

INSTRUCTIONS FOR SCHEDULE RZ OF GR-1040 RENAISSANCE ZONE DEDUCTION

GENERAL INFORMATION

Renaissance Zone (RZ) designation grants tax relief to a qualified taxpayer. In conjunction with the designation of these zones, the City Income Tax Ordinance was amended, effective January 1, 1997, to include a RZ deduction.

REDUCED RENAISSANCE ZONE DEDUCTION IN LAST THREE YEARS OF DESIGNATION

The RZ deduction allowed for a particular RZ is reduced during the last 3 years as a designated RZ. The deduction is reduced by 25% in the second to the last year, 50% in the year immediately preceding the final year and 75% in the last year of designation. No RZ deduction is allowed after the 15th year.

WHO MAY CLAIM A RENAISSANCE ZONE DEDUCTION

A qualified resident domiciled in a RZ for 183 consecutive days, and qualified resident and nonresident individuals with income from rental real estate, business, profession or other activity located and doing business in a RZ.

HOW TO CLAIM A RENAISSANCE ZONE DEDUCTION

To claim a RZ deduction, a taxpayer must file a Grand Rapids income tax return and attach a completed Schedule RZ.

RENAISSANCE ZONE DEDUCTION DISQUALIFIERS

A person is not eligible to claim a RZ deduction if:

1. The person 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.
2. The person owns residential rental property and did not file an affidavit with Grand Rapids 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.

A business owner is subject to the above disqualifiers and not eligible to claim a Renaissance Zone deduction if the business:

1. Is located within Grand Rapids outside of a RZ and moves to a location within a RZ in Grand Rapids without approval of the city.
2. Relocates more than 25 full-time equivalent jobs from one or more non-RZ local governmental units (city, village or township) and any of the 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.

RESIDENT DOMICILED IN A RENAISSANCE ZONE

DOMICILE DEFINED: Domicile is the place where a person has his or her true, fixed and permanent home and principal establishment, to which, whenever absent therefrom, he or she intends to return.

QUALIFICATION DATE: A resident domiciled in a RZ for the required 183 consecutive days becomes qualified as of the first day of domicile.

DEDUCTIBLE INCOME: Income earned or received during the period of domicile in a RZ may be deducted except the following: Lottery winnings from an instant game or on-line game won before becoming a qualified taxpayer; the portion of gains from the sale or exchange of property occurring before the qualification date; and income from illegal activities.

INDIVIDUAL WITH INCOME FROM RENTAL REAL ESTATE, A BUSINESS, A PROFESSION OR A PARTNERSHIP LOCATED AND DOING BUSINESS IN A RENAISSANCE ZONE

INCOME QUALIFIED FOR RENAISSANCE ZONE DEDUCTION

1. That portion of business or professional income from business activity in a RZ after adjustment for any net operating loss deduction and retirement plan deduction. The RZ portion of business activity is determined via a two-factor apportionment formula, property and payroll within a Grand Rapids RZ to that in the entire city.
2. Income from rental of real property located in a RZ.
3. The partner's share of partnership income from RZ business activity.

LINE BY LINE INSTRUCTIONS

Before filling in Schedule RZ, complete Form GR-1040 through line 22. Next enter taxpayer's name and Social Security number at the top of Schedule RZ as shown on the Grand Rapids income tax return form.

RESIDENTS DOMICILED IN A RENAISSANCE ZONE

(Others skip to instructions for line 16)

- Line 1. Enter address of domicile in the RZ.
- Line 2. Enter date domicile was established at RZ residence.
- Line 3. Enter starting and ending dates of domicile in the RZ this year and the total number of days domiciled in the RZ.
- Line 4. Divide the number of days on line 3 by 365, and enter the percentage.
- Line 5. Enter gross income reported on GR-1040, line 18.
- Line 6. Enter the capital gain or loss reported for sale or exchange of property on GR-1040, line 7.

- Line 7. Enter all lottery winnings included in the other income reported on GR-1040, lines 1 and/or 16.
- Line 8. Enter the total of the deductions claimed on GR-1040, page 2, Deductions Schedule lines 1 through 5.
- Line 11. Determine the portion of capital gains (not including capital losses) from sale or exchange of property reported on GR-1040, line 7, that occurred after the qualification date listed on line 2 and enter the amount. Attach a schedule showing the computation. The allowable RZ deduction for capital gains may be determined by one of the following methods:
- A. Adjust the basis for the property to the fair market value on the qualification date (the prior day's closing price for traded securities) and subtract the basis from the sale proceeds; or
 - B. Divide the number of months the property was held since the qualification date by the total number of months the property was held and apply this fraction to the gain reported for the property on the federal income tax return.
- Line 12. Enter lottery winnings from instant games or online games won after the qualification date listed on line 2.
- Line 13. Enter the total of lines 10, 11 and 12.
- Line 14. Enter the Deduction Allowance Factor percentage on line 14a; multiply line 13 by line 14a and enter the result on line 14b; also enter this amount on Form GR-1040, page 2, Deduction Schedule, line 6.

INDIVIDUALS WITH INCOME FROM RENTAL REAL ESTATE, BUSINESS, PROFESSION OR PARTNERSHIP

For this section of Schedule RZ residents are to use the resident column and nonresidents are to use the nonresident column. A part-year resident is to divide each line item and report the resident and nonresident portions accordingly.

- Line 15. List the business name, D.B.A., and the address of each location within a RZ.
- Line 16. Enter the business and farm income reported on GR-1040, lines 6 and 13.
- Line 17. Enter the net operating loss deduction claimed on GR-1040, line 16.
- Line 18. Enter the retirement plan deduction claimed on GR-1040, page 2, Deduction Schedule, line 2, related to income on line 16.
- Line 20. The RZ apportionment percentage is used by companies doing business both inside a RZ and outside the RZ. If the business income is 100% within the RZ, enter 100% on line 20f and complete the form from there.
- Line 20a. 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 RZ. 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, or if the business was located in the RZ for less than a year, on a monthly average basis.
- Line 20b. 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 RZ.
- Line 20c. Total column 1 and column 2. In column 3 enter the percentage, column 2 divided by column 1.
- Line 20d. 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 RZ. In column 3 enter the percentage, column 2 divided by column 1.
- Line 22. Enter the RZ deduction from a partnership. Be certain to enter the partnership Federal Employer Identification Number (FEIN). If a person has a RZ deduction from more than one partnership, attach a schedule providing necessary data. Adjust for any retirement plan deduction claimed on GR-1040, page 2, Deduction Schedule, line 2, based on partnership income included in Schedule RZ, line 22.
- Line 23. Enter the address for each parcel of residential rental real estate located in a Grand Rapids RZ.
- Line 24. Enter the income from rental real estate located in a GR RZ.
- Line 25. Enter the total of lines 21, 22 and 24.
- Line 26. Enter the Deduction Allowance Factor percentage on line 26a; multiply line 25 by line 26a and enter the result on line 26b; also enter this amount on Form GR-1040, page 2, Deduction Schedule, line 6.

Revised: 04/21/2015

<table border="1"> <tr> <td>Taxpayer's name</td> <td>Taxpayer's SSN</td> <td>2017 GRAND RAPIDS</td> </tr> </table>	Taxpayer's name	Taxpayer's SSN	2017 GRAND RAPIDS
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RENAISSANCE ZONE DEDUCTION, SCH RZ - FORM GR-1040, PAGE 2, DEDUCTIONS SCHEDULE, LINE 6 Attachment 19

FOR USE BY A RESIDENT DOMICILED IN A RENAISSANCE ZONE, AN INDIVIDUAL WITH INCOME FROM RENTAL REAL ESTATE LOCATED IN A RENAISSANCE ZONE OR AN INDIVIDUAL PROPRIETORSHIP, PROFESSION OR PARTNERSHIP LOCATED AND CONDUCTING BUSINESS IN A RENAISSANCE ZONE TO COMPUTE THE RENAISSANCE ZONE DEDUCTION

DISQUALIFICATION CRITERIA				Revised 07/06/2014
AN INDIVIDUAL IS NOT QUALIFIED TO CLAIM THE RENAISSANCE ZONE DEDUCTION IF ANY OF THE FOLLOWING TAXES ARE DELINQUENT:				
City Income Tax	Personal Property Tax	Commercial Facilities Tax (GRT)	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	

DEDUCTION ALLOWANCE FACTOR
 The Renaissance Zone deduction is phased out during the final three years of a Renaissance Zone's designation. The Deduction Allowance Factor is: 75% 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; 25% for the final year of designation; and 100% for all other years of designation.

RESIDENT DOMICILED IN A RENAISSANCE ZONE
 Complete this section if you were a resident of Grand Rapids domiciled in a Renaissance Zone
 A 183 day residence requirement must be completed before qualifying to claim the Renaissance Zone Deduction

1. Address of domicile in Renaissance Zone			
2. Date domicile established at this residence	/ /	If domicile is continuous for at least 183 days, taxpayer is qualified on this date.	
3. Dates of domicile this year: Starting date	/ /	Ending date	Total number of days Days
4. Percentage of year as a qualified resident of a Renaissance Zone (Line 3 divided by 365)		4	%
5. Gross income from Form GR-1040, page 1, line 18, column C		5	.00
6. Capital gains reported on Form GR-1040, page 1, line 7, column C		6	.00
7. Lottery winnings included in income reported on Form GR-1040, page 1, lines 1 or 16, column C		7	.00
8. Total deductions related to income included in line 5 (Add amounts reported on GR-1040, pg. 2, Deductions Sch., Lines 1 - 5)		8	.00
9. Base income for Renaissance Zone deduction (Line 5 less lines 6, 7 and 8)		9	.00
10. Total qualified ordinary income (Line 9 multiplied by line 4)		10	.00
11. Portion of capital gains from sale or exchange of property occurring after qualification date		11	.00
12. Lottery winnings from an instant lottery game or an online game won after becoming a qualified taxpayer		12	.00
13. Renaissance Zone deduction base (Add lines 10, 11 and 12)		13	.00
14. Enter Deduction Allowance Factor on line 14a, 100%, 75%, 50% or 25%; multiply line 13 by 14a; enter deduction on line 14b and on Form GR-1040, page 2, Deduction schedule, line 6.)	14a	%	14b

OTHER INDIVIDUALS WITH INCOME FROM RENTAL REAL ESTATE, BUSINESS, PROFESSION OR PARTNERSHIP LOCATED AND DOING BUSINESS IN A RENAISSANCE ZONE
 Complete this section if you are a resident or nonresident individual with income from rental real estate, a business, profession or partnership with business activity in a Renaissance Zone

15. Business name (D.B.A.) and address of each location in a Renaissance Zone		RESIDENT COLUMN	NONRESIDENT COLUMN
16. Business and farming income reported on Form GR-1040, page 1, line 6 or 13, column C	16	.00	.00
17. Net operating loss deduction claimed on Form GR-1040, page 1, line 16, column C	17	.00	.00
18. Retirement plan deduction claimed on Form GR-1040, page 2, Deductions schedule, line 2, related to income reported on line 17, column C	18	.00	.00
19. Base for Renaissance Zone deduction (Line 16 less lines 17 and 18)	19	.00	.00
20. Renaissance Zone Apportionment Percentage	COLUMN 1 IN GR RAPIDS	COLUMN 2 IN REN. ZONE	COLUMN 3 PERCENTAGE
20a. Average net book value of real & personal property			(Column 2 divided by column 1)
20b. Gross rents paid on real property multiplied by 8			
20c. Total property (Add line 20a and 20b)			%
20d. Total wages, salaries and other compensation			%
20e. Total percentages (Add column 3, line 20c and 20d)			%
20f. Renaissance Zone deduction percentage (Line 20e divided by 2)	20f	%	%
21. Renaissance Zone deduction for business (Line 19 multiplied by line 20f)	21	.00	.00
22. Renaissance Zone deduction from partnership return; enter Partnership FEIN on line 22a and deduction amount on line 22b	22a	22b	.00
23. Address of each parcel of rental real estate located in a Renaissance Zone			
24. Income from rental real estate located within a Renaissance Zone	24	.00	.00
25. Renaissance Zone deduction base (Add lines 21, 22b and 24)	25	.00	.00
26. Enter Deduction Allowance Factor on line 26a, 100%, 75%, 50% or 25%; multiply line 25 by 26a; enter result on line 26b and on GR-1040, pg. 2, Deduction schedule, line 6.)	26a	%	26b