

**INSTRUCTIONS FOR FORM BC-1120
CITY OF BATTLE CREEK INCOME TAX
2011 CORPORATE RETURN
FOR CORPORATIONS WITH BUSINESS ADDRESS AND/OR ACTIVITY IN BATTLE CREEK**

ROUNDING TO NEAREST DOLLAR

Rounding of amounts to the nearest dollar is allowed per a 1996 Income Tax Ordinance amendment. PLEASE ROUND TO NEAREST DOLLAR

RENAISSANCE ZONE DEDUCTION

A corporation located and doing business in a Battle Creek Renaissance Zone may be eligible to claim the new Renaissance Zone deduction. This deduction allows the corporation to deduct the portion of their income earned in a Battle Creek Renaissance Zone from income subject to Battle Creek income tax. A taxpayer is not qualified to claim the deduction if the corporation is delinquent for any Michigan or local taxes. A Battle Creek income tax return must be filed to claim this deduction.

FILING DATE:

Calendar year taxpayers must file by April 30, 2012. Fiscal year taxpayers must file within 4 months after the end of their fiscal year. Returns shall be for the same calendar year, fiscal year, or other accounting period, approved for federal and Battle Creek City income tax filing.

REMITTANCE:

The tax due, if one dollar (\$1.00) or more, must be paid when filing the return. (If total tax exceeds \$250 see estimated tax requirement).

Make remittance payable to: BATTLE CREEK CITY TREASURER

Mail refund & other returns to: CITY INCOME TAX DIVISION
P.O. BOX 1657
BATTLE CREEK MI 49016-1657

EFFECTIVE DATE OF TAX

The City of Battle Creek income tax became effective July 1, 1967. Corporations are required to pay the tax each year on that part of their net income attributable to business activity conducted in Battle Creek, commencing with their first year, calendar or fiscal, ending after July 1, 1967. (Businesses located in the former Battle Creek Township became a part of the City on January 1, 1983).

CORPORATIONS REQUIRED TO FILE

Each corporation with business activity in the city, whether or not it has an office or place of business in the city, is required to file a City of Battle Creek Corporate Income Tax return, Form BC-1120.

An amended Battle Creek return is required if a determination is made by the Internal Revenue Service that affects the taxpayer's Battle Creek income tax liability. This return is due within 90 days from the date of the service's final determination.

Organizations that have an Internal Revenue Service exemption from taxation, but have income from operations not related to the purpose for which they received the exemption, are subject to Battle Creek tax on the unrelated income.

A tax-option corporation (S-corp) must file a Battle Creek Corporate return and pay the tax on its income.

The election provided in the Internal Revenue Code for a qualifying Domestic International Sales Corporation is not available in the Battle Creek Income Tax Ordinance.

Battle Creek may require a parent corporation to file a consolidated return with its subsidiaries if the business is unitary and such filing would more accurately determine net profits attributable to Battle Creek.

The Battle Creek ordinance exempts financial institutions and insurance companies from taxation. Financial institutions are defined in Section 6(4), Ordinance No. 866.

EXTENSION

Upon written request from the taxpayer, made on or before the due date, the Administrator may extend the time for filing up to six months. An application for extension of time Form BC 4868, is available on request.

When two copies of the application form are filed, along with a stamped, pre-addressed envelope, an approved copy will be returned. When the extended Battle Creek

income tax return is filed, a copy of the application for extension must accompany it. If the return is filed after the extended due date, penalty and interest for late filing will apply from the original due date.

If an extension is requested, an estimated tax must be paid no later than the actual due date of the return. **AN EXTENSION OF TIME TO FILE IS NOT AN EXTENSION OF TIME TO PAY.** If you underestimate the tax due and do not pay enough with your extension request, you must pay interest on the unpaid amount.

INCOME OR LOSS FROM ACTIVITY IN BATTLE CREEK

Formulary apportionment is used to determine taxable income or loss. However, a taxpayer may petition the Administrator for approval to use a separate, or alternate accounting method.

A petition to use separate accounting, or an alternate method, must be made in writing within 90 days following the beginning of the accounting period for which its use is requested. If the petition is approved, a copy of the approval letter must be submitted with any return that has been prepared using this method to determine taxable income or loss. If the taxpayer's petition is not approved, formulary apportionment must be used.

Unless a separate accounting method has been approved, total income (including interest, dividends, and other non operating income) shall be subject to the apportionment percentage.

Generally, a corporation that is unitary in nature (i.e. has central management, purchasing, advertising, etc.) cannot use separate accounting.

INSTRUCTIONS FOR PAGE 1

Line 1. Attach a copy of your federal return or complete Schedule C, page 2. "Profit (or Loss) Form".

Line 2. Enter the amount from Schedule E Column 1 line 5 on page 2. "Adjustments"

Line 4. Enter the amount from Schedule E Column II line 11 page 2. "Adjustments"

Line 6. Enter 100% or amount from Schedule D line 5 page 2. "Business Allocation Formula"

Line 8. Enter on this line the net capital loss carryover and net operating loss carryover applicable to Battle Creek.

Net capital losses sustained by a corporation for periods subsequent to July 1, 1967, may be carried forward the following **five consecutive years**. No deduction will be allowed for capital losses sustained prior to July 1, 1967, (Businesses located in the former Battle Creek Township, prior to January 1, 1983). Capital losses and capital loss carryovers are deductible only to the extent of capital gains. Net operating losses carried forward are to be shown on line 8 of this return. No deduction will be allowed for net operating losses sustained prior to July 1, 1967, or the date annexation took place (January 1, 1983) whichever applies.

Carryover losses are to be allocated to Battle Creek at the percentage of business conducted in Battle Creek in the year in which the loss was sustained. If all business was not conducted in Battle Creek in the year in which the loss was sustained, use the business allocation percentage formula to arrive at the deductible portion of the loss. If you did not allocate the loss reported on prior years' returns and you did not conduct 100% of your business in Battle Creek, attach a schedule showing your computation for the amount reported on this line. There is no provision for carryback losses. Carryover losses are carried forward to the same extent as Federal Income Tax Rules (15 years).

LINE 8a. Corporations qualified to claim the Renaissance Zone deduction calculate the tax due on Schedule RZ of BC-1120. Be certain to attach Schedule RZ to the BC-1120. All other corporations compute the tax due at 1.0% of line 15.

Generally, a corporation that is unitary in nature, i.e. has central management, purchasing, warehousing, advertising, etc. cannot use separate accounting.

Line 15. Tax Due



SCHEDULE D—

Line 1. Enter in column I the average net book value of all real estate and tangible personal property owned by the business regardless of location, and in column II show the average net book value of the real and tangible personal property owned and located in the City of Battle Creek.

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 by two. If this method will not properly reflect the average net book value of tangible property owned during the year, any other method that will accurately reflect it will be considered by the Administrator upon receipt of a written request.

Line 1a. Enter in column I the gross annual rent multiplied by 8 for all rented real property regardless of location. In column II show the gross annual rent multiplied by 8 for rented real property located in the City of Battle Creek.

Gross annual rent should include money and other consideration given for the use or possession of real property rented or leased, including public warehouse storage charges.

Line 2. Enter in column I total compensation paid to all employees during the year. In column 2 show compensation paid to employees for work or services performed within the city of Battle Creek, during the year.

Line 3. Enter in column I the total gross revenue from all sales or services rendered during the year. In column 2 show the amount of revenue derived from sales made or services rendered in the city of Battle Creek, during the year.

Rental income is to be considered as derived from services rendered and is to be included in gross receipts.

SCHEDULE E. COLUMN 1—

Line 1. Adjust income for the non-deductible portion of losses from the sale or exchange of property acquired prior to effective date of July 1, 1967. See instructions below for Schedule E, Column 2, line 10 for computing losses or gains on property acquired before effective date.

Line 4. Deduct items not taxable to Battle Creek. Complete Schedule E, column 2 to substantiate your deduction.

SCHEDULE E. COLUMN 2—

Line 6 and 7. The City of Battle Creek Income Tax Ordinance provides for the specific exclusion from the tax interest from obligations of the United States and the states or subordinate units of government of the state.

Line 8. If you reported dividend income, enter on this line the amount of the dividend-received deduction allowed by the Federal Revenue Code for dividends received.

Line 9 and 10. 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 taken on your federal return enter on line 8 the portion of the foreign tax credit which was grossed up and included in your Battle Creek return as dividends received and enter on line 9 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.

Total income must be apportioned if the corporation had activity within and without the city, and permission to use separate accounting or an alternate method has not been granted. Complete Schedule D, page 2 to support the apportionment.

SCHEDULE F

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

COMPUTATION AND PAYMENT OF TAX

After computing your Battle Creek income tax and deducting your credits, if there is any tax due it must be paid when filing this return. Make check or money order payable to BATTLE CREEK CITY TREASURER, and mail with this return to CITY INCOME TAX DEPARTMENT, P.O. BOX 1657, BATTLE CREEK, MI 49016-1657. If your payments and credits exceed the tax, show the amount of such overpayment on line 13. If the overpayment is to be applied to 2012 estimated tax, indicate the amount on line 14. If the overpayment is to be refunded, indicate the amount on line 15. Refunds will be made as quickly as possible, but please allow 90 days before making any inquiry.

DECLARATION AND PAYMENT OF ESTIMATED TAX

1. WHO MUST FILE: Every corporation subject to the tax on all or part of its net profits must file a Declaration of Estimated Income Tax (Form BC-1120ES). A Declaration is not required from corporations if the estimated tax is two hundred fifty dollars (\$250.00) or less.

2. WHEN AND WHERE TO FILE AND PAY:

- A. Declaration for Calendar Year: The Declaration for a calendar year must be filed on or before April 30th of that year. The estimated tax is payable in equal installments on or before April 30th, June 30th, September 30th and January 31st.
- B. Declaration for Fiscal Year: The Declaration for a year, or period differing from the calendar year must be filed within four (4) months after the beginning of each fiscal year or period. For example, if 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 month after the beginning of the fiscal year.
- C. Filing and Payment: The Declaration should be filed with the City Income Tax Department, P.O. Box 1657, Battle Creek, MI 49016-1657. The first installment payment must accompany the Declaration. The estimated tax may be paid in full with the Declaration.

WEBSITE

Income tax forms, instructions and additional information are available under the Income Tax Department section of the City of Battle Creek website, http://www.battlecreekmi.gov/city_government/permits_and_forms.htm

NOTICE

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

ASSISTANCE

If you have questions, or need assistance, call 269-966-3345. The Income Tax Division is located in Room 114, City Hall Building.

Questions by mail should be directed to:

BATTLE CREEK CITY INCOME TAX
ATTN: ADMINISTRATOR
P.O. BOX 1657
BATTLE CREEK, MICHIGAN 49016-1657

The Battle Creek income tax is imposed under Ordinance 866. Enabling legislation was provided by the State of Michigan. The Uniform City Income Tax Ordinance provided by Section 3 of Chapter 1 of Act 284 of the Public Acts of the State of Michigan of 1964.

These instructions are intended as an aid in the preparation of your Battle Creek return.