

# INSTRUCTIONS FOR SCHEDULE L OF P-1040(R)

## General Information

The Pontiac Income Tax Ordinance imposes a tax rate of 1% on income of residents of Pontiac, and ½% on that income of nonresidents of Pontiac which is subject to the Pontiac income tax. In addition, certain types of income may be taxed differently to residents and nonresidents.

Schedule L of P-1040(R) provides a means whereby an individual can arrive at his total tax liability if, during the taxable year, he earned part of his income as a resident of Pontiac and part of his income as a nonresident.

## Who Must Use Schedule L

Schedule L must be filled out and attached to Form P-1040(R) if, during the taxable year, part of your income was earned as a resident, and part of your income subject to the Pontiac tax was earned while you were a nonresident. Do not use Schedule L unless you had income subject to the Pontiac tax both as a resident and as a nonresident.

Be sure to indicate the time period you were a Pontiac resident by answering Question D on the Resident Individual Return, Form P-1040(R).

## Computation of Taxable Income

Lines 1 and 2 of Schedule L describe the types of income that are subject to tax. Enter in column I ("All Income Earned While a Resident of Pontiac"), the income subject to tax that was earned during the year while a resident. Enter in column II ("Pontiac Income While a Nonresident"), the income subject to tax that was earned during the year while a nonresident.

You must attach schedules to support each amount entered on Schedule L, lines 1 and 2. The schedule for each type of income should show: (1) the total amount of resident income and the total amount of nonresident income earned during the period of time you were a resident and a nonresident, and (2) your computation of the portion of the total amount of each type of resident and nonresident income, which was subject to the Pontiac tax, and which was used as a basis for entry on lines 1 and 2 of Schedule L.

Instructions for the Individual Resident Long Form P-1040(R) and for the Individual Nonresident Long Form P-1040(NR) should be carefully reviewed before entries are made in columns I and II of Schedule L for each type of income.

The following instructions for the specific types of income listed below should be used in conjunction with the instructions for the resident and nonresident long forms:

### (1) Income from Employers

All wages and salaries earned while a resident are to be reported, whether or not your work was performed in Pontiac. The remainder of your wages and salaries to be reported as wages and salaries earned in Pontiac as a nonresident is to be computed by multiplying these wages by the ratio that the actual number of days worked in Pontiac while a nonresident bears to the total days worked while a nonresident.

### (2a) Income from Dividends, Interest and Royalties

Enter in the resident column income from dividends, interest and royalties while a resident. Income of this nature is not taxable to a nonresident. Dividend income received from taxable domestic corporations is subject to the same dividend exclusion as provided by the Federal Internal Revenue Code.

### (2b) Income (or loss) from Rents

All rental income earned while a resident is to be reported, regardless of the location of the property. However, nonresidents should report only that portion of rental income derived from the rental of real and tangible personal property located in Pontiac.

### (2c) Gain (or loss) from the Sale or Exchange of Property

Your residency status on the date that the sale or exchange of property took place determines whether the sale or exchange shall be considered as a transaction by a resident or a nonresident.

**Sale or Exchange While a Resident**—If the property was acquired and sold after Jan. 1, 1968, and you were a resident on the date of sale, use the same gain or loss on the property which appears on your Federal Return. If the property was acquired prior to Jan. 1, 1968, see instructions on Resident Individual Return P-1040(R) on how to determine the taxable portion of the gain or loss. Gains or losses from both tangible and intangible property are taxable to residents. The location of the property is immaterial.

**Sale or Exchange While a Nonresident**—Only that portion of the gain or loss which occurred after Jan. 1, 1968 from the sale or exchange of tangible property located in Pontiac is taxable to nonresidents.

### (2d) Income from Estates and Trusts

If you were a beneficiary of an estate or trust, enter in column I your share of the income from the estate or trust while you were a resident. Do not report your portion of the income earned while you were a nonresident. The estate or trust will file a return and pay the tax for nonresidents.

## Exemptions

The amount allowed for exemptions is first applied against resident income. If the amount allowed for exemptions exceeds resident income, such excess is then to be applied against nonresident income.

Therefore, complete line 10 of the Resident Individual Return Form P-1040(R) to arrive at the number of exemptions allowed; and then enter this total on Schedule L, column I, line 5. If column I, line 5, exceeds resident income, enter such excess in column II, line 7.

## Computation of Tax

The tax rate for residents is 1%. The tax rate for nonresidents is ½% on taxable income. Enter on Schedule L line 9, 1% of the amount on line 6, column I. Enter on Schedule L, line 10, ½% of the amount on line 8, column II. The total of lines 9 and 10 should be entered on line 11. Transfer the amount appearing on line 11 of Schedule L to line 12, of the Resident Individual Return, P-1040(R) and insert the words "Schedule L" to the left of the dollar amount to indicate that this amount was transferred from line 11 of Schedule L.

## Completion of Resident Form P-1040(R)

Schedule L is not a return in itself and must be attached to a Resident Individual Return, Form P-1040(R). After entering your tax on line 12 of Form P-1040(R), the instructions for the Resident Individual Return should be followed to complete the remaining sections of the return.

Sign the return and attach your check and W-2 or PW-2 Forms to the left hand side of Form P-1040(R) in the place designated.