

MAIL TO:

**INSTRUCTIONS FOR FILING FORM S-1040
INCOME TAX - 2003**

CITY OF SAGINAW

WHO MUST FILE: ALL PERSONS HAVING \$1,000 OR MORE OF CITY TOTAL INCOME (LINE 17) MUST FILE A RETURN.

EXEMPTION CREDIT: \$1,000 FOR EACH EXEMPTION. INDIVIDUALS 65 OR OLDER AND/OR LEGALLY BLIND WILL BE ALLOWED AN ADDITIONAL EXEMPTION. IF CHILDREN ARE CLAIMED ON PARENTS' RETURN THEY MAY ALSO TAKE A \$1,000 EXEMPTION CREDIT.

RATE: CITY RESIDENTS ARE TAXED AT 1.50%(.015) NON-RESIDENTS ARE TAXED AT .75%(.0075)

FILING DATE: YOUR RETURN MUST BE POST-MARKED BY **APRIL 30, 2004**. INTEREST AND PENALTIES, AS PROVIDED BY LAW (\$2.00 MINIMUM), WILL BE ASSESSED ON ALL LATE PAYMENTS.

PAYMENT: IF THE TAX DUE IS ONE DOLLAR (\$1.00) OR MORE, IT MUST BE PAID WITH YOUR RETURN. MAKE CHECK OR MONEY ORDER PAYABLE TO: **TREASURER, CITY OF SAGINAW**. MAIL YOUR RETURN AND PAYMENT WITH EARNINGS STATEMENT(S) SHOWING SAGINAW TAX WITHHELD (FORM W-2).

ESTIMATED TAX RETURN: IF YOUR PAYMENT THIS YEAR IS OVER \$100, YOU MAY HAVE TO FILE A DECLARATION OF ESTIMATED INCOME TAX. SEE INSTRUCTIONS ON LAST PAGE TO AVOID ANY PENALTY FOR UNDERPAYMENT.

ATTACH SCHEDULES: TO AVOID UNNECESSARY CORRESPONDENCE OR DELAY IN RECEIVING YOUR REFUND, **SUPPORT ALL FIGURES ON LINES 5 THROUGH 12 AND 16** WITH COPIES OF FEDERAL SCHEDULES.

RENAISSANCE ZONE: IF YOU ARE ELIGIBLE FOR THE 2003 RENAISSANCE ZONE TAX EXEMPTION, ATTACH THE **ORIGINAL QUALIFYING CERTIFICATE** TO THE RETURN. COPIES OF THE CERTIFICATE WILL NOT BE ACCEPTED.

From The City Manager: Each year thousands of citizens, countywide, enjoy the annual fireworks display on July 4. Local groups have assumed this undertaking and the cost continues to increase. Since the entire area enjoys the fireworks, it is proposed that taxpayers may contribute one dollar (\$1.00) when filing their annual City income tax return, by reducing their refund or increasing their payment by one dollar (\$1.00). Since it will be on a voluntary basis, it does not affect the Income Tax Ordinance and adds only one line to the tax return. Therefore, I recommend that this be a part of the annual City tax return. Councilman Hanley moved that the recommendation of the City Manager be approved.

Adopted unanimously on September 19, 1988.

MAIL PAYMENTS TO: INCOME TAX OFFICE
P.O. BOX 5081
SAGINAW MI 48605-5081

MAIL REFUND & ZERO RETURNS TO:
INCOME TAX OFFICE
1315 S. WASHINGTON
SAGINAW, MICHIGAN 48601

FOR ASSISTANCE: CALL (989) 759-1650 OR VISIT THE INCOME TAX OFFICE, CITY HALL, ROOM 105 OR VISIT OUR WEBSITE AT WWW.SAGINAW-MI.COM CLICK ON SERVICES THEN CLICK ON INCOME TAX.

INSTRUCTIONS FOR PAGE 1 – 2003 S-1040

WHO MUST FILE

The City of Saginaw Individual Income Tax Return, Form S-1040, is to be filed by every individual who has \$1,000 or more total income on Line 28, Page 1 of the S-1040. The filing of a declaration of estimated tax does not excuse a taxpayer from filing an annual return even though there is no change in the declared tax liability nor additional amount due. Estates and trusts, partnerships and corporations shall file on forms provided for their specific use. **Filing must be made on City of Saginaw forms. Other cities' forms are not acceptable.** The fact that a taxpayer is not required to file a federal income tax return does not relieve them from filing a City of Saginaw tax return.

COMPLETING YOUR RETURN

- First complete the name and address, and be certain that your social security number has been entered correctly.
- **If taxpayer or spouse is deceased attach a copy of the death certificate.**
- Show residency status for 2003. If you were a resident only part of 2003 use S-1040TC in this booklet or see instructions for Partial Residency Tax Table on Page 4.
- Enter income from the Federal return in Column I.
- Enter amounts of income NOT subject to Saginaw income tax under "Exclusions" column and identify in schedules on Page 2. Subtract "Exclusions" column from "federal return" column and enter difference in "Income subject to tax" column. If there are no exclusions, use "income subject to tax" column only. **ALL FIGURES MUST BE ROUNDED TO THE NEAREST DOLLAR. Support figures with schedules.**
- Multiply \$1,000 by the number of allowed exemptions, which includes an extra exemption for an individual 65 or older, and/or legally blind. Individuals claimed on parents' return may claim themselves.
- Multiply Line 28 by proper tax rate for tax liability.
- Be sure Saginaw tax withheld as shown on attached Forms W-2 agrees with credit taken on Line 30.
- Credit for payments on 2003 Declaration of Estimated Tax should be actual amounts paid to the City of Saginaw
- Take credit on Line 32 for tax paid to another city, limited to .005 except Detroit and Highland Park at .0075. Attach a copy of that city return.
- Subtract (Add if no entries on Lines 30-32) \$1.00 or more on Line 33 if you would like to donate to the fireworks.
- If your tax credits (Line 34) are less than your tax liability (Line 29), show amount you owe (Line 35) and **PAY WITH THIS RETURN.**
- If Line 34 is more than Line 29, show overpayment.
- Enter the amount of refund you would like applied to 2004 estimated tax return.
- Subtract amount applied to 2004 tax return. This is your refund. Allow at least 45 days for refund check.
- The taxpayer, spouse (if a joint return) and the person preparing the return **MUST SIGN THE RETURN.**

DOCUMENTATION REQUIREMENTS

Copies of all federal schedules and other documentation supporting income, losses and deductions must be attached to your return.

Failure to attach federal schedules and documentation or attaching incomplete schedules and documentation will delay the processing of your return and may result in deductions being disallowed.

MARRIED PERSONS – JOINT OR SEPARATE RETURNS

Married persons may file either a joint return or separate return. If a joint return is filed, all income of both husband and wife must be included and both must sign it, and both names must be listed in the heading, such as "John A. and Mary B. Doe".

If separate returns are filed, neither spouse can claim the other as a dependent on their separate return. However, you can claim the exemption for your spouse only if your spouse had **no taxable income** and was not the dependent of another taxpayer. Children and other dependents can only be claimed by the spouse who claims such dependents under the Federal Internal Revenue Code. If one spouse has a different tax status than the other, each spouse must file a separate return based on each one's residency for 2003.

THE ONLY ALLOWABLE DEDUCTIONS ARE:

A. EMPLOYEE BUSINESS EXPENSES

Employee business expenses allowable under the Saginaw Income Tax Ordinance differ from the I.R.S. allowance:

1. Expenses of travel, meals and lodging while away from home for services as an employee.
2. Expenses as an outside salesperson, who works away from employer's place of business (does not include driver-salesperson whose duty is service and delivery).
3. Expenses of transportation (BUT NOT TRANSPORTATION TO AND FROM WORK).
4. Expenses reimbursed under an expense account, if the reimbursement has been included in gross earnings.

IMPORTANT: Business expenses on line 4 of Form 2106 are not an allowable deduction on the Saginaw return unless the taxpayer qualifies as an outside salesperson.

B. SELF-EMPLOYMENT RETIREMENT and I.R.A. PLANS.

C. MOVING EXPENSES into the taxing area.

Do not include expenses of moving from Saginaw.

D. ALIMONY to the extent includable in the former spouses adjusted gross income under the Federal Internal Revenue

E. PENALTY/FORFEITED INTEREST-Residents only.

IMPORTANT: B thru D above is limited to the amount taken on your federal return and in proportion to taxable income under the Saginaw Income Tax Ordinance. A copy of the federal schedule(s) supporting such deductions must be attached.

EXEMPT INCOME

The following income is not taxable to either a resident or non-resident and should be excluded by both:

- Gifts, bequests, and non-profit bingo winnings.
- Proceeds of insurance, annuities, pensions, qualified retirement plans and social security.
- Welfare relief, unemployment compensation/benefits and worker's compensation and sub pay.
- Interest from Federal, State and City Obligations (US Bonds, Municipal Bonds and Treasury Bills).
- Amounts paid to any employee as reimbursement for expenses necessarily and actually incurred by him/her in the actual performance of his/her services and deductible as such by the employer.
- Compensation received for service in the armed forces of the United States, including the reserves.
- Subchapter S corporation gains or losses.
- State and City Refunds.

RESIDENT

Line 1-Wages, Salaries, Tips, etc.

The front page of the Federal Return must be attached to all returns in order to verify income. A resident is taxed on ALL earnings, including salary, bonus, separation and incentive payments, tips, commissions and other compensation for services rendered, **REGARDLESS WHERE EARNED. EXAMPLE:** Taxpayer lives in the City of Saginaw but works in Alpena and receives his paycheck from the home office in New York City, 100% of his compensation is taxable. Attach all Form W-2s.

Line 2-Interest and Dividends

Interest and Dividends are taxable the same as the Federal return except margin interest and interest on U.S. Bonds, Treasury Bills and Notes is excluded on Schedule B. The amount from Federal 1040, Line 8a, U.S. Agency Bonds are taxable

Line 5-Business Income (Attach Federal Schedule C)

All self-employment income is taxable. Job Credits and additional depreciation due to Investment Credit adjustment are deducted from Federal taxable income.

Line 6 & 7-Sale or Exchange of Property (Attach Schedule D)

Long and short term capital gains and losses are to be reported in the same manner as the Federal return except that portion occurring before July 1, 1965, shall be excluded. The exclusion shall be computed by the difference between the purchase price and fair market value at July 1, 1965 (June 30 closing price for traded securities) or by prorating the gain or loss on the basis of total months held to months in the non-taxable period. Include gains or losses from Federal Form 4797.

Line 8-Individual Retirement Account. (Attach 1099R)

Individual Retirement Account distributions received after reaching 59 ½ and conversions to Roth IRA are not taxable unless early distributions.

Line 9-Pension Distributions (Attach 1099R)

Enter amounts from Federal 1040, Line 16b or Federal 1040A, Line 11b. Pensions are not taxable unless early distributions.

Qualified Retirement Plan Distributions (Attach 1099R)

Social security and annuities are not taxable.

Line 10-Supplemental Income (Attach Federal Schedule E)

Enter on this line, Column I, the total amount shown on the Federal Form 1040, Line 17. For Exclusions Complete Schedule E on Page 2 and enter total to Page 1 of Form S-1040, Line 10, Exclusions. Losses on passive income is the same as Federal Form 1040, except Sub Chapter "S" Corp are not deductible.

Line 11-Subchapter S Corporation Distributions.

Actual distributions of Subchapter earnings are taxable the same as the Federal, except margin interest is deducted on Schedule B.

Line 16-Miscellaneous (Attach Support)

Enter amount from Federal Form 1040 Page 1, Line 21. Included in this line would be jury duty, stock savings plans, ESOP payout, all gambling winnings and other miscellaneous income.

Line 18-23-DEDUCTIONS

See "Instructions for Page 1" for allowable Adjustments. Enter total "Adjustments to Income" from Federal Form 1040 or 1040A. Must attach Form 2106 for employee business expense; Form 3903 for moving expenses; Front page of Federal Form 1040 for all other adjustments. (IRA, SEP, Alimony, etc.).

Line 29 – Tax

Residents are taxed on 100% of their earnings at 1.50%.

Partial year residents are taxed on:

- 100% of earnings while a resident at 1.50%

- 100% of city earnings while a non-resident at .75%

- Partial Residency Tax Rate Table-use only if total income for all year (12 months) was in the City of Saginaw

If your tax situation does not fit any of the above use S-1040TC included in this instruction booklet.

NON-RESIDENT

Line 1-Wages, Salaries, Tips, etc.

A non-resident is taxed only on earnings received for work done or services performed in the City of Saginaw. Compensation paid to a non-resident for work performed outside the City of Saginaw should be excluded, based on the percentage of time worked in and out of Saginaw (Use Schedule A). **Pay for vacation, holiday or sick time and bonus payments are taxable on the same ratio as normal earnings.** The percentage of compensation may also be computed on the basis of hours, dollars of commissions, etc.

Attach Forms W-2, showing Saginaw tax withheld.

If non-resident couple files jointly, one of who works in the city and the other outside the city, the compensation of the spouse working outside shall be excluded (Use Schedule A).

Line 2-Interest and Dividends

NOT TAXABLE to non-residents.

Line 5-Business Income (Attach Federal Schedule C)

If the business activity is not entirely within the City of Saginaw, attach note to explain computation or you may call (989) 759-1650 to obtain a schedule S-1040BC.

In determining the average percentage, a factor shall be excluded from the computation only when such factor does not exist anywhere and, in such cases, the sum of the percentages shall be divided by the number of factors actually used.

Line 6 & 7-Sale or Exchange of Property (Attach Schedule D)

Report only those gains and losses arising from property located in the City of Saginaw. See instructions under "Resident" for method of prorating gains/losses and record transactions in Schedule D.

An estate or trust will pay the tax for a non-resident beneficiary and such income is not taxable on the Saginaw return.

Line 8-Individual Retirement Account.

Individual Retirement Account distributions are NOT taxable.

Line 9-Pension Distributions

Pension plans are NOT taxable.

Qualified Retirement Plan Distributions are NOT taxable.

Line 10-Supplemental Income (Attach Federal Schedule E)

Rents on units outside the City of Saginaw and partnerships located outside the City of Saginaw are excluded. Indicate name, location and Federal ID# on Schedule E. Losses on passive income are the same as Federal Form 1040. However losses on passive income of Sub Chapter "S" Corporation are not deductible.

Line 11-Subchapter S Corporation Distributions.

Actual distributions of Subchapter (located in the City of Saginaw) earnings are taxable the same as the Federal, except margin interest is deducted on Schedule B.

Line 16-Miscellaneous (Attach Support)

See instructions under "Resident". Sick pay is taxable in proportion to taxable wages. Any miscellaneous income for services performed outside the City of Saginaw should be excluded. Gambling winnings are not taxable.

Line 18-23-DEDUCTIONS

See instructions under "Resident". If your earnings from Line 1 above have been prorated through use of the percentage shown on Line 1 (d) of Schedule A, use the same percentage to prorate these adjustments. However, if another method was used to prorate earnings use this same method to prorate your adjustments.

Line 29 – Tax

Non-residents are taxed on 100% of city earnings at .75%.

Partial year residents are taxed on:

-100% of earnings while a resident at 1.50%.

-100% of city earnings while a non-resident at .75%.

-Partial Residency Tax Rate Table- use only if total income for all year (12 months) was in the City of Saginaw

If your tax situation does not fit any of the above use S-1040TC included in this instruction booklet.

PAYMENTS AND CREDITS

Line 30-Total Tax Withheld by Employers

Enter total Saginaw Tax withheld as shown on City or Local copy of Forms W-2 which are attached. Be sure that totals of the ATTACHED copies agree with Line 30. W-2 must be legible.

Line 31-Payments on 2003 Declaration of Estimated Tax

Take credit for all payments made on 2003 estimated tax including the last payment due in January 2004.

Line 32-Other Credits

A Saginaw resident who earns income from another taxing municipality shall be allowed a credit against Saginaw income tax for the amount paid to the other taxing city with a limit of .0075. Attach a copy of that city income tax return as proof of payment. Enter tax paid on your behalf by a partnership of which you are a partner, or payments made on a tentative return.

TAX DUE OR REFUND

Line 35-Amount You Owe

If Line 29 is larger than Line 34, subtract Line 34 from Line 29, the difference is the amount that you owe to the City of Saginaw. Partial payments will be accepted after the return is filed and proper arrangements are made. **Make check or money order payable to Treasurer, City of Saginaw and mail to: Income Tax Office, P.O. Box 5081, Saginaw, MI 48605.**

Note: If your payment is over \$100.00, you may be required to file a Form S-1040ES. See estimated tax instructions.

Line 36-This is the Amount You Overpaid

If Line 34 is larger than Line 29, subtract line 29 from Line 34. The difference is the amount you overpaid.

Amount To Apply to Next Year's Tax Return

Indicate the amount of your refund you would like credited to 2004.

This is Your Refund

Subtract amount credited to 2003 from refund, the difference is your refund amount. All refunds due to you will be refunded by check. Refunds of less than one dollar (\$1.00) will not be made. Refunds will be made as quickly as possible. **Please wait until after June 15, 2004 before making inquiry.**

DECLARATION OF ESTIMATED TAX

If you expect that your Saginaw Income in 2004, not subject to withholding, will be more than \$6,667 for a resident or \$13,333 for a non-resident (after deduction of exemption credits) on which the tax will be over \$100.00, you must file a Declaration of Estimated Tax for 2004 by April 30, 2004 and pay at least one-fourth (25%) of the estimated 2004 tax with your Declaration.

Pay the balance in three (3) equal installments to be paid on June 30, 2004, September 30, 2004 and January 31, 2005. You may amend your estimate at the time of making a quarterly payment. Declaration of Estimated Tax forms may be obtained by calling (989) 759-1650 or stopping at the Income Tax Office.

No estimate is required if 70% of current or prior year's tax is paid prior to filing by withholding or credit. **PENALTIES AND INTEREST WILL BE CHARGED IF YOU ARE UNDERPAID.**

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 shall be \$2.00.

AMENDED RETURNS-An amended return shall be filed when it is necessary to report additional income, pay additional tax due or claim a refund, or within 90 days from final determination of a Federal tax liability which also affects city income tax liability. Use S-1040 form and mark "AMENDED" in left upper corner. Provide reason for amendment with appropriate Federal schedules.

PARTIAL RESIDENCY TAX RATE TABLE

IMPORTANT: DO NOT USE TABLE BELOW UNLESS TOTAL INCOME FOR ALL YEAR (12 MONTHS) WAS IN THE CITY OF SAGINAW.

NUMBER OF MONTHS YOU WERE A RESIDENT		PERCENTAGE
1/2	Month	0.7812
1	Month	0.8125
1	1/2 Month	0.8438
2	Month	0.8750
2	1/2 Month	0.9062
3	Month	0.9375
3	1/2 Month	0.9687
4	Month	1.0000
4	1/2 Month	1.0313
5	Month	1.0625
5	1/2 Month	1.0937
6	Month	1.1250
6	1/2 Month	1.1562
7	Month	1.1875
7	1/2 Month	1.2188
8	Month	1.2500
8	1/2 Month	1.2812
9	Month	1.3125
9	1/2 Month	1.3437
10	Month	1.3750
10	1/2 Month	1.4063
11	Month	1.4375
11	1/2 Month	1.4687
12	Month	1.5000

Example: The taxable income was \$20,000 for the year. Taxpayer's total income for all year (12 months) was in the city. The taxpayer lived in the city as follows:

- 1) January 1 to April 10 (3 1/2 months)
.9687 X 1% X \$20,000 or .009687 X \$20,000 = \$193.74 tax due
- 2) January 1 to October 25 (10 months)
1.3750 X 1% X \$20,000 or .013750 X \$20,000 = \$275.00 tax due
- 3) August 17 to December 31 (4 1/2 months)
1.0313 X 1% X \$20,000 or .010313 X \$20,000 = \$206.26 tax due
- 4) May 2 to September 28 (5 months)
1.0625 X 1% X \$20,000 or .010625 X \$20,000 = \$212.50 tax due

Taxpayer who was a resident part of the year and lived outside and worked outside the city the balance of the year, shall use the rate of 1.50% on the earnings as a resident only.

Taxpayer, moving into or out of the city during the year, but total income for all year (12 months) was in the city must use the table above. One to 15 days is to be considered one-half (1/2) month and 16 to 31 days is to be considered a full month. Determine length of residency in the city to the half month and locate tax rate factor in the table. Multiply by taxable income to determine tax due.

ASSISTANCE

If you have any questions or if you need assistance in preparing your return you may contact us 3 ways:

1. Phone us at (989) 759-1650
2. Visit us at the Income Tax Office, City Hall, Rm 105
3. Visit our website at www.saginaw-mi.com click on services then click on income tax.

WE WILL NOT PREPARE YOUR RETURN