

# 2011 MICHIGAN Resident Credit for Tax Imposed by a Canadian Province

Issued under authority of Public Act 281 of 1967. **Attach to MI-1040.**

Type or print in blue or black ink. Print numbers like this: 0123456789 - NOT like this: 0147

Name(s) as shown on your MI-1040	Social Security Number
Address, City, State and ZIP Code	Spouse's Social Security Number

## PART 1: CONVERSION OF CANADIAN WAGES AND TAXES TO UNITED STATES CURRENCY

1. Canadian income taxed by Michigan.....	1.		00	
2. Fringe benefits included in Box 14 of the T-4, not taxable in U.S.A. ....	2.		00	
3. Subtract line 2 from line 1.....	3.		00	
4. Multiply line 3 by the conversion rate of 101.14% (1.0114) (see inst.) .....				4. <span style="border: 1px solid black; padding: 2px;"></span> 00
5. Total Canadian income from line 150 of your Canadian income tax return. ....	5.		00	
6. Multiply line 5 by the conversion rate of 101.14% (1.0114).....				6. <span style="border: 1px solid black; padding: 2px;"></span> 00
7. Divide line 4 by line 6 (percentage of Canadian income taxed by Michigan to total Canadian income).....				7. <span style="border: 1px solid black; padding: 2px;"></span> %
8. Multiply the Canadian federal tax (line 420 of Canadian return) \$ _____ by the conversion rate of 101.14% (1.0114).....	8.		00	
9. Multiply line 8 by line 7 .....				9. <span style="border: 1px solid black; padding: 2px;"></span> 00
10. Multiply the provincial tax (line 428 of Canadian return) \$ _____ by the conversion rate of 101.14% (1.0114).....	10.		00	
11. Multiply line 10 by line 7 .....				11. <span style="border: 1px solid black; padding: 2px;"></span> 00
12. Contribution to Canadian Pension Plan from T-4, Boxes 16 and 17 .....	12.		00	
13. Multiply line 12 by the conversion rate of 101.14% (1.0114).....				13. <span style="border: 1px solid black; padding: 2px;"></span> 00

## PART 2: COMPUTATION OF MICHIGAN TAX

14. Adjusted gross income from MI-1040, line 10 .....				14. <span style="border: 1px solid black; padding: 2px;"></span> 00
15. Canadian income taxed by Michigan from line 4, above .....	15.		00	
16. U.S. adjustments to Canadian wages (from U.S. Form 1040, lines 23-25)..	16.		00	
17. Subtract line 16 from line 15.....				17. <span style="border: 1px solid black; padding: 2px;"></span> 00
18. Subtract line 17 from line 14 for Michigan source income.....				18. <span style="border: 1px solid black; padding: 2px;"></span> 00
19. Additions from MI-1040, line 11 .....				19. <span style="border: 1px solid black; padding: 2px;"></span> 00
20. Add lines 17, 18 and 19.....				20. <span style="border: 1px solid black; padding: 2px;"></span> 00
21. Subtractions from MI-1040, line 13.....				21. <span style="border: 1px solid black; padding: 2px;"></span> 00
22. Subtract line 21 from line 20 for income subject to tax.....				22. <span style="border: 1px solid black; padding: 2px;"></span> 00
23. Divide line 17 by line 22 for percentage of Canadian income to total income subject to tax .....	23.		%	
24. Exemption allowance from MI-1040, line 15.....				24. <span style="border: 1px solid black; padding: 2px;"></span> 00
25. Subtract line 24 from line 22 for taxable income .....				25. <span style="border: 1px solid black; padding: 2px;"></span> 00
26. Multiply line 25 by the Michigan tax rate of 4.35% (0.0435).....				26. <span style="border: 1px solid black; padding: 2px;"></span> 00

## PART 3: ALLOWABLE CREDIT FOR TAX PAID TO CANADIAN PROVINCE(S)

27. Multiply line 26 by line 23 for Michigan tax on Canadian province income .....				27. <span style="border: 1px solid black; padding: 2px;"></span> 00
28. Add lines 9, 11 and 13 for total tax paid in Canada.....	28.		00	
29. Adjustments to credit claimed on U.S. Form 1040:				
29a. Canadian portion of credit claimed on U.S. Form 1040, line 47 .....	29a.		00	
29b. Canadian income taxed by Michigan from all U.S. 1116 forms .....	29b.		00	
29c. Gross Canadian income from all U.S. 1116 forms.....	29c.		00	
29d. Divide line 29b by line 29c and enter percentage.....	29d.		%	
29e. Multiply line 29a by line 29d for adjusted amount claimed on U.S. Form 1040.....	29e.		00	
30. Subtract line 29e from line 28 for amount available for credit on MI-1040 .....				30. <span style="border: 1px solid black; padding: 2px;"></span> 00
31. Canadian provincial tax from line 11. Enter here and on form Schedule 2, line 5a.....				31. <span style="border: 1px solid black; padding: 2px;"></span> 00
32. Credit for tax paid to Canadian province (lesser of lines 27, 30 or 31). Enter here and on Schedule 2, line 5b .....				32. <span style="border: 1px solid black; padding: 2px;"></span> 00

**ATTACH THIS FORM TO YOUR MI-1040 RETURN**

## Instructions for Form 777

### Resident Credit for Tax Imposed by a Canadian Province

Before you start, you will need your U.S. Form 1040, all U.S. 1116 forms, *Canadian Federal Individual Income Tax Return* and Canadian form T-4. Attach copies of all of these forms to your MI-1040 return.

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#### Who May Claim This Credit

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To qualify for a credit using this form, you must:

- Be a Michigan resident or part-year Michigan resident,
- Have income that was subject to income tax by both Michigan and a Canadian province, **and**
- File a Canadian return which shows provincial tax paid.

**Note:** The surtax for individuals who are not residents of Canada may not be used to compute a Michigan tax credit. If your Canadian return submitted with your MI-1040 return does not show provincial tax, you do not qualify for a Michigan tax credit.

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#### Credit Computation

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The maximum credit for tax imposed by a Canadian province is the smaller of:

- Michigan tax due on the Canadian income, **or**
- The provincial tax you did not claim for credit on your U.S. Form 1040.

Credit is not allowed for:

- Canadian provincial tax unused in prior years but carried over to your 2011 U.S. Form 1116.
- Canadian provincial tax unused in 2010 and claimed as a carryover deduction to future years.
- Taxes paid on income subtracted on line 13 of your MI-1040 (i.e. rental or business income from another state or Canada, part-year resident wages, etc.).

If you reduce your U.S. income tax by a carryover of provincial tax, you must amend your prior year Michigan income tax return to reduce the credit computed on that year's return.

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#### Conversion Rate

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The conversion rate used on this form for the 2011 tax year is the conversion rate of 101.14% (1.0114).

If you used a conversion rate on your U.S. Form 1116 other than 101.14%, substitute the rate you used in Part 1 of this form.

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#### Line-by-Line Instructions

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Lines not listed are explained on the form.

**Line 1:** Enter your Canadian income taxable by Michigan. This includes, but is not limited to, salaries, wages, commissions and other employment income.

Part-year residents: This line must be only the portion of income earned as a Michigan resident.

**Line 2:** If box 14 of Canadian T-4 includes fringe benefits that are also included in U.S. adjusted gross income (AGI), reduce the amount in box 14 by the amount included in AGI on your U.S. Form 1040. Note: This reduction must be accompanied by verification from your employer.

**Line 12:** Enter contributions to a Canadian Pension Plan from boxes 16 and 17 on the Canadian T-4 (maximum of \$2,217.60) or from line 421 of the Canadian return.

Part-year residents must prorate the amount on this line. Divide Canadian salaries and wages earned as a Michigan resident by total Canadian salaries and wages earned. Then multiply the total contribution from boxes 16 and 17 by the resulting percentage.

**Line 13:** Multiply line 12 by 101.14% (1.0114) and enter the result.

**Line 15:** Enter your Canadian income from line 4.

**Note:** Interest and dividends from Canada received by a Michigan resident are taxable by Michigan as Michigan source income.

**Line 29a:** Enter the portion of the foreign tax credit attributable to Canada you claimed on your U.S. Form 1040, line 47. Your credit amount must be reduced by any carryover of unused provincial tax included on any U.S. Form 1116. Your credit amount must also be reduced by any unused provincial tax that is being carried forward to reduce federal taxes in future years.