INSTRUCTIONS FOR SCHEDULE RZ OF GR-1065
PARTNERSHIP RENAISSANCE ZONE DEDUCTION

Revised 04/27/2016

GENERAL INFORMATION

Several geographic areas within Grand Rapids were designated as Renaissance Zones. This designation grants tax relief to qualified partnerships located and conducting business activity within a Grand Rapids Renaissance Zone. In conjunction with the designation of these zones, the Grand Rapids 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 Grand Rapids 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 GR-1040 with their individual returns.

HOW TO CLAIM A RENAISSANCE ZONE DEDUCTION

To claim or pass through the City of Grand Rapids Renaissance Zone deduction, a partnership must file Schedule RZ with their Grand Rapids 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 <u>not eligible</u> to claim a Renaissance Zone deduction if the partnership:

1. Is delinquent in filing or paying <u>any</u> 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 Grand Rapids City Treasurer's Office 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 Grand Rapids outside of a Renaissance Zone and moves to a location within a Renaissance Zone in Grand Rapids 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 in Renaissance Zones 1 through 6 becomes a qualified taxpayer on the first day after December 31, 1996, that the partnership is located and conducting business activity in a Grand Rapids Renaissance Zone. The qualification continues until the partnership ceases to be located and conducting business activity in a Grand Rapids Renaissance Zone or until expiration of the Renaissance Zone designation, December 31, 2012.

RENAISSANCE ZONES 7 THROUGH 10. A partnership located in Renaissance Zones 7 through 10 becomes a qualified taxpayer on the first day after December 31, 2002, that the partnership is located and conducting business activity in a Grand Rapids Renaissance Zone. The qualification continues until the partnership ceases to be located and conducting business activity in a Grand Rapids Renaissance Zone or until expiration of the Renaissance Zone designation..

OTHER RENAISSANCE ZONES. Additional Renaissance Zones have been designated as such for various lengths of time from 5 to 15 years. The qualification continues until the partnership ceases to be located and conducting business activity in a Grand Rapids 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 Grand Rapids 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 Grand Rapids 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 GR-1065 through Schedule E, before doing Schedule RZ.

Line 1. Enter the street address of each location in a Grand Rapids Renaissance Zone and provide the number of the zone for each.

Line 2. Enter the beginning date and ending date the partnership was qualified to claim the Grand Rapids 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 Grand Rapids 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 Grand Rapids. In column 2, enter the average net book value of the real and tangible personal property owned and located in a Grand Rapids Renaissance Zone. 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 Grand Rapids. In column 2, show the gross annual rent multiplied by 8 for rented real property located in a Grand Rapids Renaissance Zone.

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 Grand Rapids. In column 2, enter compensation paid to employees for work or services performed within a Grand Rapids Renaissance Zone. 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 BUSINESS INCOME PRIOR TO PHASE OUT

Lines 9a - 9e.

Column 1. Enter the allocated ordinary business income from the partnership return, Form GR-1065, Schedule C, column 3.

Column 2. Enter the net operating loss deduction from the partnership claimed on each partner's individual Grand Rapids income tax return.

Column 3. Enter the retirement plan deduction claimed on each partner's individual Grand Rapids 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.

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PARTNERSHIP RENAISSANCE ZONE DEDUCTION

Column 5. Enter the Renaissance Zone deduction for business income before phase out, column 4 multiplied by line 8 for each partner.

RENAISSANCE ZONE DEDUCTION FOR APPORTIONED INCOME (INCOME NOT INCLUDED IN SCHEDULE A OR SCHEDULE F) PRIOR TO PHASE OUT

Lines 10a -10e.

Column 1. For each partner who was a qualified resident domiciled in a Grand Rapids Renaissance Zone during the tax year, enter the 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 Grand Rapids Renaissance Zone, enter the partner's taxable share of the interest and dividend income included in the amount reported on Form GR-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 GR-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 Grand Rapids Renaissance Zone, enter the partner's share of income from the sale and exchange of property included in the amount reported on Form GR-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 GR-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 Grand Rapids Renaissance Zone, enter the partner's share of income from rents and royalties included in the amounts reported on Form GR-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 Grand Rapids Renaissance Zone included in the amounts reported on Form GR-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 Grand Rapids Renaissance Zone, enter the partner's share of other income included in the amounts reported on Form GR-1065, column 3, lines 9 and 10. For all other partners enter their share of the other income reported on Form GR-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 GR-1065, Schedule C, column 4.

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

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 Grand Rapids 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, 2013. In column 2 enter the number of months in the tax year or short period after December 31, 2013.

Line 12. In column 1 enter the Renaissance Zone deduction phase out percentage for calendar year 2012. In Column 1 enter the Renaissance Zone deduction phase out percentage for calendar year 2013.

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

Lines 15.

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 form column 3 on Schedule 2, column 5.

ASSISTANCE

Find the Income Tax Department on line at www.grcity.us/incometax; e-mail questions to gr1065tax@grcity.us; call (616) 456-3415, option 5; or visit the Grand Rapids Income Tax Department, 300 Monroe Ave NW, Room 380, Grand Rapids, Michigan 49503.

WEBSITE

Income tax forms, instructions and additional information are available under the Income Tax Department section of the City of Grand Rapids website, www. grcity.us/incometax.

NOTICE

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

Partnership name as shown on GR-1065	Federal Employer Identification Number	SCH RZ (Form GR-1065) Page 1 of 2

PARTNERSHIP RENAISSANCE ZONE DEDUCTION, SCHEDULE RZ OF FORM GR-1065

FOR COMPUTATION OF THE RENAISSANCE ZONE DEDUCTION

FOR USE BY A PARTNERSHIP LOCATED AND DOING BUSINESS IN A GRAND RAPIDS RENAISSANCE ZONE

1. Address of each location in a Grand Rapids Renaissance Zone and the number of the zone	2. Dates qualified to claim RZ deduction	
	Starting date	/ /
	Ending date	/ /
	Starting date	/ /
	Ending date	/ /

DISQUALIFICATION SECTION

A PARTNERSHIP IS NOT QUALIFIED TO CLAIM THE RENAISSANCE ZONE DEDUCTION IF ANY OF THE FOLLOWING TAXES ARE DELINQUENT:

Grand Rapids Income Tax	Personal Property Tax	Commercial Facilities Tax (CFT)	City (Detroit) Utilities Users Tax
Michigan Income Tax	Michigan Single Business Tax	Enterprise Zone Tax	Technology Park Development Tax
General Property Tax	Industrial Facilities Tax (IFT)	Neighborhood Enterprise Zone Tax	Commercial Forest Tax

PARTNERSHIP LOCATED AND DOING BUSINESS IN A GRAND RAPIDS RENAISSANCE ZONE

TO CLAIM A RENAISSANCE ZONE DEDUCTION A PARTNERSHIP MUST HAVE REAL AND/OR PERSONAL PROPERTY LOCATED IN A GRAND RAPIDS RENAISSANCE ZONE AND BE CONDUCTING BUSINESS ACTIVITY IN THE ZONE

RENAISSANCE ZONE ALLOCATION PERCENTAGE		COLUMN 1 LOCATED IN GRAND RAPIDS	COLUMN 2 LOCATED IN RENAISSANCE ZONE	COLUMN 3 PERCENTAGE (Column 2 divided by column 1)
3. Average net book value of real and tangible personal property (If qualified for less than a full tax year, use monthly average)	3			
4. Gross rents paid on real property multiplied by 8	4			
5. Total property (Add lines 3 and 4 of columns 1 and 2)	5			%
6. Total wages, salaries and other compensation	6			%
7. Total percentages (Add column 3 lines 5 and 6)	7			%
8. Renaissance Zone deduction percentage (Line 7 divided by 2)	8			%

LINE 9 - RENAISSANCE ZONE DEDUCTION FOR ORDINARY BUSINESS INCOME PRIOR TO PHASE OUT

PARTNER NUMBER	COLUMN 1 ALLOCATED BUSINESS INCOME FROM GR-1065, SCHEDULE C COLUMN 3	COLUMN 2 NET OPERATING LOSS DEDUCTION CLAIMED ON PARTNER'S CITY INCOME TAX RETURN, GR-1040	COLUMN 3 RETIREMENT PLAN DEDUCTION CLAIMED ON PARTNER'S CITY INCOME TAX RETURN, GR-1040	COLUMN 4 BASIS FOR COMPUTING RENAISSANCE ZONE DEDUCTION FOR BUSINESS INCOME (Column 1 less columns 2 and 3)	PARTNER NUMBER	COLUMN 5 RENAISSANCE ZONE DEDUCTION FOR BUSINESS INCOME PRIOR TO PHASE OUT (Column 4 times line 8)
Line 9 totals					Line 9 total	

RENAISSANCE ZONE DEDUCTION CONTINUED ON NEXT PAGE

Partnership name as shown on GR-1065	Federal Employer Identification Number	SCH RZ (Form GR-1065) Page 2 of 2

LINE 10 - RENAISSANCE ZONE DEDUCTION FOR INCOME NOT INCLUDED IN LINE 9 AND GUARANTEED PAYMENTS PRIOR TO PHASE OUT

PARTNER NUMBER	COLUMN 1 IF PARTNER WAS A RESIDENT DOMICILED IN A RENAISSANCE ZONE ENTER BEGINNING AND ENDING DATES FOR TAX YEAR		COLUMN 2 INTEREST & DIVIDENDS (See instructions)	COLUMN 3 SALE OR EXCHANGE OF PROPERTY (See instructions)	COLUMN 4 RENTS AND ROYALTIES (See instructions)	COLUMN 5 OTHER INCOME (See instructions)	COLUMN 6 GUARANTEED PAYMENTS TO PARTNERS (See instructions)	COLUMN 7 RENAISSANCE ZONE DEDUCTION BEFORE PHASE OUT FOR APPORTIONED INCOME (Add line 10, col. 2 through 6)
Line 10 totals								

	RENAISSANCE ZONE DEDUCTION PHASE OUT PERCENTAGE		COLUMN 1 MONTHS IN TAX YEAR PRIOR TO 01/01 /2021	COLUMN 2 MONTHS IN TAX YEAR AFTER 12/31/2020
11.	Enter the number of months in each column for the stated time period	11		
12.	In column 1 enter Renaissance Zone deduction phase out percentage for tax year on the form GR-1065 being filed, and in column 2 enter the deduction phase out percentage for the next. (Must be equal to 0%, 25%, 50%, 75% or 100%)	12	%	%
13.	Renaissance Zone phase out for each portion of the tax year (Line 11 muiltiplied by line 12 of the column divided by the total number of months in the tax year or short period, line 1, columns 1 and 2)	13	%	%
14.	Renaissance Zone phase out percentage for tax year (add line 3 of columns 1 and 2)	14	%	

LINE 15 - RENAISSANCE ZONE DEDUCTION

PARTNER NUMBER	COLUMN 1 RENAISSANCE ZONE DEDUCTION BEFORE PHASE OUT (Add line 9, column 5 and line 10, column 7)	COLUMN 2 RENAISSANCE ZONE DEDUCTION PHASE OUT (Column 1 multiplied by the percentage on line 14)	COLUMN 3 TOTAL RENAISSANCE ZONE DEDUCTION (Subtract line 15, column 2, from line 15, column 1; enter here and on Form 1065, page 1, column 2)
Line 15 totals			

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 2 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.