2019
Michigan City Income Tax Training

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Capital Area United Way
What cities impose an income tax?

- 24 cities in Michigan have a local income tax
**Michigan Cities with Income Tax**

<table>
<thead>
<tr>
<th>Cities accepting the 2019 Common Form (MI-CF 1040)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albion</td>
</tr>
<tr>
<td>Battle Creek</td>
</tr>
<tr>
<td>Big Rapids</td>
</tr>
<tr>
<td>East Lansing</td>
</tr>
<tr>
<td>Flint</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cities not accepting the 2019 Common Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detroit</td>
</tr>
</tbody>
</table>
Tax Rates

- Most cities charge the standard rate:
  - Residents: 1%
  - Non-residents working in the city: 0.5%

- Four (4) cities charge higher taxes:

<table>
<thead>
<tr>
<th>City</th>
<th>Resident</th>
<th>Non-Resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detroit</td>
<td>2.4%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Grand Rapids</td>
<td>1.5%</td>
<td>0.75%</td>
</tr>
<tr>
<td>Highland Park</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Saginaw</td>
<td>1.5%</td>
<td>0.75%</td>
</tr>
</tbody>
</table>
What income is subject to tax

- **Residents:**
  - All salaries, wages, bonuses, commissions, and other compensation;
  - Net profits from business or profession;
  - Net rental income;
  - Capital gains less capital losses;
  - Interest and dividends;
  - Income from estates and trusts;
  - and Other income
What income is subject to tax

- **Non-Residents:**
  - Salaries, wages, bonuses, commissions, and other compensation for services rendered or work performed in the city;
  - Net rental income from property located in the city;
  - Net profits from a business, profession or other activity to the extent that it is from work done, services rendered or activity conducted in the city;
  - Capital gains less capital losses from the sale of real or tangible personal property located in the city.
What income is subject to tax

- **Part-Year Residence:**
  - Prorated share of income stated in prior slides.
  - A tax calculation worksheet is required to show income that is excluded, taxed as a resident, and taxed as a non-resident.

![Tax Calculation Worksheet](image-url)
What income is subject to tax

• Please note:
  • Generally excluded: unemployment, workers comp, social security benefits, retirement benefits that are not liable to the early distribution penalty

• Delayed Compensation:
  • Client receives delayed compensation tax forms on a 1099-R
  • Client’s age is over 59 ½
  • Delayed Compensation is TAXABLE
Reporting City Tax Withheld

- If the employer withheld for city taxes it will appear on the W2
Reporting City Tax Withheld

- Remember that the locality name must match the correct name in the software
  - TaxSlayer provides the correct names at the bottom of the W-2 screen

Michigan Filers Note:

<table>
<thead>
<tr>
<th>Michigan Locality Name Codes</th>
<th>(Name - CODE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albion</td>
<td>ALBION</td>
</tr>
<tr>
<td>Battle Creek</td>
<td>BC</td>
</tr>
<tr>
<td>Big Rapids</td>
<td>BR</td>
</tr>
<tr>
<td>Detroit</td>
<td>DETROIT</td>
</tr>
<tr>
<td>Flint</td>
<td>FLINT</td>
</tr>
<tr>
<td>Grand Rapids</td>
<td>GR</td>
</tr>
<tr>
<td>Grayling</td>
<td>GRAYLING</td>
</tr>
<tr>
<td>Hamtramck</td>
<td>HAMTRAMCK</td>
</tr>
<tr>
<td>Highland Park</td>
<td>HP</td>
</tr>
<tr>
<td>Ionia</td>
<td>IONIA</td>
</tr>
<tr>
<td>Jackson</td>
<td>JACKSON</td>
</tr>
<tr>
<td>Lansing</td>
<td>LANSING</td>
</tr>
<tr>
<td>Lapeer</td>
<td>LAPEER</td>
</tr>
<tr>
<td>Muskegon</td>
<td>MUSKEGON</td>
</tr>
<tr>
<td>Muskegon Heights</td>
<td>MH</td>
</tr>
<tr>
<td>Pontiac</td>
<td>PONTIAC</td>
</tr>
<tr>
<td>Port Huron</td>
<td>PH</td>
</tr>
<tr>
<td>Portland</td>
<td>PORTLAND</td>
</tr>
<tr>
<td>Saginaw</td>
<td>SAGINAW</td>
</tr>
<tr>
<td>Springfield</td>
<td>SF</td>
</tr>
<tr>
<td>Walker</td>
<td>WALKER</td>
</tr>
</tbody>
</table>

- If your site uses TaxWise – ask your site coordinators for a list of the correct city names
- Please Note: Some employers will not withhold for city taxes
Reporting City Tax Withheld

- Remember that the locality name must match the correct name in the software.
- TaxSlayer checks three data points to determine what information will flow through to the city return:
  - W-2 Box 1 Wages
  - EIN
  - Locality Name
- All other income carries forward automatically in TaxSlayer.
  - If the income is not taxable in the city you will need to manually exclude.
Preparing a return (TaxSlayer)

- Go to State Section → Localities
- For localities using the Common Form select “MI City Form CF-1040”
<table>
<thead>
<tr>
<th>Section</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Information</td>
<td>Edit</td>
</tr>
<tr>
<td>Wages and Excludible Wages</td>
<td>Begin</td>
</tr>
<tr>
<td>Adjustments to Income</td>
<td>Begin</td>
</tr>
<tr>
<td>Deductions</td>
<td>Begin</td>
</tr>
<tr>
<td>Payments and Credits</td>
<td>Begin</td>
</tr>
<tr>
<td>Interest and Penalty</td>
<td>Begin</td>
</tr>
<tr>
<td>NonElectronic Direct Deposit/Debit Information</td>
<td>Begin</td>
</tr>
</tbody>
</table>
Employer EIN from federal W-2 to be pulled (do not enter dashes)
12-3456789

Box 1 wages from federal W-2 to be pulled
$

Beginning date of employment during tax year (Enter as follows: MM/dd/yyyy)

Ending date of employment during tax year (Enter as follows: MM/dd/yyyy)

Wages not included in Form W-2, box 1
$

Code for wage type not included in Form W-2, box 1

Excludable Resident wages
$

Reason for Excludable Wages

Address of Workstation

Wage Allocation
 Employer EIN from federal W-2 to be pulled (do not enter dashes)

12-3456789

Box 1 wages from federal W-2 to be pulled

$

Beginning date of employment during tax year (Enter as follows: MM/dd/yyyy)

mm/dd/yyyy

Ending date of employment during tax year (Enter as follows: MM/dd/yyyy)

mm/dd/yyyy

Wages not included in Form W-2, box 1

$

Code for wage type not included in Form W-2, box 1


Excludable Resident wages

$

Reason for Excludible Wages


Address of Workstation

Wage Allocation

BEGIN

BEGIN
Excluding Wages for Non-Residents

Wage Allocation

Enter actual number of days on job for employer during period (Do not include weekends you did not work)

0

Vacation, holiday and sick days included in line above, only if work performed in and outside the city

0

Enter actual number of days or worked in city

0
Adjustments To Income

- Excludible Interest Income
- Excludible Dividend Income
- Excludible Alimony Received
- Exclusions and Adjustments to Capital Gain or (Loss)
- Exclusions and Adjustments to Other Gain or (Loss)
- Exclusions and Adjustments to IRA Distributions
- Exclusions and Adjustments to Pensions and Annuities
- Exclusions and Adjustments to Income from Rental Real Estate, Royalties, Partnerships, S Corporations, Trusts, ETC
- Adjustments for Tax Option Corporation (like Subchapter S Corporation) Distributions
- Exclusions or Adjustment to Other Income
- Schedule TC
MI City Form CF-1040 Return

Schedule TC

Did you have income both as a resident and a nonresident? If yes, then you will need to complete Schedule TC below.

--Select--

Schedule TC - Income

Schedule TC - Deductions
Income

Gross Wages

$ |

Taxable interest

Ordinary dividends

Alimony received
Tips to reduce stress

1. If you are unsure whether the client is a resident – search for their address in [https://bsaonline.com/Home/WelcomePage](https://bsaonline.com/Home/WelcomePage) (this is also one way to look up property tax information)

2. Wage allocation – TaxSlayer assumes that the client cannot work on weekends, even if this is untrue -- Use fractions with denominators that are multiples of 12

3. If a W2 is not carrying forward, check the federal W2 page and the locality W2 page and see if the data (wages, EIN, locality name) match

4. Please note: you cannot currently prepare two locality returns at the same time in TaxSlayer

5. Make sure your tax preparers know that the greyed out EIN is **NOT** the carried forward information from the federal section
Finishing the Return

- City returns are typically very simple (at most a couple pages)
- Currently we cannot e-file MI-CF 1040 returns (most cities)
  - Therefore clients must paper file
- Make sure that you attach copies of W2s, page 1 of the federal 1040, and other federal schedules
- If the client has not withheld for city taxes
  - Notify client that they may owe and encourage them to talk to their HR or provide them with local W-4 form
- Filing deadlines for locality taxes are typically later than the Federal and MI due dates
Finishing the Return

- What to include with the return
  - Pages 1 & 2 of the Federal 1040
  - W2s (!)
  - Schedules that report income (i.e. Fed. Sch. C, Sch. D, AND Sch. 1)

Many localities have additional locality schedules that must be included depending on what is in the return. This varies by locality.
Top 10 Mistakes

1. Failure to attach schedules and statements
2. **Non-residents**: Taking deductions and credits available only to residents
3. **Residents**: Failure to file estimated payments especially when working outside the City and employer does not withhold tax
4. **Residents**: Failure to report all wages earned
5. **Non-residents**: Failure to accurately calculate wages earned in the City when working in and out of the City
6. Failure to report address change to the City Income Tax office/having the incorrect address on tax return
7. Failure to accurately report estimated payments either over or under
8. Failure to file return for the year taxpayer moves in or out of the city
9. Failure to allocate taxes paid when allocating income for move in/move out year
10. Failure to pay the amount due on-time
Questions?

If you have further questions:

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