

INSTRUCTIONS FOR SCHEDULE L

GENERAL INFORMATION

The City of Port Huron's income tax ordinance imposes differing tax rates for residents (1%) and nonresidents (½ of 1%). Certain types of income are taxable if earned by a resident and are not taxable if earned by a nonresident. Schedule L provides a means to figure out your tax liability if you had income subject to tax as a resident and as a nonresident.

Read the instructions for Form PH-1040 before you complete Schedule L. The instructions will explain what income is taxable while a resident and as a nonresident. Be sure to attach all federal schedules requested in the instructions.

COMPUTING TAXABLE INCOME

If you received income from the same source, both as a resident and as a nonresident, you must prorate the income. Prorate the income based on how much time that you were a resident and a nonresident in relation to when you earned the income.

Example: You earned \$10,000 **working in the city** for Employer A. You worked for Employer A from February 1, to November 31 (10 months). You were a city resident from January 1, to May 31 (5 months). Your wages would be taxable as follows:

\$4,000 as a city resident

4 months (Feb - May) / 10 months (Feb - Nov) = .400

.400 X \$10,000 = \$4,000

\$6,000 as a nonresident

6 months (Jun - Nov) / 10 months (Feb - Nov) = .600

.600 X \$10,000 = \$6,000

In the example above, if you **worked outside of the city** only the amount you earned as a resident (\$4,000) would be taxable.

Wages, salaries, tips, etc. (line 1) - All amounts earned by City residents are taxable (including salary, wages, bonuses, tips, commissions and other compensation). The work location of a resident does not matter. We tax nonresidents on amounts earned for work done or services rendered in the City. Make a separate computation for each W-2 you received. If only part of your nonresident wages were earned in the City, please furnish the information requested in Schedule A of Form PH-1040.

Capital gain or loss (line 5) - Enter any capital gains or losses on this line. Your residency status on the date of the sale or exchange will decide how we tax it. Compute gains and losses using the instructions provided with Form PH-1040.

Supplemental income or loss (line 6) - All rental income earned while a resident is subject to tax, no matter the location of the property. Rental income received by a nonresident is subject to tax if the rental property is located in the City of Port Huron.

Losses transferred between columns (line 10) - When a loss exists on line 9 in either column, use this line to subtract the loss from the other column.

Exemption credit (lines 12 and 14) - The amount allowed for exemptions is first applied against resident income. If your exemption credit exceeds your resident income, apply the excess credit to your nonresident income.

COMPUTING THE TAX

The tax rate for residents is 1% (.01). The tax rate for nonresidents is 1/2 of 1% (.005). Compute the tax on each portion of your income. Transfer the amount shown on line 18 of Schedule L to line 12, of Form PH-1040.

COMPLETION OF FORM PH-1040

Schedule L is not a return itself. Attach Schedule L to your City of Port Huron Individual Income Tax Return, Form PH-1040.

Enter your tax on line 12 of Form PH-1040. Follow the instructions for Form PH-1040 to complete the remaining sections of the return. Leave lines 1 through 11 of Form PH-1040 blank. Be sure to sign the return and attach your W-2's in the designated area.

ASSISTANCE

If you have any questions about this schedule or the City of Port Huron income tax call **(810) 984-9741**. Send requests by mail to:

Income Tax Division
100 McMorran Boulevard
Port Huron, Michigan 48060

If you wish to visit our office, we are in room 112 of the Municipal Office Center at the preceding address. Our normal office hours are Monday through Friday 8:00 a.m. to 4:30 p.m..