

## 2009 FILING INSTRUCTIONS FOR FORM P-1040

### WHO MUST FILE A RETURN

Every resident or part-year resident of Portland who has taxable income in a tax year must file a return.

Every nonresident who has taxable income derived from working or from sources inside the city limits must file a return.

**Every taxpayer filing a resident Portland income tax return must attach a copy of page 1 of their federal return to their Portland return.**

**This information is needed to verify allowable deductions (if any) from gross income in order to properly administer the Portland Income Tax Ordinance.**

### MARRIED PERSONS-JOINT/SEPARATE RETURNS

Married persons may file either a joint return or separate returns. If a joint return is filed, both names and both social security numbers must be listed, all taxable income of both husband and wife must be included, and the return must be signed by both individuals.

### TAXABLE INCOME OF RESIDENTS:

Portland residents are required to report the following kinds of income regardless of where earned. These kinds of income are taxable by the City of Portland to the extent and on the same basis as income subject to taxation by the Federal Government unless otherwise noted.

1. WAGES, SALARIES, BONUSES, COMMISSIONS, FEES, TIPS, GRATUITIES, VACATION PAY, SICK PAY, DISABILITY PAY, AND SEVERANCE PAY.
2. COMPENSATION: received in the form of merchandise or services. (The fair market value must be determined and reported.)
3. NET PROFITS: from self-employment, an unincorporated business or profession. (Attach a copy of Federal Schedule C page one and two.)
4. Income from RENTS, ROYALTIES, ESTATES, TRUSTS, PATENTS AND COPYRIGHTS.
5. ALIMONY, SEPARATE MAINTENANCE PAYMENTS and PRINCIPLES SUMS PAYABLE IN INSTALLMENTS.
6. INTEREST: earned from bank accounts, credit unions, savings and loan association, land contracts, notes and bonds. (Attach a copy of your Federal Schedule B.)
7. DIVIDENDS: Including distributions from Sub Chapter S Corporations, taxed as dividends by the Federal Government.
8. SALES AND EXCHANGES OF PROPERTY (CAPITAL GAINS AND LOSSES). Attach a copy of the Federal Schedule D and form 4797. Enter the net income (or loss) from sales and exchanges of property per your Federal tax return. NOTE: The only exception is the sale of property purchased prior to January 1, 1984. Gains or losses on property purchased prior to January 1, 1984 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, 1984 or;
  - b . Divide the number of months the property has been held since January 1, 1984 by the total number of months the property was held. Apply this fraction to the total gain or loss as reported on your Federal tax return.
9. Premature Distributions from: IRA's, EMPLOYEE SAVINGS PLANS, STOCK PURCHASES, PROFIT SHARING PLANS, and DEFERRED COMPENSATION.
10. PARTNERSHIPS: All partnerships located inside the City of Portland must file an Annual Informational City of Portland P-1065 Partnership Return. (Attach Federal Schedule E and all supporting schedules.) In addition, each individual of the partnership is required to report as income on their City of Portland P-1040 Individual Return their distributive share of the Net Profits. If you are a Portland resident and had income from a partnership located outside of the City of Portland you must attach a copy of your Federal Schedule K-1.

### RESIDENCY:

**Resident:** A person who has established a true, fixed home for an extended or permanent period of time in the City of Portland.

**Non resident:** A person who lived outside the city but who earned taxable income in Portland in 2009.

**Part-Year Resident:** If you were both a RESIDENT AND NON RESIDENT in 2009. Enter the period you were a resident during the year. Subtract your nonresident earnings from your total income.

**Part-Year Resident who worked in Portland as both a resident and a non resident:** Complete and attach schedule P-PY to the individual return.

11. FARM INCOME: Attach a copy of Federal Schedule F.
12. SUB CHAPTER S CORPORATION DISTRIBUTIONS: Sub Chapter S Corporations are taxable under the City of Portland Income Tax Ordinance and are required to file a City of Portland P-1120 Corporate Return.

Enter on line 12 cash or property distributions from S Corporations from page two of the Federal Schedule K-1. The Portland 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 the 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.
13. GAMBLING AND LOTTERY WINNINGS.
14. ALL OTHER INCOME: subject to tax by the Federal Government that is not specifically excluded under the City of Portland Income Tax Ordinance.

### TAXABLE INCOME OF A NONRESIDENT

Nonresidents are required to report income earned within, derived from or attributable to the City of Portland sources.

1. COMPENSATION: received for all work or services performed in the City of Portland.
2. NET PROFITS: from the operation of a business or profession attributable to any business activity conducted in the City of Portland.
3. NET PROFITS: from the rental of real and tangible property located in the City of Portland.
4. CAPITAL GAINS: from the sale or exchange of real and tangible property located in the City of Portland.
5. Premature distributions from a retirement or deferred compensation plan are taxable.

## NONTAXABLE INCOME

### RESIDENTS AND NONRESIDENTS

The following kinds of income are NONTAXABLE for both RESIDENTS and NONRESIDENTS by the City of Portland.

- 1 . GIFTS, INHERITANCES AND BEQUESTS.
- 2 . SOCIAL SECURITY, QUALIFIED PENSIONS AND ANNUITIES. (Including DISABILITY PENSIONS AND RAILROAD RETIREMENT ACT BENEFITS.)
- 3 . UNEMPLOYMENT COMPENSATION, WORKER'S COMPENSATION, AND WELFARE BENEFITS.
- 4 . CHILD SUPPORT
- 5 . INSURANCE PAYMENTS: (Except those payments from a Health or Accident Policy paid for by your employer; these payments are taxable the same as other sick or disability pay.)
- 6 . DIVIDENDS: received from an insurance policy, when these are a refund of premiums paid. (Any excess amount paid to you above the premiums you paid is taxable.)
- 7 . INTEREST: from obligations of the United States, States, Cities or any other subordinate governmental unit of the United States.
- 8 . STATE AND LOCAL INCOME TAX REFUNDS.
- 9 . COMPENSATION: received for service in the Armed Forces of the United States, including Active Duty, Reserve and National Guard pay.

### NONRESIDENTS ONLY

The following are NOT TAXABLE to NONRESIDENTS only.

- 1 . INTEREST, DIVIDENDS AND ROYALTY INCOME. Exception: when the receipt of interest and other tangible income is part of a business located in the City of Portland, such interest etc. shall be considered business income taxable to NONRESIDENTS and reported on Federal Schedule C.
- 2 . INCOME FROM AN ESTATE OR TRUST.
- 3 . ALIMONY AND SEPARATE MAINTENANCE PAYMENTS.

### DEDUCTIONS FROM INCOME

- 1 . Ordinary, necessary, reasonable and UNREIMBURSED expenses incurred in the performance of an employee's job to the extent these expenses are applicable to your taxable income. (Attach Federal Form P-2106. Unreimbursed Employee Business Expenses.) These expenses are only allowed to the extent NOT REIMBURSED by your employer and are limited to the following:
  - A . Expenses of travel, meals and lodging while away from home.
  - B . Expenses of an outside salesman, while away from employer's place of business.
  - C . Expenses of transportation.
  - D . Reimbursed expenses which have been included in W-2 income.

- 2 . A self-employed individual may deduct payments to a qualified retirement plan to the extent provided in Section 404 of the Federal Internal Revenue Code.
- 3 . Contributions to your Individual Retirement Account, to the extent provided in Section 219 of the Federal Internal Revenue Code. Attach page 1 of your Federal return and receipt showing the owner of the IRA and amount contributed during the year.
- 4 . Moving expenses into the City of Portland only. (Attach Federal Form 3903.)
- 5 . Payments of alimony, separate maintenance payments and principle sums payable in installments. (Only the amount that is considered taxable income for the spouse under the Federal Internal Revenue Code is deductible. NAME, ADDRESS and SOCIAL SECURITY NUMBER of the spouse to which payments were made must be attached.)

### NONRESIDENTS

The same percentages that applied when calculating your City of Portland taxable income must be applied to all deductions from your taxable income.

### PART-YEAR RESIDENTS

Part-Year Residents must allocate deductions the same way they allocate income.

## EXEMPTIONS

- 1 . A taxpayer may deduct \$1,000.00 per exemption for 2009.
- 2 . One exemption may be claimed for yourself, your spouse and each dependent. The City of Portland follows the same rules established by the Federal Internal Revenue Code when determining personal and dependency exemptions.
- 3 . An additional exemption(s) may be claimed if the taxpayer qualifies under any of the following categories. Only ONE EXEMPTION is allowed per category except as noted. (A doctor's statement must be attached to your P-1040 return when claiming any of these disabilities.)

CATEGORY I: Age 65 and older by December 31, 2009, or disabled.

**Note:** If you claim this exemption, you may not claim an additional exemption for totally and permanently disabled. However, if you are Blind, Deaf, Hemiplegic, Paraplegic or Quadriplegic you may claim an additional exemption.

CATEGORY II: Blind, Hemiplegic, Paraplegic, Quadriplegic.

CATEGORY III: DEAF as defined in Section 393.502 of the Michigan Compiled Laws.

- 4 . If you are claiming a child who is not living with you as an exemption, you must submit a copy of Federal Form 8332 or Pre-1985 divorce agreement allowing the exemption.

### **\*Please Note...**

If an individual has taxable income and is claimed as a dependent on another person's Federal income tax return, they may claim a personal exemption on their own Portland tax return, also.

# INSTRUCTIONS FOR COMPLETING YOUR CITY OF PORTLAND P-1040 RETURN

Please print or type all requested information. Refer to pages 2-5, of this booklet for General Information that will assist in completing this form.

Print clearly your NAME(s), complete ADDRESS (if using a P.O. Box number you must also list your physical address), and SOCIAL SECURITY NUMBER(s).

Check appropriate box to indicate your Residency Status. If part-year, complete and attach to the tax return 'Schedule PY' on pg 8.

Check appropriate box to indicate your FILING STATUS. (If married filing separately, list spouses full name and social security number.)

Exemptions: Please list the names of dependent children who lived with you. For other dependents please attach an explanation.

**NON RESIDENT WAGE AND OR BUSINESS ALLOCATION:**  
- See page 10.

## LINE BY LINE INSTRUCTIONS

### INCOME

#### LINE 1 - Wages, salaries, tips, etc.

Attach page 1 of your federal return and all W-2 & 1099 forms.

#### LINE 2 - INTEREST

Enter interest from your federal return minus interest from obligations of the United States and subordinate units of government. Interest received while a resident of Portland is taxable regardless of where earned.

#### LINE 3 - DIVIDENDS

Enter dividends from your federal return minus dividends from obligations of the United States and subordinate units of government. Interest received while a resident of Portland are taxable regardless of where earned.

#### LINE 4 - TAXABLE REFUNDS, CREDITS, OR OFFSETS

Refunds, credits or offsets reported as taxable income on the federal return are not taxable on the City of Portland return.

#### LINE 5 - ALIMONY RECEIVED

All alimony received by a resident is taxable and all alimony received by a nonresident is excludable. Alimony for part-year residents needs to be calculated for the time they were a resident.

#### LINE 6 - PROFIT (OR LOSS) FROM BUSINESS, ETC

Income from a business or partnership. Attach a copy of the Federal Schedule C.

#### LINE 7 - CAPITAL GAINS OR LOSSES

Capital gain or loss reported on the federal return. Attach the Federal Schedule D.

#### LINE 8 - OTHER GAINS OR LOSSES

Gains or losses reported on the federal form 4797. Attach a copy of the Federal Form 4797

#### LINE 9 - TAXABLE IRA DISTRIBUTIONS

IRA distributions received after age 59 1/2 are not taxable. Premature IRA distributions (those reported on 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. All other IRA distributions are nontaxable.

#### LINE 10 - TAXABLE PENSION DISTRIBUTIONS

Qualifying pension and retirement benefits included as taxable income on the federal return may be excluded from income on the city return. Premature pension plan distributions (those received prior to qualifying for retirement) are taxable.

You 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.

#### LINE 11 - RENTAL REAL ESTATE, ROYALTIES, ETC.

Rental real estate, royalties, partnerships, S Corporations, trusts, etc. reported on the federal return. Include a copy of federal Schedule E.

#### LINE 12 - S CORPORATION DISTRIBUTIONS

S Corporation distributions only. S-Corporation income (loss) is not taxable. Attach Federal Schedule K-1

#### LINE 13 - FARM INCOME (OR LOSS)

For nonresidents and part-year residents to exclude farm income based upon the income or loss within the city. Include a copy of federal Schedule F

#### LINE 14 - UNEMPLOYMENT COMPENSATION

Nontaxable on the City of Portland tax return

#### LINE 15 - SOCIAL SECURITY BENEFITS

Nontaxable on the City of Portland tax return

#### LINE 16 - OTHER INCOME

This line is used to report other income including gambling and lottery winnings, and any other income or loss reported on their federal return.

Attach a statement listing the type of income as well as the amount

#### LINE 17 - TOTAL INCOME

Total Income: Add lines 1 through 16.

### DEDUCTIONS

#### LINE 18 - IRA DEDUCTION

IRA contributions based upon the amount allowed on the federal return. Include page 1 of your federal return and proof of ownership, date, and amount of payment.

#### Line 19 - SELF EMPLOYED SEP, SIMPLE, & QUALIFIED PLANS

Self employed SEP, SIMPLE and qualified plans. Attach proof of date, payment and ownership.

#### LINE 20 - EMPLOYEE BUSINESS EXPENSES

Employee business expenses. The expenses listed below are 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 employee business expense deductions allowed by the City of Portland Income Tax Ordinance are as follows:**

Under the Portland Income Tax Ordinance meals must be incurred while away from home overnight on business to be deductible

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

**IMPORTANT: Business expenses claimed on Line 4 of federal Form 2106 are not an allowable deduction on the Portland 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 21 - MOVING EXPENSES

Moving expenses into the City of Portland only. Include a copy of federal Form 3903.

#### LINE 22 - ALIMONY PAID

Alimony paid. Child support is not deductible. Include a copy of page 1 of your federal return along with the recipients name, address, and social security number.

The alimony adjustment for part year residents is computed as follows:

$$\frac{\text{City income (without alimony deduction)}}{\text{Federal Adjusted Gross Income (without alimony deduction)}} \times \text{alimony paid}$$

#### LINE 23 - NON-RESIDENT INCOME

Income that is earned outside the City of Portland by a nonresident. This line is used for part-year residents that did not work in the City of Portland in 2009.

#### LINE 24 - OTHER DEDUCTIONS

Other, explain and attach support  
Student loan interest is NOT a deduction.

#### LINE 25 - TOTAL DEDUCTIONS

Total deductions: Add lines 18 through 24

**LINE 26 - TOTAL INCOME AFTER DEDUCTIONS**

Total income after deductions: Subtract line 25 from line 17.

**LINE 27 - AMOUNT OF EXEMPTIONS**

Amount of exemptions: Number of exemptions x \$1,000.00.

**LINE 28**

Income subject to tax: Subtract line 27 from line 26.

**LINE 29-TOTAL TAX**

Total Tax: Multiply line 28 by 1% (.01) if a resident, .5% (.005) if a non resident. Attach Portland Schedule PY-if you worked in Portland as a resident and a nonresident.

**PAYMENTS/CREDITS**

**LINE 30 - PORTLAND TAX WITHHELD**

On line 30 enter the amount of Portland Tax withheld as shown on your 2009 W-2. **The City copy of your 2009 W-2(s) clearly showing the locality as Portland and the amount of tax withheld in box 19 must be submitted with your return before credit can be allowed for Portland tax withheld.**

**LINE 31 - PAYMENTS/CREDITS**

Enter any estimated payments made in 2009, payments with extension, and any credits carried forward from 2008.

**LINE 32- TAX PAID TO OTHER CITY**

A Portland resident subject to city income tax in another city may claim a credit for the net amount paid to the other city on income that is taxable by both cities. Enter on line 32 income taxes paid to other city. This credit may not exceed the tax that a nonresident of Portland would pay on the same income earned in Portland. Report only the amount you actually paid to another city, not the amount withheld. **You must attach a copy of the city income tax return you filed with the other city to receive this credit.**

**LINE 33 - TOTAL PAYMENTS AND CREDITS**

Total payments and credits: Add lines 30-32.

**LINE 34- TAX DUE**

Total Tax Due: Subtract line 33 from line 29. This is your tax due to pay with your return.

**Line 35-CREDIT CARRIED FORWARD**

Total Tax Credited: Subtract line 29 from line 33 this is your credit carried forward to 2010.

**Line 36 -CREDIT REFUNDED VIA CHECK**

Tax To Be Refunded: Subtract line 29 from line 33 this is your refund amount.

**Line 37 - CREDIT REFUNDED VIA DIRECT DEPOSIT**

Tax To Be Refunded: Subtract line 29 from line 33 this is your refund amount that will be deposited to your account.

**DECEASED TAXPAYER:**

A return for a person who died during 2009 should be filed on the same basis as if the person was still living. Please attach a copy of the death certificate. If a refund is due and the check is to be made payable to persons other than the surviving spouse, a letter of explanation should be attached.

**Summary of Required Attachments**

All W-2 forms - **Please note** - W-2's must have box 1, 18, 19 & 20 Completed. Page 1 of Federal tax return. RESIDENTS ONLY  
Resident filers taking a credit for TAX LIABILITY PAID TO ANOTHER CITY: Attach a copy of page one of the other city return.  
*Worksheet available on page 9.*

**NONRESIDENTS: ATTACH FORMS W-2 SHOWING PORTLAND WITHHOLDING**

**If Applicable:**

Federal Schedules: B, C page 1 & 2, D, E page 1 & 2, F, K-1 page 1 & 2.  
Federal Forms: 2016, 3903, 4797, 6198, 6252, 8582 & 8829.  
Copies of all forms 1099-R for taxpayers under age 65  
Depreciation worksheets  
Attach additional form(s)/worksheet(s) you feel will help explain and expedite the processing of your return.

**Note:** Overpayments of less than one dollar (\$1.00) cannot be refunded or credited.

**ESTIMATED TAX PAYMENTS FOR 2010**

Estimated tax payments are REQUIRED if in 2010 you will have more than \$100.00 due after credits. A Declaration of Estimated Income Tax MUST be filed by April 30, 2010, and one-fourth (1/4) of the estimated tax due for 2010 must be paid with the declaration. The three remaining estimated tax payments are due at the end of June, September, and January.

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

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

The Declaration of Estimated Tax is available from the Portland Income Tax Department or the City's website.

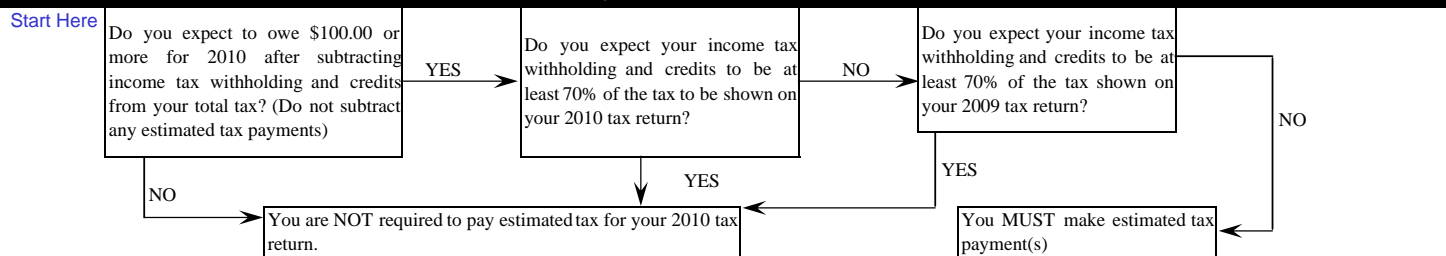
**EXTENSION OF TIME TO FILE**

The due date of Portland annual returns may be extended for a period not to exceed six months. Send a copy of your federal extension along with tentative tax due, by April 30, 2010.

**SIGNING THE RETURN**

You must sign and date your return and the return must be received by the Portland Income Tax Department for it to be a valid return. If the return is filed jointly with your spouse, both you and your spouse must sign and date the return.

**YOU MAY BE REQUIRED TO PAY ESTIMATED TAX**



**WHO MUST MAKE A DECLARATION:**

1 . INDIVIDUALS AND UNINCORPORATED BUSINESSES - If you are a resident or nonresident and expect taxable income in 2010 from which City of Portland income tax will not be withheld by an employer; you must file a DECLARATION OF ESTIMATED INCOME TAX with the City of Portland. (If the estimated tax is \$100.00 or less a declaration is not required.) A husband and wife may file a joint declaration.

2 . FILING and PAYMENT: The declaration vouchers, City of Portland Form P-1040 EST. The estimated tax may be paid in full with the first declaration voucher or in four equal installments paid quarterly. The due dates as indicated on each declaration voucher are: First Quarter - April 30, 2010. Second Quarter - June 30, 2010, Third Quarter - September 30, 2010 and Fourth Quarter - January 31, 2011. Vouchers can be found on page 12 of this booklet or can be printed from our website.