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FORM HU-1040



INDIVIDUAL (RESIDENT AND NON-RESIDENT) INCOME TAX RETURN

FILING DATE:

Your return must be filed by May 1st. PENALTIES, AS PROVIDED BY LAW (\$2.00 MINIMUM), WILL BE ASSESSED ON ALL LATE PAYMENTS.

REMITTANCE:

The tax due, if one dollar (\$1.00) or more, must be paid when filing your return. Make Remittance payable to:

CITY OF HUDSON

REFUNDS:

Refunds of less than one dollar (\$1.00) will not be made.

MAILING ADDRESS:

Mail your return and remittance, with earnings statement (Form W-2 and/or 1099) to:

CITY OF HUDSON
INCOME TAX DIVISION
P.O. BOX 231
HUDSON, MICHIGAN 49247

FOR ASSISTANCE:

Visit the Income Tax Office, City Hall, 121 N. Church St. or call (517) 448-8983.

GENERAL INFORMATION

ALL INDIVIDUAL TAXPAYERS

This booklet contains a return and the instructions for filing your City of Hudson income tax return. We recommend you read all of the instructions carefully before completing your return.

WHO MUST FILE A TAX RETURN

1. Every resident of Hudson whose gross income was \$1,000 or more from sources listed under "What is Taxable Income – Resident" must complete and file a return.
2. Every non-resident individual whose gross income was \$1,000 or more from sources listed under "What is Taxable Income – Non-Resident" must complete and file a return.
3. If you filed a Declaration of Estimated Tax for the current year you must file an annual return even though there is no change in tax liability.
4. If you wish to claim a refund even though there is no change in tax liability.
5. Each partner in a partnership is required to file his own individual return unless the partnership as such elects to file and pay the tax for all the partners. In the latter case the partner may take credit on line 9 for tax payments made by the partnership on his behalf.
6. Estates and trusts, partnerships and corporations must file if they have income subject to City of Hudson Income Tax but are to use the forms provided for their use, along with their separate instructions.

RESIDENCY

A HUDSON RESIDENT is a person domiciled in Hudson. "Domicile" means a place where a person has his true, fixed and permanent home. A NON-RESIDENT is a person domiciled outside the city.

CHANGE OF RESIDENT STATUS

Any person whose residence changed either from a resident to a non-resident or a non-resident to a resident during the taxable year will file according to the instructions from Schedule B.

MARRIED PERSON – JOINT OR SEPARATE RETURNS

Married persons may file either a joint or separate return. Residents filing jointly must include all income of husband and wife. Non-residents filing jointly must include Hudson earned income of both husband and wife. If you file jointly, both names must be listed in the heading and both names must sign the return. If you file separately, dependents can only be claimed by the spouse who would be entitled to claim such dependents under the Federal Internal Revenue Code.

DECEASED TAXPAYERS

A return for a taxpayer who died during the taxable year should be filed on the same basis as he would have filed if he had lived. If a refund is due on the return and the check is to be made payable to persons other than the surviving spouse, a letter of explanation should be attached.

DUE DATE AND EXTENSIONS

Your return is due on or before April 30th or within four months after the end of your fiscal year accepted by the Internal Revenue Service.

An extension for your city return is automatic if you have been granted an extension for your Federal 1040 and you submit a copy of it to the Hudson Income Tax Division by the date your city return was first due. Extension may also be granted by writing the Hudson Income Tax Division.

DECLARATION OF ESTIMATED TAX

If you expect that your City of Hudson tax will exceed amounts withheld from your pay by \$100 or more (or your income not subject to withholding will be more than \$4,000 after deduction for exemptions), you must file a Declaration of Estimated Tax, for HU-1040ES Voucher 1 by April 30th and pay at least one-fourth (1/4) of the estimated tax with your declaration or you may pay in full. Vouchers 2, 3 and 4 can be used to pay the remaining balance in three equal installments on June 30th, September 30th and January 31st. We do not send reminder notices requesting estimated tax installment payments. Please attach your payment to the voucher. If you file an estimate you must still file an annual return. You may amend your estimate at the time of making any quarterly payment. If the estimated and withheld tax paid does not **exceed** 70% or more of the tax shown due on the final return, it will be subject to interest and penalty. See back of Estimate form (HU-1040ES) for further instructions. NOTE: Estimate must be filed EACH year.

AMENDED RETURNS

Amended returns should be filed on a regular City of Hudson income tax return clearly labeled as amended and the tax year applicable. Computations should show corrected amounts and include adjustments for payments made or refunds received on original return. Explanation must be included for amended returns.

TAXPAYER'S RIGHT OF APPEAL

In accordance with Section 92, City of Hudson Income Tax Ordinance, "a taxpayer or employer may file a written notice of appeal with the secretary of the income tax board of review within 30 days after receipt of a final assessment, denial in whole or in part of a claim for refund, or special ruling of the administrator". The board of review shall grant the appellant a hearing and render a decision based on **evidence** presented by both the city and the appellant.

WHAT MUST ACCOMPANY ALL RETURNS

All income claimed as taxable must be supported by W-2 forms, 1099's, or copies of Federal forms. Any additions to or subtractions from Total Income must also be supported by attaching copies of Federal forms as required for Federal 1040. RETURNS ARE UNACCEPTABLE without this supporting information and will be RETURNED TO THE TAXPAYER for completion.

TO COMPLETE YOUR RETURN

RESIDENTS – Turn to Resident Only Instructions for Preparing Tax Returns.

NON-RESIDENTS – Turn to Non-Residents Only Instructions for Preparing Tax Returns.

PART YEAR RESIDENTS – See Schedule B.

RESIDENTS ONLY

WHAT IS TAXABLE INCOME

Hudson residents are required to report the following kinds of income which are taxable to the same extent and on the same basis as subject to taxation under the Federal Revenue Code.

1. Wages, salaries, bonuses, commissions, fees, tips, and gratuities, including wage continuation pay, vacation pay, sick pay, severance pay and other compensation, including deferred compensation **REGARDLESS OF WHERE EARNED**.
2. Compensation received in the form of merchandise or services. Including meals or lodging if at the employee's

option. The fair market value must be determined and reported.

3. Net Profit From the operation of an incorporated business, profession, undertaking, or other activity, **REGARDLESS OF WHERE CONDUCTED**.
4. Your share of partnership profits.
5. Income from an estate or trust (but not distributions of the principal, which are a gift, bequest or inheritance).

RESIDENTS ONLY (Continued)

6. Interest from bank accounts, credit unions, savings and loan associations, land contracts, notes and bonds. REGARDLESS OF SOURCE LOCATION.
7. Dividends received in excess of the exclusion as permitted by the Federal Internal Revenue Code.
8. Gains from the sale or exchange of property such as capital gain from the sale of stock or the sale of real estate, to the same extent and on the same basis as under the Federal Internal Revenue Code.
9. Net profits from rentals of real and tangible personal property, royalties from property, patents and copyrights.
10. Proceeds from State of Michigan Lottery and other Gambling.
11. Alimony, separate maintenance payments and principal sums payable in installments to the extent includable in income under the Federal Internal Revenue Code.
12. Other income to the same extent and on the same basis that such other income is subject to taxation under the Federal Internal Revenue Code.

WHAT IS NON-TAXABLE INCOME

The following kinds of income are not taxable:

1. Gifts, inheritances, bequests and distributions of principal from estates and trusts.
2. Pensions and annuities, including disability pensions.
3. Proceeds of Insurance that are defined as non-taxed by the Federal Internal Revenue Code (Payments from a health and accidents policy paid by your employer are taxable the same as other sick and/or disability pay, to the same extent as provided by the Federal Internal Revenue Code).
4. Unemployment compensation, supplemental unemployment benefits, welfare relief payments.
5. Workmen's compensation, or similar payments for death, injury or illness arising out of and in the course of an employee's job.
6. Interest from obligation of the United States, the states or subordinate units of government of the states.
7. Dividends on an insurance policy.
8. Military pay of members of the armed forces of the United States.
9. Social Security Benefits, Railroad Retirement Act Benefits.
10. Distributions from employees savings, retirement stock purchase, profit sharing plans and IRA distributions.

DEDUCTIONS

Under the City of Hudson Income Tax Ordinance no deductions are allowed for personal expenses such as taxes on your home, sales tax, gasoline tax, church and charitable deductions, interest on loans, medical expenses, etc.

The only allowable deductions are:

1. Employee Business Expenses
These expenses are allowed only to the extent not paid by your employer – only when incurred in the service of your employer – and are limited to the following:
 - a. Expenses of travel, meals and lodging while away from home, in the performance of services as an employee.
 - b. Expenses as an outside salesman, who works away from his employer's place of business (does not include driver-salesmen 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 gross earnings reported.
2. Self-employment retirement deductions and IRA plans.
3. Moving expenses (into the city only).
4. Alimony, separate maintenance payments and principals sums payable in installments to the extent included in the spouses adjusted gross income under the Federal Internal Revenue Code.

IMPORTANT: All of the above deductions are limited to the amount taken on your federal return and by the extent they apply to income taxable under the Hudson Income Tax Ordinance. A copy of the federal schedule(s) supporting such deductions must be attached.

NON-RESIDENTS ONLY

WHAT IS TAXABLE INCOME

The only types of income taxable to the non-resident are the following:

1. Salaries, bonuses, wages, commissions, sick pay, vacation pay, compensation from employee stock purchase or profit sharing plans, and other compensation of non-residents received for services rendered as an employee for work done or services PERFORMED IN HUDSON, including wage continuation pay and deferred compensation.
2. Compensation received in the form of merchandise or services, including meals or lodging if at the employee's option. The fair market value must be determined and reported.
3. That portion of the net profits from the operation of a business, profession, undertaking, or other activity, that is attributed to business activity CONDUCTED IN HUDSON, whether or not such business or profession is located in Hudson. For example, a business located out of Hudson that solicits sales or performs services in Hudson would be taxable on the portion of its net profits properly allocable to such Hudson business activities.

4. Net profits from rentals from real and tangible property LOCATED IN HUDSON.
5. Net profits on the sale or exchange of real and tangible property personal property LOCATED IN HUDSON.
6. Proceeds from State of Michigan Lottery that were PURCHASED IN HUDSON.

WHAT IS NON-TAXABLE INCOME

Only those types of income listed under the heading above, "What is taxable income" are taxable to the non-resident. Examples of non-taxable income would be:

1. Gifts, inheritances, bequests, and distributions of principal from estates and trusts.
2. Pensions and annuities, including disability pensions.
3. Proceeds of insurance that are defined as non-taxable by the Federal Internal Revenue Code (payments from a health and accident policy paid for by your employer are taxable the

NON-RESIDENTS ONLY (Continued)

same as other sick and/or disability pay, to the same extent as provided by the Federal Internal Revenue Code).

4. Unemployment compensation, supplemental unemployment benefits, welfare relief payments.
5. Workmen's compensation, or similar payments for death, injury or illness arising out of and in the course of an employee's job.
6. Interest, dividends and other forms of intangible income. (When the receipt of interest and other intangible income is directly related to the nature of the business, such interest, etc. shall be considered as business income taxable to non-residents).
7. Dividends on an insurance policy.
8. Social Security Benefits, Railroad Retirement Act Benefits.
9. Military pay of members of the armed forces of the United States.

DEDUCTIONS

Under the City of Hudson Income Tax Ordinance no deductions are allowed for personal expenses such as taxes on your home, sales tax, gasoline tax, church and charitable deductions, interest on loans, medical expenses, etc.

The only deductions or exclusions are listed below. These deductions and exclusions are to be pro-rated at the same percentage as the income to which they apply is taxable to Hudson.

1. Employee Business Expenses
These expenses are allowed only to the extent not paid by your employer – only when incurred in the service of your employer – and are limited to the following:

- a. Expenses of travel, meals and lodging while away from home, in the performance of services as an employee.
 - b. Expenses as an outside salesman, who works away from his employer's place of business (does not include driver-salesmen 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 gross earnings reported.
2. Self-employment retirement deduction and IRA plans.
 3. Moving Expenses (into the city only).
 4. Alimony, separate maintenance payments and principal sums payable in installments to the extent includable in the spouses adjusted gross income under the Federal Internal Revenue Code.

IMPORTANT: All of the above deductions are limited to the amount taken on your federal return and by the extent they apply to income taxable under the Hudson Income Tax Ordinance.

A copy of the federal schedule(s) supporting such deductions must be attached.

NOTE: All of the above deductions are further limited to the same percent that your Hudson taxable income bears to your total income. For example: If 80% of your income is earned in Hudson, only 80% of the above expenses are deductible.

RESIDENTS ONLY

INSTRUCTIONS FOR PREPARING TAX RETURN

HEADING INFORMATION

First indicate the tax year for which you are filing, then complete the name, address and occupation information, and be certain that your social security number has been entered correctly.

EXEMPTIONS: The same rules apply in determining the number of dependents as under the Federal Internal Revenue Code. An exemption of \$1,000.00 is allowed for the taxpayer, taxpayer's spouse and each dependent.

FILING STATUS: Check appropriate box. If you are married and filing separately, fill in name of your spouse as indicated. Be sure to check whether you were a Resident, Non-Resident or Part Year Resident. If you were a Part Year Resident use Schedule B to figure your tax liability.

INCOME

LINE 1 – Enter Employer's name, address of major work site and total wages received (per form W-2) for each separate employment. You must attach a schedule explaining any difference if the wages reported on your return differ from the gross wages shown on your W-2 or 1099.

Enter total of all wages claimed on Line 1 in the Column to the right.

LINE 2A – Enter total income from dividends and interest (Residents only).

DIVIDENDS

Include all dividends received, subject to the same dividend exclusion as permitted by the Federal Internal Revenue Code.

INTEREST

All interest received to your account is taxable. Interest credited to your account as of December 31st which could be withdrawn by you is considered constructively received on that date and must be included in income.

LINE 2B – Enter total from Page 2, PART 1, Line 9.

INSTRUCTIONS FOR PART 1 – ADDITIONS

1 – PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION
Hudson residents are taxed on the net profits from a business or profession, regardless of the location of the business or profession. Expenses which are personal deductions rather than business expenses cannot be deducted. Attach Federal Schedule.

2 – Enter net operating loss carryover. Operating losses are carried forward, no carryback is allowed.

3 – Enter self-employment retirement deduction.

4 – Total of Lines 1, 2 and 3

5 – SALE AND EXCHANGE OF PROPERTY

6 – RENTS AND ROYALTIES

Enter rent and royalty income reported on your federal tax return; attach a copy of your federal schedule.

1. Include rental income from property regardless of where the property is located.
2. Royalties from mineral leases, copyrights, patents and similar rights must also be reported in the same manner as your federal tax return.

RESIDENTS ONLY

INSTRUCTIONS FOR PREPARING TAX RETURN CONTINUED

7 – OTHER INCOME FROM PARTNERHIPS, ESTATES, TRUSTS, ETC.

Enter income from partnerships, estates, trusts, etc. on line 7.

1. A partnership is required to file an information return on form HU-1065. It may, if it elects, pay the tax on behalf of its partners. Report your share of the partnership income (or loss) on line 7, enter your share of ordinary income only. Your share of interest earned and dividend income should be entered on line 2A of page 1 of return. Your share of rental income, capital or other gains or losses, etc., is treated as belonging to you as an individual and should be entered on lines 1, 5 & 6 of PART 1. If the partnership pays the tax on behalf of the partners, enter your share of the tax as a credit on line 9 of page 1 of HU-1040.
2. Income from an estate or trust is taxable to a Hudson resident, regardless of the location of the estate or trust or location of property it may own. If any of the income is from a business which the estate or trust operates, or from rentals, you are permitted to reduce the income by the amount of depreciation allowable. The trust or estate office can give you the information you need to compute depreciation. If the trust or estate received interest from United States Government obligations or dividends from national or state bank stock, your share of such interest or dividends is exempt and should not be reported.
3. All corporations must file as corporations with the Hudson Income Tax Office even though certain corporations can file as partnerships with the Federal Internal Revenue Service. If you are a stockholder of such a corporation, include all declared dividends but do not include your prorata share of the profits or loss of the corporation. The corporation must file and pay its own tax on its profits.
4. Report distributions from employee's savings or retirement stock purchase and profit-sharing plans which are classified as wages not subject to withholding, and/or distributions which are received from qualified trusts upon termination of employment and received treatment as capital gains under the Federal Internal Revenue Code. Also report IRA distributions.

8 – Report distributions from a tax-option corporation. A tax-option corporation is a corporation that elects to file under Sub-chapter S of the Internal Revenue Code.

You may not deduct any loss passed through from a tax-option corporation.

9 – Enter total of lines 4, 5, 6, 7c and 8 here and on Page 1, line 2B

LINE 3 – Add lines 1, 2A and 2B

LINE 4A – Enter total from Page 2, PART 2, Line 4.

INSTRUCTIONS FOR PART 2 – SUBTRACTIONS

1 – Employee Business Expenses

These expenses are allowed only to the extent not paid by your employer – only when incurred in the service of your employer – and are limited to the following:

- a. Expenses of travel, meals and lodging while away from home over night.
- b. Expenses incurred as an outside salesman who works away from his employer's place of business. This does not include the expenses of a driver-salesman whose primary duty is service and delivery.
- c. Expenses of transportation other than 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 gross earnings.

2 – Moving expenses (into the City only) that qualify under the Internal Revenue Code as a deduction from federal gross income may be deducted on your Hudson return. However, the Hudson deduction is limited to those expenses that are applicable to income taxable under the Hudson ordinance.

3 – Other – For example: Alimony, separate maintenance payments and principle sums payable in installments to the extent includable in the spouse's adjusted gross income under the Federal Internal Revenue Code.

4 – Total Subtractions – Add lines 1, 2 and 3 – enter here and on Page 1, line 4A.

IMPORTANT: All of the above deductions are limited to the amount taken on your federal return and by the extent they apply to income taxable under Hudson Income Tax Ordinance. A copy of the federal schedule(s) supporting such deductions must be attached.

LINE 4B – Enter IRA (individual retirement account) deduction as taken on your Federal return.

LINE 5 – Adjusted Income – (line 3 less lines 4A and 4B)

LINE 6 – EXEMPTIONS: An exemption of \$1,000 is allowed for the taxpayer, taxpayer's spouse and each dependent. Number of dependency exemptions are determined the same as in the Federal Internal Revenue Code.

LINE 7 – INCOME SUBJECT TO TAX: Subtracting line 6 (EXEMPTIONS) from Line 5 will result in net income which is subject to tax.

LINE 8 – TAX LIABILITY: Apply the Hudson resident tax rate of 1% (.01) to the amount on Line 7 (Income Subject to Tax) and enter the result on this line. If a Part Year Resident enter the tax amount from Schedule B line 10/ Be sure to include schedule B with your tax return.

PAYMENTS AND TAX CREDITS

LINE 9 – HUDSON TAX WITHHELD: Enter amount of Hudson tax withheld by Employer, as shown on Statement of Earnings (Form W-2). A copy of that form must be submitted with your return before credit can be allowed for the Hudson tax withheld.

LINE 10 – PAYMENTS ON ESTIMATED TAX: Enter amounts paid with Declaration of Estimated Tax. (Form HU-1040ES Voucher 1); installment voucher 2, 3 and 4 payments made; and credit carried over from prior year City Income Tax overpayment.

LINE 11 – OTHER CREDITS: Enter (1) tax liability from tax paid to other taxing cities in Michigan because of employment at this point.

NOTE: To claim a tax credit for tax paid to another Michigan city you must attach a copy of the return filed with that city to your Hudson return. Amount claimed cannot exceed amount a nonresident would have owed Hudson on the same income (1/2%). Any excess withheld by the other taxing city can only be obtained by filing a return and requesting a refund from the other city. Also enter (2) any Hudson Income Tax paid in your behalf by a partnership. (Attach Copy of Partnership Return).

LINE 12 – TOTAL PAYMENTS: Enter total from adding Lines 9, 10 and 11.

TAX DUE OR REFUND

LINE 13 – BALANCE DUE: If Line 8 (TAX LIABILITY) is larger than Line 12 (TOTAL PAYMENTS) enter difference on this line. This is the BALANCE DUE and if \$1.00 or more must be paid when filing this return. Other taxpayers paying via Declarations of Estimated Tax and Installments and those (subject to neither withholding nor Declaration) filing and paying direct, are required to file returns but need not pay any balance due of less than \$1.00. make check or money order payable to TREASURER CITY OF HUDSON and mail the payment with the return to City of Hudson Income Tax Division, P.O. Box 231, Hudson, MI 49247.

LINE 14 – OVERPAYMENT: If your total of PAYMENTS AND CREDITS (Line 12) exceeds the TAX LIABILITY (Line 8), enter the amount of such overpayment on this line.

RESIDENTS ONLY

INSTRUCTIONS FOR PREPARING TAX RETURN CONTINUED

LINE 14A – CREDIT ON NEXT YEARS ESTIMATED TAX: If you wish to have all of this overpayment (or portion of it) credited to your next years estimated tax, enter that amount on this line. No credit of less than \$1.00 will be allowed.

LINE 14B – REFUND: Enter the portion of the OVERPAYMENT (Line 14) you wish to have refunded. Refunds of less than \$1.00 will not be made. Refunds will be made as quickly as possible, but please allow 60 days before making any inquiry.

SIGN YOUR RETURN

Be sure that your return is signed, if it is a joint return, both husband and wife must sign. A BALANCE DUE of \$1.00 or more must be paid with the return at the time of filing. Be sure ALL W-2s are attached.

ASSISTANCE

For questions not answered in this booklet or assistance in preparing your return, call (517) 44-8983 or visit the Income Tax Division at City Hall, Hudson, Michigan.

NON-RESIDENTS ONLY

INSTRUCTIONS FOR PREPARING TAX RETURN

Heading Information

First indicate tax year for which you are filing, then complete the name, address and occupation information, and be certain that your social security number has been entered correctly.

EXEMPTIONS – The same rules apply in determining the number of dependents as under the Federal Internal Revenue Code. An exemption of \$1,000 is allowed for the taxpayer, the taxpayer's spouse and each dependent.

FILING STATUS – Check appropriate box. If you are married and filing separately, fill in name of your spouse as indicated. Be sure to check whether you were a Resident, Non-Resident or Part Year Resident. If you were a Part Year Resident, use Schedule B to figure your tax liability.

INCOME

LINE 1 – Follow instructions in (1) below if you performed all (100%) of your services in Hudson. Use instructions in (11) below if you performed part of your services in Hudson and part of your services out of Hudson.

(1) NON-RESIDENTS WHO WORKED 100% OF THEIR TIME IN HUDSON

Show on Line 1 the employer's name, address of major work site and total wages received (per form W-2) for each separate employment. The total wages include vacation pay, sick pay, etc. because all pay is judged to have the same location as the location where the employee performed his services. Example – non-resident who worked full time in Hudson, except for a two week vacation taken during the year, would report his total pay, including vacation pay a taxable in Hudson. You must attach a schedule explaining any difference if the wages reported on your return differ from the gross wages shown on your W-2 or 1099.

(11) NON-RESIDENTS WHO PERFORMED ONLY PART OF THEIR SERVICES IN HUDSON

Non-Residents who perform only part of their services in Hudson must fill in Schedule A headed "Computation of Wages Earned in Hudson". Line 1 of Schedule A refers to the actual number of days you were on the job everywhere during the year. You are not considered to be on the job when there is a holiday, when you are sick or when on vacation. Example – a construction worker worked 160 days in Hudson and 80 days out of Hudson or a total of 240 working days. In the above example he would show on Line 2 "160" days as the actual number of days worked in Hudson. Then, by dividing the figure on Line 2 (16) by the figure on Line 1 (240) he would find the percent of time worked in Hudson to be entered on Line 3. On line 4 enter the total of your earnings everywhere for the year. Multiplying Line 4 by Line 3 will then provide the figure to be entered on Line 5 and carried forward to Line 1 of Form HU-1040.

For each job site listed on Schedule A, enter on Line 1 of the tax return the employer's name, address and the wages subject to Hudson tax from Line 5 of Schedule A.

NOTE!!! – Instead of using "days worked" employees paid on a commission basis should multiply their total wages by the ratio of commission earned in Hudson to total commissions earned. Those who cannot arrive at a percentage of income earned in Hudson based on "days worked" may substitute "hours" for "days" in Schedule A computations – as long as the percentage arrived at results in an equitable allocation and apportionment of the taxpayer's taxable

income. Those individuals keeping separate records of actual Hudson earnings should so indicate on Line 5 of Schedule A.

Enter total of all wages claimed on Line 1 in the column to the right.

LINE 2A – Omit (does not apply to Non-Resident)

LINE 2B – Enter total from Page 2 PART 1, Line 9.

INSTRUCTIONS FOR PART 1 – ADDITIONS

1 – PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION CONDUCTED IN HUDSON.

The Hudson Income Tax Ordinance imposes a tax on the net profits from all businesses, professions or other activities conducted in the City of Hudson.

(If your business had activity both within and without the City of Hudson then complete Schedule C to determine the profit subject to Hudson tax). Expenses which are personal deductions rather than business expenses, cannot be deducted. Attach federal schedule.

2 – Enter net operating loss carryover. Operating losses are carried forward no carryback is allowed.

3 – Enter self-employment retirement deductions.

4 – Total of Lines 1, 2 and 3.

5 – SALE AND EXCHANGE OF PROPERTY LOCATED IN HUDSON.

6 – RENTS AND ROYALTIES

Enter rent and royalty income derived from the City of Hudson.

1. Include rental income from properties located only in Hudson.
2. Royalties from mineral leases, copyrights, patents, and similar rights located in Hudson must also be reported in the same manner as on your federal tax return.

7 – OTHER INCOME FROM PARTNERSHIPS, ESTATES, TRUSTS, ETC. EARNED IN HUDSON

Enter income from partnerships, estates, trusts, etc. on Line 7.

1. A partnership located or doing business in Hudson is required to file an information return on form HU-1065. It may, if it elects, pay the tax on behalf of its partners. Report your share of ordinary income only. Your share of interest earned and dividend income should be entered on Line 2A of page 1 of return. Your share of rental income, capital or other gains or losses, etc., is treated as belonging to you as an individual and should be entered on Lines 1, 5 and 6 of PART 1. If the partnership pays the tax on behalf of the partner, enter your share of the tax as a credit on Line 9 of Page 1 of HU-1040.
2. Only estates and trusts with income in Hudson are taxable to a non-resident. Business trusts, etc. who file with the Federal Internal Revenue Service as corporations will also file as corporations with the Hudson Income Tax Office.
3. All corporations must file as corporations with the Hudson Income Tax Office even though certain corporations can file as partnerships with the Federal Internal Revenue Service. If you are a stockholder of such a corporation, include all

NON-RESIDENTS ONLY

INSTRUCTIONS FOR PREPARING TAX RETURN CONTINUED

declared dividends but do not include your pro rata share of the profits or loss of the corporation. The corporation must file and pay its own tax on its profits.

4. Report distributions from employee's savings, retirement stock purchase, profit sharing plans and IRA distributions which are classified as wages not subject to withholding, and/or distributions which are received treatment as capital gains under the Federal Internal Revenue Code.

8 – Report distributions from a tax-option corporation. A tax-option corporation is a corporation that elects to file under Sub-Chapter S of the Internal Revenue Code.

You may not deduct any loss passed through from a tax-option corporation.

9 – Enter total of Lines 4, 5, 6, 7C and 8 here and on Page 1, Line 2B.

LINE 3 – Add Lines 1, 2A and 2B.

LINE 4A – Enter total from Page 2, PART 2, Line 4.

INSTRUCTIONS FOR PART 2 – SUBTRACTIONS

The only deductions or exclusions are listed below. All of the above deductions are further limited to the same percent that your Hudson taxable income bears to your total income. For example: if 80% of your income is earned in Hudson, only 80% of the above expenses are deductible.

1 – Employee Business Expenses

These expenses are allowed only to the extent not paid by your employer – only when incurred in the service of your employer – and are limited to the following.

- a. Expenses of travel, meals and lodging while away from home over night.
- b. Expenses incurred as an outside salesman who works away from his employer's place of business. This does not include the expenses of a driver-salesman whose primary duty is service and delivery.
- c. Expenses of transportation other than 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 gross earnings.

2 – Moving expenses (into the City only) that qualify under the Internal Revenue Code as a deduction from federal gross income may be deducted on your Hudson return. However, the Hudson deduction is limited to those expenses that are applicable to income taxable under the Hudson ordinance.

3 – Other – For example: Alimony, separate maintenance payments and principle sums payable in installments too the extent includable in the spouse's adjusted gross income under the Federal Internal Revenue Code.

IMPORTANT: All of the above deductions are limited to the amount taken on your federal return and by the extent they apply to income taxable under the Hudson Income Tax. A copy of the federal schedule(s) supporting such deductions must be attached.

LINE 5 – Adjusted Income – (Line 3 less Lines 4A and 4B)

LINE 6 – EXEMPTIONS: An exemption of \$1,000 is allowed for the taxpayer, taxpayer's spouse, and each dependent. Number of dependency exemptions are determined the same as in the Federal Internal Revenue Code.

LINE 7 – INCOME SUBJECT TO TAX: subtracting Line 6 (EXEMPTIONS) from Line 5 will result in net income which is subject to tax.

LINE 8 – TAX LIABILITY: Apply the Hudson non-resident tax rate of 1/2% (.005) to the amount on Line 7 (Income subject to tax) and enter the result on this line. If a Part Year Resident, enter the tax amount from Schedule B Line 10/ Be sure to include Schedule B with your tax return.

PAYMENTS AND CREDITS

LINE 9 – HUDSON TAX WITHHELD: Enter amount of Hudson tax withheld by employer, as shown on Statement of Earnings (Form W-2). A copy of that form must be submitted with your return before credit can be allowed for the Hudson tax withheld.

LINE 10 – PAYMENTS ON ESTIMATED TAX: Enter amount paid with Declaration of Estimated Tax (Form HU-1040-ES Voucher 1); installment voucher 2, 3 and 4 payments made; and credit carried over from prior year City Income Tax payment.

LINE 11 – PAYMENTS BY PARTNERSHIP: Enter any Hudson Income Tax paid in your behalf by a partnership. (Attach copy of Partnership Return).

LINE 12 – TOTAL PAYMENTS: Enter total from adding Lines 9, 10 and 11.

TAX DUE OR REFUND

LINE 13 – BALANCE DUE: If Line 8 (TAX LIABILITY) is larger than Line 12 (TOTAL PAYMENTS) enter difference on this line. This is the BALANCE DUE and if \$1.00 or more must be paid when filing this return. Other taxpayers paying via Declarations of Estimated Tax and Installments and those (subject to neither withholding not Declaration) filing and paying direct, are required to file returns but need not pay any balance due of less than \$1.00. Make check or money order payable to TREASURER CITY OF HUDSON and mail the payment with this return to City of Hudson, Income Tax Division, P.O. Box 231, Hudson, Michigan 49247.

LINE 14 – OVERPAYMENT: If your total of PAYMENTS AND CREDITS (Line 12) exceeds the TAX LIABILITY (Line 8), enter the amount of such overpayment on this line.

LINE 14A – CREDIT ON NEXT YEARS EXTIMATED TAX: If you wish to have all of this Overpayment (or a portion of it) credited to your next years estimated tax, enter that amount on this line. No credit of less than \$1.00 will be allowed.

LINE 14B – REFUND: Enter the portion of the OVERPAYMENT (Line 14) you wish to have refunded. Refunds of less than \$1.00 will not be made. Refunds will be made as quickly as possible but please allow 60 days before making any inquiry.

SIGN YOUR RETURN

Be sure that your return is signed; it is a joint return, both husband and wife must sign. A BALANCE DUE of \$1.00 or more must be paid with the return at the time of filing. Be sure ALL W-2s are attached.

ASSISTANCE

For questions not answered in this booklet or assistance in preparing your return, call (517) 448-8983 or visit the Income Tax Division at City Hall, Hudson, Michigan.