

INSTRUCTIONS FOR SCHEDULE L OF H-1040(R)

General Information

The Hamtramck Income Tax Ordinance imposes a tax rate of 1% on income of residents of Hamtramck, and 1/2% on that income of nonresidents of Hamtramck which is subject to the Hamtramck income tax. In addition, certain types of income may be taxed differently to residents and nonresidents.

Schedule L of H-1040(R) provides a means whereby an individual can arrive at his total tax liability if, during the taxable year, he earned part of his income as a resident of Hamtramck and part of his income as a nonresident.

Who Must Use Schedule L

Schedule L must be filled out and attached to Form H-1040(R) if, during the taxable year, part of your income was earned as a resident, and part of your income subject to the Hamtramck tax was earned while you were a nonresident. Do not use Schedule L unless you had income subject to the Hamtramck tax both as a resident and as a nonresident.

Be sure to indicate the time period you were a Hamtramck resident by answering Question C on the Resident Individual Return, Form H-1040(R).

Computation of Taxable Income

Lines 1 and 5 of Schedule L describe the types of income that are subject to tax. Enter in column I ("All income Earned While a Resident of Hamtramck."), the income subject to tax that was earned during the year while a resident. Enter in column II ("Hamtramck Income While a Nonresident"), the income subject to tax that was earned during the year while a nonresident.

You must attach schedules to support each amount entered on Schedule L, lines 1 and 5. The schedule of each type of income should show: (1) the total amount of resident income and the total amount of nonresident income earned during the period of time you were a resident and nonresident, and (2) your computation of the portion of the total amount of each type of resident and nonresident income, which was subject to the Hamtramck tax, and which was used as a basis for entry on lines 1 and 5 of Schedule L.

Instructions for the Individual Resident Form H-1040(R) and for the Individual Nonresident Form (H-1040(NR)) should be carefully reviewed before entries are made in columns I and II of Schedule L for each type of income.

The following instructions for the specific types of income listed below should be used in conjunction with the instructions for the residents and nonresident forms:

(1) Income from Employers

All wages and salaries earned while a resident are to be reported, whether or not your work was performed in Hamtramck. That portion of your wages and salaries earned in Hamtramck as a nonresident is to be reported on the ratio that the actual number of days worked in Hamtramck while a nonresident bears to the total days while a nonresident.

(3) Deduction from Resident Long Form, Schedule M, page 2

See instructions under "Deductions and Exclusions" on page 2 of the Resident Long Form for description of the amounts to be entered on this line. Deductions applicable to nonresident income to total nonresident income.

(5a b) Income from Dividends, Interest and Royalties

Enter in the resident column income from dividends, interest and royalties while a resident. Income of this nature is not taxable to a nonresident. Dividend income received from taxable domestic corporations is subject to the same dividend exclusion as provided by the Federal Internal Revenue Code.

(5c) Income (or loss) from Rents

All rental income earned while a resident is to be reported, regardless of the location of the property. However, residents should report only that portion of rental income derived from the

rental of real and tangible personal property located in Hamtramck.

(5d) Gain (or loss) from the Sale or Exchange of Property

Your residency status on the date that the sale or exchange of property took place determines whether the sale or exchange shall be considered as a transaction by a resident or a nonresident.

Sale or Exchange While a Resident - If the property was acquired and sold after Oct 1, 1962, and you were a resident on the date of sale, use the same gain or loss on the property which appears on your Federal Return. If the property was acquired prior to Oct 1, 1962, see instructions on Resident Individual Return H-1040(R) on how to determine the taxable portion of the gain or loss. Gains or losses from both tangible and intangible property are taxable to residents. The location of the property is immaterial.

Sale or Exchange While a Nonresident - Only that portion of the gain or loss which occurred after Oct 1, 1962 from the sale or exchange of tangible property located in Hamtramck is taxable to nonresidents.

(5e) Income from Estates and Trusts

If you were a beneficiary of an estate or trust, enter in column I your share of the income from the estate or trust while you were a resident. Do not report your portion of the income earned while you were a nonresident. The estate or trust will file a return and pay the tax for nonresidents.

(5g) Net Income (or loss) from Business or Profession

Attach information for each separate business to support entries on line 5(g)

(5h) Net Operating Loss Carryover

Line 5(h) must be used to deduct a net operating loss carryover from prior years. If line 5(h) represents only a net operating loss carryover, circle these words on line 5(h). If both miscellaneous income and operating loss carryover are combined, attach a schedule showing the amount of each.

(7) Loss Transfers

When a loss exists on line 6 in either columns I or II and there is income in the other column, line 7 must be used to subtract the loss from the loss from the income column to arrive at the net income (or loss) on line 8.

Exemptions

The amount allowed for exemptions is first applied against resident income. If the amount allowed for exemptions exceeds resident income, such excess is then to be applied against nonresident income.

Therefore, complete Schedule A of the Resident Individual Return Form H-1040(R) to arrive at the number of exemptions allowed; and then enter this total on Schedule L, column I, line 9. If column I, line 9, exceeds resident income, enter such excess in column II, line 11.

Computation of Tax

The tax rate for residents is 1%. The tax rate for nonresidents is 1/2% on taxable income. Enter on Schedule L, line 13, 1% of the amount on line 10, column I. Enter on Schedule L, line 14, 1/2% of the amount on line 12, column II. The total of lines 13 and 14 should be entered on line 15. Transfer the amount appearing on Line 15 of Schedule L to line 14, of the Resident Individual Return, H-1040(R) and check the box on line 15 of H-1040(R).

Completion of Resident Form H-1040(R)

Schedule L is not a return in itself and must be attached to a Resident Individual Return, Form H-1040(R). After entering your tax on line 12 of form H-1040(R), the instructions for the Resident Individual Return should be followed to complete the remaining sections of the return.

Sign the return and attach your check and W-2 forms to the left hand side of Form H-1040(R) in the place designated.