

2006 FILING INSTRUCTIONS FOR FORM P-1040

WHO MUST FILE A RETURN

Every person who was domiciled in Portland at any time during 2006 and received income taxable under the Income Tax Ordinance greater than the amount of their personal exemption(s) must file a resident return by April 30, 2007.

Every taxpayer filing a resident Portland income tax return must attach a copy of page 1 of their federal return to their Portland return.

MARRIED PERSONS-JOINT/SEPARATE RETURNS

Married persons may file either a joint return or separate returns. If a joint return filed, both names and both social security numbers must be listed, all taxable income of both husband and wife must be included, and the return must be signed by both individuals.

TAXABLE INCOME OF RESIDENTS:

Portland residents are required to report the following kinds of income regardless of where earned. These kinds of income are taxable by the City of Portland to the extent and on the same basis as income subject to taxation by the Federal Government unless otherwise noted.

1. WAGES, SALARIES, BONUSES, COMMISSIONS, FEES, TIPS, GRATUITIES, VACATION PAY, SICK PAY, DISABILITY PAY, AND SEVERANCE PAY.
2. COMPENSATION: received in the form of merchandise or services. (The fair market value must be determined and reported.)
3. NET PROFITS: from self-employment, an unincorporated business or profession. (Attach a copy of Federal Schedule C page one and two.)
4. Income from RENTS, ROYALTIES, ESTATES, TRUSTS, PATENTS AND COPYRIGHTS.
5. ALIMONY, SEPARATE MAINTENANCE PAYMENTS and PRINCIPLES SUMS PAYABLE IN INSTALLMENTS.
6. INTEREST: earned from bank accounts, credit unions, savings and loan association, land contracts, notes and bonds. (Attach a copy of your Federal Schedule B.)
7. DIVIDENDS: Including distributions from Sub Chapter S Corporations, taxed as dividends by the Federal Government.
8. SALES AND EXCHANGES OF PROPERTY (CAPITAL GAINS AND LOSSES). Attach a copy of the Federal Schedule D and form 4797. Enter the net income (or loss) from sales and exchanges of property per your Federal tax return. NOTE: The only exception is the sale of property purchased prior to January 1, 1984. Gains or losses on property purchased prior to January 1, 1984 must be determined by one of the following methods:
 - a. The basis may be the adjusted fair market value of the property on January 1, 1984 or;
 - b. Divide the number of months the property has been held since January 1, 1984 by the total number of months the property was held. Apply this fraction to the total gain or loss as reported on your Federal tax return.
9. Premature Distributions from: IRA's, EMPLOYEE SAVINGS PLANS, STOCK PURCHASES, PROFIT SHARING PLANS, and DEFERRED COMPENSATION.
10. PARTNERSHIPS: All partnerships located inside the City of Portland must file an Annual Informational City of Portland P-1065 Partnership Return. (Attach Federal Schedule E and all supporting schedules.) In addition, each individual of the partnership is required to report as income on their City of Portland P-1040 Individual Return their distributive share of the Net Profits. If you are a Portland resident and had income from a partnership located outside of the City of Portland you must attach a copy of your Federal Schedule K-1.

RESIDENCY:

Resident: A person who has established a true, fixed home for an extended or permanent period of time in the City of Portland.

Non resident: A person who has established a true, fixed home outside of the City of Portland.

Part-Year Resident: If you were both a RESIDENT AND NON RESIDENT in 2006. Enter the period you were a resident during the year. Subtract your nonresident earnings from your total income.

Part-Year Resident who worked in Portland as both a resident and a non resident: Complete and attach schedule P-PY to the individual return.

11. FARM INCOME: Attach a copy of Federal Schedule F.
12. SUB CHAPTER S CORPORATION DISTRIBUTIONS: Sub Chapter S Corporations are taxable under the City of Portland Income Tax Ordinance and are required to file a City of Portland P-1120 Corporate Return.

Enter on line 12 cash or property distributions from S Corporations from page two of the Federal Schedule K-1. The Portland 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 the Federal schedule K-1 page one, nor may you deduct your share of any loss or other deductions distributed by the corporation.

Attach copies of pages one and two 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.
13. GAMBLING AND LOTTERY WINNINGS.
14. ALL OTHER INCOME: subject to tax by the Federal Government that is not specifically excluded under the City of Portland Income Tax Ordinance.

TAXABLE INCOME OF A NONRESIDENT

Nonresidents are required to report income earned within, derived from or attributable to the City of Portland sources.

1. COMPENSATION: received for all work or services performed in the City of Portland.
2. NET PROFITS: from the operation of a business or profession attributable to any business activity conducted in the City of Portland.
3. NET PROFITS: from the rental of real and tangible property located in the City of Portland.
4. CAPITAL GAINS: from the sale or exchange of real and tangible property located in the City of Portland.
5. Premature distributions from a retirement or deferred compensation plan are taxable.

NONTAXABLE INCOME

RESIDENTS AND NONRESIDENTS:

The following kinds of income are NONTAXABLE for both RESIDENTS and NONRESIDENTS by the City of Portland.

- 1 . GIFTS, INHERITANCES AND BEQUESTS.
- 2 . SOCIAL SECURITY, PENSIONS AND ANNUITIES. (Including DISABILITY PENSIONS AND RAILROAD RETIREMENT ACT BENEFITS.)
- 3 . UNEMPLOYMENT COMPENSATION, WORKER'S COMPENSATION AND WELFARE BENEFITS.
- 4 . CHILD SUPPORT
- 5 . INSURANCE PAYMENTS: (Except those payments from a Health or Accident Policy paid for by your employer; these payments are taxable the same as other sick or disability pay.)
- 6 . DIVIDENDS: received from an insurance policy, when these are a refund of premiums paid. (Any excess amount paid to you above the premiums you paid is taxable.)
- 7 . INTEREST: from obligations of the United States, States, Cities or any other subordinate governmental unit of the United States.
- 8 . STATE AND LOCAL INCOME TAX REFUNDS.
- 9 . COMPENSATION: received for service in the Armed Forces of the United States, including Active Duty, Reserve and National Guard pay.

NONRESIDENTS ONLY:

The following are NOT TAXABLE to NONRESIDENTS only.

- 1 . INTEREST, DIVIDENDS AND ROYALTY INCOME. Exception: when the receipt of interest and other tangible income is part of a business located in the City of Portland, such interest etc. shall be considered business income taxable to NONRESIDENTS and reported on Federal Schedule C.
- 2 . INCOME FROM AN ESTATE OR TRUST.
- 3 . ALIMONY AND SEPARATE MAINTENANCE PAYMENTS.

DEDUCTIONS FROM INCOME

- 1 . Ordinary, necessary, reasonable and UNREIMBURSED expenses incurred in the performance of an employee's job to the extent these expenses are applicable to your taxable income. (Attach Federal Form P-2106. Unreimbursed Employee Business Expenses.) These expenses are only allowed to the extent NOT REIMBURSED by your employer and are limited to the following:
 - A . Expenses of travel, meals and lodging while away from home.
 - B . Expenses of an outside salesman, while away from employer's place of business.
 - C . Expenses of transportation.
 - D . Reimbursed expenses which have been included in W-2 income.

- 2 . A self-employed individual may deduct payments to a qualified retirement plan to the extent provided in Section 404 of the Federal Internal Revenue Code.
- 3 . Contributions to your Individual Retirement Account, to the extent provided in Section 219 of the Federal Internal Revenue Code. Attach page 1 of your Federal return and receipt showing the owner of the IRA and amount contributed during the year.
- 4 . Moving expenses into the City of Portland only. (Attach Federal Form 3903.)
- 5 . Payments of alimony, separate maintenance payments and principle sums payable in installments. (Only the amount that is considered taxable income for the spouse under the Federal Internal Revenue Code is deductible. NAME, ADDRESS and SOCIAL SECURITY NUMBER of the spouse to which payments were made must be attached.)

NONRESIDENTS

The same percentages that applied when calculating your City of Portland taxable income must be applied to all deductions from your taxable income.

PART-YEAR RESIDENTS

Part-Year Residents must allocate deductions the same way they allocate income.

EXEMPTIONS

- 1 . A taxpayer may deduct \$1,000.00 per exemption for 2006.
- 2 . One exemption may be claimed for yourself, your spouse and each dependent. The City of Portland follows the same rules established by the Federal Internal Revenue Code when determining personal and dependency exemptions.
- 3 . An additional exemption(s) may be claimed if the taxpayer qualifies under any of the following categories. Only ONE EXEMPTION is allowed per category except as noted. (A doctor's statement must be attached to your P-1040 return when claiming any of these disabilities.)

CATEGORY I: Age 65 and older by December 31, 2006, or disabled.

Note: If you claim this exemption, you may not claim an additional exemption for totally and permanently disabled. However, if you are Blind, Deaf, Hemiplegic, Paraplegic or Quadriplegic you may claim an additional exemption.

CATEGORY II: Blind, Hemiplegic, Paraplegic, Quadriplegic.

CATEGORY III: DEAF as defined in Section 393.502 of the Michigan Compiled Laws.

- 4 . If you are claiming a child who is not living with you as an exemption, you must submit a copy of Federal Form 8332 or Pre-1985 divorce agreement allowing the exemption.

*Please Note...

If an individual has taxable income and is claimed as a dependent on another person's Federal income tax return, they may claim a personal exemption on their own Portland tax return, also.

INSTRUCTIONS FOR COMPLETING YOUR CITY OF PORTLAND P-1040 RETURN

Please print or type all requested information. Refer to pages 2-5, of this booklet for General Information that will assist in completing this form.

Print clearly your NAME(s), complete ADDRESS (if using a P.O. Box number you must also list your physical address), and SOCIAL SECURITY NUMBER(s).

Check appropriate box to indicate your Residency Status. If part-year, complete and attach to the tax return Schedule PY* on pg 8.

Check appropriate box to indicate your FILING STATUS. (If married filing separately, list spouses full name and social security number.)

Exemptions: Please list the names of dependent children who lived with you. For other dependents please attach an explanation.

NON RESIDENT WAGE AND OR BUSINESS ALLOCATION:
- See page 10.

LINE BY LINE INSTRUCTIONS

INCOME

LINE 1 - Wages, salaries, tips, etc.

Attach page 1 of your federal return and all W-2 & 1099 forms.

LINE 2 - INTEREST

Enter interest from your federal return minus interest from obligations of the United States and subordinate units of government. Interest received while a resident of Portland is taxable regardless of where earned.

LINE 3 - DIVIDENDS

Enter dividends from your federal return minus dividends from obligations of the United States and subordinate units of government. Interest received while a resident of Portland are taxable regardless of where earned.

LINE 4 - TAXABLE REFUNDS, CREDITS, OR OFFSETS

Refunds, credits or offsets reported as taxable income on the federal return are not taxable on the City of Portland return.

LINE 5 - ALIMONY RECEIVED

All alimony received by a resident is taxable and all alimony received by a nonresident is excludable. Alimony for part-year residents needs to be calculated for the time they were a resident.

LINE 6 - PROFIT (OR LOSS) FROM BUSINESS, ETC

Income from a business or partnership. Attach a copy of the Federal Schedule C.

LINE 7 - CAPITAL GAINS OR LOSSES

Capital gain or loss reported on the federal return. Attach the Federal Schedule D.

LINE 8 - OTHER GAINS OR LOSSES

Gains or losses reported on the federal form 4797. Attach a copy of the Federal Form 4797.

LINE 9 - TAXABLE IRA DISTRIBUTIONS

Individual Retirement Account (IRA) distribution reported on the federal return. Attach a copy of the 1099-R.

LINE 10 - TAXABLE PENSION DISTRIBUTIONS

Pension plan distributions reported on the federal return. Include a copy of Form 1099-R.

LINE 11 - RENTAL REAL ESTATE, ROYALTIES, ETC.

Rental real estate, royalties, partnerships, S Corporations, trusts, etc. reported on the federal return. Include a copy of federal Schedule E.

LINE 12 - S CORPORATION DISTRIBUTIONS

S Corporation distribution.

LINE 13 - FARM INCOME (OR LOSS)

For nonresidents and part-year residents to exclude farm income based upon the income or loss within the city. Include a copy of federal Schedule F.

LINE 14 - UNEMPLOYMENT COMPENSATION

Nontaxable on the City of Portland tax return.

LINE 15 - SOCIAL SECURITY BENEFITS

Nontaxable on the City of Portland tax return.

LINE 16 - OTHER INCOME

This line is used to report other income including gambling and lottery winnings, and any other income or loss reported on their federal return. Attach a statement listing the type of income as well as the amount.

LINE 17 - TOTAL INCOME

Total Income: Add lines 1 through 16.

DEDUCTIONS

LINE 18 - IRA DEDUCTION

IRA contributions based upon the amount allowed on the federal return. Include page 1 of your federal return and proof of ownership, date, and amount of payment.

Line 19 - SELF EMPLOYED SEP, SIMPLE, & QUALIFIED

Self employed SEP, SIMPLE and qualified plans. Attach proof of date, payment and ownership.

LINE 20 - EMPLOYEE BUSINESS EXPENSES

Employee business expenses. The expenses listed below are 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 employee business expense deductions allowed by the City of Portland Income Tax Ordinance are as follows:

Under the Portland Income Tax Ordinance meals must be incurred while away from home overnight on business to be deductible.

- A. Expenses of travel, meals and lodging while away from home, overnight on business for an employer.
- B. 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.)
- C. Expenses of transportation (but not transportation to and from work.)
- D. Expenses reimbursed under an expense account or other arrangement with your employer, if the reimbursement has been included in and reported in gross income.

IMPORTANT: Business expenses claimed on Line 4 of federal Form 2106 are not an allowable deduction on the Portland return unless the taxpayer qualifies as an outside salesperson. You must attach a copy of your Federal 2106 or a list of your employee business expenses.

LINE 21 - MOVING EXPENSES

Moving expenses into the City of Portland only. Include a copy of federal Form 3903.

LINE 22 - ALIMONY PAID

Alimony paid. Child support is not deductible. Include a copy of page 1 of your federal return along with the recipients name, address and social security number.

The alimony adjustment for part year residents is computed as follows:

$$\text{City income (without alimony deduction)} \times \text{alimony paid} \\ \text{Federal Adjusted Gross Income (without alimony deduction)}$$

LINE 23 - NON-RESIDENT INCOME

Income earned prior to moving to Portland, or income earned while domiciled outside the city of Portland.

LINE 24 - OTHER DEDUCTIONS

Other, explain and attach support.

LINE 25 - TOTAL DEDUCTIONS

Total deductions: Add lines 18 through 24.

LINE 26 - TOTAL INCOME AFTER DEDUCTIONS

Total income after deductions: Subtract line 25 from line 17.

LINE 27 - AMOUNT OF EXEMPTIONS

Amount of exemptions: Number of exemptions x \$1,000.00.

LINE 28

Income subject to tax: Subtract line 27 from line 26.

LINE 29-TOTAL TAX

Total Tax: Multiply line 28 by 1% (.01) if a resident, .5% (.005) if a part-year resident. Attach Portland Schedule PY-if you worked in Portland as a resident and a nonresident.

PAYMENTS/CREDITS

LINE 30 - PORTLAND TAX WITHHELD

On line 30 enter the amount of Portland Tax withheld as shown on your 2006 W-2. The City copy of your 2006 W-2(s) clearly showing the locality as Portland and the amount of tax withheld in box 19 must be submitted with your return before credit can be allowed for Portland tax withheld.

LINE 31 - PAYMENTS/CREDITS

Enter any estimated payments made in 2006, payments with extension, and any credits carried forward from 2005.

LINE 32- TAX PAID TO OTHER CITY

A Portland resident subject to city income tax in another city may claim a credit for the net amount paid to the other city on income that is taxable by both cities. Enter on line 32 income taxes paid to other city. This credit may not exceed the tax that a nonresident of Portland would pay on the same income earned in Portland. Report only the amount you actually paid to another city, not the amount withheld. You must attach a copy of the city income tax return you filed with the other city to receive this credit.

LINE 33 - TOTAL PAYMENTS AND CREDITS

Total payments and credits: Add lines 30-32.

LINE 34- TAX DUE

Total Tax Due: Subtract line 33 from line 29. This is your tax due to pay with your return.

Line 35-CREDIT CARRIED FORWARD

Total Tax Credited: Subtract line 29 from line 33 this is your credit carried forward to 2007.

Line 36 -CREDIT REFUNDED VIA CHECK

Tax To Be Refunded: Subtract line 29 from line 33 this is your refund amount.

Line 37 - CREDIT REFUNDED VIA DIRECT DEPOSIT

Tax To Be Refunded: Subtract line 29 from line 33 this is your refund amount that will be deposited to your account.

DECEASED TAXPAYER:

A return for a person who died during 2006 should be filed on the same basis as if the person was still living. Please attach a copy of the death certificate. If a refund is due and the check is to be made payable to persons other than the surviving spouse, a letter of explanation should be attached.

Summary of Required Attachments

All W-2 forms - **Please note** - W-2's must have box 1, 18, 19 & 20 Completed. Page 1 of Federal tax return

Resident filers taking a credit for TAX LIABILITY PAID TO ANOTHER CITY: Attach a copy of page one of the other city return.

Worksheet available on page 9.

If Applicable:

Federal Schedules: B, C page 1 & 2, D, E page 1 & 2, F, K-1 page 1 & 2.

Federal Forms: 2016, 3903, 4797, 6198, 6252, 8582 & 8829.

Copies of all forms 1099-R for taxpayers under age 65

Depreciation worksheets

Attach additional form(s)/worksheet(s) you feel will help explain and expedite the processing of your return.

Note: Overpayments of less than one dollar (\$1.00) cannot be refunded or credited.

ESTIMATED TAX PAYMENTS FOR 2007

Estimated tax payments are REQUIRED if in 2007 you will have more than \$100.00 due after credits. A Declaration of Estimated Income Tax MUST be filed by April 30, 2007, and one-fourth (1/4) of the estimated tax due for 2007 must be paid with the declaration. The three remaining estimated tax payments are due at the end of June, September, and January.

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

If at any time during the year your income increases to such a level that one hundred dollars or more of tax will be due, a Declaration of Estimated Tax must be filed at that time.

The Declaration of Estimated Tax is available from the Portland Income Tax Department or the City's website.

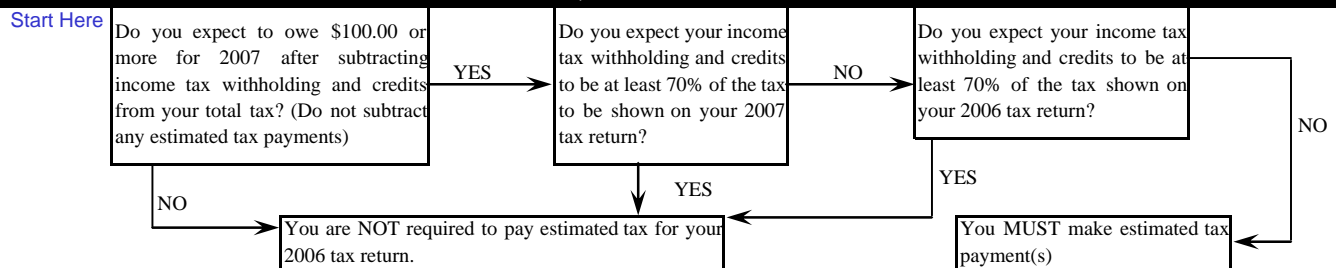
EXTENSION OF TIME TO FILE

The due date of Portland annual returns may be extended for a period not to exceed six months. Send a copy of your federal extension along with tentative tax due, by April 30, 2007.

SIGNING THE RETURN

You must sign and date your return and the return must be received by the Portland Income Tax Department for it to be a valid return. If the return is filed joint with your spouse, both you and your spouse must sign and date the return.

YOU MAY BE REQUIRED TO PAY ESTIMATED TAX



WHO MUST MAKE A DECLARATION:

1 . INDIVIDUALS AND UNINCORPORATED BUSINESSES - If you are a resident or nonresident and expect taxable income in 2007 from which City of Portland income tax will not be withheld by an employer; you must file a DECLARATION OF ESTIMATED INCOME TAX with the City of Portland. (If the estimated tax is \$100.00 or less a declaration is not required.) A husband and wife may file a joint declaration.

2 . FILING and PAYMENT: The declaration vouchers, City of Portland Form P-1040 EST. The estimated tax may be paid in full with the first declaration voucher or in four equal installments paid quarterly. The due dates as indicated on each declaration voucher are: First Quarter - April 30, 2007. Second Quarter - June 30, 2007, Third Quarter - September 30, 2007 and Fourth Quarter - January 31, 2008. Vouchers can be found on page 12 of this booklet or can be printed from our website.



PART-YEAR RESIDENT TAX CALCULATION

ATTACH THIS SCHEDULE TO YOUR P-1040 FORM

Form with fields for Taxpayer's social security #, Spouse's social security #, First Name and Initial, Last Name

PART-YEAR RESIDENT table with From and To columns for Taxpayer and Spouse, and FORMER ADDRESS section.

COMPUTATION OF TAXABLE INCOME

Main table with columns: INCOME, PORTLAND INCOME TAX WITHHELD, COLUMN 1 ALL INCOME EARNED WHILE A RESIDENT OF PORTLAND, COLUMN 2 PORTLAND INCOME WHILE A NONRESIDENT. Rows include Employer's Name, Interest Income, Dividend income, Business and farming income, etc.

INSTRUCTIONS FOR COMPLETING THE P-PY

GENERAL INFORMATION

The purpose of Schedule PY is to help the part-year resident who earned income both as a Portland resident and as a nonresident working in Portland. Certain kinds of income are taxed differently to residents of Portland and nonresidents working inside Portland.

Schedule PY must be filed with a Portland Resident Individual Tax Return (P-1040). Instructions for the resident individual return apply to income earned while a resident. Instructions for the Nonresident apply to income earned in Portland while a nonresident.

COMPUTATION OF TAXABLE INCOME

Lines 1-16 of schedule PY describe the kinds of income subject to tax. Column 1 is for income earned while a resident of Portland. Column 2 is for income earned while a non resident.

The following instructions for specific kinds of income must be used together with the instructions for the P-1040.

LINES 1-6 WAGES, SALARIES, COMMISSIONS, TIPS, SICK PAY, ETC.

All wages earned while a resident must be reported in column 1 regardless of where earned. To determine resident wages use a check stub close to the date of move as a guide. Nonresident wages for an employer equal box #1 of the W-2 form (total wages) less resident wages reported in column 1. Taxable nonresident wages earned in Portland are calculated for each employer as follows:

1. Compute the number of actual days worked in Portland as a nonresident for the employer.
2. Compute the total number of days worked while a nonresident for the employer.
3. Divide the days worked in Portland by the total days worked as a nonresident to compute the percentage of nonresident wages earned in Portland.
4. Multiply the wages as a nonresident by the percentage earned in Portland (number 3 above) to calculate nonresident wages earned in Portland.
5. Enter the nonresident wages earned in Portland in column 2 for each employer.

LINE 7- INTEREST INCOME

Interest received while a resident (minus interest from government obligations) are taxable and must be entered in column 1. Interest received while a nonresident is not taxable.

LINE 8 - DIVIDEND INCOME

Dividends received while a resident (minus interest from government obligations) are taxable and must be entered in column 1. Dividends received while a nonresident are not taxable.

LINE 9a -BUSINESS, PROFESSIONAL, AND FARM INCOME

Business, professional, and farm income earned while a resident of Portland is taxable, regardless of where the business or profession is conducted.

Nonresident business, profession and farm income earned in Portland is taxable.

The KEOGH, SEP, or SIMPLE retirement deduction is subtracted from business, professional, and farm income prior to the income being entered on line 9a. This deduction must be allocated between resident and nonresident status in the same manner as income. Attach supporting schedules detailing computation of this deduction.

SALES OR EXCHANGES WHILE A RESIDENT

All gains or losses from the sale of both tangible and intangible property are taxable to residents regardless of where the property is located. The Portland Income Tax Ordinance follows the Internal Revenue Code except for gains on the sales of obligations of the United States (and subordinate units of government) and gains from the sales or exchanges of property purchased prior to January 1, 1984.

SALES OR EXCHANGES WHILE A NONRESIDENT

Only that portion of a gain or loss from the sale of tangible real and personal property located in Portland occurring after January 1, 1984, is taxable to a nonresident. The gain or loss from the sale of intangible property is not taxable to a nonresident.

LINE 9c- INCOME (OR LOSS) FROM RENTAL REAL ESTATE, ROYALTIES, PARTNERSHIPS, TRUSTS, ETC.

RENTAL AND ROYALTY INCOME

Rental and royalty income earned while a resident must be reported regardless of the location of the property. Nonresidents must report only that portion of rental income derived from the rental of real and tangible personal property located in Portland.

PARTNERSHIP, ESTATE AND TRUST INCOME (OR LOSS)

Partnership, trust and other similar income of a resident must be reported regardless of where located. Attach a copy of federal Schedule K-1. A nonresident must report only that portion of partnership income (or loss) allocated to Portland on the partnership's Portland Partnership Return (P-1065). If there is no partnership return on file the processing of the individual return will be delayed until a partnership return is filed. Income from estates, trusts, etc. is not taxable to a nonresident.

LINE 9d- OTHER INCOME

Other income of a resident is taxable. See resident return instructions. Other income of a nonresident earned in Portland is taxable. See nonresident instructions for line 9, rental real estate, partnership and other income, for taxability of a nonresident's other income.

LINE 18- 23 DEDUCTIONS

With the exception of the KEOGH, SEP, and SIMPLE retirement deduction residents and nonresidents are limited to the deductions listed on lines 18-23. The KEOGH, SEP or SIMPLE retirement deduction must be included on line 9a. Nonresidents must allocate deductions in the same manner they allocate their income. (See instructions to nonresidents.)

LINE 26- PERSONAL EXEMPTIONS

Complete the exemption section of the P-1040 and multiply the number of exemptions by \$1000.00.

LINE 27 - TOTAL INCOME SUBJECT TO TAX

Subtract line 26 from line 25.

LINE 28a- TAX A RESIDENT RATE 1%

Multiply Line 27 by 1% (0.01)

LINE 28b-TAX AT NONRESIDENT RATE .5%

Multiply Line 25 Column 2 by .5% (0.005).

LINE 29- TOTAL TAX

Add the resident rate and nonresident rates together. (Lines 28a and 29b.) Enter this amount on the P-1040, Line 29