

## 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 13-18 DEDUCTIONS

With the exception of the KEOGH, SEP, and SIMPLE retirement deduction residents and nonresidents are limited to the deductions listed on lines 13-18. 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 21- PERSONAL EXEMPTIONS

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

### LINE 22 - TOTAL INCOME SUBJECT TO TAX

Subtract line 21 from line 20.

### LINE 23a- TAX AT RESIDENT RATE 1%

Multiply Line 22 by 1% (0.01)

### LINE 23b-TAX AT NONRESIDENT RATE .5%

Multiply Line 20 Column 2 by .5% (0.005).

### LINE 24- TOTAL TAX

Add the resident rate and nonresident rates together. (Lines 23a and 23b.) Enter this amount on the P-1040, Line 29



