

CITY OF PONTIAC
FINANCE DEPARTMENT
INCOME TAX DIVISION
P.O. BOX 530
EATON RAPIDS, MI 48827-0530

City of Pontiac Income Tax

2010

Form P-1040 (R)

Individual Return and Instructions for 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 0530
Eaton Rapids, MI 48827-0530

All Other Returns
City of Pontiac Income Tax Division
P.O. Box 0530
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.

2010 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 TO BE MAILED TO **TREASURER, CITY OF PONTIAC, 1000 W. WYOMING ST., P.O. BOX 1000, PONTIAC, MI 48033-1000**

EXEMPTION CREDIT: \$600.00 FOR EACH EXEMPTION.

FILING DATE: YOUR RETURN MUST BE FILED BY APRIL 30, 2011. 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 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.

RESIDENT INSTRUCTIONS

CITY OF PONTIAC INCOME TAX 2010 RETURN

INFORMATION FOR FORM P-1040 (R)

WHO MUST FILE A RETURN

For each taxable year, a return must be filed by each 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.**

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.

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 from obligations of the United States, the states, or subordinate units of government of the states.
7. Military pay of members of the armed forces of the United States and the National Guard.
8. Social Security benefits, railroad retirement act benefits.

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 or 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 residents of Pontiac during the year or any part thereof must use this form.

Individuals who have income subject to tax both as a resident and as a non-resident must file Schedule L with form P-1040R. Schedule L and instructions are available from the Pontiac Income Tax Office.

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 joint 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.

DECLARATION OF ESTIMATED TAX

If your Pontiac income in 2011 is not subject to withholding and will be more than \$10,000.00 after deductions (\$100.00 in tax), you must file a Declaration of Estimated Income Tax (Form P-1040-ES) by April 30, 2011 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 and look for "Departments", then "Finance", then "Income Tax". Estimated payments are to be mailed to: City of Pontiac, Attn: Tax Department, 1000 Griswold St., MI 48127-0100.

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, b, c, and d if applicable to you.

LINES 1 AND 2 - GROSS INCOME FROM EMPLOYERS

All wages, salaries, sick pay, tips, bonuses, and other compensation earned by you while a resident of Pontiac, are taxable regardless of where earned and must be included on line 1, and totaled on line 2. If you were a full year resident, this is the amount in box 1 of your PW-2 or W2.

LINES 3 AND 4 - INTEREST

All interest taxed on your federal return minus interest from obligations of the United States and subordinate units of government received while a resident of Pontiac is taxable on this return regardless of where earned. If amount is greater than \$1,500.00, or you are subtracting non-taxable interest, attach copy of appropriate federal schedule.

LINE 5 - DIVIDENDS

Enter all dividends taxed on your federal return and received while a resident of Pontiac. Be sure to include all distributions from Sub-Chapter S corporations taxed as dividends on your federal return. If amount is greater than \$1,500.00, attach copy of appropriate federal schedule.

LINE 6 - OTHER INCOME

On this line, enter the amount from page 2, line 23.

LINE 7 - GROSS PONTIAC INCOME

The total on line 7 is your gross Pontiac income, which is the sum of lines 1 through 6.

LINE 8 - DEDUCTIONS

On this line, enter the amount from page 2, line 25.

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.

LINE 12 - CITY OF PONTIAC TAX LIABILITY

Multiply line 11 by 1% (0.01) to calculate your tax liability, and enter here. If you have prepared Schedule L, enter the tax liability from Line 11 Schedule L 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 PW-2 or W-2 statement from line 2a. The City copy of your PW-2 or W-2 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 2010 City of Pontiac Declaration of Estimated Tax (P-1040-ES)

On line 13c, enter the amount of other credit from page 2, line 26. Enter in line 13, the sum of 13a, 13b, and 13c. 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 2010 and are entitled to a refund. Enter this amount on line 14.

If you want your overpayment to be credited to your 2011 estimated tax, check the uppermost 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, and a balance due owing 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 at the time of filing this return. Make Check or money order payable to "TREASURER, CITY OF PONTIAC" and mail it to **City of Pontiac, 1000 E. Grand Ave., Pontiac, MI 48133**.

INSTRUCTIONS FOR PAGE 2

LINES 16 THROUGH 19 - PROFIT OR LOSS FROM BUSINESS OR PROFESSION (Federal Schedule C)

Pontiac residents are taxed on the net profits from their operation of a business or profession, **regardless of where it is located**. You must attach a copy of your federal Schedule C, and enter the net profit or loss on line 16.

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 you Pontiac Income Tax return. Carry-back losses are specifically forbidden by the Income Tax Ordinance (Section 7.2). Enter the amount of net operating loss carry-over on line 17.

A Keogh retirement plan deduction must be entered on line 18.

On line 19, combine the amounts from lines 16, 17, and 18.

LINE 20 - GAIN (OR LOSS) FROM SALE OR EXCHANGE OF PROPERTY (Federal Schedule D, or Form 4797)

For residents of Pontiac, gains and losses from the sale or exchange of property (regardless where located) 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 20a.

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:

- 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
 - 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.
- The result of the selected method (if applicable) is entered on line 20b. If there is no pro-ration, enter the amount from line 20a on line 20b.

LINE 21 - RENTS OR ROYALTIES (Federal Schedule E)

Enter all rental and royalty income included on your federal return and received while a resident of Pontiac. Copies of **ALL** federal schedules must be attached.

LINE 22 - OTHER INCOME

All other income not previously discussed is reported on line 22. This includes partnerships, estates, trusts, alimony received, distributions from profit sharing plans, premature distributions from IRAs, capital gains, gambling winnings from casinos, racetracks, or non-charitable lotteries or bingo halls, or from any other source.

If you have partnership income (or loss), enter your share of ordinary income and capital gains from the partnership on this line. If interest, and dividend are reported to you from the partnership, they are to be reported on lines 4 or 5 respectively. If you are claiming a loss from a partnership located outside of Pontiac, a copy of your federal K-1 must be attached.

If you receive distributions from employee stock purchase and profit sharing plans (which are classified as wages not subject to withholding); and distributions that are received from qualified trusts upon termination of employment and receive treatment as capital gains under the Federal Internal Revenue Code, and withdrawals and distributions from deferred income plans must all be reported on line 22.

Income from an estate or trust is taxable to a Pontiac resident. The income must be reported on line 22, regardless of the location of the estate or trust, or the location of the property it may own.

DO NOT INCLUDE on this return any losses or any other deductions from a Sub-chapter S corporation. All corporations taxable under the City Income Tax Ordinance must file as conventional corporations with the City of Pontiac and pay their own income tax. (**Distributions** from a Sub-chapter S corporation that are taxable for federal purposes are also taxable on this return.)

LINE 23 - Total Other Income

Add lines 19, 20b, 21, and 22 and enter on line 23, and Page 1, line 6.

DEDUCTIONS ALLOWED

LINE 24 - YOU MUST ATTACH A COPY OF YOUR FEDERAL FORM TO SUPPORT ENTRIES ON THIS LINE.

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

- 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.
- A Keogh retirement plan deduction (DEDUCTED ON LINE 18, NOT ON LINE 24).
- 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:
 - Expenses of travel, meals, and lodging while away from home.
 - Expenses 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).
 - Expenses of transportation (but not transportation to and from work).
 - Expenses reimbursed under an expense account or other arrangement with your employer, if the reimbursement has been included in reported gross earnings.
- Moving expenses into the City only. **ATTACH COPY OF FEDERAL FORM 3903**
- 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 2010 federal return (ATTACH COPY OF PAGE 1 OF FEDERAL FORM).

LINE 25 TOTAL DEDUCTIONS

LINE 26 CREDITS

Multiple taxing city credit - If you are a Pontiac resident subject to city income tax in another city, you may claim a credit for part of the amount paid the other city. This credit may not exceed the tax that a non-resident of Pontiac would pay on the same income earned in Pontiac (1/2% or 0.005 of the other city's taxable income). **You must attach a copy of the 2010 city income tax return you filed with the other city.**

Partnership payment credit - enter any City of Pontiac income tax paid on your behalf by a partnership. **CLEARLY INDICATE PARTNERSHIP NAME AND THE PARTNERSHIP'S TAX IDENTIFICATION NUMBER.**

Tentative return payment - Indicate any payment that has been made when filing a tentative return when requesting an extension, and the date of the payment.

Enter the total of these credits on page 1, Line 13c.

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. Part year residents must allocate deductions the same way they allocate income.

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 of Pontiac 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, and look for "Departments", then "Finance", then "Income Tax".