

GENERAL INFORMATION

TEMPORARY CHANGES STILL FOR 2021

The Tax Cuts and Jobs Act enacted at the federal level has resulted in changes to the calculation of Pontiac income tax as follows:

- The moving expense deduction has been suspended, except for certain Armed Forces members. See the federal instructions to see if you qualify for the deduction.
- The alimony deduction has been eliminated for payments required under divorce or separation instruments **executed after** December 31, 2018.

Please contact the Pontiac Income Tax Division at (248) 758-3236 if you have any questions regarding what federal forms need to be attached.

DUE TO COVID-19 IMPACTING WORKPLACE PRACTICES, IF YOU WERE DIRECTED TO WORK REMOTELY DURING 2021, PLEASE PREPARE AND SUBMIT THE PONTIAC COVID WORK ALLOCATION SCHEDULE THAT CAN BE FOUND ON THE CITY OF PONTIAC WEBSITE TOGETHER WITH OTHER FORMS.

WHO MUST FILE A RETURN

For each taxable year, a return must be filed by each nonresident who had income subject to Pontiac City income tax and exceeds your personal exemption amount. The return must be filed by the due date. See Taxable Income paragraph below.

Married persons may file either a joint return or separate returns. The total Pontiac income of both spouses must be included on a joint return, and each spouse must sign the return.

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

A final return must be filed for any person who died during the year and who is required to file as explained above. The executor, administrator, personal representative or survivor must file the final return and any other return due for the decedent. The return must be signed by the party filing the return. 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 the surviving spouse, Federal Form 1310 must be filed together with the return.

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

WHO MUST USE THIS FORM

Individuals who were nonresidents of the City of Pontiac during the entire year and worked in Pontiac must use this form.

An individual who was a resident of Pontiac during any part of the year must file form P-1040R (Resident form). See the form for specific instructions. The forms are available from the Pontiac Income Tax Division, or online at www.pontiac.mi.us/departments/income_tax/index.php and look for tax forms on the left side of the page.

EXTENSION OF TIME TO FILE

The due date to file this return may be extended for a period not to exceed six months. **When a city extension is granted, a tentative tax return must still be filed, and any tax owed must be paid by the original due date.** Applications to request an extension are available online at www.pontiac.mi.us/departments. It is the last form on that web page. The extension of time to file only applies to the filing of the tax return, not the payment of taxes.

Applying for a Federal extension does not satisfy the requirement to file a Pontiac request for an extension.

TAXABLE INCOME

The following income is subject to tax:

- Compensation received for work done or services performed in Pontiac—compensation includes, but is not limited to: salaries, bonuses, wages, commissions, sick pay, vacation pay, holiday pay, strike pay, incentive pay to leave employment or for "early retirement", lump sum distribution of vacation pay, or sick pay, severance pay, employee savings plans, retirement stock purchase plans and profit sharing plans. **(Please note that these examples do not cover every possible filing situation. If you have any questions, please contact the City of Pontiac Income Tax Division at (248) 758-3236.)**
- That portion of 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.
- Net profits from rentals from real and tangible property located in Pontiac.
- Net profits on the sale or exchange of real and tangible personal property located in Pontiac.

- Premature distribution of an Individual Retirement Account (IRA) when a deduction(s) has been taken or from a deferred compensation plan such as a 401(k), 457, 403(b) or similar plans which reduced taxable wages on a Pontiac income tax return in previous year(s).

EXEMPT/NON-TAXABLE INCOME

Exempt/non-taxable income includes:

- Gifts, inheritances and bequests.
- Pensions (including disability pensions), Social Security benefits, Railroad Retirement Act benefits, annuities, IRA and 401k distributions after age 59 ½, and rollover of amounts from IRAs to ROTH IRAs.
- 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).
- Unemployment compensation, supplemental unemployment benefits, welfare relief payments.
- Workers' compensation, or similar payments for death, injury or illness arising out of and in the course of an employee's job.
- Interest, dividends, and other forms of intangible income. (When the receipt of interest and other intangible income is part of the business, such interest, etc. shall be considered as business income taxable to nonresidents and reported on Schedule C.)
- Military pay for members of the National Guard and the Armed Forces of the United States.
- Income received by a nonresident as the result of disability after exhausting all vacation pay, holiday pay and sick pay.

DECLARATION OF ESTIMATED TAX

If you expect that your Pontiac income in 2022, not subject to withholding, will be more than \$20,000 after deductions (\$100.00 in tax), you must file a Declaration of Estimated Tax (form P-1040ES) for 2022 by April 30, 2022, or next business day and pay **at least** one-fourth (1/4) of the estimated 2022 tax with your Declaration. The three remaining payments are due at the end of June, September and January. This way you are paying your tax as it is earned.

Failure to file a Declaration of Estimated Tax and make the required payments will result in the assessment of penalty and interest for the late payment of tax.

To avoid penalty and interest charges, you must pay in through withholdings and/or quarterly estimated payments at least 70% of your current year or prior year tax liability, whichever is lower.

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-1040ES is available from the City of Pontiac Income Tax Division or online at www.pontiac.mi.us/departments/income_tax/index.php, and look for "Income Tax" on the left side of the page. The mailing address for the payments, can be found on the forms.

LINE BY LINE INSTRUCTIONS

HEADING – PERSONAL INFORMATION

Enter your name (and spouse's name if filing a joint return), address, birthdate and full Social Security Number(s). Enter the phone numbers for the primary taxpayer. If married, and your spouse is not filing on the joint return, answer the question by checking the appropriate box, and if filing a separate return, enter their Social Security Number in the space provided.

SCHEDULE 1—EXEMPTIONS (\$600.00 each)

Lines 1-3

All individuals filing a Pontiac income tax return are allowed one personal exemption, unless they are claimed as a dependent on another filer's return. On a joint return EACH individual is allowed one personal exemption.

Individuals who are 65 years of age or older as defined by the Internal Revenue Code, may claim one additional personal exemption. On a joint return either one or both individuals (if they qualify) may claim one additional exemption for being 65 years of age or older.

Individuals, and/or their spouse, if they are legally blind (as defined in section 206.504 of the Michigan Compiled Laws), may claim an additional personal exemption if they qualify

Dependents may also be claimed for a dependency exemption. If you can claim a dependent on the Federal Tax Form, you may claim the dependent on the Pontiac income tax form. Names and Social Security Numbers need to be included on the form.

SCHEDULE 2—WAGE DETAIL

Columns A, B and C

Follow instruction (a) below if you performed all (100%) of your services in Pontiac. Use instruction (b) below if you only performed part of your services in Pontiac. Column B is where you enter Pontiac taxes withheld as reported in Box 19 of your W2(s).

- (a) Nonresidents who worked 100% of their time in Pontiac: Enter in Column A and Column C the full amount of your earnings as recorded in box 1 of your W-2 statement.
- (b) Nonresidents who only performed part of their services in Pontiac: Enter in Column A the full amount of your earnings as recorded in box 1 of your W-2 statement. Compute the amount to be entered in Column C by completing Schedule 4.

SCHEDULE 3—PAYMENTS

Line 1—Tax withheld by your employer

Enter the amount of Pontiac tax withheld as shown on your W-2 statement(s). The City copy of your W-2 statement, showing clearly the amount of Pontiac tax withheld must be submitted with your return before credit can be allowed for Pontiac tax withheld.

Line 2—Estimated payments, credit from a prior year, extension payments

If you made a payment(s) on a 2021 City of Pontiac Declaration of Estimated Tax (Form P-1040ES), applied an overpayment from your 2020 Pontiac return to 2021, or made a payment with an extension/tentative return, enter the total of all payments on line 2. In addition, enter any Pontiac income tax paid on your behalf by a partnership of which you are a partner. Please indicate in the space to the right of the amount, a note that the payment was made by a partnership and the partnership federal Tax Identification Number.

Line 3—Total payments.

Add the amounts from line 1 and line 2 and enter the result on this line, AND enter this amount on line 8 of the RETURN SUMMARY portion of the form. This is the total amount paid on your Pontiac income tax prior to filing your return.

SCHEDULE 4—WAGES EARNED IN PONTIAC

Complete this schedule only if you worked both in and out of Pontiac for the same employer. If you were paid for 52 weeks, and 5 days per week, enter 260 days on line 1. On line 2, enter how much time you **did not** work such as vacation, holiday and sick time. Line 3 refers to the total amount of time **worked** everywhere, so subtract line 2 from line 1. Line 4 refers to the amount of time **worked** while **inside** Pontiac. Line 5 is used to allocate your W2 income based on the percentage of time **worked inside** Pontiac in relation to time worked everywhere. Line 6 uses the total wages earned from this employer (Box 1 on the W-2, **NOT** Box 18). Line 7 is the result of multiplying line 6 by line 5, and enter this figure in column C of SCHEDULE 2 for the appropriate employer. **NOTE:** Hours may be substituted for days. Instead of using days worked, employees paid on a commission basis should multiply their wages by the ratio of commissions earned in Pontiac to the total of commissions earned everywhere.

SCHEDULE 5—OTHER INCOME/LOSS

The federal rules concerning passive losses are applicable to losses deducted on this return.

Line 1—Income/loss from business (for filers of Federal Schedule C)

You must attach a copy of Federal Schedule C if income is subject to taxation by the City of Pontiac.

If your Schedule C business is operated entirely within Pontiac, enter your Schedule C income/loss on line 1a. Enter your SEP deduction, if applicable, on line 1b. Subtract line 1b. from 1a. and enter the result on line 1c. If you have deducted a SEP contribution on line 1b. **you must attach a copy of Schedule 1 of your Federal Form 1040.**

If your Schedule C business is operated partly within Pontiac and partly outside Pontiac, complete Worksheets 1 and 2 on page 2 to calculate the amount to be entered on line 1.

If your Schedule C business is operated entirely outside of Pontiac, do not enter an amount on line 1a or 1b.

WORKSHEET 1. Only for use with a business that operates partly inside and outside the City of Pontiac. (If your business operates entirely in the City, go to Schedule 5, line 1a.)

On line 1, enter the net profit (or loss) from your business or profession. You must attach a copy of your Federal Schedule C.

On line 2, if you claim a federal SEP retirement plan deduction, enter the amount from your federal return here.

On line 3, subtract line 2 from line 1.

On line 4, will be the percentage from line 12 on worksheet 2 as explained below.

On line 5, enter the result from multiplying line 3 by line 4.

On line 6, deduct the applicable portion of a 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)

On line 7, subtract the net operating loss from line 5, and enter this result on Schedule 5, line 1c.

WORKSHEET 2. Used to determine a percentage for allocation of net profit (or loss) as applicable to the City of Pontiac. This will be based on figures solely within the City of Pontiac and to the company as a whole.

On line 8 column A enter the average net book value of all real and tangible property owned by the business, regardless of location. In column B, enter the average net book value of real and tangible 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.

On line 8a, enter in column A the gross annual rent multiplied by 8 for all rented real property regardless of location. In column B, 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.

On line 8b, add the amounts from line 8 to the amounts on line 8a and determine the Pontiac related percentage by dividing column B by column A

On line 9 column A enter the total compensation paid to all employees during the year. In column B, show the compensation paid to employees for work or services performed within the City of Pontiac. Determine the Pontiac related percentage by dividing column B by column A.

On line 10 enter in column A the total gross revenue from all sales or services rendered during the year. In column B show the total 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 B by column A,

On line 11, add the percentages from lines 8b, 9 and 10.

On line 12, determine the average percentage by dividing the amount on line 11 by three (3) unless one of the factors does not exist anywhere, then divide by the number of factors actually used. Enter this figure on line 4 of Worksheet 1 (see instructions above)

SCHEDULE 5—OTHER INCOME/LOSS (continued)

Line 2—Income/loss from rents/royalties (for filers of Federal Schedule E, page 1)

If you have rent/royalty income/loss from property located in Pontiac, enter the applicable amount from your Federal Schedule E, page 1 on line 2 of Schedule 5. Copies of **all** federal schedules must be attached.

Line 3—Income/loss from partnerships (for filers of Federal Schedule E, page 2)

Partnerships engaged in business activity in the City of Pontiac are required to file Pontiac Partnership returns (form P-1065, or CF-1065). Report your share of the partnership income/loss on line 3 of Schedule 5. Enter your share of ordinary income only. Your share of qualifying dividends, capital gains, interest, etc. are treated as belonging to you as an individual.

A partner is not allowed to apportion income distributed by a partnership. All apportionment of distributed income must be made on the Pontiac Partnership Return, form P-1065 or CF-1065.

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 Return (P-1120 or CF-1120). The taxable gain or loss of a corporation shall not be prorated to the shareholders and nor reported on their City of Pontiac individual returns.

If you are a shareholder in a corporation that has elected to file under Subchapter S of the Internal Revenue Code, you are not required to report any distributed income nor may you deduct your share of any loss or other deductions distributed by the corporation.

Line 4—Income/loss from sale or exchange of property (for filers of Federal Schedule D or Form 4797)

Enter on line 4 the gain/loss from the sale or exchange of real or tangible personal property located in Pontiac, and are treated in the same manner, and the amount subject to tax determined on the same basis as under the Federal Internal Revenue Code in its treatment of capital gains. All capital gains received from the sale or exchange of real or tangible personal property located within the City of Pontiac are fully taxable on this return at the non-resident tax rate.

Attach Federal Schedule D and Form 8949. Also attach Form 4797 and Form 6252 if applicable.

Line 5—Premature Pension/IRA/401k distribution(s)

Enter on line 5 premature distributions (before age 59 ½) from an IRA/401k plan when a deduction has been taken on a current or previous year's Pontiac Income Tax return and/or premature distributions from a pension. If you have completed Schedule 4, apply the percentage on Schedule 4, Line 5 to your total distribution and enter the taxable portion of the distribution on line 5 of Schedule 5. Provide a copy of form 1099-R with the return.

SCHEDULE 6—DEDUCTIONS—All of the following deductions are limited to the extent they apply to income earned in Pontiac, and are limited to the amount taken on your federal return. The only deductions allowed by the Income Tax Ordinance are listed below in Schedule 6 instructions.

Line 1—Individual Retirement Account (IRA) deduction

Contributions to your deductible individual retirement account. ATTACH PROOF OF DEDUCTIBILITY, which 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 Schedule 1. Contributions to ROTH IRAs are not deductible. If your earned income on which the federal IRA deduction is based is earned both in and out of Pontiac, you must apportion your IRA deduction regardless of whether the income is from a single employer or multiple employers.

Attach Schedule 1 of Federal Form 1040.

A SEP retirement plan deduction must be entered on line 1b of Schedule 5.

Line 2—Employee business expenses

The employee business expenses listed below are not subject to the same reductions and limitations required under the Internal Revenue Code. These expenses are, however, allowed only to the extent not paid or reimbursed by your employer and only when incurred in the performance of service for your employer.

The only deductions allowed by the City of Pontiac Income Tax Ordinance are limited to the following:

- Expenses of travel, meals and lodging while away from home
- Expenses as an outside salesperson who works away from his employer's place of business (does not include driver/salesperson 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.

You must attach a detailed list of your employee business expenses.

Line 3—Moving expenses

Under the Tax Cuts and Jobs Act of 2017, moving expenses have been suspended through December 31, 2025 except for taxpayers who are members of the military on active duty and who move pursuant to a military order. If you qualify for this deduction, **you must attach a copy of Federal Form 3903** or a list of your moving expenses, including the distance in miles from where you moved. However, the Pontiac deduction is limited to those expenses that are applicable to income taxable under the City of Pontiac Income Tax Ordinance, and only if moving into the Pontiac area.

Line 7—Alimony deduction (CHILD SUPPORT IS NOT DEDUCTIBLE)

As stated earlier, the Tax Cuts and Jobs Act of 2017 eliminates the deductibility of alimony payments for divorce or separation agreements that are executed (or modified) after December 31, 2018. If the agreement was prior to December 31, 2018, the following rules still apply.

Alimony deducted on your 2021 federal return is subject to adjustment before it may be deducted on this return. The alimony adjustment is computed as follows:

Pontiac Income (Line 4, Page 1)	
(without alimony deduction)	X Alimony Paid
Federal Adjusted Gross Income	
(without alimony deduction)	

You must attach a copy of page 1 and Schedule 1 of your Federal Form 1040.

COMPLETING YOUR RETURN

After completing schedules 1 through 6 as applicable, transfer the results of schedules 1 through 6 to lines 1, 2, 3, 5 and 8 on the front of the form (Return Summary section).

Follow the instructions on the front of the form for lines 4, 6 and 7.

Line 9—Tax due

If after computing your Pontiac Income tax and deducting your payments and credits, line 7 exceeds line 8, 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 9, and should be paid by the due date of this return.

Make check or money order payable to CITY OF PONTIAC and mail with this return to: CITY OF PONTIAC 1040 PAYMENTS; P.O. BOX 530, EATON RAPIDS, MI 48827-0530. Do not send cash through the mail. Cash payments can only be made in person at the Treasurer's Office in City Hall.

1. For direct electronic withdrawal, mark line 14b. "Pay tax due-direct withdraw", and complete lines 14c, d, and e. The withdrawal date will be the date the return is processed. If authorizing a withdrawal from your account of the amount due on line 9, go to line 14b, c, d, and e and complete the routing number, type of account and account number boxes provided. If there are questions about your return, withdrawals will be processed when all matters involving the return have been resolved.

Line 10—Overpayment

If your total payments and credits on line 8 are more than Pontiac Tax on line 7, you have overpaid your tax for 2021. Enter this amount on line 10.

1. If you want all or part of your overpayment to be HELD and applied to your 2022 estimated tax, enter the amount of overpayment to be credited forward on line 11.
2. If you want a portion of your overpayment to be DONATED to City of Pontiac, enter the amount you choose to donate on line 12.
3. A. If you want your overpayment MAILED to you, enter the overpayment on line 13.
B. If you want your overpayment REFUNDED VIA DIRECT DEPOSIT, enter the overpayment on line 13 and complete the routing number, type of account and account number boxes provided in line 14. Refunds will be issued when all matters involving the return have been resolved.

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

THIRD PARTY DESIGNEE

If you want to allow a friend, family member or any other person you choose to discuss your tax return with the Income Tax Division, give the Division any information missing from your return, receive copies of notices and/or respond to notices about math errors, offsets and return preparation, check the "Yes" box in the designated area. Enter the designee's name and phone number. To designate the preparer who signed your return, enter "Preparer" in the space for designee's name.

ASSISTANCE

If you have questions not answered in these instructions or if you need assistance in preparing your return, call (248) 758-3236.

We will not prepare your return for you.

Questions by mail should be directed to: City of Pontiac Income Tax Division, PO. Box 530, Eaton Rapids, MI 48827-0530.

If you have access to the internet, tax forms and instructions can be found at www.pontiac.mi.us/departments/income_tax/index.php and look for "Income Tax" on the left side of the page.

NOTICE

These instructions are an interpretation of the Pontiac City Income Tax Ordinance. If any discrepancy exists between the instructions and the Ordinance, the Ordinance prevails.

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 documentation is obtained.

If any due date for filing or making a payment falls on a weekend or holiday, the due date automatically becomes the next business day.