

INSTRUCTIONS FOR SCHEDULE P OF L-1040

GENERAL INFORMATION

The purpose of Schedule P is to help the part-year resident who earned income both as a Lapeer resident and as a nonresident working in Lapeer. Certain kinds of income are taxed differently to residents of Lapeer and nonresidents working inside Lapeer.

Schedule P must be filed with a Lapeer Individual Tax Return (L-1040). Instructions for the resident individual return apply to income earned while a resident. Instructions for the nonresident apply to income earned in Lapeer while a nonresident. The instructions for both returns should be read before attempting to fill out Schedule P.

Page 2 of the L-1040 return must be filled out where required and the totals carried over to the appropriate lines on Schedule P. All supporting schedules must be attached.

Complete lines 1a through 1d with information from the top section of L-1040.

COMPUTATION OF TAXABLE INCOME

Lines 2 through 9 of Schedule P describe the kinds of income subject to tax. Column 1 is for income earned while a resident of Lapeer. Column 2 is for income earned while a nonresident. Shaded areas in column 1 or column 2 indicate income as a nonresident is not taxable or indicate the line is not applicable to the particular column.

The following instructions for specific kinds of income must be used together with the instructions for the Lapeer resident and nonresident returns.

LINE 2 - WAGES, SALARIES, COMMISSIONS, TIPS, SICK PAY, ETC.

All wages earned while a resident must be reported in column 1 regardless of where earned. To determine resident wages use a check stub close to the date of the move as a guide. Nonresident wages for an employer equal box #1 of the W-2 form (total wages) less resident wages reported in column 1. Taxable nonresident wages earned in Lapeer are calculated for each employer as follows:

1. Compute the number of actual days worked in Lapeer as a nonresident for the employer.
2. Compute the total number of days worked while a nonresident for the employer.
3. Divide the days worked in Lapeer by the total days worked as a nonresident to compute the percentage of nonresident wages earned in Lapeer.
4. Multiply the wages as a nonresident by the percentage earned in Lapeer (number 3 above) to calculate nonresident wages earned in Lapeer.
5. Enter the nonresident wages earned in Lapeer in column 2 for each employer.

LINE 4 – INTEREST INCOME

Interest received while a resident (minus interest from government obligations) is taxable regardless of origin and must be entered in column 1. Interest received while a nonresident is not taxable.

LINE 5 – DIVIDEND INCOME

Dividends received while a resident (minus dividends from government obligations) are taxable and must be entered in column 1. Dividends received while nonresidents are not taxable.

LINE 6 - BUSINESS, PROFESSIONAL AND FARM INCOME

Business, professional and farm income earned while a resident of Lapeer is taxable regardless of where the business or profession is conducted. Nonresident business, professional and farm income earned in Lapeer is taxable. See the instructions for the nonresident return to determine the amount of this income to report.

The KEOGH, SEP or SIMPLE retirement deduction is subtracted from business, professional and farm income prior to the income being entered on line 6. This deduction must be allocated between resident and nonresident status in the same manner as income. **Attach supporting schedules detailing computation of this deduction.**

LINE 7 – GAIN OR LOSS FROM THE SALE OR EXCHANGE OF PROPERTY

Residency status on the date the sale or exchange of property took place determines whether the sale or exchange is considered a transaction by a resident or a nonresident.

SALES OR EXCHANGES WHILE A RESIDENT

All gains or losses from the sale of both tangible and intangible property are taxable to residents regardless of where the property is located. The Lapeer Income Tax Ordinance follows the Internal Revenue Code except for gains on the sales of obligations of the United States (and subordinate units of government) and gains from sales or exchanges of property purchased prior to January 1, 1967.

SALES OR EXCHANGES WHILE A NONRESIDENT

Only that portion of a gain or loss from the sale of tangible real and personal property located in Lapeer occurring after January 1, 1967 is taxable to a nonresident. The gain or loss from the sale of intangible property is not taxable to a nonresident.

LINE 8 – INCOME (OR LOSS) FROM RENTAL REAL ESTATE, ROYALTIES, PARTNERSHIPS, TRUSTS, ETC.

RENTAL AND ROYALTY INCOME

Rental and royalty income earned while a resident must be reported regardless of the location of the property. Nonresidents must report only that portion of rental income derived from the rental of real and tangible personal property located in Lapeer.

PARTNERSHIP, ESTATE AND TRUST INCOME (OR LOSS)

Partnership, trust and other similar income of a resident must be reported regardless of where located. **Attach a copy of federal Schedule K-1.** A nonresident must report only that portion of partnership income (or loss) allocated to Lapeer on the partnership's Lapeer Partnership Return (L-1065). If there is no partnership return on file the processing of the individual return will be delayed until a partnership return is filed. Income from estates, trusts, etc is not taxable to a nonresident.

LINE 9 – OTHER INCOME

Other income of a resident is taxable. See resident return instructions. Other income of a nonresident earned in Lapeer is taxable. See nonresident return instructions for taxability of a nonresident's other income.

LINE 11 – DEDUCTIONS

With the exception of the KEOGH, SEP and SIMPLE retirement deduction, residents and nonresidents are limited to the deductions listed on lines 11 through 14. The KEOGH, SEP or SIMPLE retirement deduction must be included on line 6 (See instructions for line 6)

LINE 17 – PERSONAL EXEMPTIONS

Complete the exemption section of the L-1040 return (lines 1a through 1f) and enter the total number of exemptions on line 17 of Schedule P. Multiply number of exemptions by \$600. Enter total on line 17, column 1. If line 17 exceeds resident income on line 16, column 1, enter the excess exemption amount on line 18, column 2.

COMPUTATION OF TAX

Line 21- Multiply amount on Line 19, column 1 by 1%(.01).
Line 22- Multiply amount on Line 20, column 2 by ½%(.005).
Line 23- Add line 21, column 1 and line 22 column 1.

If combining lines 21 and 22 results in tax due, the tax due must be entered on line 23 Schedule P and line 19 of the L-1040 return. However, if combining lines 21 and 22 results in a negative tax, enter zero on line 23 of Schedule P and on line 19 of the L-1040 return.

COMPLETION OF L-1040 RETURN

Schedule P is not a return. It must be attached to an L-1040 return. After entering the tax on line 19 of the L-1040 return, follow the L-1040 return instructions to complete the remainder of the return