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City of Highland Park
Income Tax Department
P.O. Box 239
Eaton Rapids, MI 48827-0239

Form HP-1040

2014 HIGHLAND PARK INDIVIDUAL INCOME TAX FORMS AND INSTRUCTIONS

For use by individual residents, part-year residents and nonresidents

– IF LABEL APPEARS BELOW

IMPORTANT

PLEASE PEEL OFF LABEL AND AFFIX TO AREA DESIGNATED ON INCOME TAX RETURN.

CITY OF HIGHLAND PARK INCOME TAX 2014

ALL PERSONS HAVING HIGHLAND PARK TAXABLE INCOME IN 2014 MUST FILE A RETURN

TAX RETURNS ARE DUE APRIL 30, 2015

MAILING ADDRESS

BALANCE DUE RETURNS
City of Highland Park 1040 Payments
P.O. Box 239
Eaton Rapids, MI 48827

ALL OTHER RETURNS
City of Highland Park
P.O. Box 239
Eaton Rapids, MI 48827

TAX RATES EXEMPTIONS

Resident: 2%
Nonresident: 1%
Exemption value: $600

PAYMENT OF TAX DUE

Tax must be paid at the time you file your return if you owe $1.00 or more.

NOTE: If you are paying $100.00 or more with your 2014 return, you may need to make estimated income tax payments for 2015. See page 2 for instructions.

Make check or money order payable to: **CITY OF HIGHLAND PARK**

YOUR RETURN

Tax returns are due April 30, 2015.
Forms are available online at www.Highlandparkcity.org.

CONTACT US

For assistance contact the Hamtramck Income Tax Department at 3401 Evaline Ave, Hamtramck, Michigan or call (313) 603-3118.

Failure to attach documentation or attaching incorrect or incomplete documentation will delay processing of the return or result in corrections being made to the return.

WHO MUST FILE A RETURN
If you had Highland Park taxable income greater than the total of your personal and dependency exemptions, you must file a tax return — even if you did not file a federal tax return. See Exemptions schedule for more information on your allowable exemption total. **You are required to file a tax return and pay tax even if your employer did not withhold Highland Park tax from your paycheck.** You will be required to make estimated income tax payments if you work for an employer not withholding Highland Park tax from your 2015 wages.

ESTIMATED TAX PAYMENTS
When your total income tax is greater than the amount of tax withheld plus other credits by $100 or more, you may be required to make quarterly estimated tax payments. File Form HP-1040ES (available on the Highland Park website) by April 30 of the tax year and pay at least one-fourth (¼) of the estimated tax. The remaining estimated tax is due in three equal payments on June 30 and September 30 of the tax year and January 31 of the following year. Adjust the remaining quarterly payments if your income increases or decreases during the year.

Failure to make required estimated tax payments or underpayment of estimated tax will result in assessment of penalty and interest.

If you have made estimated tax payments and do not owe more tax for the year, you still must file a tax return.

DUE DATE AND EXTENSIONS
Returns are due on or before April 30, 2015. The due date of the annual income tax return may be extended for a period not to exceed six months. To apply for an extension, file Form HP-4868, Application for Automatic Extension of Time to File an Individual Income Tax Return. Applying for a federal extension does not satisfy the requirement for filing a Highland Park extension. Application for an extension must be made and the tentative tax due must be paid (MCL 141.664). Filing an extension with payment is not a substitute for making estimated tax payments. **An extension does not extend the time for paying the tax due.**

When an extension form is filed and the balance due is paid, it may be assumed that the extension is automatically granted unless otherwise notified. Interest and penalty is charged on taxes paid late even if an extension of time to file is granted. Penalty may be waived by the Income Tax Administrator if the tax paid by the original due date is not understated by more than 5% of tax or the corporation can show that the failure to pay on time was due to reasonable cause.

AMENDED RETURNS
File amended returns using the HP-1040 Clearly mark **AMENDED** at the top of the return. If a change on your federal return affects Highland Park taxable income, you must file an amended return within 90 days of the change and pay the tax due. An adjustment must be made for tax paid or refunds received from the original return. Write in the tax paid or refunds received to the left of the box on page 2, Payments and Credits schedule, line 4; Include the tax paid and subtract refunds from the original return when totaling amended return payments and credits. All schedules supporting the changes should accompany the filing. Every change must be explained. Mail amended returns to: Highland Park Income Tax, P.O. Box 239, Eaton Rapids, MI 48827-0239.

CHARGES FOR LATE PAYMENTS
All tax payments remaining unpaid after they are due are liable to a penalty of 1% per month, not to exceed a total penalty of 25%, and bear interest at the rate of 1% above the prime rate on an annual basis. The minimum combined charge for interest and penalty is $2.00.

DISCLAIMER
These instructions are interpretations of the Uniform City Income Tax Ordinance, MCLA 141.601 et seq. The Highland Park Income Tax Ordinance will prevail in any disagreement between these instructions and the Ordinance.

COMPLETING YOUR RETURN

NAME, ADDRESS, SOCIAL SECURITY NUMBER
- **Always write your social security number(s) on the return.** Your social security number must agree with the SSN on the Form(s) W-2 attached to your return.
- Enter your name and, if a joint return, your spouse's name.
- If the taxpayer or spouse is deceased: attach a copy of federal Form 1310 or a copy of the death certificate; write deceased in the signature area; and enter the date of death in the box on the signature line of return.
- Enter your **current** address under Present home address. If using a PO Box, or an address that is not your legal residence, you must add an attachment that states your actual residence.
- Mark the box to indicate your filing status.

RESIDENCY STATUS
Indicate your residency status by marking (X) the proper box.

Resident – a person whose domicile (principle residence) was in the City of Highland Park all year. File as a resident if you were a resident the entire year.

Nonresident – a person whose domicile (principle residence) was outside the City of Highland Park all year. File as a nonresident if you were a nonresident the entire year.

Part-Year Resident – a person who changed their domicile (primary residence) during the year from one inside Highland Park to one outside Highland Park or vice versa. If you were a resident for only part of 2014, use form HP-1040TC to calculate the tax and attach it to the HP-1040.

Married with Different Residency Status. If you were married in 2014 and had a different residency status from that of your spouse, file separate returns or file a resident return using Form HP-1040TC to compute the tax.

FILING STATUS
Indicate filing status by marking (X) the proper box. If married filing separately, enter spouse's Social Security number in the spouse's SSN box and enter the spouse's full name in the filing status box.

INCOME EXEMPT FROM HIGHLAND PARK INCOME TAX
Highland Park does not tax the following types of income:
1 Social security, pensions and annuities (including disability pensions), Individual Retirement Account (IRA) distributions received after reaching age 59½.
2. Proceeds of insurance where the taxpayer paid policy premiums. (Payments from a health and accident policy paid by an employer are taxed the same as under the Internal Revenue Code).
3. Welfare relief, unemployment compensation and supplemental unemployment benefits.
4. 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.
5. Military pay of members of the armed forces of the United States, including Reserve and National Guard pay.
6. Michigan Lottery prizes won on or before December 30, 1988. (Michigan lottery prizes won after December 30, 1988 are taxable.)
7. City, state and federal refunds.

ITEMS NOT DEDUCTIBLE ON THE HIGHLAND PARK TAX RETURN
Highland Park does **not** allow deductions for items such as taxes, interest, medical expenses, charitable contributions, casualty and theft losses, etc. In addition, the following federal adjustments are not deductible on the Highland Park return: student loan interest, Archer MSA deduction, self-employed health insurance deduction, one-half or self employment tax, and penalty for early withdrawal of savings.

FORM HP-1040, PAGE 1, INSTRUCTIONS

TOTAL INCOME AND TAX COMPUTATION
Round all figures to the nearest dollar.

Lines 1 – 16, Columns A & B – Federal Data and Exclusions
NOTE: Schedules, attachments and other documentation that support tax withheld, exclusions, adjustments or deductions must be provided. Failure to attach or attaching incomplete supporting information will delay processing of your return or result in tax withheld, exclusions, adjustments or deductions being disallowed.

Lines 1 - 16, Column C – Figure Taxable Income
Subtract column B from column A and enter difference in column C. Support figures with schedules.

Line 17 – Total Additions
Add lines 2 through 16.

Line 18 – Total Income
Add lines 1 through 17.

Line 19 – Total Deductions
Enter the total deductions from line 7 of Deductions schedule, page 2.

Line 20 – Total Income after Deductions
Subtract line 19 from line 18.

Line 21 – Exemptions
Enter the total number of exemptions (page 2, Exemptions schedule, line 1h) on line 21a and multiply line 21a by $600.00 and enter the product on line 21b.

Line 22 – Total Income Subject to Tax
Subtract line 21b from line 20. If line 21b is greater, enter zero.

Line 23 – Tax
Multiply line 22 by the appropriate tax rate to compute tax liability, and enter it on line 23b. (The resident tax rate is 2%. The nonresident rate is 1%.) If you were a resident for only part of the year and used Schedule TC to compute your tax, mark (X) line 23a and attach Schedule TC to the return.

Line 24 – Total Payments and Credits
Enter the line 4 total from the Payments and Credits schedule on page 2. You must file the return even if there is no tax due or overpayment.

Line 25 – Estimated Tax or Late Payment Interest and Penalty
Nonpayment or underpayment of estimated income tax and late payment of tax is subject to penalty and interest. You may calculate the amounts and enter penalty on line 25a, interest on 25b, and the total interest and penalty on line 25c or the city may calculate and assess it. Calculate estimated tax interest and penalty using Form HP-2210.

TAX DUE OR REFUND

Line 26 – Tax Due and Payment of Tax
If the tax on line 23b plus the interest and penalty on line 25c exceeds the total Payments and Credits on line 24, enter the difference, the tax due, on line 26. The tax due must be paid with the return when filed. The due date for the return is April 30, 2015.

Pay by Check or Money Order. Make the check or money order payable to the CITY OF HIGHLAND PARK, place the check or money order in front of page 1 of the tax form and mail the return with the payment to: Highland Park Income Tax, P.O. Box 239, Eaton Rapids, MI 48827-0239. Do not send cash for your tax payment. The tax is due at the time of filing the return.

Line 27 – Overpayment
If the total payments and credits on line 24 exceed the tax on line 23 plus the interest and penalty on line 25c, enter the difference, the overpayment, on line 27. Use lines 28 through 31 to indicate what you want done with the refund. You must file the return even if there is no tax due, no overpayment or only a slight overpayment.

Line 29 – Credit Forward
Enter on line 29 the amount of overpayment to credit to the next year.

Line 30 – Refund
Enter on Line 30 the amount of the overpayment to be refunded. Your refund will be issued as a paper check.

Please allow 45 DAYS before calling about a refund.

FORM HP-1040, PAGE 2 INSTRUCTIONS

EXEMPTIONS SCHEDULE
Complete the Exceptions schedule to report and claim the total exemptions amount allowed. Everyone who files a Highland Park return gets a personal exemption of $600 for 2014. **You may claim an exemption even if someone else claims you as a dependent on their return.**

Lines 1a - 1c – You and Spouse. Enter your date of birth and mark (X) the exemption boxes that apply to you. If filing jointly, complete line 1b for spouse. If you are age sixty-five or older or you are blind, you get an additional exemption. Mark (X) the boxes that apply, and enter on line 1e the total number of exemption boxes marked.

Lines 1d – Dependents. Determine dependents using the same rules as on the federal return. If you cannot claim a dependent on the federal return, you cannot claim them on a Highland Park return. Enter the names of your dependent children that live with you, then the names of other dependents and their relationship to you. Provide dependents' Social Security numbers and dates of birth. Enter totals on 1f and 1g.

Lines 1e - 1h – Total Exemptions. Add the amounts on 1e, 1f and 1g, and enter the total exemptions on line 1h and on page 1, line 21a.

EXCLUDED WAGES SCHEDULE
If any wages reported on page 1, line 1, column A, are not taxable, the Excluded Wages schedule must be completed. The data to complete this schedule comes from the Wages, Excludible Wages and City Tax Withheld schedule.

DEDUCTIONS SCHEDULE
You may deduct amounts that directly relate to income that is taxable by Highland Park, prorating where necessary. Allowable deductions include the following line number items:

Line 1 – Individual Retirement Account (IRA) Contributions
Contributions to an IRA are deductible to the same extent deductible under the Internal Revenue Code. **Attach page 1 of federal return and evidence of contribution,** which includes, but is not limited to, one of the following: a copy of receipt for IRA contribution, a copy of federal Form 5498, a copy of a cancelled check that clearly indicates it is for an IRA contribution. ROTH IRA contributions are **not** deductible.

Line 2 – Self-Employed SEP, SIMPLE and Qualified Plans
Self-employed SEP, SIMPLE and qualified retirement plan deductions may be entered on page 2, Deductions schedule, line 2.

Line 3 – Employee Business Expenses
Employee business expenses are deductible only when incurred in the performance of service for an employer and only to the extent not reimbursed by the employer. Meal expenses are not subject to the reductions and limitations of the Internal Revenue Code. Under the Highland Park Income Tax Ordinance meals must be incurred while away from home overnight on business.

BUSINESS EXPENSES ARE LIMITED TO THE FOLLOWING:

A. Expenses of transportation, but not to and from work.
B. Expenses of travel, meals and lodging while away from home overnight on business for an employer.
C. Expenses incurred as an "outside salesperson" away from the employer's place of business. This does not include driver-salesperson whose primary duty is service and delivery.
D. Expenses reimbursed by employer from an expense account or other arrangement if included in gross earnings.

NOTE: Business expenses claimed on line 4 of fed. Form 2106 are not allowed unless taxpayer qualifies as an outside salesperson.

Attach a copy of Form HP-2106, federal Form 2106 or a list of your employee business expenses.

Line 4 – Moving Expenses
Moving expenses for moving **into** the Highland Park area are deductible to the same extent deductible under the Internal Revenue Code. Moving must be related to starting work in a new location. **Attach a copy of federal Form 3903 or a list of moving expenses, with the distance in miles from where you moved.**

Line 5 – Alimony Paid
Separate maintenance payments, alimony, and principal sums payable in installments (to the extent includable in the spouse's or former spouse's adjusted gross income under the federal Internal Revenue Code) and deducted on the federal return are deductible. Child support is not deductible. **Attach a copy of federal return, page 1.**

NOTE: The above deductions are limited to the amount claimed on your federal return, except meals. The deductions are limited by the extent they apply to income taxable under the Highland Park Income Tax Ordinance. Part-year residents must allocate deductions the same way they allocate income.

Line 6 – Renaissance Zone
The Renaissance Zone deduction may be claimed by: a qualified resident domiciled in a Renaissance Zone; an individual with income from rental real estate located in a Renaissance Zone; and an individual proprietor or a partner in a partnership that has business activity within a Renaissance Zone. Individuals who qualify for the deduction **must attach Schedule RZ of HP-1040** to their return to claim the deduction. Residents are not qualified to claim the deduction until they have been domiciled in a Renaissance Zone for 183 consecutive days. Individuals are not qualified to claim the Renaissance Zone deduction if they are delinquent for any Michigan or Highland Park taxes. A Highland Park income tax return must be filed to qualify and claim this deduction.

Line 7 – Total Deductions
Add lines 1 through 6. Enter the total on line 7 and on page 1, line 19.

PAYMENTS AND CREDITS SCHEDULE

Line 1 – Highland Park Tax Withheld by Employers
The city tax withheld by each of your employers is to be reported on Lines 7 through 10 of the Wages, Excludible Wages and City Tax Withheld schedule. Total Highland Park tax withheld, line 17 of this schedule, is reported on Form HP-1040, page 2. Payments and Credit schedule, line 1. The Form W-2 (Wages and Tax Statement) you received from each of your employers shows the tax withheld in box 19 and the locality name in box 20.

You must attach a copy of W-2 form(s) showing the entire amount of HIGHLAND PARK tax withheld and Highland Park (or an abbreviated form of Highland Park) as the locality name. We will not allow the credit for Highland Park tax withheld without W-2 Forms.

Line 2 – Tax Payments Other Than Tax Withheld
On line 2, enter the total of the following: estimated tax paid, tax paid with an extension, tax paid paid by a partnership and credit forward from past tax year.

Line 3 – Tax Credit for Tax Paid (Residents only)
Enter on line 3 the credit for income taxes paid to the other city. If you had income subject to tax in another city while you were a **resident of Highland Park**, you may credit this credit. The credit is 1% of the taxable income. This credit must be based on income taxable by both cities, and the credit may not exceed the tax that a nonresident of Highland Park would pay on the same income earned in Highland Park. **You must attach a copy of the income tax return filed with the other city to receive this credit.**

2014 HIGHLAND PARK FORM HP-1040 INSTRUCTIONS FOR RESIDENTS, NONRESIDENTS AND PART-YEAR RESIDENTS

Line 4 – Total Payments and Credits
Add lines 1 through 3. Enter the total on line 4 and on page 1, line 24.

ADDRESS SCHEDULE
Every taxpayer must complete the Address schedule. Start by listing the address used on last year's return. If this address is the same as listed on page 1, write "Same." If no 2013 return was filed provide reason none was filed. Complete the schedule by listing the addresses of the other principal residences (domiciles) occupied during 2014.Mark whether the address was for the taxpayer (T), spouse (S) or both (B) and enter the beginning and ending dates of residence at each.

THIRD-PARTY DESIGNEE
To allow another person to discuss the tax return information with the Income Tax Department, mark (X) the "Yes" box and enter the person's name, phone number and any five digits as their personal identification number (PIN). To designate the tax preparer, enter "Preparer."

SIGN THE RETURN
You must sign and date the return. If filing a joint return, both spouses must sign and date the return. If someone else prepared the return, they must sign it and provide their address and telephone number.

PART-YEAR RESIDENT INSTRUCTIONS

If you had income taxable as a resident and as a nonresident during the year, you must file as a part-year resident. Part-year residents compute the amount of their tax on Schedule TC, which has multiple tax rates. Complete the form using the instructions on the Schedule TC.

Income is allocated according to the residency status for each item of income. Adjustments and deductions must be allocated in the same way income is allocated. Use the instructions for residents and non-residents as a guide to allocate income.

Schedule TC and other Highland Park tax forms are available on the Highland Park website: WWW.HIGHLANDPARKCITY.ORG. To have a form mailed to you call (313) 603-3118. You must attach copies of proof of move in/move out to support adjusted income.

RESIDENT INSTRUCTIONS

Line 1 – Wages, Salaries, Tips, Etc.
The front page of the federal tax return must be attached to all resident tax returns. All W-2 forms showing wages and Highland Park tax withheld must be attached to page 1 of the return.

Complete the Wages, Excludible Wages and City Tax Withheld schedule to report all wages, excludible wages and tax withheld. The total wages from line 15 of this schedule should equal the wages reported on Form HP-1040, page 1, line 1, column A, and the wages reported on your federal tax return, Form 1040, Form 1040A or Form 1040EZ.

A resident is taxed on **ALL** earnings, including salary, bonus, separation, and incentive payments, tips, commissions and other compensation for services rendered—**no matter where earned.** Example: Taxpayer lives in the City of Highland Park but works in Highland Park and receives a paycheck from the home office in New York City: 100% of this compensation is taxable.

If your employer did not withhold Highland Park tax from your paycheck, you are still required to file and pay tax on those wages at the resident tax rate. *You will also be required to make estimated tax payments if you employer does not withhold Highland Park tax for you in 2014.*

Report on line 1, column B, the total excluded wages. All nontaxable wages must be documented on the Wages, Excludible Wages, and City Tax Withheld schedule **and** listed by employer on the Excluded Wages schedule on Form 1040, page 2. A resident's wages are generally not excludible. An example of excludible (nontaxable) resident wages is military pay.

Line 2 – Interest
Interest is taxable to the same extent on the federal return except for interest from U.S. Bonds, Treasury Bills, Treasury notes and flow through interest income from a tax option corporation (S corporation, Etc.). .

Report the amount of taxable interest income from federal 1040, on line 2, column A. Report on line 2, column B, interest from U.S. Bonds and Treasury Bills and notes; document this excluded interest on the Excludible Interest Income schedule. Document the excluded interest on the Excludible Interest Income schedule.

Line 3 – Dividends
Dividends are taxable. Report on line 3, column A, the total amount of dividend income from the federal return. Report on line 3, column B, excludible dividends from U.S. Bonds, Treasury Bills, Treasury notes and tax option corporations (S corporations, etc.). Document the excluded dividends on the Excludible Dividend Income schedule.

Line 4 – Taxable Refunds, Credits or Offsets
NOT TAXABLE. Exclude all. No explanation needed.

Line 5 – Alimony Received
Alimony received is taxable. Report on line 5, columns A and C, the amount of alimony received as reported on the federal return.

Line 6 – Business Income
All self-employment income is taxable regardless of where the business is located. Report on line 6, columns A and C, the total business income from the federal return. **Attach a complete copy of federal Schedule C.** Federal rules concerning passive losses are applicable to losses deducted on a Highland Park return.

Line 7 – Capital Gain or (Loss)
The Uniform City Income Tax Ordinance follows the Internal Revenue Code regarding capital gains. All capital gains realized while a resident are taxable regardless of where the property is located, with the following exceptions:

1. Capital gains on sales of obligations of the United States and subordinate units of government.
2. The portion of the capital gain or loss on property purchased prior to the inception of the Highland Park income tax ordinance that is attributed to the time before inception ordinance.
3. Capital loss carryovers that originated prior to the taxpayer becoming a resident of Highland Park are not deductible.

Capital losses are allowed to the same extent they are allowed under the Internal Revenue Code and limited to $3,000 per year. Unused net capital losses may be carried over to future tax years. The capital loss carryover for Highland Park may be different than the carryover for federal income tax purposes.

Deferred capital gain income from installment sales and like-kind exchanges are taxable in the same year reported on the taxpayer's federal income tax return.

Flow through income from a tax option corporation (S corporation) reported on federal Sch D or form 4797 is income. Losses on an S-Corp cannot be transferred to H-1040.

Attach copies of federal Sch. K-1 (Form 1120S).

Residents reporting capital gains or losses **must attach a copy of federal Schedule D.**

Excluded capital gains must be explained by completing and attaching the Exclusions and Adjustments to Capital Gains or (Losses) schedule.

Line 8 – Other Gains or (Losses)
Other gains or losses are taxable to the extent that they are taxable on the federal 1040. Other gains and losses realized while a resident are taxable regardless of where the property is located, except the portion of the gain or loss on property purchased prior to the inception of the Highland Park Income Tax Ordinance.

Deferred other gains from installment sales and like-kind exchanges are taxable in the year recognized on the federal income tax return. Deferred gains **must be supported by attaching a copy of federal Form 6252 and/or Form 8824.**

Residents reporting other gains and losses **must attach a copy of federal Form 4797.**

Use the Exclusions and Adjustments to Other Gains or (Losses) schedule to compute exclusions and adjustments to other gains and losses reported on your federal income tax return.

Line 9 – IRA Distributions
In column A enter the IRA distributions reported on federal Form 1040 or Form 1040A. Premature IRA distributions (Form 1099-R, box 7, distribution code 1) and IRA distributions made to a decedent's beneficiary other than the decedent's spouse (Form 1099-R, box 7, distribution code 4) are **taxable.**

Exclude in column B, IRA distributions qualifying as retirement benefits: IRA distributions received after age 59½ or described by Section 72(t)(2)(A)(iv) of the IRC and all other excludible IRA distributions. The Exclusions and Adjustments to IRA Distributions schedule is used to document excluded IRA distributions.

The conversion of a traditional IRA to a ROTH IRA is taxable to a resident (Form 1099-R, box 7, Distribution Code, G) unless the

individual making the conversion is 59 ½ years old or older at the time of the conversion distribution.

Line 10 – Taxable Pension Distributions
Enter on line 10, column A, pension and annuities reported on federal Form 1040 or Form 1040A. Excluded pension and retirement benefits are reported on line 10, column B and explained on the Exclusions and Adjustments to Pension Distributions schedule.

Pension and retirement benefits from the following are **not** taxable:
1. Pension plans that define eligibility for retirement and set contribution and benefit amounts in advance;
2. Qualified retirement plans for the self-employed;
   Benefits from any of the previous plans received on account of disability or as a surviving spouse if the decedent qualified for the exclusion at the time of death;
3. Distributions from a 401(k) or 403(b) plan attributable to employer contributions or attributable to employee contributions to the extent they result in matching contributions by the employer;
4. Benefits paid to an individual from a retirement annuity policy that has been annuitized and paid over the life of the individual.

Pension and retirement benefits from the following **are** taxable:
1. Premature pension plan distributions (those received prior to qualifying for retirement);
2. Amounts received from deferred compensation plans that let the employee set the amount to be put aside and do not set retirement age or requirements for years of service. These plans include, but are not limited to, plans under IRC Sections 401(k), 457 and 403(b):
   - Amounts received before the recipient could retire under the plan provisions, including amounts paid on separation, withdrawal or discontinuance of the plan;
   - Amounts received as early retirement incentives, unless the incentives were paid from a pension trust;
3. Benefits paid from a retirement annuity policy other than annuitized benefits paid over the life of the individual are taxable to the same extent taxable under the Internal Revenue Code.

Report taxable pension and retirement income on line 10, column C.

Line 11 – Rental Real Estate, Royalties, S Corporations, Partnerships, Royalties, Estates, Trust, Etc.
All income reported on federal Schedule E is taxable. A resident's share of an S corporation's flow through income is taxable to the same extent and on the same basis the income is taxable under the Internal Revenue Code. Report this income on line 11, columns A and C.

Line 12 – Tax Option Corporation Distributions (S corporation)

Distributions received by a resident from a tax option corporation's Accumulated Adjustments Account, Other Adjustments Account and/or the Shareholder's Undistributed Taxable Income Previously Taxed Account (federal Form 1120S, Schedule M-2, line 7) are income on a Highland Park return and are to be reported on this line. These distributions are found on federal Schedule K-1 (1120), line 20. Report these distributions on the Adjustments for Subchapter S Corporation Distributions schedule. Also **attach copies of federal Schedule K-1 (Form 1120S).**

Line 13 – Farm Income or (Loss)
Profit or loss from the operation of a farm is taxable as reported on the federal return regardless of where the farm is located. There are no exclusions. **Attach a complete copy of federal Schedule F.**

Line 14 – Unemployment Compensation
NOT TAXABLE. Exclude all. No explanation needed.

Line 15 – Social Security Benefits
NOT TAXABLE. Exclude all. No explanation needed.

Line 16 – Other Income
Other income reported on the resident's federal return is taxable except for income from recoveries related to federal itemized deductions from prior tax years. Report on this line a net operating loss carryover from the previous tax year. Report exclusions and adjustments on p. 2, using the Exclusions and Adjustments to Other Income schedule.

Line 17 — Total Additions

Add lines 2 through 16. of each column and enter amounts on line 17.

Line 18 – Total Income
Add lines 1 through 16 of each column and enter amounts on line 18.

Line 19 – Deductions
Enter amount from Deductions schedule, page 2, line 7.

NONRESIDENT INSTRUCTIONS

NONRESIDENT INCOME SUBJECT TO TAX:
1. Compensation for work done or services performed in Highland Park, which includes, but is not limited to, the following: salaries, wages, bonuses, commissions, fees, tips, incentive payments, severance pay, vacation pay and sick pay.
2. Net profits from the operation of an unincorporated business, profession or other activity attributable to business activity conducted in Highland Park, whether or not such business is located in Highland Park. This includes business interest income from business activity in Highland Park.
3. Gains or losses from the sale or exchange of real or tangible personal property located in Highland Park.
4 Net profits from the rental of real or tangible personal property located in Highland Park.
5. Premature distributions from an Individual Retirement Account (IRA) where a deduction was claimed on a current or previous year's Highland Park income tax return.
6. Premature distributions from a pension plan attributable to work performed in Highland Park.
7. Deferred compensation earned in Highland Park.

Line 1 – Wages, Salaries, Tips, Etc.
All wages of a nonresident are to be reported on the Wages, Excludible Wages and City Tax Withheld schedule. The total wages from line 15 of this schedule is the amount reported on Form HP-1040, page 1, line 1, column A. The total wages should be the same as the wages reported on your federal tax return (Form 1040, Form 1040A or Form 1040EZ).

All W-2 forms showing income earned in Highland Park and/or tax withheld for Highland Park must be attached to the return.

Report on page 1, line 1, column B, the total excluded wages from Line 16 of the Wages, Excludible Wages and City Tax Withheld schedule. All excluded wages must be documented on the Wages, Excludible Wages and City Tax Withheld schedule and listed, by employer, on the Excluded Wages schedule on Form HP-1040, page 2. On the Wages, Excludible Wages and City Tax Withheld schedule, lines 13 and 14, enter the reason the wages are excludible and the address of the work station where you performed the work for the employer.

Do not use box 18 of W-2 form to report taxable wages or to allocate wages, use all wages reported on your federal return as the allocation basis. A separate wage allocation must be completed for each employer. Wages are normally allocated using the actual number of days or hours worked in and outside of Highland Park during the tax year for an employer. Vacation time, sick time and holidays are not included in total days worked in arriving at the wage allocation percentage. Vacation pay, holiday pay, sick pay, bonuses, severance pay, etc. are taxable to same extent as normal earnings.

100% Earned in Highland Park. All wages, salaries, tips, sick pay, bonuses, deferred compensation, severance pay, and other compensation (Form W-2, boxes 1 and 8) is taxable to nonresidents who worked 100% of the time in Highland Park.

Wage Allocation. Nonresidents who performed only part of their services for an employer in the Highland Park must allocate their wages. Use the Nonresident and Part-Year Resident Wage Allocation section of the Wages, Excludible Wages and City Tax Withheld schedule.

Wage Allocations on Commissions, Etc. A nonresident salesperson paid on a commission basis or other results achieved should allocate wages based on commissions received or other results achieved attributable to efforts expended in Highland Park. A nonresident insurance salesperson paid sales commissions and renewal commissions should allocate compensation on the following basis: Allocate commissions from life, health, accident and vehicle (auto) insurance based on the location (residence) of the purchaser. Allocate commissions from group insurance based on the location of the group. Allocate commissions from fire and casualty insurance based on the location of the risk insured.

Line 2 – Interest
Non-business interest income of a nonresident is not taxable. Exclude all non-business interest income. No explanation needed.

Interest income that is business income from business activity in Highland Park is taxable and must be reported. Attach a schedule showing source and computation of taxable and nontaxable interest income.

Line 3 – Dividends
NOT TAXABLE. Exclude all dividend income. No explanation needed.

Line 4 – Taxable Refunds, Credits or Offsets
NOT TAXABLE. Exclude all. No explanation needed.

Line 5 – Alimony Received
NOT TAXABLE. Exclude all. No explanation needed.

Line 6 – Profit or (Loss) from a Business, Etc.
Profit or loss from the operation of a business or profession is taxable to the extent it results from work done, services rendered or other business activities conducted in Highland Park. Report on page 1, line 6, column A, business income reported taxable on your federal return.

The Exclusions and Adjustments to Business Income schedule is used to exclude business income. The total excluded business income from line 5 of this schedule is also entered on page 1, line 6, column B. If a business operates both in and outside of Highland Park, the taxable profit or loss is determined using the three factor Business Allocation formula.

Where no work is done, services rendered or other business activity is conducted in Highland Park, the profit or loss is entirely excluded. Complete the Exclusions and Adjustments to Business Income schedule to exclude profit or loss from the operation of a business.

A Highland Park net operating loss carryover from the previous tax year is reported on page 1, line 16, column C. See instructions for line 16.

Line 7 – Capital Gains or (Losses)
Capital gains or losses of a nonresident are included in taxable income to the extent the gains or losses are from property located in Highland Park. Capital losses from property located in Highland Park are allowed to the same extent they are allowed under the Internal Revenue Code. Unused capital losses may be carried over to future tax years. The capital loss carryover for Highland Park may be different than the carryover for federal income tax purposes.

Deferred capital gain income from installment sales and like-kind exchange of property located in Highland Park are taxable in the year recognized on the taxpayer's federal income tax return.

Flow through income or loss from a tax option corporation (S corporation, etc.) reported on a nonresident's federal Schedule D is excluded on the Exclusions and Adjustments to Capital Gains or (Losses) schedule **Attach copies of federal Schedule K-1 (Form 1120S).**

Use the Exclusions and Adjustments to Capital Gains or (Losses) schedule to compute exclusions and adjustments to capital gains. **NOTE:** A common error on a nonresident return is failure to complete the Exclusions and Adjustments schedule to exclude the capital loss carryover reported on the taxpayer's federal income tax return.

Line 8 – Other Gains or (Losses)
A nonresident's other gains and losses are included in taxable income to the extent the gains or losses are from property located in Highland Park. Deferred other gains and losses from installment sales and like-kind exchanges of property located in Highland Park are taxable in the year recognized on the taxpayer's federal income tax return. Deferred other gains must be supported by attaching a copy of federal Form 6252 and/or Form 8824.

Flow through income from a tax option corporation (S corporation) reported on federal Form 4797 or Schedule B is excluded on the Exclusions and Adjustments to Other Gains and (Losses) schedule. **Attach copies of federal Schedule K-1 (Form 1120S).**

Nonresidents reporting other gains and losses **must attach a copy of federal Form 4797.** Use the Exclusions and Adjustments to Other Gains and Losses schedule to compute exclusions and adjustments to other gains and losses reported on the federal income tax return. On line 4 of the schedule enter the total excluded other gains or losses and also enter this total on page 1, line 8, column B.

Line 9 – IRA Distributions
That portion of a premature IRA distribution that was deducted from Highland Park's taxable income in the current or a prior tax year (reported on Form 1099-R, box 7, distribution code 1) are taxable to a nonresident. IRA distributions received after age 59 ½ or described by Section 72(t)(2)(A)(iv) of the IRC are not taxable.

Line 10 – Taxable Pension Distributions
Premature pension plan distributions (those received by a nonresident prior to qualifying for retirement) are taxable to the same extent the normal wages from the employer are taxable.

A nonresident remaining employed by the particular employer in Highland Park may not exclude amounts received from deferred compensation plans that let the employee set the amount to be put aside and do not set retirement age or requirements for years of service. These plans include, but are not limited to, plans under Sections 401(k), 457 and 403(b) of the Internal Revenue Code (IRC): Amounts received before the recipient could retire under the plan provisions, including amounts paid on separation, withdrawal or discontinuance of the plan. Amounts received as early retirement incentives, unless the incentives were paid from a pension trust. See Line 10 under "Residents" for additional information on nontaxable pension and retirement benefits.

Excludible pension distributions are listed on the Exclusions and Adjustments to Pension Income schedule. Enter the total excluded pension distributions on the last line of the schedule and also enter the amount on page 1, line 10, column B.

Line 11 – Rental Real Estate, Royalties, Partnerships, S Corporations, Estates, Trusts, Etc.
All income reported on the federal Schedule E that comes from business activity in Highland Park or property located in Highland Park is taxable to nonresidents. When an estate or trust has taxable income in Highland Park, the estate or trust must file a return and pay tax on distributions to nonresidents and on undistributed taxable income.

The following income reported on federal Schedule E is excludable: income from business activity or property outside Highland Park; tax option corporation (S corporation, etc.) flow through income or loss reported on Schedule E; and income from estates and trusts.

Explain all exclusions on the Exclusions and Adjustments to Income from Rental Real Estate, Royalties, Partnerships, S Corporations, Trusts, Etc. schedule. On line 6 of this schedule enter the total exclusions and adjustments; enter also on page 1, line 11, column C.

Line 12 – Subchapter **S** Corporation Distributions are taxable if the business is located in Highland Park. Losses on an S-Corp cannot be transferred to H-1040.

Line 13 – Farm Income or (Loss)
A nonresident's profit or loss from a farm are included in Highland Park income to the extent the profit or loss results from work done, services rendered or other activities conducted in Highland Park. The portion of the profit or loss reported on Highland Park return is determined by use of the three factor Farm Allocation Percentage formula. Where no work is done, services rendered or other business activity is conducted in Highland Park, the entire farm profit or loss is excluded, using the Exclusions and Adjustments to Farm Income schedule.

Sales of crops at the produce market, any of the farmer's markets or a produce stand located in the city is Highland Park business activity and subjects the farm to Highland Park income tax.

Line 14 – Unemployment Compensation
NOT TAXABLE. Exclude all. No explanation needed.

Line 15 – Social Security Benefits
NOT TAXABLE. Exclude all. No explanation needed.

Line 16 – Other Income
Other income is taxable if it is from work performed or other activities conducted in Highland Park. Use the Exclusions and Adjustments to Other Income schedule to document exclusions and adjustments. Report on this line a Highland Park-related net operating loss carryover from the previous tax year.

Line 17 – Total Additions
Add lines 2 through 16 of each column and enter amounts on line 17.

Line 18 – Total Income
Add lines 1 through 16 of each column and enter amounts on line 18.

Line 19 – Total Deductions
Enter amount from Deductions schedule, page 2, line 7. A nonresident's deductions are limited by the extent they relate to income taxable under the Highland Park Income Tax Ordinance. Nonresidents must allocate deductions the same way related income is allocated. See Deductions schedule (page 2 instructions) for a list of allowable deductions.

HP-1040 HIGHLAND PARK 2014

INDIVIDUAL RETURN DUE APRIL 30, 2015

12MI-HPK1

Taxpayer's SSN	Taxpayer's first name Initial Last name	**RESIDENCE STATUS** ☐ Resident ☐ Nonresident ☐ Part-year resident
Spouse's SSN	If joint return spouse's first name Initial Last name	Part-year resident - dates of residency (mm/dd/yyyy) From To
Make sure the SSN(s) above and on page 2, line 1d are correct.	Present home address (Number and street) Apt. no.	**FILING STATUS**
Check box if you need a tax form mailed to you next year. ☐	Address line 2 (P.O. Box address for mailing use only)	☐ Single ☐ Married filing jointly
For city use only	City, town or post office State Zip code	☐ Married filing separately. Enter spouse's SSN in Spouse's SSN box and Spouse's full name here.
	Foreign country name Foreign province/county Foreign postal code	Spouse's full name if married filing separately

INCOME ROUND ALL FIGURES TO NEAREST DOLLAR ($0.50 next dollar)		Column A Federal Return Data	Column B Exclusions/Adjustments	Column C Taxable Income
ATTACH COPY OF PAGE 1 OF FEDERAL RETURN	1. Wages, salaries, tips, etc. (W-2 forms must be attached) 1	.00	.00	.00
	2. Taxable interest 2	.00	.00	.00
	3. Ordinary dividends 3	.00	.00	.00
	4. Taxable refunds, credits or offsets 4	.00	.00	NOT TAXABLE
	5. Alimony received 5	.00	.00	.00
	6. Business income or (loss) (Attach federal Schedule C) 6	.00	.00	.00
	7. Capital gain or (loss) (Attach copy of fed. Sch. D) 7a. ☐ Mark if federal Sch. D not required 7	.00	.00	.00
	8. Other gains or (losses) (Attach copy of federal Form 4797) 8	.00	.00	.00
	9. Taxable IRA distributions 9	.00	.00	.00
	10. Taxable pensions and annuities (Attach copy of Form(s) 1099-R) 10	.00	.00	.00
	11. Rental real estate, royalties, partnerships, S corporations, trusts, etc. (Attach federal Schedule E) 11	.00	.00	.00
	12. Subchapter S corporation distributions (Attach federal Sch. K-1) 12	NOT APPLICABLE	.00	.00
ATTACH W-2 FORMS HERE	13. Farm income or (loss) (Attach federal Schedule F) 13	.00	.00	.00
	14. Unemployment compensation 14	.00	.00	NOT TAXABLE
	15. Social security benefits 15	.00	.00	NOT TAXABLE
	16. Other income (Attach statement listing type and amount) 16	.00	.00	.00
	17. Total additions (Add lines 2 through 16) 17	.00	.00	.00
	18. Total income (Add lines 1 through 16) 18	.00	.00	.00
	19. Total deductions (Subtractions) (Total from page 2, Deductions schedule, line 7) 19			.00
	20. Total income after deductions (Subtract line 19 from line 18) 20			.00
	21. Exemptions (Enter the total exemptions, from Form HP-1040, page 2, box 1h, in line 21a and multiply this number by $600 and enter on line 21b) 21a ☐ 21b			.00
	22. Total income subject to tax (Subtract line 21b from line 20) 22			.00
	23. Tax (Multiply line 22 by Highland Park resident tax rate of 2% (0.02) or nonresident tax rate of 1% (0.01) and enter tax on line 23b, or if using Schedule TC to compute tax, check box 23a and enter tax from Schedule TC, line 23d) 23a ☐ 23b			.00
	24. Total payments and credits (Total from page 2, Payments and Credits schedule, line 4) 24			.00
	25. Interest and penalty for: failure to make estimated tax payments; underpayment of estimated tax; or late payment of tax 25a Interest .00 25b Penalty .00 Total interest & penalty 25c			.00
ENCLOSE CHECK OR MONEY ORDER	**TAX DUE** 26. Amount you owe (Add lines 23b and 25c, and subtract line 24) MAKE CHECK OR MONEY ORDER PAYABLE TO: CITY OF HIGHLAND PARK **PAY WITH RETURN >>>>>** 26			.00
	OVERPAYMENT 27. Tax overpayment (Subtract lines 23b and 25c from line 24; choose overpayment options on lines 28 - 30) 27			.00
	28. Reserved 28a 28b 28c Total donations 28d			
	29. Amount of overpayment credited forward to 2015 Amount of credit to 2015 >> 29			.00
	30. Amount of overpayment refunded (Line 27 less line 29) Refund amount >> 30			.00
	31. Reserved 31a ☐ Not available 31b ☐ Not available 31c Reserved 31d Reserved 31e Reserved			

MAIL TO: Highland Park Income Tax Dept, P.O. Box 239, Eaton Rapids, MI 48827-0239

Revised: 12/01/2014

HP-1040, PAGE 2	Taxpayer's name	Taxpayer's SSN	12MI-HPK2

EXEMPTIONS SCHEDULE

	Date of birth (mm/dd/yyyy)	Regular	65 or over	Blind	Deaf	Disabled
1a. You						
1b. Spouse						

1c. ☐ Check box if you can be claimed as a dependent on another person's tax return

1d. List Dependents

#	First Name	Last Name	Social Security Number	Relationship	Date of Birth
1					
2					
3					
4					
5					
6					
7					
8					

1e. Enter the number of boxes checked on lines 1a and 1b	
1f. Enter number of dependent children listed on line 1d	
1g. Enter number of other dependents listed on line 1d	
1h. Total exemptions (Add lines 1e, 1f and 1g; enter here and also on page 1, line 21a)	

EXCLUDED WAGES SCHEDULE (See instructions. Resident wages generally not excludible)

W-2 #	COLUMN A EMPLOYER'S ID	COLUMN B RESIDENT EXCLUDED WAGES	COLUMN C NONRESIDENT EXCLUDED WAGES	W-2 #	COLUMN A EMPLOYER'S ID	COLUMN B RESIDENT EXCLUDED WAGES	COLUMN C NONRESIDENT EXCLUDED WAGES
1		.00	.00	6		.00	.00
2		.00	.00	7		.00	.00
3		.00	.00	8		.00	.00
4		.00	.00	9		.00	.00
5		.00	.00	10		.00	.00

DEDUCTIONS SCHEDULE (See instructions; deductions allocated on same basis as related income)

			DEDUCTIONS
1.	IRA deduction (Attach copy of page 1 of federal return & evidence of payment)	1	.00
2.	Self-employed SEP, SIMPLE and qualified plans (Attach copy of page 1 of federal return)	2	.00
3.	Employee business expenses (See instructions and attach copy of federal Form 2106)	3	.00
4.	Moving expenses (Into Highland Park area only) (Attach copy of federal Form 3903)	4	.00
5.	Alimony paid (DO NOT INCLUDE CHILD SUPPORT. Attach copy of page 1 of federal return)	5	.00
6.	Renaissance Zone deduction (Attach Schedule RZ OF 1040)	6	.00
7.	Total deductions (Add line 1 through line 6, enter total here and on page 1, line 19)	7	.00

PAYMENTS AND CREDITS SCHEDULE

1.	Tax withheld by your employer for HIGHLAND PARK (Attach W-2 Forms showing tax withheld for HIGHLAND PARK, Form W-2, box 19)	1	.00
2.	Tax payments other than tax withheld (Estimated income tax payments, extension payment, partnership payments and credit forward)	2	.00
3.	Credit for tax paid to another city (Residents attach a copy of other city's return; not allowed for nonresidents)	3	.00
4.	Total payments and credits (Add lines 1 through 3, enter total here and on page 1, line 24)	4	.00

ADDRESS SCHEDULE (Where taxpayer (T), spouse (S) or both (B) resided during year and dates of residency)

MARK T, S, B	ADDRESS (INCLUDE CITY, STATE & ZIP CODE) Start with address used on last year's return. If the address is the same as listed on page 1 of this return, print "Same." If no return filed, list reason. Continue listing residence addresses from this year.	FROM MONTH	FROM DAY	TO MONTH	TO DAY

THIRD PARTY DESIGNEE

Do you want to allow another person to discuss this return with the Income Tax Office? ☐ Yes, complete the following ☐ No

Designee's name	Phone No.	Personal identification number (PIN)

Under the penalty of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, the preparer's declaration is based on all information of which preparer has any knowledge.

SIGN HERE ===>

TAXPAYER'S SIGNATURE - If joint return, both spouses must sign	Date (MM/DD/YY)	Taxpayer's occupation	Daytime phone number	If deceased, date of death
SPOUSE'S SIGNATURE	Date (MM/DD/YY)	Spouse's occupation		If deceased, date of death

PREPARER'S SIGNATURE

SIGNATURE OF PREPARER OTHER THAN TAXPAYER	Date (MM/DD/YY)	PTIN, EIN or SSN
		Preparer's phone no.
FIRM'S NAME (or yours if self-employed), ADDRESS AND ZIP CODE		NACTP software number

Revised: 12/01/2014