

GENERAL INFORMATION

WHO MUST FILE A RETURN

Every nonresident who had income subject to Walker City income tax in 2003 of \$750 or more must file a return by April 30, 2004. See Taxable Income paragraph below.

Married persons may file either a joint return or separate returns. The total Walker income of both spouses must be included on a joint return, and each spouse must sign the return.

If you do not meet the requirements for filing a return but Walker tax was withheld or estimated tax was paid, you must file a return to receive a refund.

Every trust or estate with gross income of \$750 or more subject to Walker tax must file a Walker Schedule G with Form W-1040NR. Schedule G is available from the Walker City Income Tax Department.

WHO MUST USE THIS FORM

Individuals who were nonresidents of the City of Walker during the entire year and worked in Walker must use this form.

An individual who was a resident of Walker during any part of the year must file form W-1040R (Resident form).

EXTENSION OF TIME TO FILE

The due date of this return may be extended for a period not to exceed six months. **When a city extension is granted, tentative tax must be paid by April 30, 2004.** Applications for extensions are available from the Walker City Income Tax Department.

Applying for a Federal extension does not satisfy the requirement to file a Walker extension.

TAXABLE INCOME

The following income is subject to tax:

- Compensation received for work done or services performed in Walker—compensation includes, but is not limited to; salary, bonus, wages, commissions, vacation pay, holiday pay, sick pay, incentive pay to leave employment, incentive pay for “early retirement”, lump sum distribution of vacation pay, lump sum distribution of sick pay, employee savings plans, retirement stock purchase plans and profit sharing plans. **(Please note that these examples do not cover every possible filing situation. If you have any questions, please contact the Walker City Income Tax Department at (616) 791-6880.)**
- The net profits from the operation of a business or profession attributable to business activity conducted in Walker whether or not such business is located in Walker.
- Net profits from the rental of real and tangible property located in Walker.
- Gain from the sale or exchange of real and tangible personal property located in Walker.
- Premature distribution of an Individual Retirement Account (IRA) when a deduction(s) has been taken on a Walker income tax return in previous year(s).

EXEMPT INCOME

Exempt income includes:

- Gifts, inheritances and bequests.
- Pensions (including disability pensions), social security, annuities, IRA distributions after age 59 ½, and rollover of amounts from IRA's to ROTH IRA's.
- Proceeds of insurance (except that payments from a health and accident policy paid for by your employer are taxable to the same extent as provided by the Internal Revenue Code).
- Unemployment compensation, supplemental unemployment benefits, welfare relief payments.
- Workers' compensation, or similar payments for death, injury or illness arising out of and in the course of an employee's job.
- Interest, dividends, and other forms of intangible income. (When the receipt of interest and other intangible income is part of a business, such interest, etc. shall be considered as business income taxable to nonresidents and reported on Schedule C.)
- Military pay of members of the National Guard and the Armed Forces of the United States.
- Income received by a nonresident as the result of disability after exhausting all vacation pay, holiday pay and sick pay.

DECLARATION OF ESTIMATED TAX

If you expect that your Walker income in 2004 not subject to withholding will be more than \$20,000 after deductions (\$100 in tax), you must file a Declaration of Estimated Tax (form W-1040ES) for 2004 by April 30, 2004 and pay at least one-fourth (1/4) of the estimated 2004 tax with your Declaration. The three remaining payments are due at the end of June, September and January.

Failure to file a Declaration of Estimated Tax and make the required payments will result in the assessment of penalty and interest for the late payment of tax.

To avoid penalty and interest charges, you must pay in through withholdings and/or quarterly estimated payments at least 70% of your current year or prior year liability, whichever is lower.

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

The Declaration of Estimated Tax Form W-1040ES is available from the Walker City Income Tax Department.

WHERE TO BEGIN

The table below will help you determine which schedules apply to you:

Schedule Name	Must Be Completed By:
Schedule 1—Exemptions	ALL FILERS
Schedule 2—Wage detail	Filers who worked in Walker as employees--use information from W-2 form(s).
Schedule 3—Payments	ALL FILERS
Schedule 4—Wages Earned in Walker	Filers who worked both in and out of Walker for the <u>same</u> employer
Schedule 5—Other Income/Loss	Filers with Federal Schedule C, D or E income/loss applicable to Walker
Schedule 6—Deductions	Filers with IRA contributions, Federal form 2106 or 3903 expenses, or alimony attributable to Walker

LINE BY LINE INSTRUCTIONS

SCHEDULE 1—EXEMPTIONS

Lines 1-3

All individuals filing a Walker income tax return are allowed one personal exemption even if they are eligible to be claimed as a dependent on another filer's return. On a joint return both individuals are allowed one personal exemption.

Individuals who are 65 years of age or older may claim one additional personal exemption. On a joint return either one or both individuals if they qualify may claim one additional exemption for being 65 years of age or older.

Individuals who are legally blind may also claim an additional personal exemption. On a joint return either one or both individuals if they qualify may claim an additional exemption.

SCHEDULE 2—WAGE DETAIL

Columns A, B and C

Follow instruction (a) below if you performed all (100%) of your services in Walker. Use instruction (b) below if you performed part of your services in Walker.

- Nonresidents who worked 100% of their time in Walker: Enter in Column A the full amount of your earnings as recorded on your W-2 statement. Enter the same amount in Column C.
- Nonresidents who performed only part of their services in Walker: Enter in Column A the full amount of your earnings as recorded on your W-2 statement. Compute the amount to be entered in Column C by completing Schedule 4.

SCHEDULE 3—PAYMENTS

Line 1—Tax withheld by your employer

Enter the amount of Walker tax withheld as shown on your 2003 W-2 statement(s). The City of Walker copy of your W-2 statement, showing clearly the amount of Walker tax withheld must be submitted with your return before credit can be allowed for Walker tax withheld.

Line 2—Estimated payments, credit from a prior year, extension payments

If you made a payment(s) on a 2003 City of Walker Declaration of Estimated Tax, applied an overpayment from your 2002 Walker return to 2003, or made a payment with an extension, enter the total of all payments on line 2. In addition, enter any Walker income tax paid on your behalf by a partnership of which you are a partner on line 2. Please indicate to the right of the amount that the payment was made by a partnership.

SCHEDULE 4—WAGES EARNED IN WALKER

Complete this schedule only if you worked both in and out of Walker for the same employer. Days worked on lines 1 and 2 of Schedule 4 refer only to the actual number of days you were on the job. Do not include holidays, vacation days or sick days. For full-time employment, use 240 days worked everywhere or attach a schedule showing how actual days were computed. Hours may be substituted for days.

SCHEDULE 5—OTHER INCOME/LOSS

The federal rules concerning passive losses are applicable to losses deducted on this return.

Line 1—Income/loss from business (for filers of Federal Schedule C)

You must attach a copy of Federal Schedule C.

If your Schedule C business is operated entirely within Walker, enter your Schedule C income/loss on line 1a. Enter your KEOGH deduction, if applicable, on line 1b. Subtract line 1b. from 1a. and enter the result on line 1c. If you have deducted a KEOGH contribution on line 1b. **you must attach a copy of page one of your Federal Form 1040.**

If your Schedule C business is operated partly within Walker and partly within another locality, complete Worksheets 1 and 2 on page 2 to calculate the amount to be entered on line 1.

If your Schedule C business is operated entirely outside of Walker, do not enter an amount on line 1a. or 1b.

You may not deduct a carryback loss on your Walker Income Tax return.

Line 2—Income/loss from rents/royalties (for filers of Federal Schedule E, page one)

If you have rent/royalty income/loss from property located in Walker, enter the applicable amount from your Federal Schedule E, page one on line 2. **Attach a copy of Federal Schedule E.**

Line 3—Income/loss from partnerships (for filers of Federal Schedule E, page two)

Enter your share of the partnership income/loss on line 3 of Schedule 5. Enter your share of ordinary income only. Your share of qualifying dividends, gains, etc. are treated as belonging to you as an individual.

A partner is not allowed to apportion income distributed by a partnership. All apportionment of distributed income must be made on the Walker Partnership Return.

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 nor may you deduct your share of any loss or other deductions distributed by the corporation.

Line 4—Income/loss from sale or exchange of property (for filers of Federal Schedule D or Form 4797)

Enter on line 4 the gain/loss from the sale or exchange of real or tangible personal property located in Walker. The Walker Income Tax Ordinance follows the Internal Revenue Code in its treatment of capital gains. All capital gains received from the sale or exchange of real or tangible personal property located within the City of Walker are fully taxable on this return.

Attach Federal Schedule D. Also attach Form 4797 and Form 6252 if applicable.

Line 5—Premature IRA distribution(s)

Enter on line 5 premature distributions (before age 59 ½) from an IRA when a deduction has been taken on a current or previous year's Walker Income Tax return and/or premature distributions from a pension plan. If you have completed Schedule 4, apply the percentage on Schedule 4, Line 3 to your total distribution and enter the taxable portion of the distribution on line 5.

SCHEDULE 6—DEDUCTIONS—All deductions are limited to the extent they apply to income earned in Walker. The only deductions allowed by the Income Tax Ordinance are:

Line 1—IRA deduction

The rules governing IRA deductions on this return are the same as under the Internal Revenue Code. Contributions to ROTH IRA's are not deductible.

Attach page 1 of Federal Form 1040.

A KEOGH retirement plan deduction must be entered on line 1b. of Schedule 5.

Line 2—Employee business expenses

The employee business expenses listed below are not 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 only deductions allowed by the City of Walker Income Tax Ordinance are as follows:

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

IMPORTANT: Business expenses claimed on Line 4 of federal Form 2106 are not an allowable deduction on the Walker 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 3—Moving expenses

Moving expenses that qualify under the Internal Revenue Code as a deduction from federal gross income may be deducted on your Walker return. However, the Walker deduction is limited to those expenses that are applicable to income taxable under the Walker Income Tax Ordinance.

You must attach a copy of Federal Form 3903 or a list of your moving expenses, including the distance in miles from where you moved.

Line 7—Alimony deduction (**CHILD SUPPORT IS NOT DEDUCTIBLE**)

Alimony deducted on your 2003 federal return is subject to adjustment before it may be deducted on this return. The alimony adjustment is computed as follows:

Walker Income (Line 6, Page 1)

(without alimony deduction)

X Alimony Paid

Federal Adjusted Gross Income

(without alimony deduction)

You must attach a copy of page one of your Federal Form 1040.

COMPLETING YOUR RETURN

After completing schedules 1 through 6 as applicable (see **Where to Begin** on page 1 of the instructions), transfer the results of schedules 1 through 6 to lines 1, 2, 3, 5 and 8 on the front of the form.

Follow the instructions on the front of the form for lines 4, 6 and 7.

Line 9—Tax due

If after computing your Walker Income tax and deducting your payments and credits, the balance due is one dollar (\$1.00) or more, it must be entered on Line 9.

Make check or money order payable to CITY TREASURER and mail with this return to: WALKER CITY INCOME TAX DEPARTMENT, P.O. BOX 153, GRAND RAPIDS, MI 49501-0153.

Line 10—Overpayment

If your total payments and credits on line 8 are more than Walker Tax on line 7, you have overpaid your tax for 2003.

1. If you want your overpayment MAILED to you, enter the overpayment on line 11.
2. If you want your overpayment to be HELD and credited on your 2004 estimated tax, enter the overpayment on line 12.
3. See page 2 to CONTRIBUTE your overpayment to one of the Education Foundations listed.

Refunds or credits of less than one dollar (\$1.00) cannot be made.

ASSISTANCE

If you have questions not answered in these instructions or if you need assistance in preparing your return, call (616) 791-6880.

We would be happy to prepare your Walker Income Tax Return free of charge. Please contact the Walker Income Tax Department at 791-6880 for an appointment.

Questions by mail should be directed to: Walker City Income Tax Department, P.O. Box 153, Grand Rapids, MI 49501-0153.

NOTICE

These instructions are an interpretation of the Walker City Income Tax Ordinance. If any discrepancy exists between the instructions and the Ordinance, the Ordinance prevails.