



# City of East Lansing INCOME TAX DEPARTMENT

## 2022 East Lansing ESTATE OR TRUST INCOME TAX FORMS AND INSTRUCTIONS

### Form EL-1041

For use by estates and trusts

**ESTATES AND TRUSTS HAVING East Lansing TAXABLE INCOME IN A TAX YEAR MUST FILE A RETURN**  
ESTATES AND TRUSTS ARE TREATED LIKE A NONRESIDENT TAXPAYER AND TAXED AT THE NONRESIDENT TAX RATE

#### MAILING ADDRESS

Mail estate or trust returns, Form EL-1041, to: East Lansing Income Tax Processing Center, PO BOX 526 , Eaton Rapids MI 48827.

#### TAX RATES AND EXEMPTIONS

The nonresident tax rate is 0.5% (0.005)  
An estate or trust is allowed one exemption; the exemption is currently \$600.

#### PAYMENT OF TAX DUE

Tax due, if one dollar (\$1.00) or more must be paid with your return. Make check or money order payable to: **CITY OF East Lansing** Mail tax due return and payment to: **City of East Lansing, East Lansing Income Tax Processing Center, PO BOX 526 , Eaton Rapids MI 48827.**

**Note: Estates and trusts are not required to make estimated income tax payments.**

#### FILING OF RETURN

Only paper filed estate or trust returns are accepted. Mail estate or trust return, Form EL-1041, to:  
**East Lansing Income Tax Processing Center, PO BOX 526 , Eaton Rapids MI 48827.**

2022 calendar year tax returns are due May 1, 2023; fiscal year tax returns are due on the last day of the fourth month after the end of the tax year.

#### CONTACT US

For assistance find us online at [www.cityofeastlansing.com/incometax](http://www.cityofeastlansing.com/incometax) or call (517) 319-6862.  
The East Lansing Income Tax Office is located at City Hall, 410 Abbot Road, East Lansing, MI 48823.  
Mail all tax correspondence to:  
City of East Lansing, Income Tax Processing Center, P.O. Box 526, Eaton Rapids, MI 48827

**Failure to attach documentation or attaching incorrect or incomplete documentation will delay processing of the return or result in corrections being made to the return.**

# INSTRUCTIONS FOR FORM EL-1041

Estates and trusts with East Lansing taxable income who are required to file a U.S. Income Tax Return for Estates and Trusts, Form 1041, must file East Lansing Income Tax Return for Estates and Trusts, Form EL-1041. A business trust that files as a corporation with the Internal Revenue Service and is "doing business" in East Lansing must file a East Lansing corporation income tax return.

## TAXABLE INCOME

The taxable income of an estate or trust is the same as the taxable income of a nonresident individual. Income distributable to a person other than an individual resident of East Lansing and income not distributed from the following sources is subject to tax:

1. Net profit or (loss) from the operation of a business or farm that is attributable to business activity conducted in East Lansing whether or not such business is located in East Lansing;
2. Net profit from rental of real and tangible personal property located in East Lansing;
3. Gain on the sale or exchange of real and tangible personal property located in East Lansing;
4. Income from a partnership, estate or trust taxable under the East Lansing Income Tax Ordinance; and
5. Other income earned in or from other activity in East Lansing.

## Form EL-1041

The flow of income on Form EL-1041 starts in Column A with income reported on the federal return; column B is used to adjust the federal data for income taxable on the federal return that is not taxable by East Lansing and vice versa; and column C reports the income taxable under the East Lansing Income Tax Ordinance (column A less column B).

Exclusions and adjustments reported in column B must be explained by completing and attaching applicable exclusion or adjustment schedules or by attaching a separate explanation to the return. Attach copies of federal schedules to support all entries on lines 1, 2, 3, 4 and 5 of Column A.

After the determination of East Lansing income, a qualified estate or trust with business activity in a Renaissance Zone is allowed a Renaissance Zone deduction. A deduction is allowed for the portion of East Lansing income distributed to a resident of East Lansing.

Deductions claimed must be supported by the filing of Schedule G (page 2 of Form EL-1041) and/or Schedule RZ, Renaissance Zone deduction. **East Lansing does not have any renaissance zones.**

## PAGE 1 INSTRUCTIONS

### Line 1 – Business Income or (Loss)

Net profit or (loss) from the operation of a business or profession is income to the extent it results from work done, services rendered or other business activities conducted in East Lansing.

Report on page 1, line 1, column A, the business income reported on federal Form 1041, line 3. Use Schedule 1, Exclusions and Adjustments to Business Income or (Loss), to calculate excluded business income. The total excluded business income from Schedule 1, line 5, is entered on page 1, line 1, column B. If a business operates both in and outside of the city, the taxable profit or (loss) is determined using the three factor Business Allocation formula.

Where no work is done, services rendered or other business activity is conducted in East Lansing, the profit or (loss) is entirely excluded.

If reporting business income, attach a copy of Federal Schedule C to the return. If excluding or adjusting business income or (loss), Schedule 1 must be attached to the return.

### Line 2 – Capital Gain or (Loss)

Except for a capital gain flowing through from an S corporation, a capital gain or (loss) is included in income to the extent the gain or

(loss) is from sales of property located in East Lansing. A capital gain or (loss) flowing through from an S corporation is totally excluded from income.

A capital loss from property located in East Lansing is allowed to the same extent allowed under the Internal Revenue Code. An unused capital loss may be carried over to future tax years. The capital loss carryover for the city may be different from the carryover for federal income tax purposes. An adjustment must be made for this difference.

A deferred capital gain from an installment sale or like-kind exchange of property located in East Lansing is taxable in the year recognized for federal income tax purposes.

The portion of capital gain or (loss) from property purchased prior to January 1, 2019, is excluded from income. The gain or (loss) on property purchased prior to January 1, 2019 must be determined by one of the following methods:

1. The basis may be the adjusted fair market value of the property on 12/31/2018 (the 12/31/2018 closing price for traded securities), or
2. Divide the number of months the property was held since January 1, 2019, by the total number of months the property was held, and apply this fraction to the total gain or (loss) of each separate property as reported on federal form 1041.

Report on page 1, line 2, column A, the capital gain or (loss) reported on federal Form 1041, line 4. Use Schedule 2, Exclusions and Adjustments to Capital Gain or (Loss), to calculate the excluded capital gain or (loss). On line 2, column B, enter the total excluded capital gain or (loss) from Schedule 2, line 4.

If reporting capital gain or (loss), attach a copy of federal Schedule D (Form 1041) to the return. If excluding or adjusting reported capital gain or (loss), attach a copy of Schedule 2 to the return.

### Line 3 – Rental Real Estate, Royalties, Partnerships, Other Estates, Trusts, Etc.

Except for S corporation income or (loss), all income reported on the federal Schedule E that comes from business activity in East Lansing or property located in East Lansing is income in East Lansing. Flow through income from an S-corporation is totally excludable. A flow through loss from an S corporation must be entered as a negative adjustment and added back to income.

The following income reported on federal Schedule E is excludable: income from business activity outside of East Lansing; income from property located outside of East Lansing; and income from other estates and trusts.

Report on page 1, line 3, column A, the income or (loss) from rents, royalties, partnerships, other estates and trusts reported on federal Form 1041, line 5. Use Schedule 3, Exclusions and Adjustments to Rents, Royalties, Partnerships, Other Estates and Trusts, to calculate excluded income or (loss). On line 3, column B, enter the total excluded income or (loss) from Schedule 3, line 6.

If reporting income or (loss) from rents, royalties, partnerships, other estates and trusts, attach a copy of Federal Schedule E (Form 1040) to the return. If excluding or adjusting income or (loss) from rents, royalties, partnerships, S corporations, other estates and trusts, Schedule 3 must be attached to the return.

### Line 4 – Farm Income or (Loss)

Profit or (loss) from a farm is included in income to the extent the profit or (loss) results from work done, services rendered or other activities conducted in East Lansing. The portion of the profit or (loss) reported on the East Lansing return is determined by use of the three factor Farm Allocation Percentage formula. Where no work is done, services rendered or other business activity is conducted in East Lansing, the entire farm profit or (loss) is excluded.

Sales of crops at the produce market, any of the farmer's markets or a produce stand located in East Lansing is East Lansing business activity and subjects the farm to East Lansing income tax.

# INSTRUCTIONS FOR FORM EL-1041

Report on page 1, line 4, column A, the income or (loss) from a farm reported on federal Form 1041, line 6. Use Schedule 4, Exclusions and Adjustments to Farm Income or (Loss), to calculate excluded income or (loss). On line 4, column B, enter the total excluded farm profit or (loss) from Schedule 3, line 4.

If reporting farm income or (loss), attach a copy of federal Schedule F (Form 1040) to the return. If excluding or adjusting reported farm income or (loss), attach a copy of Schedule 4 to the return.

## Line 5 – Ordinary Gain or (Loss)

Except for an ordinary gain or (loss) flowing through from an S corporation, an ordinary gain or (loss) is included in income to the extent the gain or (loss) is from the sale of property located in East Lansing. An ordinary gain flowing through from an S corporation is total excluded. A loss flowing through from an S corporation must be entered as a negative and added back to income.

Deferred ordinary gain or (loss) from installment sales and like-kind exchanges of property that is in East Lansing are taxable in the year recognized for federal income tax purposes.

Report on page 1, line 5, column A, the ordinary gain or (loss) reported on federal Form 1041, line 7. Use Schedule 5, Exclusions and Adjustments to Ordinary Gain or (Loss), to compute and report exclusions and adjustments to ordinary gain and (loss) reported on the federal income tax return. On line 3, column B, enter the total excluded other gains or (losses) from Schedule 5, line 4.

Ordinary gain or (loss) from property purchased prior to January 1, 2019 is treated in the same manner as a capital gain or (loss) from property purchased prior to January 1, 2019. See Line 2 instructions above for more information.

If reporting ordinary gain or (loss), attach a copy of federal Form 4797 to the return. If excluding or adjusting reported ordinary gain or (loss), attach a copy of Schedule 5 to the return.

## Line 6 – Other Income

Other income is included in income to the extent it was earned in East Lansing.

Report on page 1, line 6, column A, the other income reported on federal Form 1041, line 8. Use Schedule 6, Exclusions and Adjustments to Other Income, to compute and report exclusions and adjustments to other income reported on the federal income tax return. List each item of other income excluded or adjusted. Attach a separate schedule if necessary.

If excluding or adjusting reported ordinary gain or (loss), attach a copy of Schedule 5 to the return.

## Line 7 – Total income

Add lines 1 through 6 of each column and enter the totals in column A, column B and column C.

## Line 8 – Renaissance Zone Deduction

Does not apply to East Lansing.

## Line 9 – Deductible Resident Beneficiaries Share of Income Less Share of Renaissance Zone Deduction

Does not apply to East Lansing.

## Line 10 – Exemption

The exemption is \$600.

## Line 11 – East Lansing Taxable Income

Enter the East Lansing taxable income, line 7 less lines 8, 9 and 10.

## Line 12a – Tax Rate

Enter nonresident the tax rate of 0.5% (0.005).

## Line 12b – Tax

Enter the tax due, line 11 multiplied by line 12a.

## Line 13 – East Lansing Tax Withheld

Enter total East Lansing income tax withheld on line 13. Attach a copy of all documents showing the reported tax withheld.

## Line 14 – Estimated Income Tax, Credit Forward and Extension Payments

Total the estimated income tax payments, any credit forward from the previous tax year and any extension payment. Enter the total of these payments or credits on line 14.

## Line 15 – Total Payments

Enter the total of lines 13 and 14 on line 15.

## Line 16 – Tax Due

If tax (line 12) is greater than the total payments (line 15), enter the difference (line 12 less line 15) on line 17, otherwise leave blank. The tax due must be paid with the return when filed. The due date for the return is the last day of the fourth month after the close of the tax year. If the due date falls on a Saturday, Sunday or Holiday, the due date becomes the next business day.

**Pay by Check or Money Order:** Make the check or money order payable to City of East Lansing, and mail with the return to the East Lansing Income Tax, 124 W Michigan Ave, 1st Floor, East Lansing, Michigan 48933. Do not send cash as your tax payment.

## Line 17 – Overpayment

If total payments (line 15) are greater than the tax (line 12), enter the overpayment, the difference of line 15 less line 12. If total payments (line 15) is equal to the tax (line 12), enter a zero (0) on line 17. Otherwise leave blank.

## Line 18 – Donation of Overpayment

All or a portion of the overpayment, may be donated to the city. To make a donation, enter the amount of the donation in the box for the specific donation; Police Problem Solving (18a), the Hope Scholarship (18b) and/or Homeless Assistance (18c). Enter the total of the donations on line 18d.

## Line 19 – Credit Forward to Next Tax Year

Enter the portion of the overpayment to be credited as a payment against next year's tax liability on line 19.

## Lines 20 and 21 – Refund

Enter the portion of the overpayment to be refunded on line 20.

**Refund by Direct Deposit:** To have the refund directly deposited to the estate or trust's bank account, on line 21a, mark (X) the box "Refund (direct deposit)" and enter the bank routing number on line 21c; the bank account number on line 21d; and the account type on line 21e.

**Refund by Check:** To receive a paper refund check, leave lines 21a through 21e blank.

## INSTRUCTIONS FOR SCHEDULES

### Schedules 1 through 6

Schedules 1 through 6 are for calculating and documenting the exclusions and adjustments to income reported in column A of the related line on the return. Follow the instructions on the schedule or the instructions included under the related line instructions. (The schedule number (1 - 6) relates to line numbers 1 through 6.

### Schedule G – Resident Beneficiary's Share of Distributable Income and Share of the Renaissance Zone Deduction

Does not apply to East Lansing.

# INSTRUCTIONS FOR FORM EL-1041

## **Schedule RZ – Renaissance Zone Deduction**

Does not apply to East Lansing.

## **Schedule N – Supporting Notes and Statements**

Use Schedule N to support data reported on the return. This data includes calculations, statements, comments or notes.

### **RESIDENT BENEFICIARIES**

A East Lansing resident beneficiary must report their distributable income from an estate or trust on their East Lansing income tax return, Form EL-1040, in the same manner and same amounts they report the income on their federal income tax return, Form 1040.

### **ASSISTANCE**

For assistance find us online at [www.cityofeastlansing.com/incometax](http://www.cityofeastlansing.com/incometax) or call (517) 319-6862.

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City of East Lansing, Income Tax Processing Center, P.O. Box 526, Eaton Rapids, MI 48827

### **NOTICE**

These instructions are interpretations of the East Lansing Income Tax Ordinance. The Ordinance will prevail in any disagreement between forms or instructions and the Ordinance.