

## GENERAL INFORMATION

### WHO MUST FILE A RETURN

Every resident or part-year resident of Walker who had taxable income 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.

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

### WHO MUST USE THIS FORM

**Full-year resident** - If you were a resident of Walker during all of 2003 and had taxable income, you must use this form (W-1040R). All taxable income while a resident of Walker must be reported on this form, regardless of the source of the income. (See Taxable Income paragraph)

**Part-year resident who worked in Walker as both a resident and a nonresident** - In addition to filing a resident form, individuals who had income subject to the Walker tax both as a resident and as a nonresident must fill out and attach a Schedule L. Schedule L will be furnished on request and is necessary to compute the tax on those items of income that are taxed differently to residents and nonresidents. Do not use Schedule L unless you had income subject to the Walker tax both as a resident and as a nonresident.

Indicate to the left of the dollar amount entered on line 7 that such amount has been transferred from Schedule L. Do not fill in lines 1 through 6 on the front of the form.

**Part-year resident who did not work in Walker as a nonresident** - Do not use Schedule L if you were a part-year resident of Walker and did not work in Walker during the part of the year that you lived outside of Walker. Report on this form only your taxable income while a resident, regardless of the source of the income. Show the period you were a resident and your former address in the spaces provided.

### 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

Walker residents are required to report the same kinds of taxable income on their city return as they report on their federal return, **with the following exceptions:**

- Gifts, inheritances and bequests are not taxable income.
- Pensions (including disability pensions), social security, annuities, IRA distributions after age 59 ½, and rollover of amounts from IRA's to ROTH IRA's are not taxable income.
- 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 and supplemental unemployment benefits are not taxable income.
- Interest from obligations of the United States, the states, or subordinate units of government of the states, and gains or losses on the sales of obligations of the United States are not taxable income.
- Military pay of members of the National Guard and the Armed Forces of the United States including Reserve pay is not taxable income. Attach a copy of your military W-2.
- Michigan State Lottery prizes won before January 1, 1988 are not taxable income. Michigan State Lottery prizes won after December 31, 1987 are taxable income.

### DECLARATION OF ESTIMATED TAX

If you expect that your Walker income in 2004 not subject to withholding will be more than \$10,000 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:
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Schedule 1—Exemptions

Schedule 2—Wage Detail

Schedule 3—Payments

Schedule 4—Other Income/Loss

Schedule 5—Deductions

ALL FILERS

Filers who worked as employees-use information from W-2 form(s).

ALL FILERS

Filers with income in addition to wages on their federal return. Filers with IRA contributions, Federal from 2106 or 3903 expenses; filers with alimony deductions on their federal returns

## 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.

If you are taking an exemption for your spouse, you must show their social security number and they must sign the return even if they do not have any Walker income.

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 one additional exemption.

### SCHEDULE 2—WAGE DETAIL

Columns A and B

All wages, salaries, sick pay, tips, bonuses, etc. earned by a resident of Walker while a resident of Walker are taxable regardless of where earned and must be included on Schedule 2.

Enter Walker income tax withheld by your employer in Column A as shown on your 2003 W-2 statements. The locality name on your W-2(s) must be Walker for you to receive credit for Walker income tax withholding. The City of Walker copy of your W-2(s) must be submitted with your return.

Enter total wages from box one of your W-2(s) in Column B.

### SCHEDULE 3—PAYMENTS

Line 1—Tax withheld by your employer

Enter the amount of Walker tax withheld from Schedule 2, Column A, line 1a.

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

If you made quarterly estimated payment(s), 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.

Line 3—Credit for tax paid to another city.

If you are a Walker resident subject to city income tax in another city, you may claim a credit against Walker income tax for the net amount paid to the other city. This credit may not exceed the tax that a nonresident of Walker would pay on the same income earned in Walker. Complete Worksheet 1 on page 2 of the form to determine the amount of credit to enter on line 3.

**You must attach a copy of the 2003 city income tax return(s) that you filed with the other city(ies).**

### SCHEDULE 4—OTHER INCOME/LOSS

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

Line 1—Interest income

Enter interest from your federal return on line 1a. Enter interest from obligations of the United States on line 1b. Subtract line 1b. from line 1a. and enter the result on line 1c.

Line 2—Dividend income

Enter dividends from your federal return on line 2a. Enter dividends from obligations of the United States on line 2b. Subtract line 2b. from line 2a. and enter the result on line 2c.

Line 3—Income/loss from business (for filers of Federal Schedule C)

Walker residents are taxed on the net profits from their operation of a business or profession regardless of where it is located.

Enter your Schedule C income/loss on line 3a. Enter your KEOGH deduction, if applicable, on line 3b. Subtract line 3b. from 3a. and enter the result on line 3c. **You must attach a copy of Federal Schedule C.** If you have deducted a KEOGH contribution on line 3b. **you must attach a copy of page one of your Federal Form 1040.**

A net operating loss carryover may be deducted if the loss was incurred after January 1, 1988. Attach a schedule showing the calculation

of any net operating loss carryover deducted from line 3c. You may not deduct a carryback loss.

Line 4—Income/loss from rents/royalties (for filers of Federal Schedule E, page one)

Enter all rent and royalty income included on your Federal Schedule E, page one and received while a resident of Walker. **Attach a copy of Federal Schedule E, page one.**

Line 5—Income/loss from partnerships (for filers of Federal Schedule E, page two)

Enter your share of the partnership income/loss on line 5 of Schedule 4 as reported on Federal Schedule E, page two. Your share of qualifying dividends, gains, etc. are treated as belonging to you as an individual and should be reported on the appropriate Federal and Walker schedules.

**Attach a copy of Federal Schedule E, page two.**

If you are claiming a loss from a partnership located outside of Walker, **a copy of your Federal Schedule K-1 must be attached.**

Line 6—Income/loss from sale or exchange of property (for filers of Federal Schedule D, Form 4797 and/or Form 6252)

Enter on line 6 the gain/loss from the sale or exchange of real or tangible personal property regardless of where located. The Walker Income Tax Ordinance follows the Internal Revenue Code in its treatment of capital gains, with two exceptions:

1. Gains on the sales of obligations of the United States are not taxable on this return.
2. Gain or loss on property purchased prior to January 1, 1988 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, 1988 (December 31, 1987 closing price for traded securities), or
  - b) Divide the number of months the property has been held since January 1, 1988 by the total number of months the property was held, and apply this fraction to the total gain or loss as reported on your federal income tax return.

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

Line 7—Distributions from Subchapter S corporations.

Enter on line 7 cash or property distributions from S corporations from page two of Federal Schedule K-1. The Walker 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 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.**

Line 8—Income from estates and/or trusts.

Enter on line 8 all income from estates and/or trusts reported on your Federal Schedule E, page two. Income from an estate or trust is taxable to a Walker resident regardless of the location of the estate or trust, or the location of property it may own.

**Attach a copy of Federal Schedule E, page two.**

Line 9—Distributions from profit sharing plans, premature IRA distributions.

Enter on line 9 all early pension and profit sharing withdrawals and/or distributions subject to the 10% federal penalty. Also report on line 9 premature IRA distributions subject to the 10% federal penalty.

Line 10—Other income.

Enter on line 10 all other income reported on your federal return and not specifically exempted by the Walker City Income Tax Ordinance. Examples of the types of income reported on line 10 are gambling winnings, alimony received and miscellaneous income.

## SCHEDULE 5—DEDUCTIONS

*Part-year residents must allocate deductions the same way they allocate income. 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 4.

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 into the City of Walker that qualify under the Internal Revenue Code as a deduction from federal gross income may be deducted on your Walker return.

**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 4—Alimony deduction (**CHILD SUPPORT IS NOT DEDUCTIBLE**)

Enter alimony deducted on your 2003 federal return.

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

## COMPLETING YOUR RETURN

After completing schedules 1 through 5 as applicable (see **Where to Begin**), transfer the results of schedules 1 through 5 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.