2025 INSTRUCTIONS FOR FORM PH-1065
CITY OF PORT HURON PARTNERSHIP RETURN

Who Must File a Return
Every unincorporated business, profession or other activity owned by two or more persons that is doing business in the City of Port Huron must file a partnership return. You must file a return even if you did not maintain an office or place of business in the city. You must file a return whether or not the partnership has a net profit.

Limited liability companies file a partnership return. Under the Uniform City Income Tax Act we tax all corporations as corporations. A Sub-chapter S corporation must file as a corporation for Port Huron income tax purposes.

Option to Pay Tax
The partnership must elect either to file an informational return or to compute and pay the tax due on behalf of all partners. A partnership may pay the tax on behalf of its partners, only if it pays the tax for all partners. If the partnership chooses to pay the tax on behalf of its partners, complete the " Tax Payment by Partnership" section of page 1. Do not use this schedule if you are filing an informational return.

A partnership electing to pay the tax will relieve the partners, who have no other income subject to Port Huron tax, from filing an annual return. Any partner who has other income that is subject to Port Huron tax must file an annual return. In this case, report the full amount of taxable income on the return and show the tax paid by the partnership as a tax payment.

Date Due and Payments
The return is due by the last day of the fourth month, following the end of your partnership's taxable year. Calendar year returns are due by April 30, 2026 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

To get an extension, use form PH-4267, Application for Extension of Time to File a City Income Tax Return. File the form on or before the due date of your return. If you are electing to pay the tax, **an extension does not extend the time for paying the tax due**. You must pay the total expected tax due with the form. We will charge you penalty and interest if you underestimate or fail to pay the expected tax due. You do not need to file an extension if you will be claiming a refund.

Declaration and Payment of Estimated Tax
A partnership electing to pay the tax must make estimated tax payments every year that the partnership's total city tax will exceed $100.00. To make estimated payments, file Form PH-1040ES, Declaration of Estimated Tax.

Estimated taxes are payable in four equal installments due on the last day of the 4th, 6th, 9th and 13th month after the beginning of the 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.

Resident, Nonresident and Corporate Partners
We tax partners who are City of Port Huron residents on all income from the partnership. This includes income from business activities outside the city and includes interest, dividends, rents, royalties and capital gains.

We tax nonresident and corporate partners on their share of the net profits related to business activity in the city. When a partnership conducts a business activity inside and outside the city, you must decide the taxable portion using an approved apportionment method. We also tax nonresidents and corporations on other types of income attributable to Port Huron, such as rental income and capital gains from property in the city. We do not tax nonresident and corporate partners on their share of business activity, or other income that is not attributable to Port Huron. We also do not tax interest and dividend income of nonresidents.

The return must show the entire net profit for the period and show each partner's share of the profit. The return must show which partners are City of Port Huron residents and those who are nonresidents. If a partner's residency status changed during the year, use separate lines to show how much income is taxable as a resident and as a nonresident.

Instructions for Tax Payment by the Partnership:

Column 1, Adjusted Partnership Income - Complete all of the appropriate schedules on page 2 of the form. Transfer the amounts from schedule C (Distribution to Partners), column 6, to this column. List the amounts in the same order as you listed the partners on the upper half of page 1.

Column 2, Allowable Individual Deductions - Deduct in column 2 any adjustments to taxable income reported in column 1. Deductible items may include capital loss carryovers and net operating loss carryovers. You must add back in this column any net capital loss realized by a partner more than the allowable deduction. The allowable capital loss deduction for individual partners is the lesser of (1) the net capital loss; (2) the amount in column 1, page 1, computed without regard to capital gains and losses; or (3) Three Thousand Dollars ($3,000.00). Nonresident and corporate partners can only claim net operating losses based on the percentage of business conducted in the City of Port Huron in the loss year.

Column 3, Exemptions - We allow an exemption of $600.00 for each individual partner, the partner's spouse, and each dependent. Determine dependents using the same rules that apply to the partner's federal return. We allow an extra exemption for taxpayers who are age sixty-five or older, or are blind. You cannot claim exemptions both on Form PH-1065 and on Form PH-1040. If a partner will file an individual tax return (PH-1040) with the city, do not claim personal exemptions for the partner on the partnership return (PH-1065). Partners who are corporations cannot claim an exemption credit.

Column 5, Total Tax - The tax rate for resident and corporate partners is 1% of taxable income. The tax rate for nonresident is 1/2 of 1% of taxable income. If a partner's residency status changed during the year, use separate lines to show how much income is taxable as a resident and as a nonresident.

Column 6, Credits - Show in this column both the partners' share of tax payments made by the partnership. Also, show any credit for income tax to another city. The credit applies only to resident partners when two cities are taxing the same income. The credit is the lesser of either: (1) the income tax paid to the other city, or (2) 1/2 of 1% of the income subject to tax in the other city less Port Huron exemptions.

Column 7, Balance of Tax Payable - Subtract column 6 from column 5 and show the result in this column. A resident who files an individual return would show the net of columns 6 and 7 as the tax paid by the partnership.

Payments and Balance Due or Refund
If the total of column 5 exceeds line 3 (total payments and credits), subtract line 3 from the total of column 5. Enter this amount on line 4. This is your tax due. You must pay this amount when you file the return. Make all funds 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 line 3 (total payments and credits) exceeds the total of column 5 (amount of tax) subtract the total of column 5 from line 3. Enter this amount on line 5. This is your overpayment. Show on line 6 whether you want the overpayment credited to next years estimated taxes or refunded. Mail the return to: Income Tax Division, 100 McMorran Boulevard, Port Huron, Michigan 48060. We w ill send your refund as quickly as possible. Please allow 60 days before making an inquiry.

Instructions for Schedules on Page 2

Schedule A - Allocable Partnership Income
You must adjust the ordinary income or loss reported on the federal Form 1065 to arrive at the partnership income to be apportioned. Add back guaranteed payments to partners and Port Huron income tax deducted. Subtract non-allocable income reported on schedule B, line 3. Distribute this income to partners in schedule C, based on the partnership agreement. List the amounts in the same order as you listed the partners on the upper half of page 1.

Schedule B - Other Income and Exclusions
You must decide if the partnership earned certain types of income either inside or outside the city. We tax all business income of a resident partner, no matter where it is earned. We tax nonresident and corporate partners only on income that relates to Port Huron. The ordinance also exempts specific types of income for all partners (see note on page 2).

In column 1, transfer amounts from federal Form 1065. Divide column 1 between residents and nonresidents based on the partnership agreement. Report the total amount for residents in column 2. Report the total amount for nonresidents and corporate partners in column 4. Determine the non-taxable income in each category based on the exclusions allow ed by the ordinance. Show these amounts in columns 3 and 5. You must decide each partners share of income reported on lines 4 through 12. If the partnership is not paying the tax on behalf of its partners, each partner must report the taxable income on their year-end return. If the partnership does not divide the income evenly or has more than five partners, attach a schedule showing the distribution of income and exclusions.

Exclude 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 betw een the purchase price and the fair market value of the asset on January 1, 1969.
2) Prorate the amount based on the number of months since January 1, 1969 in relation to the total number of months held.

Schedule C - Distribution to Partners
Complete this schedule according to the captions and transfer the f igures in column 6 to page 1 only if the partnership is paying the tax for all partners.

Schedule D - Business Allocation Formula
Use the Business Allocation Formula when a partnership conducts a business activity both inside and outside the City of Port Huron. Use the formula to find what percentage of business activity was conducted in the city. We tax nonresident and corporate partners on the percentage of income that relates to business activity in the city. We tax resident partners on all income from business activities. The formula does not apply to resident partners.

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.

Assistance

If you have any questions or need help, call us at **(810) 984-9741;** email us at **incometax@porthuron.org**; or visit our office in room 112 of the Municipal Office Center, 100 McMorran Boulevard, Port Huron, Michigan 48060.