



City of Pontiac Income Tax

2024

Form CF-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

pontiac.mi.us/departments/finance/income_tax/tax_forms.php

Note: We will not prepare your return.

GENERAL INSTRUCTIONS FOR ALL FILERS

This section contains general information regarding all returns. Specific instructions are attached for RESIDENT, NON-RESIDENT and PART-YEAR returns.

PLEASE INCLUDE W-2 FORM(S) WITH YOUR RETURN. The processing of your return may be delayed if the W-2 Forms are not attached.

WHO MUST FILE A RETURN?

If you had Pontiac taxable income greater than the total of your personal and dependency exemptions, you must file a tax return — even if you did not file a federal tax return. See Exemptions Schedule for more information on your allowable exemptions. **You are required to file a tax return and pay tax even if your employer did not withhold Pontiac tax from your paycheck.** You will be required to make quarterly estimated income tax payments if you work for an employer not withholding Pontiac tax from your wages.

ESTIMATED TAX PAYMENTS

When your total income tax is greater than the amount of tax withheld plus other credits by \$100 or more, you may be required to make quarterly estimated tax payments. File Form P-1040ES (available on the Pontiac website) by April 30 of the tax year and pay at least one-fourth (¼) of the estimated tax. The remaining estimated tax is due in three equal payments on June 30 and September 30 of the tax year and January 31 of the following year. Adjust the remaining quarterly payments if your income increases or decreases during the year.

Failure to make required estimated tax payments or underpayment of estimated tax will result in assessment of penalty and interest.

If you made estimated tax payments and do not owe additional tax for the year, you still must file a tax return.

DUE DATE AND EXTENSIONS

Returns are due on or before April 30th each year. If a due date falls on a weekend or holiday, the due date becomes the next business day. **2024 DUE DATE IS APRIL 30th, 2025. RETURNS MUST BE POSTMARKED BY THIS DATE.**

The due date of the annual income tax return may be extended for a period not to exceed six months. To apply for an extension, file REQ-FOR-EXT.FRM, Request for Extension of Time to File a City of Pontiac Income Tax Return (on the City's website). Applying for a federal extension does not satisfy the requirement for filing a Pontiac extension. Application for an extension must be made and the tentative tax due must be paid (MCL 141.664). Filing an extension with payment is not a substitute for making estimated tax payments. **An extension does not extend the time for paying the tax due.**

When an extension form is filed and the balance due is paid, it may be assumed that the extension is automatically granted unless otherwise notified. Interest and penalty is charged on taxes paid late even if an extension of time to file is granted.

CHARGES FOR LATE PAYMENTS

All taxes remaining unpaid after the due date are subject to interest at the rate of 1% above the adjusted prime rate on an annual basis and to penalty at a rate of 1% per month, not to exceed a total penalty of 25% of the tax. The minimum charge for interest and penalty is \$2.00. **Charges begin to accrue on tax not paid by the due date even if the return is filed on time.**

AMENDED RETURNS

If you have already filed a return and need to make changes, you may file an amended return. If your federal return is adjusted and the change affects your Pontiac income, an amended return must be filed and paid within 90 days. You may use the P-1040X amended form available on our website. If you are writing corrections on a copy of the original tax return, please clearly write AMENDED at the top of the return. **Please be sure to provide an explanation for the amendment.** This information can be provided on page 2 of the 1040X in Part III: Explanation of Changes or by attaching a separate sheet. Amended returns may be mailed to: Pontiac Income Tax Dept, PO

BOX 530, Eaton Rapids, MI 48827-0530. If applicable, please attach a copy of the amended federal return or the IRS notice detailing why your federal return was adjusted.

DISCLAIMER

These instructions are interpretations of the Pontiac Income Tax Ordinance, MCLA 141.601 et seq. The City of Pontiac Ordinance will prevail in any disagreement between these instructions and the Ordinance.

COMPLETING YOUR RETURN:

PAGE 1

FILING STATUS

Indicate filing status by marking (X) in the proper box. If married filing separately, enter spouse's Social Security number in the spouse's SSN box and enter the spouse's full name in the filing status box.

NAME, ADDRESS, SOCIAL SECURITY NUMBER

- **Always enter the full Social Security number(s) on the return.** The Social Security number must match the SSN on the W-2 Form(s) attached to your return.
- Enter your name and, if a joint return, your spouse's name.
- If the taxpayer or spouse is deceased: attach a copy of federal Form 1310 or a copy of the death certificate and mark (X) in the box under the Social Security numbers indicating the taxpayer and/or spouse is deceased. Write "deceased" in the signature area on page 2 and enter the date of death in the box on the right side of the signature line.
- Enter your current home address on the present home address line. If using a PO Box for mailing purposes, enter the PO Box number on address line 2. If using an "in care of" address that is not your legal residence (domicile), you must report your residence (domicile) address in the Address Schedule on page 2.

RESIDENCY STATUS

Indicate your residency status by marking (X) in the proper box at the top of page 1.

Resident – a person whose domicile (principle residence) was in the city limits of Pontiac all year. File as a resident if you were a resident the entire year. If your address is/was on Rose Boulevard in Bloomfield Township, you are subject to taxation as a Pontiac resident due to an annexation by a vote of the electorate in 2001 and formalized in 2002.

Non-Resident – a person whose domicile (principle residence) was outside the city limits of Pontiac all year. File as a nonresident if you were a nonresident the entire year.

Part-Year Resident – a person who changed their domicile (primary residence) during the year from one inside Pontiac to one outside Pontiac or vice versa. If you were a resident for only part of 2024, use Form P-1040TC to calculate the tax and attach it to the CF-1040 (R)

Married with Different Residency Status. If you were married during the tax year and had a different residency status from that of your spouse, file separate returns or file a part-year resident return using Form P-1040TC to compute the tax.

EXEMPTIONS (Exemption Value = \$600)

All taxpayers should complete the **EXEMPTIONS SCHEDULE** at the top of the page. All taxpayers are to claim 1 exemption for self – even if claimed as a dependent on another person's return. Dependents should be the same as reported on your federal tax return – if you cannot claim a dependent on the federal return, you cannot claim them on the Pontiac return.

INCOME EXEMPT FROM CITY TAX

Pontiac does not tax the following types of income:

- 1 Social Security, pensions and annuities (including disability pensions), Individual Retirement Account (IRA) distributions received after reaching age 59½.
2. Proceeds of insurance where the taxpayer paid policy premiums. (Payments from a health and accident policy paid by an employer are taxed the same as under the Internal Revenue Code).

INCOME EXEMPT FROM CITY TAX (CONTINUED)

3. Welfare relief, unemployment compensation and supplemental unemployment benefits.
4. Interest from obligations of the United States, the states or subordinate units of government of the states and gains or losses on the sales of obligations of the United States.
5. Military pay of members of the armed forces of the United States, including Reserve and National Guard pay.
6. Michigan Lottery prizes won on or before December 30, 1988. (Michigan lottery prizes won after December 30, 1988 are taxable to residents.)
7. City, state and federal refunds.

ITEMS NOT DEDUCTIBLE ON THE PONTIAC RETURN

Pontiac does **not** allow deductions for items such as taxes, interest, medical expenses, charitable contributions, casualty and theft losses, etc. In addition, the following federal adjustments are not deductible on the Pontiac return: student loan interest, Archer MSA deduction, self-employed health insurance deduction, one-half or self-employment tax, and penalty for early withdrawal of savings. Pontiac allowable deductions can be found under the DEDUCTIONS SCHEDULE on page 2 of the tax form.

The **Standard Federal Deduction** is not applicable to Pontiac and cannot be subtracted from taxable income.

INCOME: The tax form has 3 columns. **Column A** should have all income as reported on your federal tax return. **Column B** is where income NOT taxable to Pontiac will be reported, such as excludible non-resident wages (see non-resident instructions). **Column C** should contain only the income taxable to Pontiac.

Line 17 is where your total taxable income after subtracting applicable deductions and exemptions will be reported.

Line 18 is where your tax is calculated/reported by using the income from Line 17 and multiply it by either the resident rate of 1% (0.01) or the non-resident rate of one-half percent ½% (0.005) depending on your filing status on the top of the form on page 1. If you were a part-year resident, the tax amount will be carried to Line 18b from the Sch TC (part-year resident schedule).

Line 19. On Line 19, you will report Pontiac tax withheld by your employer(s) in Box 19a – **ATTACH W-2 FORMS SHOWING THE PONTIAC TAX WITHHELD.** Estimated tax paid, tax paid with extension and credits from the previous tax year are reported in Box 19b. Corporate and partnership tax credits are also to be claimed in Box 19b. Failure to attach W-2 Forms may result in a delay in processing your tax return. Add boxes 19a and 19b and enter the total in box 19d.

Line 21 (TAX DUE). If Line 19d (or 20c) is LESS than Line 18b, you owe tax and will report the amount on Line 21. To pay with a check or money order, please make payable to CITY OF PONTIAC. Be sure your name and Social Security or account number is on the payment. You may also have the money directly withdrawn from your checking or savings account by filling out the bank account information at the bottom of page 1 of the form. If you will be mailing a payment with a payment voucher separately from the tax return, do not provide your bank account on the tax return as this would result in a payment being made a second time. **SEE MAILING ADDRESSES AT THE BOTTOM OF THE NEXT COLUMN.**

Line 22 (OVERPAYMENT). If Line 19d (or 20c) is MORE than Line 18b, you are due a refund and will report the amount on Line 22. If you would like the full amount to be refunded, put the amount on **Line 25.** Options for donating all or part of your refund are on **Line 23.** If you would like your refund to be issued as a direct deposit, please fill out the bank account information at the bottom of the form. Please allow 45 days before contacting our office to inquire about refund status. **SEE MAILING ADDRESS AT THE BOTTOM OF THE NEXT COLUMN.**

Line 24. If you would like all or part of your refund to be credited to the next year, put the amount on Line 24.

PAGE 2. SCHEDULE A – OTHER INCOME. All items in Sch A are taxable to residents. Alimony, S-Corp and Gambling income is not taxable to non-residents. See specific non-resident instructions.

EXCLUDED WAGES AND TAX WITHHELD SCHEDULE (Attach W-2 Forms even if completing this schedule). All wages of RESIDENTS are taxable – even if earned outside of the Pontiac city limits. For NON-RESIDENTS, wages earned outside of the Pontiac city limits are not taxable, however **documentation from the employer will be required if Pontiac tax was withheld on the excluded wages.** Additional information can be found with the non-resident instructions.

DEDUCTIONS SCHEDULE. Deductions are allowed to the same extent as the federal return, however must be pro-rated if you were a non-resident or part-year resident. For example, if you contributed to an IRA as a non-resident but only 50% of your wages were taxable to Pontiac, only 50% of the IRA contribution can be claimed.

Allowable deductions include:

1. **Contributions to an Individual Retirement Account (IRA).**
2. **Self-Employed SEP, SIMPLE and Qualified Plans.**

3. **Employee Business Expenses.** Employee business expenses are deductible only when incurred in the performance of service for an employer and only to the extent not reimbursed by the employer. Meal expenses are not subject to the reductions and limitations of the Internal Revenue Code. Under the Pontiac Income Tax Ordinance, meals must be incurred while away from home overnight on business.

BUSINESS EXPENSES ARE LIMITED TO THE FOLLOWING:

- A. Expenses of transportation, but not to and from work.
- B. Expenses of travel, meals and lodging while away from home overnight on business for an employer.
- C. Expenses incurred as an “outside salesperson” away from the employer’s place of business. This does not include driver-salesperson whose primary duty is service and delivery.
- D. Expenses reimbursed by employer from an expense account or other arrangement if included in gross earnings.

NOTE: Business expenses claimed on line 4 of federal Form 2106 are not allowed unless taxpayer qualifies as an outside salesperson.

Please attach federal Form 2106 to support the deduction claimed.

4. **Moving Expenses.** For tax years after 2017, only members of the military are eligible to claim moving expense. If applicable, attach federal Form 3903.
5. **Alimony Paid** (do not include child support). Attach the federal return showing the recipient’s Social Security number and amount paid.
6. **Renaissance Zone Deduction;** attach Sch RZ if applicable.

ADDRESS SCHEDULE (Taxpayer, Spouse or Both). Please complete this section with all home addresses for the tax year.

THIRD PARTY DESIGNEE. If you would like to authorize another person to discuss the tax return, check the box for YES and provide their information. If you are a parent preparing the return for a dependent, this will need to be completed before information about the return can be shared.

SIGN AND DATE THE RETURN.

WHERE TO MAIL FORMS AND PAYMENTS

BALANCE DUE RETURNS (with payments):

City of Pontiac 1040 Payments
PO BOX 530
Eaton Rapids, MI 48827-0530

ALL OTHER RETURNS AND CORRESPONDENCE:

City of Pontiac Income Tax Division
PO BOX 530
Eaton Rapids, MI 48827-0530

NONRESIDENTS

If you lived outside of the Pontiac city limits for the entire year but had income earned inside of the Pontiac city limits, you will file a non-resident tax return. If you moved during the year and lived both inside and outside of the Pontiac city limits, you will file as a part-year resident. See separate part-year tax form, instructions and Sch TC (part-year resident schedule) if applicable.

For non-residents, only income earned in the city limits is taxable. Alimony received and gambling winnings are not taxable to non-residents.

NONRESIDENT INCOME SUBJECT TO TAX:

1. Compensation for work done or services performed in the Pontiac city limits which includes, but is not limited to, the following: bonuses, commissions, fees, tips, incentive payments, severance pay, vacation pay and sick pay.
2. Net profits from the operation of an unincorporated business, profession or other activity attributable to business activity conducted in Pontiac, whether or not such business is located in Pontiac. This includes business interest income from business activity in Pontiac.
3. Gains or losses from the sale or exchange of real or tangible personal property located in the Pontiac city limits.
4. Net profits from the rental of real or tangible personal property located in Pontiac.
5. Premature distributions from an Individual Retirement Account (IRA) where a deduction was claimed on a current or previous year's Pontiac income tax return.
6. Premature distributions from a pension plan attributable to work performed in Pontiac.
7. Deferred compensation earned in Pontiac.

Wages received while on vacation, holiday and sick pay are taxable at the same percentage as your taxable wages, as is third party sick pay. Severance pay is also taxable at the same percentage as your wages had been taxable. If you allocated wages prior to receiving severance pay, a 3-year average should be used. This income cannot be excluded merely because it was paid to you after you stopped physically working in the Pontiac city limits.

Wage Allocations on Commissions, etc. A nonresident salesperson paid on a commission basis, or other results achieved, should allocate wages based on commissions received or other results achieved attributable to efforts expended in Pontiac. A nonresident insurance salesperson paid sales commissions and renewal commissions should allocate compensation on the following basis: Allocate commissions from life, health, accident and vehicle (auto) insurance based on the location (residence) of the purchaser. Allocate commissions from group insurance based on the location of the group. Allocate commissions from fire and casualty insurance based on the location of the risk insured.

Line 1 – Taxable wages. In Column A, you will report 100% of your wages as shown on the federal return. In Column B, you will report wages earned outside of the Pontiac city limits. If excluding wages in Column B, you will need to complete the EXCLUDED WAGES AND TAX WITHHELD SCHEDULE on Page 2.

Please note that if you exclude wages from an employer that withheld tax for Pontiac, you will be asked to provide a statement from the employer that confirming your allocation of work done either inside or outside the Pontiac city limits. If you will not be working in the city limits for the employer, we also ask for the date that they stopped withholding tax for Pontiac. Pontiac tax should not be withheld on wages earned outside of the Pontiac city limits by non-residents. You may need to file an updated W-4 Form with your payroll department to indicate you do not live or work in the Pontiac city limits.

Wages earned while working from home. The same verification from the employer will be requested if you exclude wages earned while working at home when Pontiac tax was withheld. If you are permanently working remotely and will not be returning to a Pontiac work location, withholding for Pontiac should be ceased.

The Pontiac Income Tax Ordinance (Sec. 141.613, Reg. 13.2) states the following: the mere fact that a nonresident employee takes work home with them and performs such work at their home does not permit for the allocation of compensation. If an office or other workspace is maintained for you in the city limits and you choose to work from home, this compensation cannot be allocated/excluded.

Wages are only to be taken from Box 1 of the W-2 form. **Wages are not to be taken from Box 18.** If you are allocating wages and Box 18 is the correct taxable amount, you are still required to fill out EXCLUDED WAGES AND TAX WITHHELD SCHEDULE.

Line 2 – Taxable interest. In general, interest income is not taxable to non-residents unless related to business income. For example, if you own commercial property in the Pontiac city limits or the annexed portion of Bloomfield Township and receive income (such as interest paid on land contract) the interest is taxable.

Line 3 – Dividends. Not taxable unless attributable to a Pontiac source

Line 4 – Business income (or loss) – PLEASE ATTACH FEDERAL SCH C. Any business income earned in the Pontiac city limits or annexed portion of Bloomfield Hills is taxable to non-residents. If you are claiming a loss, please be sure the actual address of the business is provided so we may verify it was in the Pontiac city limits or the annexed portion of Bloomfield Township or the loss may be disallowed.

Line 5 – Capital Gains (or Losses). Capital gains or losses of a nonresident are included in taxable income to the extent the gains or losses are from property located in Pontiac or the annexed portion of Bloomfield Township. Capital losses from property located in Pontiac or the annexed portion of Bloomfield Township are allowed to the same extent they are allowed under the Internal Revenue Code. Unused capital losses may be carried over to future tax years. The capital loss carryover for Pontiac may be different than the carryover for federal income tax purposes. Deferred capital gain income from installment sales and like-kind exchange of property located in Pontiac or the annexed portion of Bloomfield Township are taxable in the year recognized on the taxpayer's federal income tax return. Flow through income or loss from an S corporation reported on a nonresident's federal Schedule D is excluded on the Exclusions and Adjustments to Capital Gains or (Losses) schedule. Attach copies of federal Schedule K-1 (Form 1120S). Use the Exclusions and Adjustments to Capital Gains or (Losses) schedule to compute exclusions and adjustments to capital gains. NOTE: A common error on a nonresident return is failure to complete the Exclusions and Adjustments schedule to exclude the capital loss carryover reported on the taxpayer's federal income tax return.

Line 6 – Other Gains (or Losses). A nonresident's other gains and losses are included in taxable income to the extent the gains or losses are from property located in Pontiac or the annexed portion of Bloomfield Township. Deferred other gains and losses from installment sales and like-kind exchanges of property located in Pontiac or the annexed portion of Bloomfield Township are taxable in the year recognized on the taxpayer's federal income tax return. Deferred other gains must be supported by attaching a copy of federal Form 6252 and/or Form 8824. Flow through income or loss from an S corporation reported on federal Form 4797 is excluded on the Exclusions and Adjustments to Other Gains and (Losses) schedule. Attach copies of federal Schedule K-1 (Form 1120S). Nonresidents reporting other gains and losses must attach a copy of federal Form 4797. Use the Exclusions and Adjustments to Other Gains and Losses schedule to compute exclusions and adjustments to other gains and losses reported on the federal income tax return. On line 4 of the schedule enter the total excluded other gains or losses and also enter this total on page 1, line 8, column B.

Line 7 – IRA Distributions. That portion of a premature IRA distribution that was deducted from Pontiac taxable income in the current or a prior tax year (reported on Form 1099-R, box 7, distribution code 1) are taxable to a nonresident. IRA distributions received after age 59 ½ or described by Section 72(t)(2)(A)(iv) of the IRC are not taxable.

NONRESIDENTS (Continued)

Line 8- Taxable Pensions and Annuities. Premature pension plan distributions (those received by a nonresident prior to qualifying for retirement) are taxable to the same extent the normal wages from the employer are taxable. A nonresident remaining employed by the particular employer in Pontiac may not exclude amounts received from deferred compensation plans that let the employee set the amount to be put aside and do not set retirement age or requirements for years of service. These plans include, but are not limited to, plans under Sections 401(k), 457 and 403(b) of the Internal Revenue Code (IRC): Amounts received before the recipient could retire under the plan provisions, including amounts paid on separation, withdrawal or discontinuance of the plan. Amounts received as early retirement incentives unless the incentives were paid from a pension trust. Form 1099-R, box 7, code 8, Excess contributions or excess deferrals taxable in current tax year are taxable to a nonresident to the same extent and on the same basis as the normal earning from the specific employer are taxable. Note: Form 1099-R, box 7, code P, reports excess contributions or excess deferrals taxable in the prior tax year and may require a nonresident to file an amended return for the prior tax year. See Line 10 under "Residents" for additional information on nontaxable pension and retirement benefits.

Line 9 – Rental real estate, royalties, partnerships, S Corporations, trusts, etc. – PLEASE ATTACH FEDERAL SCHEDULE E. All income reported on the federal Schedule E that comes from business activity in Pontiac or the annexed portion of Bloomfield Township or property located in Pontiac, or the annexed portion of Bloomfield Township is taxable to nonresidents. When an estate or trust has taxable income in Pontiac or the annexed portion of Bloomfield Township, the estate or trust must file a return and pay tax on distributions to nonresidents and on undistributed taxable income. The following income reported on federal Schedule E is excludable: income from business activity or property outside Pontiac including royalty income upon which Michigan severance tax was paid; S corporation flow through income or loss reported on Schedule E; and income from estates and trusts. Explain all exclusions on the Exclusions and Adjustments to Income from Rental Real Estate, Royalties, Partnerships, S Corporations, Trusts, Etc. schedule. On line 6 of this schedule enter the total exclusions and adjustments; enter also on page 1, line 11, column C.

OTHER INCOME (Page 2, Schedule A)

Alimony, S-Corp and gambling income is not taxable to non-residents. Any other income earned in the Pontiac city limits for which there is not a specific line is reported here. If you have an S-Corp in the City of Pontiac, or doing business in the City of Pontiac, a P-1120 or CF-1120 needs to be filed as Reg. 14.1 states "Corporations are not permitted to file as so-called "tax option" corporations. Every corporation subject to the city tax must file a return and pay the tax...The taxable income or net operating loss of a corporation shall not be prorated to the shareholders and reported on their individual returns."

Line 3 – Farm Income (or Loss). A nonresident's profit or loss from a farm are included in Pontiac income to the extent the profit or loss results from work done, services rendered, or other activities conducted in Pontiac. The portion of the profit or loss reported on the Pontiac return is determined by use of the three factor Farm Allocation Percentage formula. **Sales of crops at the produce market, any of the farmer's markets or a produce stand located in the city is Pontiac business activity and subjects the farm to Pontiac income tax.**

DEDUCTIONS SCHEDULE. A nonresident's deductions are limited by the extent they relate to income taxable under the Pontiac Income Tax Ordinance. Nonresidents must allocate deductions the same way related income is allocated. For example, if you contributed to an Individual Retirement Account (IRA) but only 50% of your wages are taxable to Pontiac, only 50% of the IRA deduction can be claimed.

See **GENERAL INSTRUCTIONS FOR ALL FILERS** for mailing addresses