

CITY OF WALKER INCOME TAX

2011 CORPORATION RETURN

Instructions for Form W-1120 for CORPORATIONS doing business in Walker

DIRECT DEPOSIT/DIRECT WITHDRAWAL

Direct deposit refund of overpayments and direct withdrawal of balance due is available for 2011 tax returns.

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, is required to file an annual City of Walker Corporation Income Tax Return, Form W-1120.

Corporations cannot elect to file and be taxed as partnerships. Subchapter S corporations are treated as C corporations.

The Walker Income Tax Ordinance specifically exempts financial institutions from taxation. "Financial institutions" are defined as state and national banks, trust companies, building and loan associations, 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, interest or other charges resulting from the use of money or credit.

RETURN FORMS

Corporation income tax return forms are no longer mailed. Forms are available for download at www.ci.walker.mi.us/incometaxforms.

TAX ZONE DEDUCTIONS

A corporation located and doing business in a Walker Tool & Die Recovery Zone or Renaissance Recovery Zone may be eligible to claim the Tool & Die Recovery Zone or Renaissance Zone deduction. This deduction allows the corporation to deduct the portion of their income earned in a Walker Tool & Die Recovery Zone or Renaissance Zone from income subject to Walker income tax. A taxpayer is not qualified to claim either deduction if the corporation is delinquent for any Michigan or local taxes. A Walker income tax return must be filed to claim this deduction. Schedule TD of W-1120 is required to be attached to the corporation return when claiming the Tool & Die Recovery Zone deduction. Schedule RZ of W-1120 is required to be attached to the corporation return when claiming the Renaissance Zone deduction.

TAX RATE

1.0% effective January 1, 1988.

FILING DATE

Taxpayers on a calendar year are required to file by April 30, 2012. 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.

REMITTANCE

The tax due must be paid when filing the return. Make check or money order payable to:

TREASURER, CITY OF WALKER

MAILING ADDRESS

Mail your return and remittance to:

CITY OF WALKER INCOME TAX DEPARTMENT
PO BOX 153
GRAND RAPIDS, MI 49501-0153

EFFECTIVE DATE OF TAX

The City of Walker income tax became effective January 1, 1988. Corporations are required to pay the tax each year on that part of their net income attributable to business activity conducted in Walker, commencing with their first year ending after January 1, 1988.

EXTENSIONS

Upon filing the form APPLICATION FOR EXTENSION OF TIME TO FILE WALKER INCOME TAX RETURNS (W-EXT) (available on the City's website) on or before the date for filing a return, the Income Tax Administrator may extend the time for filing up to six months. When an extension is requested, the tentative tax must be paid.

When an extension form is filed, it may be assumed that the extension is automatically granted unless otherwise notified. When the return is filed, a copy of the application for extension must be attached. If the

return is filed after the extended due date, penalty and interest will apply from the original due date.

PAGE 1 INSTRUCTIONS

LINES 1 – 9. Follow the instructions printed on the return form.

LINES 11 AND 12. Follow the instructions printed on the return form.

TAX ZONE DEDUCTIONS

LINE 10. Corporations qualified to claim the Tool & Die Recovery Zone deduction or Renaissance Zone deduction calculate the deduction on Schedule TD or Schedule RZ of W-1120. When claiming either deduction, enter the deduction amount on line 10.

PAYMENTS AND CREDITS

LINE 13. Enter the total of 2011 estimated payments, amounts carried forward from a 2010 W-1120, amounts paid with an extension request (form W-EXT) and credit for tax paid by a partnership on behalf of the corporation on line 13.

OVERPAYMENT OF TAX

LINE 14. If the total tax payments (line 13) are greater than tax due (line 12) subtract line 12 from line 13 and enter the tax overpayment.

LINE 15. Enter all or the portion of the overpayment to be applied to the 2012 estimated tax as a credit forward.

LINE 16. For future use. There are no donations available for tax year 2011.

LINE 17. Enter all or the portion of the overpayment to be refunded via a paper refund check.

LINE 18. Enter the amount of the overpayment to be refunded via direct deposit. Mark the box on line 18 for Refund—Direct Deposit and complete (a) the bank routing number, (b) the bank account number and (c) the account type.

TAX DUE

LINE 19. If tax due (line 12) is greater than the total tax payments (line 13) subtract line 13 from line 12 and enter the tax due. Tax due must be paid when filing the return.

To pay with a check or money order make the check or money order payable to TREASURER, CITY OF WALKER, and mail the payment with the return to CITY OF WALKER INCOME TAX DEPARTMENT, PO BOX 153, GRAND RAPIDS, MI 49501-0153.

To make payment via direct withdrawal from your bank account, mark the box on line 18 to Pay tax due—Electronic funds withdrawal, enter the electronic funds withdrawal effective date (no later than the due date of the return) and complete (a) the bank routing number, (b) the bank account number and (c) the account type. If no effective date is shown, the withdrawal will be made upon receipt of the return. Mail your return to the address listed in the preceding paragraph.

PAGE 2 INSTRUCTIONS

SCHEDULE S

S corporations must file as C corporations. Schedule S is used to reconcile the amount reported on line 1, page 1 of W-1120 with federal Form 1120S and Schedule K (Form 1120S).

SCHEDULE C

COLUMN 1, LINE 1. Enter on line 1 the nondeductible portion of a loss from the sale or exchange of property acquired prior to January 1, 1988. The portion of the loss occurring prior to the inception of the Ordinance, January 1, 1988 is not recognized. The amount of loss occurring prior to January 1, 1988 is determined by either (1) computing the difference between the total gain or loss for the property as reported for federal income tax purposes and the Walker taxable portion of the loss computed by substituting the fair market value of the property on January 1, 1988, (the December 31, 1987, closing price for traded securities) for the basis in determining gain or loss; or (2) by multiplying the loss for the entire holding period, as computed for federal income tax purposes, by a fraction, the numerator being the number of months the property was held prior to January 1, 1988 and denominator being the total number of months the property was held. See Column 2, line 5 for instructions relative to gains from sales or exchanges of property acquired prior to January 1, 1988.

Capital losses from U.S. Government obligations included in income reported on page 1, line 1 are not deductible. Remove these losses by including them in the amount reported on line 1.

COLUMN 1, LINE 4. Enter the losses from entities filing as partnerships that are included in taxable income reported on page 1, line 1. Also enter the domestic production activities deduction taken for federal purposes. Submit a schedule showing the detail of amounts included here.

COLUMN 2, LINE 1. Enter the amount of interest income from obligations of the United States, the states or subordinate units of government of the state that is included in taxable income reported on page 1, line 1.

COLUMN 2, LINE 2. If you reported dividend income, enter on this line the amount of the dividend-received deduction allowed by the federal Internal Revenue Code for dividends received.

COLUMN 2, LINE 3 AND LINE 4. 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.

If a foreign tax credit, rather than a foreign tax deduction, was claimed on your federal return, enter on line 3 the portion of the foreign tax credit which was grossed up and included in your Walker return as dividends received.

Enter on line 4 the "foreign taxes paid or accrued" portion of the foreign tax credit claimed on your federal return, not in excess of the federal limitations thereon. The balance of your foreign tax credit is not deductible.

COLUMN 2, LINE 5. Enter on line 5 the nontaxable portion of a gain from the sale or exchange of property acquired prior to January 1, 1988. The portion of the gain occurring prior to the inception of the Ordinance is not recognized. Refer to the instructions for Schedule C, column 1, line 1 for computation instructions.

Capital gains from U.S. Government obligations included in income reported on page 1, line 1 are not taxable. Remove these gains by including them in the amount reported on line 5.

COLUMN 2, LINE 6. Enter income from entities filing as partnerships that are included in taxable income reported on page 1, line 1.

SCHEDULE D

The business allocation percentage formula must be used by corporations with business activity both within and outside the City of Walker who have not been approved to use the separate accounting method. If a corporation has a property and payroll percentage that is 100% Walker, you do not have business activity outside the City of Walker and may not allocate sales. Enter 100% on Schedule D, line 5.

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 2 show the net book value of the real and tangible personal property owned and located or used in the City of Walker. 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.

LINE 1a. 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 of Walker. 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 paid, 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 of Walker 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 2 show the amount of revenue derived from sales made or services rendered in the City of Walker during the year. If there is no regularly maintained sales force outside of the city, this allocation factor must be 100% for businesses with no other business activity outside the city.

Separate Accounting - The taxpayer may petition for, or the administrator may require, use of the separate accounting method. If such method is petitioned, the administrator may require a detailed statement to determine whether the net profits attributable to the city will be apportioned with reasonable accuracy.

Generally, a corporation that is unitary in nature (i.e., has central management, purchasing, warehousing, advertising, etc.) cannot use separate accounting. 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. This type of income is apportioned to Walker activity on the same basis as general administrative and overhead costs are apportioned.

SCHEDULE G

LINE 1. Net operating losses carried forward are to be reported on this line. There is no provision for carrying back losses to prior tax years. Carryover losses are to be allocated to Walker at the percentage of business conducted in Walker in the year in which the loss was sustained. If all business was not conducted in Walker in the year in which the loss was sustained, use the business allocation percentage formula to arrive at the deductible portion of the loss. Attach a schedule showing your computation for the amount reported on this line.

LINE 2. Enter on this line the net capital loss carryover applicable to Walker. Net capital losses sustained by a corporation for periods subsequent to January 1, 1988 may be carried forward in the same manner as under the federal Internal Revenue Code. No deduction will be allowed for capital losses sustained prior to January 1, 1988. If all business was not conducted in Walker in the year in which the loss was sustained, use the business allocation percentage formula to arrive at the deductible portion of the loss. Attach a schedule showing your computation for the amount reported on this line.

LINE 3. Corporations who are partners in a business activity taxed as a partnership that has business activity in Walker must enter on this line their portion of the Walker taxable income or loss from the partnership(s). Attach a schedule showing your computation for the amount reported on this line including the name and taxpayer identification number of the partnership(s).

INFORMATION AND PREPARER AUTHORIZATION

Third Party Designee. If the "Yes" box is marked, the corporation is authorizing the Walker Income Tax Department to call the preparer to answer any questions that may arise during the processing of its return. The corporation is also authorizing the preparer: to give the Department any information that is missing from the return; to call the Department for information about the processing of the return or the status of any related refund or payments; and to respond to certain notices that the corporation has shared with the preparer about math errors, offsets and return preparation.

DECLARATION AND PAYMENT OF ESTIMATED TAX

- 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 W-1120ES). A Declaration is not required from corporations if the estimated tax is two hundred fifty dollars (\$250.00) or less.
- WHEN AND WHERE TO FILE AND PAY:**
 - Declaration for Calendar Year.** The Declaration for a calendar year must be filed on or before April 30th of that year. The estimated tax is payable in equal installments on or before April 30th, June 30th, September 30th and January 31st.
 - 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 a fiscal year begins on April 1st, the Declaration will be due on July 31st. Remaining installments will then be due on the last day of the 6th, 9th and 13th months after the beginning of the fiscal year.
 - Filing and Payment:** The Declaration should be filed with the Walker City Income Tax Department, P.O. Box 153, Grand Rapids, MI 49501-0153. The first installment payment must accompany the Declaration. The estimated tax may be paid in full with the Declaration due on or before April 30th of the tax year.

ASSISTANCE

If you have questions, would like to request forms, or need assistance in preparing your return call (616) 791-6880. Questions by mail should be directed to: Walker City Income Tax Department, P.O. Box 153, Grand Rapids, Michigan 49501-0153.

WEBSITE

Income tax forms, instructions and additional information are available under the Income Tax Department section of the City of Walker website, www.ci.walker.mi.us.

NOTICE

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