



**CITY OF
PORTLAND, MICH.**

.....

TAX YEAR 2005
FORM P1040
INDIVIDUAL RETURN
FOR RESIDENT & NON-RESIDENT

This booklet contains a return and the instructions for filing your 2005 individual City of Portland income tax return. Read all of the instructions carefully before completing your 2005 return. Since some of the information on your P1040 maybe based on your Federal 1040, it is suggested that your P1040 be prepared after you complete your Federal income tax return.

FILING INSTRUCTIONS

FILING DATE:

Your return must be filed by:
APRIL 30, 2006

REMITTANCE:

Make your remittance payable to:
CITY OF PORTLAND
(No payment is necessary if less that \$1.00)

MAILING:

Mail your return and remittance with earnings statements (Form PW-2 or W-2) to:
**INCOME TAX DIVISION
CITY HALL
Portland, Michigan 48875**

ASSISTANCE:

For questions not answered in this booklet or assistance in preparing your return, call 647-2941 or visit the Income Tax Division at City Hall, Portland, Michigan.

WHO MUST FILE A TAX RETURN

Every resident and non-resident who had gross income of \$1,000 or more from sources listed under "What is Taxable Income" must complete and file a return. If you wish to claim a refund because the tax withheld or paid is more than the tax due, you must file a return. If you filed a Declaration of Estimated Tax for 2005, you must file an annual return even though there is no change in tax liability. Each partner in a partnership is required to file his own individual return, unless the partnership as such elects to file and pay the tax for all of the partners. In the latter case the partner may take credit on line 11 for tax payments made by the partnership in his behalf.

RESIDENCY:

A Portland RESIDENT is a person domiciled in Portland. "Domicile" means a place where a person has his true,

fixed and permanent home. A NON-RESIDENT is a person domiciled outside the city.

CHANGE OF RESIDENT STATUS -- BOTH RATES:

Any person whose residence changed either from a resident to a non-resident or a non-resident to a resident during the taxable year and had income subject to the tax both as a resident and as a non-resident, will file according to the instructions from Schedule 4. See supplementary schedule information on back cover.

MARRIED PERSON -- JOINT OR SEPARATED RETURNS

Married persons may file either a joint or a separate return. Residents filing jointly must include all income of husband and wife. Non-residents filing jointly must include Portland earned income of both husband and wife. If you file jointly, both names must be listed in the heading and both must sign the return. If you file separately, dependents can only be claimed by the spouse who would be entitled to claim such dependents under the Federal Internal Revenue Code.

DECEASED TAXPAYERS

A return for a taxpayer who died during the taxable year should be filed on the same basis as he would have filed if he had lived. If a refund is due on the return and the check is to be made payable to persons other than the surviving spouse, a letter of explanation should be attached.

DUE DATE

Your return is due on or before April 30, 2006, or within four months after the end of your fiscal year accepted by the Internal Revenue Service. An extension for your city return is automatic if you have been granted an extension for your Federal 1040 and you submit a copy of it to the Income Tax Division by the date your city return was first due. Extensions may also be granted by writing the Portland Income Tax Division.

INSTRUCTIONS - ALL TAXPAYERS



TO COMPLETE YOUR RETURN

Residents - turn to Residents Only, Instructions for Preparing Tax Return.

Non-Residents - turn to Non-Residents Only, Instructions for Preparing Tax Return.

Both Rate Tax Payers - see Schedule 4, - Use only if you are taxed at both 1% and 1/2%.

WHAT IS TAXABLE INCOME

RESIDENTS ONLY

A resident is subject to tax on all items included in total Federal income, attach federal schedules. (Subject to certain exclusions as listed in "What is Non-Taxable Income".) Taxable income would include:

1. Salaries, bonuses, wages, commissions, fees, vacation pay, wage continuation pay, severance pay, tips and gratuities, profit sharing plan income, and other compensation regardless of where earned.
2. Fair market value of merchandise or services received as compensation.
3. Net profit from the operation of a business or profession or other activity regardless of where conducted.
4. Income from a partnership, estate or trust, interest from bank accounts, credit unions, savings and loan associations, land contracts, notes and bonds, and other income regardless of where earned.
5. Rental income, capital gains, and dividends.

NON-RESIDENTS ONLY

A non-resident is subject to tax on all items included in total Federal Income which are derived from or connected with Portland sources as follows:

1. Salaries, bonuses, wages, commissions, fees, vacation pay, wage continuation pay, profit sharing plans and other compensation for services rendered as an employee in Portland.
2. Fair market value of merchandise or services received as compensation.
3. Net profits from the operation of a business or profession or other activity conducted in Portland. (See Schedule 3 for allocation formula.)
4. Net profits from rental of real and tangible property located in Portland.
5. Net profits from sale or exchange of personal property located in Portland.

WHAT IS NON-TAXABLE INCOME

RESIDENT AND NON-RESIDENT

The following types of income are not taxable both to a resident and a non-resident, and they may be listed as subtractions, if they are included on line 1 of P1040 (but only if included.) Attach federal schedules as needed.

1. Gifts, inheritances, bequests and distributions of principal from estates and trusts.
2. Proceeds from insurance, qualified pensions, annuities and retirement benefits (including SOCIAL SECURITY) even if taxable under the Federal Internal Revenue Code.
3. Amounts received for personal injuries, sickness, and disability are excluded only to the extent provided by the Federal Internal Revenue Code.
4. Unemployment compensation, supplemental unemployment benefits, welfare relief payments, workmen's compensation.
5. Interest from obligations of the United States, such as Savings Bonds and Treasury Notes, obligations of the states, or subordinate units of government of states.
6. Dividends on an insurance policy.
7. Compensation received for service in the armed forces of the United States, including Reserves.

NON-RESIDENTS ONLY

The following items are not taxable to non-residents only:

1. Interest, dividends and royalty income.
2. Income from trust and estates.

HOW TO PREPARE YOUR RETURN

HEADING INFORMATION

First complete the name and address information, and be certain that your **social security number** has been entered **correctly**. Also **check** for correct **social security number on your W-2 form**. You may use the self stick label on the front of your booklet.

Fill in the name and address of your current employer.

Check the residency box that applies to you.

Check the non-resident box on page 1, P1040 if you were a non-resident, for full taxable year. (Check TAXPAYER USING BOTH RATES box and follow instructions on Schedule 4 only if using 1% and 1/2% both.)

List names and number of exemptions claimed on your 2005 Federal 1040.

EXEMPTIONS: The same rules apply in determining exemptions as under the Federal Internal Revenue Code, except that \$1,000 is allowed for each exemption in 2005. In addition to this you are allowed an extra exemption for the following: (1) 65 or older, (2) deaf, (3) blind, or (4) paraplegic, quadriplegic, hemiplegic or totally and permanently disabled, (must have a statement from Doctor). Enter the number of exemptions and check the appropriate boxes provided on page 1, P-1040.

NOTE: Please attach copies of your Federal forms 4797, 5329, 3903 Moving Expenses, Alimony, Form P2106 Business Expenses, and Schedules C, D, E, and F, which were used to arrive at your Adjusted Gross Income, Federal Form 1040.

RESIDENTS ONLY

FIRST, CHECK THE RESIDENT BOX ON PAGE 1, P1040 IF YOU WERE A RESIDENT FOR THE FULL TAXABLE YEAR.

LINE 1 - TOTAL INCOME: Enter adjusted gross income from your Federal Form 1040. If you have no additions or subtractions, carry this amount to line 5 (line 16 Federal Form 1040A or line 4 1040EZ).

LINE 2 - ADDITIONS TO INCOME: Total from page 2, Schedule 2R, Line C. Schedule 2R:

Line A - Enter on this line, any deduction claimed on line 30 page 1 of federal 1040 for self-employment and/or health insurance.

Line B - Enter on this line, losses prior to Jan. 1, 1984 on sales and exchanges of property which have been deducted in arriving at adjusted gross income. (See line D under Subtractions From Income for explanation of gain and loss computation.)

Line C - Enter any additional adjustments on this line and explain in a separate statement.

LINE 4 - SUBTRACTIONS FROM INCOME: Total from page 2, Schedule 2R, Line M.

Schedule 2R:

Line E - Enter portion of gain on sale of property prior to Jan. 1, 1984, the amount of gain or loss occurring before Jan. 1, 1984 can be determined either by 1) computing the difference between cost and fair market value at Jan. 1, 1984 or 2) multiplying the Federal income tax gain or loss by the ratio of number of months held prior to Jan. 1, 1984 to total months held.

Lines F through L - Enter on the appropriate line any non-taxable item (see General Information) which may be included in your adjusted gross income on page 1, line 1.

Continued...

ATTACH CHECK HERE

PLEASE PRINT OR TYPE
First Name and Initial (If joint return use first names and middle initials of both) Last Name
Home Address (number and street) Your Social Security Number
City State Zip Code Spouse Social Security Number
YOUR EMPLOYER'S NAME SPOUSE EMPLOYER'S NAME
YOUR EMPLOYER'S ADDRESS SPOUSE EMPLOYER'S ADDRESS
EXEMPTIONS: 65 or Over Blind Deaf Disabled
a yourself b spouse
Fill in names of dependent children claimed
c
Fill in names of other dependents
d
CHECK ONE SINGLE (1) JOINT(2)
RESIDENT - (1)
NON-RESIDENT - (2)
TAXPAYER USING BOTH RATES - (3)
RESIDENT From To
TOTAL NUMBER OF EXEMPTIONS CLAIMED ON BOXES a, b, c, & d

ATTACH W-2 OR PW-2 HERE

1. TOTAL INCOME
A. RESIDENT enter Adjusted Gross Income from 2005 Federal 1040 Page 1, or Form Federal 1040A or 1040EZ (if no additions or subtractions, carry to line 5). Attach W-2, federal schedules, etc.
B. NON-RESIDENT enter gross wages from W-2, PW-2 Schedule 1, page 2 (If you have no additions or subtractions, carry this amount to line 5)
2. ADDITIONS TO INCOME (from page 2 Schedule 2R line D for Residents or 2NR line E for Non-Residents)
3. TOTAL INCOME: (line 1 plus line 2)
4. SUBTRACTIONS FROM INCOME (from page 2 Schedule 2R line M for Residents or 2NR line 1 for Non-Residents) (If included in line 1 above)
5. ADJUSTED INCOME (Line 3 less line 4)
6. EXEMPTIONS: Multiply the number of exemptions claimed by \$1000.00.
7. TAXABLE INCOME (line 5 less line 6)
8. TAX - Multiply amount on line 7 by one of the following: DO NOT ROUND REMAINDER OF PAGE
A. RESIDENT ONLY - 1% (.01)
B. NON-RESIDENT ONLY - 1/2% (.005)
C. PART - YEAR RESIDENT - Tax from Schedule 4, line M (Copy in back of this booklet).
PAYMENTS AND TAX CREDITS:
9. Portland tax withheld (Attach legible W-2 or PW-2 showing city tax withheld)
10. 2005 Estimate Payments (including prior year overpayment)
11. Income tax paid by a partnership
11A. Income tax paid to another Michigan City (Residents only)
11B. TOTAL OF 11 and 11A.
12. TOTAL PAYMENTS AND CREDITS (Add lines 9, 10 and 11B)
13. If line 8 is larger than line 12 PAY BALANCE DUE: Pay In Full With Return ON OR BEFORE APRIL 30, 2006 (No payment necessary if less than \$1.00)
14. If line 12 is larger than line 8 enter. OVERPAYMENT:
15. Line 14 to be: (a) credited on 2006 Estimated Tax or: (b) Refunded
16. Add interest-penalty
Do not enter amounts less than \$1.00 as credit will not be carried forward nor will refunds be made for less than \$1.00. If crediting overpayment (Line 14) to 2006 Estimated Tax, attach Declaration of Estimated Tax for 2006 Form P1040ES indicating amount to be credited.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

Sign Here
Your Signature Date
Spouse's signature (if filing jointly BOTH must sign even if only one had income)
Signature of preparer other than taxpayer, based on all information of which he has any knowledge. Date
Address

MACHINE CERTIFICATION

P1040

SCHEDULE 1

2005

NON-RESIDENTS ONLY

-COMPUTATION OF WAGES EARNED IN PORTLAND- To be completed by Non-Residents who performed only part of their services in Portland and part outside city on same job. Where both husband and wife have income subject to allocation, figure them separately.

- A. Actual number of days worked everywhere (do not include vacation, holidays, sick, etc)
- B. Actual number of days worked on job in Portland (Attach Statement)
- C. Percent of days worked in Portland to total days (line B divided by line A)
- D. Wages shown on W-2 or PW-2 (Less allowable employee expenses per attached Form P2106 and less allowable moving expenses per attached Federal Form 3903)
- E. Line D multiplied by line C
- (Those keeping separate records of Portland earnings check here and enter amount on line E)
- F. Add all other W-2 or PW-2 income not allocated
- G. TOTAL WAGES - subject to Portland City Tax (line E and F) enter on page 1, line B

A.		Days
B.		Days
C.		%
D.	\$	
E.	\$	
F.	\$	
G.	\$	

SCHEDULE 2R

-RESIDENTS (see instructions)

ADDITIONS
TO
INCOME

- A. Self-employment tax and/or health insurance (circle choice)
- B. Loss on sale of property - portion prior to 1/1/84 (included in line 1 - total income)
- C. Other - explain and attach schedules
- D. Total Additions - enter here and on page 1, line 2

A.		
B.		
C.		
D.		

SUBTRACTIONS
FROM
INCOME
IF INCLUDED
IN
GROSS

- E. Gain on sale of property - portion prior to 1/1/84 (included in line 1 - total income)
- F. Interest on U.S. and State obligations
- G. Annuities, qualified pensions, and insurance proceeds (circle choice)
- H. Compensation from services in U.S. Armed Forces
- I. Other - explain (attach schedule)
- J. Supplemental unemployment benefits/unemployment benefit
- K. Moving expense (attach copy of Federal Form 3903)
- L. State/Local Tax Refunds _____ Non-Resident Earnings _____
- M. Total Subtractions - enter here and on page 1, line 4

E.		
F.		
G.		
H.		
I.		
J.		
K.		
L.		
M.		

SCHEDULE 2NR

-NON-RESIDENTS (see instructions)

ADDITIONS
TO
INCOME

- A. Net profits from Portland rental property
- B. Net profits from sale of property located in Portland
- C. Net profits of a business or profession earned in Portland (attach schedule C)
- D. Other - explain (attach schedule)
- E. Total Additions - enter here and on page 1, line 2

A.		
B.		
C.		
D.		
E.		

SUBTRACTIONS
FROM
INCOME
IF INCLUDED
IN
GROSS

- F. Employees expenses incurred in the production of Portland income. (If not deducted in schedule 1) (Include Form P2106)
- G. Other - Explain
- H. Moving expense - only if included in gross wages on W-2. Include copy of Federal Form 3903. Exclude lines 7 & 8 of 3903 on P1040
- I. Total Subtraction - enter here and on page 1, line 4

F.		
G.		
H.		
I.		

P1040 SCHEDULE 3

ATTACH THIS SCHEDULE TO YOUR P1040 BUSINESS ALLOCATION FORMULA

To be used by non-residents only and must be accompanied by a copy of your Federal Form Schedule "C".

1. Average net book value of real and tangible personal property.
 - a. Gross annual rent paid for real property only multiply by 8.
 - b. TOTAL (add lines 1 and 1a)
2. Total wages, salaries, commissions and other compensation of all employees.
3. Gross receipts from sales made or services rendered.
4. Total percentages - add the three percentages computed for lines 1B, 2 and 3 which you entered in the last column.
5. Average percentage (one - third of line 4).
6. Profit or loss from Schedule C, from Federal 1040.
7. City of Portland business income - line 6 multiplied by line 5 (enter on Page 2, Schedule 2NR, line C).

Located Everywhere I		Located in Portland II	Percentage II + I
1	\$	\$	
1a			
1b			%
2			%
3			%
			4
			5
			6
			7

NOTE: In determining the average percentage (line 5), a factor shall be excluded from the computation only when it does not exist anywhere as far as the taxpayer's business operation is concerned. In such cases, the sum of the percentages on line 4 shall be divided by the number of factors actually used.

INSTRUCTIONS FOR BUSINESS ALLOCATION FORMULA

The business allocation percentage formula is to be used by non-resident owners of businesses with business activity both inside and outside the City of Portland who, because they do not maintain sufficient records to accurately reflect the net profits from operations conducted in the City of Portland or for other reasons, are not using the separate accounting method.

Line 1. Enter in Column I the average net book value of all real and tangible personal property owned by the business, regardless of location; and in Column II show the net book value of the real and tangible personal property located in the City of Portland. The average net book value of real and tangible personal property may be determined by adding the net book values at the beginning of the year and the net book values at the end of the year and dividing this sum by two. Any other method which will accurately reflect the average net book value for the year will also be permitted.

Line 1a. Enter in Column I the gross annual rentals multiplied by 8 for all rented real property regardless of location. In Column II show the gross annual rentals multiplied by 8 for all rented real property located in the City of Portland.

Line 2. Enter in Column I the total compensation paid to all employees during the year and in Column II show the amount of compensation paid to employees for work done or for services performed within the City of Portland during the year.

Line 3. Enter in Column I the total gross receipts from all sales or services rendered during the year and in Column II show the amount of receipts derived from sales made or services rendered in the City of Portland during the year.

Lines 4 and 5. Compute the percentages as indicated.

Line 6. Enter the amount of net profit (or loss) from your business or profession as computed on your Federal 1040, Schedule C, line 21.

Line 7. Multiply the amount on line 6 by the percentage on line 5, and enter the result on Page 2, Schedule 2NR, line C

P1040 ATTACH THIS SCHEDULE TO YOUR P1040

SCHEDULE 4 COMPLETE THIS SCHEDULE ONLY IF YOU HAD INCOME SUBJECT TO THE TAX BOTH AS A RESIDENT AND NON-RESIDENT.

- A. GROSS WAGES (Attach W-2 or PW-2 to front of P1040).....
- B. DIVIDENDS (10C from Federal Tax Return).....
- C. INTEREST, ROYALTIES, INCOME FROM TRUSTS AND ESTATES.....
- D. INCOME (OR LOSS) FROM RENTS (write location of property below): ..

- E. NET INCOME (OR LOSS) FROM PARTNERSHIPS, BUSINESS OR PROFESSION. Small Business Corporation, Federal form 1120S, are not permitted to file as so-called "tax option" corporations. Every corporation subject to city income tax must file a return and pay the tax. Write name of business below:

- F. GAIN (OR LOSS) FROM SALE OF PROPERTY (write the location of the property below): ..

- G. OTHER - EXPLAIN
- H. TOTAL INCOME - BOTH COLUMNS (Add lines A through G).....
- I. LESS EXEMPTIONS - Multiply number claimed by \$1,000 and enter this amount in Column 1 (if more than Column 1, line H, carry excess to Column 2).....
- J. TAXABLE INCOME - Line H less line I (see instructions).....
- K. TAX - RESIDENT INCOME: Multiply line J, Column 1 by 1% (.01).....
- L. TAX - NON-RESIDENT: Multiply line J, Column 2 by 1/2% (.005).....
- M. TOTAL TAX - Add line K and L and enter on Page 1, line 8, P1040

	All income while a a Portland resident 1	Portion of income earned in Portland while a Non-Resident 2
A.	\$	\$
B.		NON-TAXABLE
C.		NON-TAXABLE
D.		
E.		
F.		
G.		
H.		
I.		
J.	\$	\$
K.		\$
L.		
M.		\$

INSTRUCTIONS FOR SCHEDULE 4

WHO MUST USE THIS SCHEDULE

You must complete schedule 4 if you earned part of your income while a resident, and you earned income subject to Portland tax while a non-resident.

If you earned income as a resident but earned no Portland income while a non-resident, do not use Schedule 4; check the Resident Box on page 1, P1040, and file as a resident, using the resident instructions. However, include only earnings and income earned while a resident.

ATTACH THIS SCHEDULE TO YOUR P1040

LINES A TO G - INCOME AND SUBTRACTIONS

COLUMN 1 - Include the income items as though you were filing as a resident but only that portion that was earned while a resident (see resident instructions.)

COLUMN 2 - Include the income items as though you were filing as a non-resident but only that portion that was earned in

city while a non-resident.

LINE H - TOTAL INCOME: Add lines A - G for both columns.

LINE I - EXEMPTIONS: Multiply your exemptions by \$1,000 and enter in Column 1. If Column 1, Line I (exemption deduction) is larger than Line H (total income) carry all of the excess to Column 2.

LINE J - TAXABLE INCOME: Subtract Line I from Line H and enter on Line J. (If Column 1 shows taxable income, it may be reduced by a loss (on city income) in Column 2. If Column 1 is 0, Column 2 cannot be less than 0.)

LINE K - TAX-RESIDENT INCOME: Multiply the taxable income in Column 1, Line J by 1% (.01) and enter on this line.

LINE L - TAX-NON-RESIDENT: Multiply the taxable income in Column 2, Line J by 1/2% (.005) and enter on this line.

LINE M - Add Lines K and L, enter here and on page 1, line 8 P1040.

adjusted gross income on page 1, line 1. Moving expenses are allowable **only** if moving **into** the city (not allowable subtraction from income when moving away from the city).

NOTE: The items on Lines E through L may only be subtracted to the extent they are included in income.

LINE 5 - ADJUSTED INCOME: Line 3 less line 4.

LINE 6 - EXEMPTIONS: Multiply the number of exemptions claimed by \$1000 and enter the result on this line.

LINE 7 - TAXABLE INCOME: Line 5 less line 6. If line 6 is larger than line 5, enter 0.

LINE 8 - TAX: Multiply the amount on line 7 by 1% (.01) and enter the result on this line.

LINE 9 - PORTLAND TAX WITHHELD: A legible copy of your W-2 or PW-2 (be sure and attach city copy to show city withholding) must be submitted with your return to obtain credit for amount withheld. Attach the W-2 to the front of the P1040.

LINE 10 - ESTIMATE PAYMENTS: Enter amounts paid on Declaration of Estimated Tax during 2005.

LINE 11 - OTHER CREDITS: Enter amount of any tax paid in your behalf by a partnership or any payments made on a tentative return.

LINE 11A - OTHER CITIES INCOME TAX: Enter amount of tax paid to another Michigan city with a municipal tax. If the amount withheld in another city exceeds tax due in that city, your refund must be requested from that city. Such excess cannot be claimed as a credit on your Portland return. Attach a copy of your other city return.

LINE 11B - Total of 11 and 11A.

LINE 12 - TOTAL PAYMENTS AND CREDITS: Add lines 9, 10, and 11B.

BALANCE DUE OR OVERPAYMENT

LINE 13 - BALANCE DUE: If line 8 (your tax) is larger than line 12 (your payments and credits) enter the difference. This amount must be paid when filing this return. Taxpayers making payments on estimated tax are required to file a return (Form P1040ES). Make your check or money order payable to Treasurer, City of Portland, and mail your return and payment to Income Tax Division, City Hall, Portland, Michigan 48875. (No payment is necessary if less than \$1.00)

LINE 14 - OVERPAYMENT: If line 12 (total payments and credits) is larger than line 8 (your tax) enter the amount of overpayment on this line.

LINE 15 (a) - CREDIT ON 2006 ESTIMATED TAX: If you wish to have your overpayment credited to your 2006 estimated tax, enter the amount on this line. Attach completed 2006 Declaration of Estimated Tax Form P1040ES and your payment. (Form P1040ES included in this booklet.)

LINE 15 (b) - REFUND: Enter the overpayment (line 14) if you wish refund. Refunds of less than \$1.00 will not be made nor will credit be carried forward for amounts less than \$1.00.

SIGN YOUR RETURN

Be sure that your return is signed. If you are filing jointly, both husband and wife must sign. Any balance due **must** be paid when you file.

NOTE: A taxpayer who was a resident part of the year and lived and worked outside the city the balance of the year, shall use the rate of 1% on his earnings as a resident only. Use line K (Schedule 2R) to remove nontaxable income if included.

NON - RESIDENTS ONLY

FIRST, CHECK THE NON-RESIDENT BOX ON PAGE 1, P1040 IF YOU WERE A NON-RESIDENT FOR THE FULL TAXABLE YEAR.

LINE 1 - TOTAL INCOME: Enter the full amount of gross wages from your W-2 or PW-2 including wage continuation pay, if you worked 100% of the time in Portland. If you performed service both inside

and outside of Portland, complete Schedule 1 on page 2.

SCHEDULE 1 - COMPUTATION OF WAGES EARNED IN PORTLAND:

Line A - Enter the **actual** number of **days** you were on the job everywhere during the year. (Do not include vacation, holiday, etc.)

Line B - Enter the actual number of days you worked in Portland.

Line C - Divide the days on line B by the day on line A and enter the resulting percentage on line C.

Line D - Enter your wages from your W-2 or PW-2, but first subtract employee expenses incurred in the production of Portland income. (See lines F & H, under Subtractions from income for a description of allowable items.)

Line E - Multiply the wages on line D by the percent on line C and enter the result on line E.

Line F - Add all taxable income not subject to allocation.

Line G - Total Wages subject to tax.

NOTE: 1. Employees paid on a commission basis should multiply their total commissions by the ratio of commissions earned in Portland to total commissions earned.

2. Non-resident wage earners should exclude income earned on another job outside of the city when completing line F.

LINE 2 - ADDITIONS TO INCOME: Total from Page 2, Schedule 2NR, line E.

SCHEDULE 2NR - ADDITIONS:

Line A - Enter net profit or loss from rental property located in Portland.

Line B - Enter net profit or loss from sales of property located in Portland. Losses including carry-overs are computed and used to offset gains in the same manner as in the Federal Internal Revenue Code. Only gain or loss incurred after Jan. 1, 1984 on property in Portland is taxable. It may be determined by 1) Difference between the fair market value at Jan. 1, 1984 and sales price or, 2) multiplying the Federal income tax gain or loss by the ratio of number of months held after Jan. 1, 1984 to total months held.

Line C - Enter net profits from business or profession which were earned in Portland. (Complete Schedule 3 if your business earned income both inside and outside of Portland.) (**See insert on next page).

Line D - Enter any other items taxable to a non-resident (see general information) which were earned in Portland.

Line E - Total of lines A through D, enter here and on Page 1, line 2, P1040.

LINE 3 - TOTAL INCOME: Add line 1 and line 2.

LINE 4 - SUBTRACTIONS FROM INCOME: Total from Page 2, Schedule 2NR, line 1.

Line F - Enter the amount of expenses as an employee, **limited to the following and only to the extent taken on your Federal return:** Attach Form P2106 to your P1040 return for the following items 1, 2, 3 and 4. These expenses apply only on **taxable income.**

1. Expenses of travel, meals and lodging while away from home.
2. 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.)
3. Expenses of transportation. (But not transportation to and from work.)
4. Expenses reimbursed under an expense account or other arrangement with your employer, if the reimbursement has been included in gross earnings reported.

Line G - Enter other items which may have been included in income which are non-taxable (income earned outside while a non-resident.)

Line H - Moving expense, only if included in gross wages on W-2. Attach Federal 3903. Exclude lines 7 & 8 of 3903 on P1040.

NOTE: No deductions are allowable for personal expenses such as taxes on your home, interest on loans, etc.

Line I - Add lines F, G, and H, enter the total on page 1, line 4, P1040.

LINE 5 - ADJUSTED INCOME: Line 3 less line 4.

Non-Resident Instructions Continued. . . .

LINE 6 - EXEMPTIONS: Multiply the number of exemptions claimed by \$1000 and enter the result on this line.

LINE 7 - TAXABLE INCOME: Line 5 less line 6. If line 6 is larger than line 5, enter 0.

LINE 8 - TAX: Multiply the amount on line 7 by 1/2% (.005) and enter the result on line 8.

LINE 9 - PORTLAND TAX WITHHELD: A legible copy of your W-2 or PW-2 must be submitted with your return to obtain credit for amount withheld for the City of Portland. **Attach the W-2 to the front of the P1040.**

LINE 10 - ESTIMATE PAYMENTS: Enter amounts paid on Declaration of Estimated Tax.

LINE 11 - OTHER CREDITS: Enter amount of any tax paid in your behalf by a partnership or any payments made on a tentative return if income included in line 1.

LINE 12 - TOTAL PAYMENTS AND CREDITS: Add line 9, 10 and 11B.

BALANCE DUE OR OVERPAYMENT

LINE 13 - BALANCE DUE: If line 8 (your tax) is larger than line 12 (your payments and credits) enter the difference. **This amount must be paid when filing this return.** Taxpayers making payments on Declaration of Estimated

Tax are required to file an annual return (P1040). Make your check or money order payable to City of Portland, and mail your **return and payment** to Income Tax Division, City Hall, Portland, Michigan 48875. (No payment is necessary if less than \$1.00.)

LINE 14 - OVERPAYMENT: If line 12 (total payments and credits) is larger than line 8 (your tax) enter the amount of overpayment on this line.

LINE 15(a) - CREDIT ON 2006 ESTIMATED TAX: If you wish to have your overpayment credited to your 2006 estimated tax, enter the amount on this line. Attach completed 2006 Declaration of Estimated Tax Form P1040ES and your payment. (Form P1040ES included in this booklet.)

LINE 15(b) - REFUND: Enter the overpayment (line 14) if you wish refund. Refunds of less than \$1.00 will not be made nor will credit be carried forward for amounts less than \$1.00.

LINE 16 - After April 30 add interest at the computed rate as of Jan. 1, 2006, plus a penalty of 1% per month of the unpaid tax, penalty not to exceed 25% of unpaid tax. If the total interest and penalty to be assessed is less than \$2.00, the administrator shall assess a penalty in the amount of \$2.00.

SIGN YOUR RETURN

Be sure that your return is signed. If you are filing jointly, both husband and wife must sign. Any balance due **must** be paid when you file.

DECLARATION OF ESTIMATED TAX - FORM P1040ES

If you expect that your City of Portland tax will exceed amounts withheld from your pay by \$100 or more, you must file a Declaration of Estimated Tax, from P1040ES by April 30, and pay at least one fourth (1/4) of the estimated tax with your declaration. If you file an estimate you must still file an annual return. You may amend your estimate at the time of making any quarterly payment. Failure to file when required will result in an assessment of interest and penalty charges.

**COPIES OF FORM P1040ES
INCLUDED IN THIS BOOKLET.**

SUPPLEMENTARY SCHEDULES

Schedule 3. - Business Allocation Formula. This schedule is to be used by non-resident owners of a business with activity both inside the city who do not maintain sufficient records to accurately reflect net profits from operations conducted within the City of Portland, or who for other reasons are not using the separate accounting method.

Schedule 4. - Income Subject to Tax at Both Rates as a Resident and Non-Resident. You must complete Schedule 4 if you earned part of your income while a resident and you earned income subject to City of Portland tax while a non-resident.

COPIES OF THESE SCHEDULES ARE INCLUDED.

IRS audit adjustments and other changes:

If any previous income tax liability due the city of Portland should have been amended because you filed an amended federal income tax return, or as a result of an audit by the IRS or for other reasons you have not as yet notified the Portland Income Tax Division, send an itemized listing of the changes under separate cover to:

**INCOME TAX DIVISION
CITY HALL
PORTLAND, MI 48875**

(**insert) Please note that all corporations must file as corporations with the Portland Income Tax Division even though certain corporations can file as partnerships (1120-S) with the IRS. If you are a stockholder of such a corporation do not include your dividend income from such corporation as dividends are not taxable to non-residents. Similarly do not include your prorata share of the profits or loss of the corporation since the corporation will be filing its own tax return.

TO BE USED FOR MAKING DECLARATION AND PAYMENT

Social Security No.	Social Security No.
First names (s) and Initial(s)	Last Name
Address (Number and Street)	
City, State, and Zip Code	

Employer I.D. NO.

Estimated Tax \$ _____
Amount of this
Payment \$ _____

RETURN THIS VOUCHER WITH CHECK OR MONEY ORDER PAYABLE TO: "TREASURER, CITY OF PORTLAND" AND MAIL TO: Income Tax Division, 259 Kent Street, PORTLAND, MICHIGAN 48875.

(DETACH HERE)

SIGN HERE

TO BE USED FOR MAKING DECLARATION AND PAYMENT

Social Security No.	Social Security No.
First names (s) and Initial(s)	Last Name
Address (Number and Street)	
City, State, and Zip Code	

Employer I.D. NO.

Estimated Tax \$ _____
Amount of this
Payment \$ _____

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Social Security No.	Social Security No.
First names (s) and Initial(s)	Last Name
Address (Number and Street)	
City, State, and Zip Code	

Employer I.D. NO.

Estimated Tax \$ _____
Amount of this
Payment \$ _____

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First names (s) and Initial(s)	Last Name
Address (Number and Street)	
City, State, and Zip Code	

Employer I.D. NO.

Estimated Tax \$ _____
Amount of this
Payment \$ _____

RETURN THIS VOUCHER WITH CHECK OR MONEY ORDER PAYABLE TO: "TREASURER, CITY OF PORTLAND" AND MAIL TO: Income Tax Division, 259 Kent Street, PORTLAND, MICHIGAN 48875.

(DETACH HERE)

SIGN HERE

CITY OF PORTLAND DECLARATION OF ESTIMATED INCOME TAX P-1040ES

1. Purpose of Declaration Vouchers: The Declaration vouchers on the reverse side are provided for paying currently any income tax due in excess of the tax withheld. Therefore, declarations are required only from individuals whose wages or other income exceed the amounts specified in section 2. In general, the definitions of income, deductions, exemptions, etc., are the same as those on form 1040.

2. Who must make a Declaration: Individuals and Unincorporated Business - Every resident or non-resident who expects taxable income from which the city income tax will not be withheld, must file a Declaration of Estimated Income Tax. A Declaration is not required if the estimated tax on line 6 is One Hundred Dollars (\$100.00) or less. A husband and wife may file a joint Declaration.

Corporations - Every corporation subject to the tax on all or part of its net profit must file a Declaration of Estimated Income Tax. A Declaration is not required from corporations if the estimated tax on line 6 is Two Hundred Fifty Dollars (\$250.00) or less.

Partnerships - A partnership whose partners are subject to the tax on all or part of their distributive share of net profits may file a Declaration of Estimated Income Tax, and the partners will not be required to file as individuals unless they have other income which the Portland income tax is expected to exceed One Hundred Dollars (\$100.00). The names, addresses and social security numbers of the partners on whose behalf the Declaration is filed shall be shown on the reverse side of such Declaration.

3. When and Where to File Declaration and Pay Tax:

- a. **Calendar Year -** The Declaration for the year must be filed on or before April 30 present year.
- b. **Fiscal Year -** The Declaration for a fiscal period must be made within four (4) months after the beginning of the fiscal period.
- c. **Filing -** The Declaration shall be filed with the Income Tax Division, 259 Kent Street, Portland, Michigan 48875.
- d. **Payment -** The estimated tax may be paid in full with the Declaration or in Four (4) equal installments on or before April 30, June 30, September 30 and January 31. Each installment must accompany one of the vouchers provided.

4. Income Subject to Portland Income Tax (line 1):

Residents - All salaries, wages, bonuses, commissions and other compensation, net profits from business or profession, net rental income, capital gains less capital losses, dividends,

interest, income from estates and trusts and other income.

Non-residents - Salaries, wages, bonuses, commissions or other compensation for services rendered or work performed in Portland, net rental income from property in Portland, net profits from a business, profession or other activity to the extent that it is from work done, services rendered or activity conducted in Portland, capital gains less capital losses from the sale of real or tangible personal property located in Portland.

5. How to File: Your annual return for the preceding year may be used as the bases for computing your declaration of estimated tax for the current year. You may use the same figures used for estimating your federal income tax adjusted to exclude any income or deductions not taxable or permissible under the Portland Tax Ordinance.

6. Withholding Tax Credits and Other Credits (line 5):

Withholding Tax Credit - you may subtract from your estimated Portland Income Tax (line 4), the amount of Portland income tax expected to be withheld. Overpayment from previous years City of Portland Income Tax final return. **Income Tax paid by Partnership -** If you are a member of a partnership which elects to file a return and pay the tax on behalf of its partners, you may subtract from your estimate of Portland income tax, the amount of tax expected to be paid by the partnership for your distributive share of net profits. **Income Tax Paid to Another Michigan City:** If you are a resident of the City of Portland and pay income tax to another city in Michigan on income earned outside the City of Portland, you may subtract from your estimate of Portland Income Tax the amount of income tax expected to be paid to another city. The credit may not exceed the amount of taxes assessable under the Portland Income Tax Ordinance on the same income.

7. Amended Declaration: If, after you have filed a Declaration, you find that your estimated tax is substantially increased or decreased as a result of a change in your income or exemptions, you may amend your estimate at the time of making any quarterly payment. Use the form provided or you may obtain forms or information from the Income Tax Division, 259 Kent Street, Portland, Michigan or by calling 647-2941.

8. Penalties and Interest: If the total amount of tax withheld or paid by Declaration is less than seventy percent (70%) of the final tax due, interest and penalties will be charged.

9. A worksheet is provided on the reverse side of this form along with your payment record. Please retain that portion for your records.

ESTIMATED TAX WORKSHEET (Keep For Your Records - Do Not File)

1. Taxable Income expected in _____ \$ _____
 2. Exemptions (\$1000 For Each Exemption) \$ _____
 3. Estimated Portland Taxable Income (Line 1 less line 2) \$ _____
 4. Estimated Portland Income Tax \$ _____
Non-resident individuals enter 1/2% of line 3,
all other taxpayers enter 1% of line 3.
 5. (a) Amount of Portland Income Tax Withheld \$ _____
 (b) Overpayment From Previous Year \$ _____
 (c) Other Credits - Explain Here \$ _____
 Total (Add lines 5 (a), (b), (c), and Enter Here) \$ _____
 6. Estimated Tax: (Line 4 less Line 5 (*)) \$ _____
 7. Amount to be paid, enter here and in Item (2) on Declaration - Voucher #1) \$ _____
- (* Note: If line 6 is \$100.00 or less (Individuals or Unincorporated business) or \$250.00 or less (Corporation), this return is not required.

RECORD OF ESTIMATED TAX PAYMENTS

VOUCHER NO.	DATE	AMOUNT PAID THIS QUARTER	TOTAL PAID TO DATE
1			
2			
3			
4			
	TOTAL		