

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.

WHO MUST FILE A RETURN

For each taxable year, every resident or part-year resident of Pontiac who had taxable income subject to Pontiac income tax and exceeds the personal exemption amount. The Tax Return, or Request for Extension of time to file is to be filed by April 30, 2022, or next business day, and taxes due paid by that time. See Taxable Income paragraph below.

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.

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.

DECEASED TAXPAYER

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

TRUST OR ESTATE

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

WHO MUST USE THIS FORM

Full-year resident - If you were a resident of Pontiac during all of 2021 and had taxable income, you must use this form (P-1040R). All taxable income while a resident of Pontiac must be reported on this form, regardless of the source of the income. (See Taxable Income paragraph)

Part-year resident who worked in Pontiac as both a resident and a nonresident - In addition to filing a resident form, individuals who had income subject to the Pontiac tax both as a resident and as a nonresident must fill out and attach a Schedule L. Schedule L is available from the City of Pontiac Income Tax Division, or online at www.pontiac.mi.us/departments/income_tax/index.php and is necessary to compute the tax on those items of income that are taxed differently to residents and nonresidents. To find the form online, go to the link above, and then go to Tax Forms on the left side. When you click the link, Schedule L is the 5th form down on the page. **Do not use Schedule L unless you had income subject to the Pontiac tax BOTH as a resident and as a nonresident.**

Indicate to the left of the dollar amount entered on line 7 that such amount has been transferred from Schedule L by checking the box. Do not fill in lines 1 through 6 on the front of the form.

Part-year resident who did not work in Pontiac as a nonresident - Do **NOT** use Schedule L if you were a part-year resident of Pontiac and did **NOT** work in Pontiac during the part of the year that you lived outside of Pontiac. Report on this form (P-1040R) only your taxable income while a resident, regardless of the source of the income. Show the period you were a resident and your former address in the spaces provided above Schedule 1.

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 April 30, 2022.** Applications to request an for extensions are available online at www.pontiac.mi.us/departments/income_tax/index.php then go to the left side of the page for Tax Forms. It is the last form on the webpage. 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

Pontiac residents are required to report the same kinds of taxable income on their city return as they report on their federal return, **with the following exceptions:**

EXEMPT/NON-TAXABLE INCOME

- 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 of 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 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.
- Military pay of members of the National Guard and the Armed Forces of the United States including reserve pay. Attach a copy of your military W-2.

DECLARATION OF ESTIMATED TAX

If you expect that your Pontiac income in 2022 not subject to withholding will be more than \$10,000 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 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 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, and look for "Departments", then "Finance", and 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.

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 for your non-filing spouse in the space provided.

SCHEDULE 1—EXEMPTIONS

Lines 1-3

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 are taking an exemption for your spouse, you must enter their social security number and they must sign the return even if they do not have any Pontiac income.

All individuals filing a Pontiac income tax return are allowed one personal exemption except if they are claimed as a dependent on another filer's return.

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, relationship and the number of months they lived in your home are to be entered on Line 2, and need to be included on the form.

SCHEDULE 2—WAGE DETAIL

Columns A and B

All wages, salaries, sick pay, vacation pay, holiday pay, strike pay, tips, bonuses, and other compensation, etc. earned by a resident of Pontiac while a resident of Pontiac are taxable regardless of where earned and must be included on Schedule 2. If you were a full year resident, this is the amount in box 1 of the W2 and entered in column B.

Enter Pontiac income tax withheld by your employer in Column A as shown in box 19 of your 2021 W-2 statements. The locality name on your W-2(s) must be Pontiac for you to receive credit for Pontiac income tax withholding. **The City of Pontiac copy of your W-2(s) must be submitted with your return.**

In Column B, enter total wages from box one of your W-2(s).

SCHEDULE 3—PAYMENTS

Line 1—Tax withheld by your employer

Enter the amount of Pontiac tax withheld from Schedule 2, Column A, line 1a from above.

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

If you made quarterly estimated payment(s) on form P-1040-ES, applied an overpayment from your 2020 Pontiac return to 2021 or made a payment with an extension, enter the total of all payments on line 2. If a payment was made with a request for extension/Tentative Return, indicate the date the payment was made.

Line 3—Credit for tax paid to another city.

If you are a Pontiac resident subject to city income tax in another city, you may claim a credit against Pontiac income tax for a part or all of the non-resident amount paid to 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. Complete **Worksheet 1** on page 2 of the form to determine the amount of credit to enter on line 3. **You must attach a copy of the 2021 city income tax return(s) you filed with the other city(ies) to receive this credit.**

Line 4—Credit for taxes paid by a partnership.

Enter any Pontiac income tax paid on your behalf by a partnership of which you are a partner on line 4. Please indicate to the right of the amount that the payment was made by a partnership. Clearly provide the Partnership's name and Federal Tax Identification Number.

Line 5. Add the total of Lines 1 through 4 and enter the total of all payments on this line, and also on Line 8 of the Return Summary.

SCHEDULE 4—OTHER INCOME/LOSS (ON PAGE 2)

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

Line 1—Interest income

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. Enter interest from your federal return on line 1a. Enter interest from obligations of the United States and subordinate units of government on line 1b. Subtract line 1b. from line 1a. and enter the result on line 1c.

Line 2—Dividend income

Enter all dividends from your federal return on line 2a. Enter dividends from obligations of the United States and subordinate units of government on line 2b. Subtract line 2b. from line 2a. and enter the result on line 2c.

Line 3—Income/loss from business (for filers of 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.

Enter your Schedule C income/loss on line 3a. Enter your Keogh or SEP deduction, if applicable, on line 3b. Subtract line 3b. from 3a. and enter the result on line 3c. **You must attach a copy of Federal Schedule C.** If you have deducted a Keogh or SEP contribution on line 3b. **you must attach a copy of Schedule 1 of your Federal Form 1040.**

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). Attach a schedule showing the calculation of any net operating loss carryover deducted from line 3c.

Line 4—Income/loss from rents/royalties (for filers of Federal Schedule E, page one)

Enter all rental and royalty income included on your Federal return and received while a resident of Pontiac. **Attach a copy of Federal Schedule E, page one and any other supporting schedules.**

Line 5—Income/loss from partnerships (for filers of Federal Schedule E, page two)

If you have partnership income (or loss), enter your share of ordinary income and capital gains from the partnership on line 5 of Schedule 4 as reported on Federal Schedule E, page two. Your share of interest and qualifying dividends, gains, etc. are treated as belonging to you as an individual and should be reported on the appropriate Federal Schedule 1, and Pontiac Schedule 4, lines 1 or 2.

Attach a copy of Federal Schedule 1, and Schedule E, page two.

If you are claiming a loss from a partnership located outside of Pontiac, **a copy of your Federal Schedule K-1 must be attached.**

Line 6—Income/loss from sale or exchange of property (for filers of Federal Schedule D, Form 8949, Form 4797 and/or Form 6252)

Enter on line 6 the gain/loss from the sale or exchange of real or tangible personal property regardless of where located. The Pontiac Income Tax Ordinance follows the Internal Revenue Code in its treatment of capital gains, with two exceptions:

Gains on the sales of obligations of the United States are not taxable on this return.

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 since January 1, 1968 by the total 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 6.

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

Line 7—Distributions from Subchapter S corporations.

Enter on line 7 cash or property distributions from S corporations from line 16, code D of Federal Schedule K-1. The Pontiac City Income Tax Ordinance does not recognize Subchapter S status. Distributions from an S corporation are taxable as if paid by a regular corporation as dividends.

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 from Federal Schedule K-1 lines 1 through 11, nor may you deduct your share of any loss or other deductions distributed by the corporation.

Attach copies of Federal Schedule K-1 for all S corporations listed on page two of your Federal Schedule E regardless of whether or not the S corporation made distributions.

Line 8—Income from estates and/or trusts.

Enter on line 8 all income from estates and/or trusts reported on your Federal Schedule E, page two. Income from an estate or trust is taxable to a Pontiac resident regardless of the location of the estate or trust, or the location of property it may own.

Attach a copy of Federal Schedule E, page two.

Line 9—Distributions from profit sharing plans, premature IRA distributions.

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, all withdrawals and distributions from deferred income plans must be reported on line 9. Also enter on line 9 all **early** pension and profit sharing withdrawals and/or distributions subject to the 10% federal penalty. Additionally, report on line 9 premature IRA and 401k/457/403b distributions subject to the 10% federal penalty. These distributions are not pensions, and are treated as income subject to income tax by the City of Pontiac.

Line 10—Other income.

Enter on line 10 all other income reported on your federal return and not specifically exempted by the City of Pontiac Income Tax Ordinance. Examples of the types of income reported on line 10 are gambling winnings from casinos, racetracks or non-charitable lotteries or bingo halls, alimony received, miscellaneous income or income from any other source.

With the passage of the Tax Cut and Jobs Act in December, 2017, the inclusion of alimony income has been eliminated for payments required under divorce or separation instruments **executed after** December 31, 2018. Alimony decrees that were in effect prior to January 1, 2019 that require payments of alimony will still require these payments be reported as taxable income.

Attach a copy of Schedule 1 from the federal 1040.

SCHEDULE 5—DEDUCTIONS

Part-year residents must allocate deductions the same way they allocate income. The only deductions allowed by the Income Tax Ordinance are:

Line 1—IRA deduction

The rules governing IRA deductions on this return are the same as under the Internal Revenue Code. 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 Schedule 1 of the federal 1040 which shows the deduction.

Contributions to ROTH IRA's are not deductible.

Attach Schedule 1 of Federal Form 1040.

A Keogh or SEP retirement plan deduction must be entered on line 1b. of Schedule 4, and NOT on line 1 of Schedule 5 of this Pontiac return.

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 as follows:

- 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 i.e. commuting expense).
- 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. These were previously reported on federal form 2106.

Line 3—Moving expenses

Under the Tax Cuts and Jobs Act of 2017, moving expenses have been suspended through December 31, 2025 except for certain members of the Armed Forces who are on active duty and who move pursuant to a military order. Moving expenses on the Resident return are only allowed for those Armed Forces members that move into the City of Pontiac and that qualify under the Internal Revenue Code as a deduction from federal gross income may be deducted on your City of Pontiac Resident return.

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.

Line 4—Alimony deduction **(CHILD SUPPORT IS NOT DEDUCTIBLE)**

Alimony, 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 Schedule 1 of your Federal return. Enter the alimony deducted on your 2021 federal return here on line 4. Be aware that under the 2017 Tax Cuts and Jobs Act, the alimony deduction has been eliminated for payments required under divorce or separation instruments **executed after** December 31, 2018.

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

COMPLETING YOUR RETURN – RETURN SUMMARY

After completing schedules 1 through 5 as applicable, transfer the results of schedules 1 through 5 to lines 1, 2, 3, 5 and 8 on page 1 of the form, in the RETURN SUMMARY AREA.

Follow the instructions on Page 1 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, the balance due is one dollar (\$1.00) or more, you have an additional income tax liability, and a balance due owing to the City of Pontiac, and it must be entered on Line 9.

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 exceed the Pontiac Tax on line 7, you have overpaid your tax for 2021 and are entitled to a refund. Enter this amount on line 10.

1. If you want your overpayment to be HELD and applied to your 2022 estimated tax, enter the overpayment on line 11.
2. If you want your overpayment DONATED to the City of Pontiac, enter the overpayment 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.

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 internet, tax forms and instructions can be found at www.pontiac.mi.us/departments/income_tax/index.php and look for Tax Forms 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 substantiation 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.