Huron. You may carry net operating losses forward for the same number of years allowed on your federal return. However, you cannot carry net operating losses back to a prior year. Attach a schedule showing the amount of unused loss by tax year. You must have previously filed a Port Huron return for each year showing the loss.

Line 14. If line 10 exceeds line 13, enter the difference on line 14. This is your balance due. **You must pay the balance due when you file the return.** Make your check or money order payable to: Treasurer, City of Port Huron. Mail both the return and your payment to: Income Tax Division, 100 McMorran Boulevard, Port Huron, Michigan 48060. If you are paying in person, please pay at the City Treasurer's office.

Line 15. If line 13 exceeds line 10, enter the difference on line 15. This is the amount you overpaid. Show on line 16 whether you want your overpayment refunded or credited to next year's estimated taxes. Mail the return to: Income Tax Division, 100 McMorran Boulevard, Port Huron, Michigan 48060. We will issue all refunds as quickly as possible. Please allow 60 days before making an inquiry.

Instructions for Schedule C

The corporation may petition for or we may require that you use the separate accounting method. You must request approval to use the separate accounting in writing. You must request approval within the first ninety days of your taxable year or other taxable period. Once we have granted approval to use the method, it will remain in effect if you continually use the method. To report using the separate accounting method, you must regularly keep your books and records by such a method.

Lines 12 & 13. Taxpayers using the separate accounting method must include in taxable income a proportionate share of dividends, interest, and other non-operating income. Apportion the income on the same basis as general administrative and overhead costs. If the division subject to Port Huron tax receives the income directly, use direct allocation.

Line 14. Use the same rules for rent and royalty income that you used for dividends and interest income (lines 12 and 13).

Line 15. Enter the full amount of any net capital gain for the period on this line. Adjust the amount for any portion of capital gains or losses occurring before January 1, 1969 on page 1, line 2.

Line 26. Charitable contributions are deductible to the same extent, with the same limitations, that they are deductible under the Internal Revenue Code.

Line 27. Use the same basis and method to calculate depreciation that you used on your Federal return.

Instructions for Schedule D

The Business Allocation Formula is to be used by corporations with business activity both inside and outside the City of Port Huron and are not using the separate accounting method.

Line 1a. Show in column I the average net book value of all real and tangible personal property owned by the business no matter where it is located. In column II show the net book value of all real and tangible personal property owned by the business in the City of Port Huron. You may find the average net book value by adding the net book value at the beginning and at the end of the year and dividing the sum by two. You may also use any other method that accurately reflects the average net book value for the year.

Line 1b. Show in column I the gross rentals for the year multiplied by eight for all rented property no matter where the property is found. In column II enter the gross rentals for the year multiplied by eight for all rented property in the City. Gross rentals refer only to real property, rented or leased. Rent includes all amounts paid, directly or indirectly, for the use or possession of the property.

Line 2. Show in column I the total compensation paid to all employees during the year. In column II enter the amount of compensation paid to employees for work done or services performed within the City of Port Huron during the year.

Line 3. Show in column I the total gross receipts from all sales or services rendered during the year. In column II enter the amount of receipts from sales made or services rendered in the City of Port Huron during the year.

Line 5. In determining the average percentage, exclude a factor only if the factor does not exist as far as your business operation is concerned. If a factor does not exist, divide the sum of the percentages by the number of factors used.

Instructions for Schedule E

Line 1. Use this line to adjust your net profit for items reflected in taxable income that are attributable to any period before January 1, 1969.

Line 6. We do not tax interest income from federal, state or municipal government obligations.

Line 7. If you reported dividend income, enter on this line the amount of the dividends received deduction allowed by the Internal Revenue Code.

Line 8. If you took a foreign tax credit, rather than a foreign tax deduction on your Federal return, enter on this line the total foreign taxes paid or accrued (from the IRS Form 1118).

Assistance

If you have any questions or need help, please call **(810) 984-9741**. You can also visit our office in room 112 of the Municipal Office Center, 100 McMorran Boulevard, Port Huron, Michigan 48060.