

## City of Pontiac Income Tax

2014

Form P-1040 (NR)

Individual Return and Instructions for Non-Residents

**ALL PERSONS HAVING CITY TAXABLE INCOME  
EXCEEDING THEIR EXEMPTION DEDUCTION  
MUST FILE A RETURN.**

**MAILING ADDRESS:**

**BALANCE DUE RETURNS**

City of Pontiac 1040 Payments  
P.O. Box 530  
Eaton Rapids, MI 48827-0530

**ALL OTHER RETURNS**

City of Pontiac Income Tax Division  
P.O. Box 530  
Eaton Rapids, MI 48827-0530

**FOR ASSISTANCE:**

**VISIT THE INCOME TAX OFFICE AT CITY HALL  
47450 WOODWARD AVE.  
Pontiac, MI 48342**

**OR CALL (248) 758-3236**

**Note: We will not prepare your return.**

## 2014 INSTRUCTIONS

ATTACH SCHEDULES: SUPPORT ALL FIGURES WITH COPIES OF FEDERAL SCHEDULES TO AVOID UNNECESSARY CORRESPONDENCE OR DELAY IN RECEIVING REFUNDS

ESTIMATED TAX RETURN: YOU MAY HAVE TO FILE FORM P-1040-ES, IF YOUR PAYMENT THIS YEAR IS \$100.00 OR MORE. SEE INSTRUCTIONS TO AVOID THE PENALTY FOR UNDERPAYMENT. ESTIMATED PAYMENTS ARE TO BE MAILED TO: CITY OF PONTIAC ESTIMATED TAX PAYMENTS, P.O. BOX 530, EATON RAPIDS, MI 48827-0530.

EXEMPTION CREDIT: \$600.00 FOR EACH EXEMPTION.

FILING DATE: YOUR RETURN MUST BE FILED BY APRIL 30, 2015. PENALTIES, AS PROVIDED BY LAW (\$2.00 MINIMUM) WILL BE ASSESSED ON ALL LATE PAYMENTS.

PAYMENT:

- TAX MUST BE PAID AT THE TIME YOU FILE YOUR RETURN IF YOU OWE \$1.00 OR MORE.
- MAKE CHECK OR MONEY ORDER PAYABLE TO TREASURER, CITY OF PONTIAC. DO NOT SEND CASH THROUGH THE MAIL.
- MAIL YOUR RETURN AND PAYMENT WITH EARNINGS STATEMENTS, SHOWING PONTIAC TAX WITHHELD (FORMS PW-2 OR W2).
- CASH PAYMENTS CAN ONLY BE MADE IN PERSON AT THE TREASURER'S OFFICE IN CITY HALL.

BE SURE YOUR SOCIAL SECURITY NUMBER(S) ARE ENTERED CORRECTLY ON THE RETURN. ROUND DOWN ALL AMOUNTS OF LESS THAN 50 CENTS. ROUND UP ON ALL AMOUNTS 50 CENTS THROUGH 99 CENTS. DO NOT ENTER CENTS ON RETURN.

CHECK THE CITY'S WEBSITE AT [WWW.PONTIAC.MI.US](http://WWW.PONTIAC.MI.US) TO FIND ADDITIONAL FORMS AND INSTRUCTIONS. IF MORE INFORMATION IS NEEDED, CONTACT THE INCOME TAX DIVISION AT (248) 758-3236.

**NOTE: SEVERANCE PAY, EARLY RETIREMENT INCENTIVE PAY OR CAREER TRANSITION PAY (OR ANY OTHER COMPARABLE INCOME) REPORTED ON A W-2 FORM, IS INCOME TAXABLE TO THE CITY OF PONTIAC.**

# NON-RESIDENT INSTRUCTIONS

## CITY OF PONTIAC INCOME TAX 2014 RETURN

### INFORMATION FOR FORM P-1040 (NR)

#### WHO MUST FILE A RETURN

For each taxable year, a return must be filed by each non-resident with a specified minimum amount of gross income subject to Pontiac tax. **If your income exceeds your exemption amount, you must file a return.**

Each trust or estate with gross income of \$600.00 or more subject to Pontiac tax must file.

If you do not meet the requirements for filing a return, but Pontiac tax was withheld or estimated tax paid, a return must be filed to claim a refund.

#### EXEMPTIONS:

A deduction of \$600.00 is allowed for each personal and dependency exemption. An additional exemption is allowed for a taxpayer who is 65 years of age or older and who is blind as defined in section 206.504 of the Michigan Compiled Laws. If the taxpayer is both 65 years of age or older and blind, two (2) additional exemptions are allowed.

If you can claim a dependent on the Federal Tax Form you may claim the dependent on the Pontiac Tax Form.

#### WHO MUST FILE THIS FORM

Individuals who were non-residents of the city of Pontiac during the entire year must use this form.

An individual who was a resident during any part of the year must file Form P1040R (resident return). See Form P-1040R for specific instructions. The forms are available from the Pontiac Income Tax Office, or the internet at [www.pontiac.mi.us](http://www.pontiac.mi.us) and look for "Online Forms".

#### MARRIED PERSONS - JOINT OR SEPARATE RETURNS

A husband and wife may file joint or separate returns. The total income of both spouses must be included on a joint return, and each spouse must sign the return.

#### DECEASED TAXPAYER

A final return must be filed for any person who died during the year and who is required to file as explained under "WHO MUST FILE A RETURN". The executor, administrator, personal representative or survivor must file the final return and any other return due for the decedent.

A final return may be filed by the surviving spouse and the executor, administrator or personal representative. The return must be signed by the surviving spouse and the executor, administrator or personal representative.

If an executor, administrator, or personal representative has not been appointed, the surviving spouse may file a joint return. The spouse must sign the return and add the notation "Surviving Spouse"

If a refund is due, and the claimant is not a surviving spouse, Federal Form 1310 must be filed with the return.

#### TAXABLE INCOME

The following income is subject to tax:

- (1) Salaries, bonuses, wages, commissions, sick pay, vacation pay, compensation from employee stock purchase or profit sharing plans, and other compensation of non-residents received for services rendered as an employee for work done or services performed in Pontiac, including strike pay.
- (2) That portion of the net profits from the operation of a business or profession that is attributable to business activity conducted in Pontiac whether or not such business or profession is located in Pontiac.
- (3) Net profits from rentals from real and tangible personal property located in Pontiac.
- (4) Net profits on the sale or exchange of real and tangible personal property located in Pontiac.

The following income is not taxable:

1. Gifts, inheritances, and bequests.
2. Pensions (including disability pensions) and annuities.
3. Proceeds from insurance (except that payments from a health and accident policy paid for by your employer are taxable to the same extent as provided by the Internal Revenue Code).
4. Unemployment compensation, supplemental unemployment benefits, welfare relief payments.
5. Worker's compensation, or similar payments for death, injury or illness arising out of and in the course of an employee's job.
6. Interest, dividends and other forms of intangible income. (When the receipt of interest and other tangible income is part of the business, such interest, etc., shall be considered as business income taxable to non-residents and reported on Schedule C).
7. Military pay for members of the armed forces of the United States and the National Guard.
8. Social Security benefits, railroad retirement act benefits.

#### DECLARATION OF ESTIMATED TAX

If your Pontiac income in 2015 is not subject to withholding and will be more than \$20,000.00 after deductions (\$100.00 in tax), you must file a Declaration of Estimated

Income Tax (Form P-1040-ES) for 2015 by April 30, 2015 and pay at least one-fourth (1/4) of the estimated tax with your declaration. The remaining payments are due at the end of June, September, and January. **FAILURE TO FILE A DECLARATION OF ESTIMATED TAX AND MAKE THE REQUIRED PAYMENTS WILL RESULT IN ASSESSMENT OF PENALTY AND INTEREST FOR LATE PAYMENT OF TAX.**

If at any time during the year, your income increases to such a level that one hundred dollars (\$100.00) in tax or more will be due at the end of the year, a Declaration of Estimated Tax must be filed. The Declaration of Estimated Tax (form P-1040-ES) is available from the City Income Tax Office, or the internet at [www.pontiac.mi.us](http://www.pontiac.mi.us) and look for "Departments", then "Finance", then "Income Tax". Estimated payments are to be mailed to: City of Pontiac Estimated Tax Payments, P.O. Box 530, Eaton Rapids, MI 48827-0530.

#### INSTRUCTIONS FOR PAGE 1

Enter your name (husband and wife if a joint return), address, and social security number(s), and occupation. Complete lines a, and b.

#### LINES 1 & 2 - GROSS INCOME FROM EMPLOYERS EARNED IN PONTIAC

Line 1 should reflect box 1 of the W2 or PW2 form for each employer in the City of Pontiac from whom compensation was received while working in the city. **DO NOT USE BOX 18 OF YOUR W2.** If part of your services were rendered outside of the City of Pontiac, see Line 3 below. Line 2 is the total of all wages and withholdings from Line 1.

#### LINE 3 - EXCLUSION OF WAGES NOT EARNED IN PONTIAC

On this line, enter the amount from the WAGE ALLOCATION - EXCLUSION schedule at the top of Page 2, line E.

#### LINE 4 - INCOME (OR LOSS) FROM BUSINESS

Enter on this line the amount from page 2, line 27. Include your Federal Schedule C.

#### LINE 5 - PARTNERSHIP AND OTHER INCOME

On this line, enter the amount from page 2, line 31, OTHER INCOME. See instructions for lines 28 through 31.

#### LINE 6 - INCOME FROM RENTAL, SALES, AND EXCHANGES

On this line, enter the net profit (or loss) from rental, sale or exchange of real or tangible personal property located in Pontiac. **ATTACH COPIES OF FEDERAL SCHEDULES D, E, 4797, etc.** to support the information on line 6.

#### RENTAL INCOME (Federal Schedule E)

Enter all rental income included on your federal return and received from properties within the City of Pontiac. Copies of **ALL** federal schedules must be attached.

#### SALE OR EXCHANGE OF PROPERTY (Federal Schedule D, or Form 4797)

For non-residents of Pontiac, gains and losses from the sale or exchange of real or tangible personal property located in Pontiac are treated in the same manner, and the amount subject to tax determined on the same basis as under the Federal Internal Revenue Code. Copies of Schedule D, and/or Form 4797 are to be attached with the tax return. This amount is reported on line 6.

The only exception is the sale of property purchased prior to January 1, 1968. Gain or loss on property purchased prior to January 1, 1968 must be determined by one of the following methods:

- a. The base may be the adjusted fair market value of the property on January 1, 1968 (January 2, 1968 closing price for traded securities), or
  - b. Divide the number of months the property was held, and apply this fraction to the total gain or loss as reported on your federal income tax return.
- If you qualify for this exception, attach a schedule with supporting calculations.

#### LINE 7 - GROSS PONTIAC INCOME

The total on line 7 is your gross Pontiac income, which is the sum of lines 2 through 6.

#### LINE 8 - DEDUCTIONS

On this line, enter the amount from page 2, line 32, column 3.

#### LINE 9 - ADJUSTED GROSS PONTIAC INCOME

The total on line 9 is your adjusted gross Pontiac income. Enter the remainder after subtracting the total deductions on line 8 from line 7.

#### LINE 10 - EXEMPTIONS

Multiply the number of exemptions from line 'b' above by \$600.00, and enter on this line.

#### LINE 11 - INCOME SUBJECT TO TAX

The total on line 11 is your taxable Pontiac income. Enter the remainder after subtracting the exemptions on line 10 from line 9. If the amount is equal to or less than \$0.00, you have no tax liability.

#### LINE 12 - CITY OF PONTIAC TAX LIABILITY

Multiply line 11 by 1/2% (0.005) to calculate your tax liability, and enter here. This should be rounded to the appropriate whole dollar amount.

#### LINE 13 - PAYMENTS AND CREDITS

On line 13a, enter the amount of Pontiac tax withheld as shown on your PW2 or W2 statements from line 2. The City copy of your PW2 or W2 showing clearly the amount of Pontiac tax withheld must be submitted with your return before credit can be allowed for

Pontiac tax withheld.

On line 13b, enter the total of all payments made with 2014 City of Pontiac Declaration of Estimated Tax (P-1040-ES), or credits carried forward from a prior tax year.

On line 13c, enter any credits for payments made on a tentative return (please indicate the credit is for a tentative payment). Also, on line 13c, enter any Pontiac Income Tax paid on your behalf by a partnership of which you are a partner (please indicate the payment was made by a partnership, and the partnership's Tax Identification Number.)

Enter on line 13, the sum of 13a, 13b, and 13c. This is the total amount paid on your Pontiac income tax prior to filing of your tax return.

#### LINE 14 - OVERPAYMENT

If your total payments and credits on line 13 exceed the Pontiac tax on line 12, you have overpaid your tax for 2014. Enter this amount on line 14.

If you want your overpayment to be credited to your 2015 estimated tax, check the upper-most box on this line. If you want this overpayment refunded and sent to you, check the middle box. If you want to donate this amount to the city, check the lowest box. If you want the payment allocated between any of these options, please indicate the amount of each allocation in the appropriate box.

**Refunds or credits of less than one dollar (\$1.00) cannot be made.**

**Please wait 90 days from the time you file your return before making any inquiry concerning a refund.**

#### LINE 15 - TAX DUE

If after computing your Pontiac Income Tax and deducting your payments and credits, line 12 exceeds line 13, you have an additional income tax liability due to the City of Pontiac. If the Tax Due is one dollar (\$1.00) or more, it must be entered on line 15, and paid when filing this return. Make check or money order payable to "TREASURER, CITY OF PONTIAC" and mail it to, City of Pontiac 1040 Payments; P.O. Box 530, Eaton Rapids, MI 48827-0530.

## INSTRUCTIONS FOR PAGE 2

#### WAGE ALLOCATION - EXCLUSION

Non-residents who performed part of their services OUTSIDE the City of Pontiac for employers listed on Line 1 should use this schedule to document excludable wages for EACH employer, and carry that amount to Page 1, Line 3. **The wages must be included in line 1 to be excluded on line 3.** Divide the number of days worked outside Pontiac (**identify locations, and the number of days on Line B**) to the total days worked everywhere (Line A) to produce a percentage on Line C. Line C should be multiplied by the applicable amounts reported in Line D (Box 1 of the W2) for each allocated employer and the result entered on Line E, which is reported on Page 1, Line 3. For example, if a construction worker actually worked 234 days in Pontiac and 26 days out of Pontiac, or a total of 260 working days, he would report as wages earned outside Pontiac 26/260 or 10% of his total wages (Box 1 of the W2 which would include vacation pay, holiday pay, and sick pay since all has the relative tax location as the location where the employee performs his services). NOTE - Instead of using days worked, employees paid on a commission basis should multiply their wages by the ratio of commissions earned in Pontiac to total commissions earned.

#### LINES 16 THROUGH 27 - PROFIT OR LOSS FROM BUSINESS OR PROFESSION (Federal Schedule C)

Non-residents are taxed on the net profits from their operation of a business or profession, generated within the City of Pontiac.

Line 16 - enter the net profit (or loss) from your business or profession. **You must attach a copy of your federal Schedule C.** If all of your business was within the City of Pontiac, skip lines 17 through 23.

Line 17 - In column I, enter the average net book value of all real and tangible personal property owned by the business, regardless of location. In column II, enter the average net book value of the real tangible personal property owned and located in the City. The average net book value 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.

Line 18 - 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. Gross annual rent must include money and other consideration given for the use or possession of real property rented or leased.

Line 19 - add the amounts on Line 17 to the amounts on Line 18, and determine the Pontiac related percentage by dividing column II by column I.

Line 20 - Enter in column I total compensation paid to all employees during the year. In column II, show compensation paid to employees for work or services performed within the City. Determine the Pontiac related percentage by dividing column II by column I.

Line 21 - Enter in column I the total gross revenue from all sales or services rendered during the year. In column II show the amount of revenue derived from sales made or services rendered in the City. Rental income is considered to be derived from services rendered, and must be included in gross receipts. Determine the Pontiac related percentage by dividing column II by column I.

Line 22 - Add the percentages on lines 19, 20, and 21.

Line 23 - Determine the average percentage by dividing the amount on Line 22 by three (3) unless one of the factors does not exist anywhere, then divide by the number of factors actually used.

Line 24 - If your business was not conducted entirely in the City of Pontiac, multiply the amount on line 16 by the percentage on line 23, and enter on Line 24. If it was conducted entirely in the City of Pontiac, enter the amount from Line 16 on Line 24.

Line 25 - Enter the amount of applicable net operating loss carryover from prior years. A net operating loss carry-over may be taken against the current year's net profit (or loss). You may not take a carry-back loss on your Pontiac Income Tax return. Carry-back losses are specifically forbidden by the Income Tax Ordinance (Section 7.2).

Line 26 - If you claim a federal Keogh retirement plan deduction, enter the portion related to the City of Pontiac on line 26. (see percentage on line 23.)

On line 27, combine the amounts from lines 24, 25, and 26.

#### LINE 28 - OTHER INCOME

Partnerships engaged in business activity in the City are required to file Pontiac Partnership Returns (P1065). Report your share of the partnership income (or loss) on lines 28 through 30. Enter your share of ordinary income only. Your share of dividends, capital gains, interest, etc., are treated as belonging to you as an individual.

Corporations are not permitted to file as so-called "tax-option" (Subchapter S) corporations. Every corporation subject to City income taxes must file a Pontiac Corporation (P1120). The taxable gain (or loss) of a corporation shall not be prorated to the shareholders and not reported on their City of Pontiac individual returns.

Lines 28 through 30 are also to be used to report distributions from employees' savings plans, retirement stock purchase plans, and profit sharing plans. These plans are classified as wages not subject to withholding. If you have completed the Wage Allocation Exclusion, use Line D to your total distribution, and enter on lines 28 through 30.

Line 31 - Total OTHER INCOME

Combine Lines 28 through 30, and enter on Page 1, Line 5.

#### DEDUCTIONS ALLOWED

LINE 32 - YOU MUST ATTACH A COPY OF YOUR FEDERAL FORM TO SUPPORT ENTRIES ON THIS LINE. If you excluded income on Page 1, Line 3, the same exclusion percentage applies to these deductions. Each deduction is limited to the amount reported on your federal return, and by the extent it applies to income earned in Pontiac.

**The only deductions** allowed by the City Income Tax Ordinance are as follows:

- A. Individual Retirement Accounts (IRAs) - contributions to your deductible individual retirement account. ATTACH PROOF OF DEDUCTIBILITY. Proof of deductibility includes, but is not limited to: a copy of receipt for traditional IRA contribution, a copy of federal Form 5498, copy of cancelled check that clearly indicates it is for an IRA contribution, as allowed on Federal 1040, copy of signed Federal 1040 showing deduction.
- B. A Keogh retirement plan deduction (DEDUCTED ON LINE 26, NOT ON LINE 32.)
- C. Employee Business Expenses (**ATTACH COPY OF FEDERAL FORM 2106**) - These expenses are allowed only to the extent not paid by your employer, and are limited to the following:
  1. Expenses of travel, meals, and lodging while away from home.
  2. Business as an outside salesman who works away from his employer's place of business (does not include driver-salesman whose primary duty is service and delivery).
  3. Expenses of transportation (but not transportation to and from work).
  4. Expenses reimbursed under an expense account or other arrangement with your employer, if the reimbursement has been included in reported gross earnings.
- D. Moving expenses incurred to maintain employment by your employer for employment in the City of Pontiac and qualifies under the Internal Revenue Code as a deduction from federal gross income may be deducted on your Pontiac return. However, the Pontiac deduction is limited to those expenses that are applicable to income taxable under the Pontiac Income Tax Ordinance. **ATTACH COPY OF FEDERAL FORM 3903 WITH YOUR RETURN.**
- E. Alimony (NOTE: CHILD SUPPORT IS NOT DEDUCTIBLE), separate maintenance payments and principal sums payable in installments to the extent includable in the spouse's Adjusted Gross Income under the Federal Internal Revenue Code and deducted on your 2004 federal return (ATTACH COPY OF PAGE 1 OF FEDERAL FORM). The Alimony deduction adjustment is not based on wages, but on income as follows:

Pontiac income (Page 1, Line 9) without alimony deduction  
\_\_\_\_\_ X ALIMONY PAID  
Federal Adjusted Gross Income without alimony deduction.

LINE 32 Total all deductions on Line 32, and show here, and on Page 1, Line 8.

**IMPORTANT: All of the above deductions are limited to the amount taken on your federal return and to the extent they apply to income taxable under the Pontiac Income Tax Ordinance.**

**A copy of the federal schedules and other requested documentation supporting deductions must be attached.** Failure to attach schedules and documentation or attaching incomplete schedules and documentation will result in deductions being disallowed or delay the processing of your return until proper substantiation is obtained.

#### ASSISTANCE

If you have questions not answered in these instructions, or if you need assistance in preparing your return, call (248) 758-3236. Questions by mail should be directed to City Income Tax Division, P.O. Box 530, Eaton Rapids, MI 48827-0530.

If you have access to the World Wide Web, tax forms and instructions can be found at [www.pontiac.mi.us](http://www.pontiac.mi.us), and look for "Departments", then "Finance" then "Income Tax".