

A photograph of the Michigan State Capitol building, featuring a large white dome and a tall spire, set against a clear blue sky. The building is partially framed by green trees in the foreground. An American flag is visible on a tall pole to the right of the building.

2011

Taxpayer Assistance Manual

MICHIGAN DEPARTMENT OF TREASURY



TABLE OF CONTENTS

	<u>Page</u>
LETTER TO TAXPAYER ASSISTANCE VOLUNTEERS	7
CHAPTER 1 INTRODUCTION	
Introduction	8
General Guidelines	9
Labels	9
Copy of Return	9
Signatures	9
Release to Discuss Information	9
Arranging and Mailing Returns and Attachments	9
Postage	10
Deceased Taxpayer	10
Completing a Paper-Filed Return	10
Information for 2011 – New Legislation	11
Summary of Changes for 2011	12
Summary of Changes for Prior Years	12
Federal/State and State Only Electronic Filing Program	13
Application and Acceptance Process	16
Michigan Portion of the Electronic Return	16
Forms That May Be E-filed	17
Non-electronic Portion of Michigan Returns	18
Michigan E-file Signature Process	18
Volunteer Groups	19
Exclusions from E-file	19
Post-Filing Information	21
2-D Barcoding	22
Customer Self-Service	23
Refund Returns	24
Changes on the Return	24
Contact Information	25
Tax Preparer Resources	25

CHAPTER 2 HOMESTEAD PROPERTY TAX CREDIT MI-1040CR, MI-1040CR-2

General Information	26
Introduction.....	26
Credit Refund.....	26
Instructions.....	26
Who May Claim a Credit.....	27
Homesteads That Do Not Qualify.....	27
Calculation of the Credit.....	27
Home Owner.....	27
Renter.....	27
Percent Not Refundable - Household Income \$6,000 or Less.....	27
Maximum Credit.....	28
Phase-Out.....	28
When to File Claim.....	28
Which Form to Use (MI-1040CR or MI-1040CR-2).....	28
Identification	29
Computation	30
Property Owner.....	30
Property Taxes.....	30
Homestead Property Owner.....	30
Farmland Property Owner.....	30
Home Owner, Full Year.....	31
Home Owner, Part Year.....	31
Renter.....	32
Rent.....	32
Renter, Full Year.....	32
Renter, Part-Year.....	32
Types of Housing.....	33
Mobile Home.....	33
Service Fee Housing.....	33
Nursing Home, Home for the Aged, and Adult Foster Care Claimants.....	33
Room and Board.....	34
Special Housing.....	34
Cooperative Housing.....	34
Household Income.....	34
Insufficient Income to Cover Living Expenses.....	37
Credit Computation Methods.....	38
General Claimant.....	39
Qualifications.....	39
Method of Computation.....	39

	<u>Page</u>
Senior Citizen, Paraplegic, Quadriplegic, Hemiplegic, Totally and Permanently Disabled, Blind, or Deaf Persons	39
Qualifications	39
Method of Computation	39
Senior Citizen - Alternate Method for Renter (Rent Larger Than 40% of HHI).....	40
Qualifications	40
Method of Computation	40
Senior Citizen - Home Owner Age 99 or Over in 2011	41
Qualifications	41
Method of Computation	41
Service Persons, Veterans, or Their Widows or Widowers.....	42
Qualifications	42
Method of Computation - Home Owner	42
Method of Computation - Renter	43
Blind Person.....	44
Qualifications	44
Method of Computation	44
Public Assistance Recipient/Department of Human Services	44
Qualifications	44
Method of Computation	44
Child Support	45
Special Situations.....	45
Married-Joint Filers, Separate Homesteads	45
Married-Separate Filer, Joint Homestead	46
Married-Separate Filer, Separate Homestead	46
Divorced or Separated Filer	47
Part-Year Resident	48
Deceased Claimant, Single Individual	48
Annualized Household Income	49
Owner-Occupied Rental Property	49
Adults Sharing Homestead	50

CHAPTER 3 HOME HEATING CREDIT MI-1040CR-7

General Information	51
Introduction	51
Instructions	51
When to File Claim	52
Eligibility	52
Who May Claim a Credit	52
Who May Not Claim a Credit	52

	<u>Page</u>
Identifying Information.....	52
Household Income	54
Standard Credit or Alternate Credit Computation: Which Method to Use.....	54
Standard Credit Computation for 2011.....	54
Renter.....	55
Michigan Resident, Full Year	55
Part-Year Resident or Deceased Claimant.....	56
Adults Sharing Homestead	57
Condominium Owner.....	57
Alternate Credit Computation.....	57
Heating Cost.....	58
Michigan Resident, Full-Year.....	58
Drafts or Warrants.....	58

CHAPTER 4 MICHIGAN INCOME TAX MI-1040

Introduction	59
Filing Requirements.....	59
MI-1040	60
Due Date of Return	60
Extension.....	60
Identification Section	61
Social Security Number(s).....	61
School District Code	61
State Campaign Fund.....	61
Filing Status	61
Residency Status	62
Exemptions	62
Adjusted Gross Income.....	63
Additions to Adjusted Gross Income.....	64
Subtractions From Adjusted Gross Income	64
Pensions and Retirement Benefits	66
Public Pensions	66
Private Pensions.....	66
Roth IRAs	68
Railroad Retirement and Pension Benefits	69
Senior Citizen Interest, Dividend, and Capital Gains Subtraction	69
Tax	69
Tax Credits (Nonrefundable).....	69
What Is a Nonrefundable Tax Credit.....	69
City Income Tax Credit	70
Public Contributions Credit	71
Community Foundations Credit.....	71
Homeless Credit.....	71
Out-of-State Tax Credit	71

	<u>Page</u>
Michigan Historic Preservation Credit	72
Michigan College Tuition and Fees Credit.....	72
Vehicle Donation Program for 2011	73
Individual or Family Development Account Credit.....	73
Renewable Energy and Surcharge Credit.....	74
Use Tax	74
Tax Credits (Refundable).....	74
Homestead Property Tax Credit	74
Farmland Preservation Tax Credit.....	74
Adoption Credit	75
Stillbirth Credit	75
Earned Income Tax Credit.....	75
Energy Efficient Qualified Home Improvement Credit.....	75
Income Tax Withheld	76
Claim of Right Doctrine.....	76
Estimate Payments/Credit Forward	76

CHAPTER 5 ATTACHMENTS

Income and Deductible Items	78
Military Pay, Allowable IT Subtractions	86
Income Tax Federal Obligations Taxability	88
Income Tax Allocation of Income	90
 Revenue Administrative Bulletins:	
RAB 2002-2 Individual Income Tax - Homestead Property Tax Credit Permanent Resident of a Nursing Home	92
RAB 2002-4 Individual Income Tax - Homestead Property Tax Credit When Adults Other Than Husband and Wife Share Homestead	95
 Supplement	 97



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

January 17, 2012

Taxpayer Assistance Volunteers:

Thank you for volunteering your time and effort to the tax assistance program. Your primary function will be to assist taxpayers in preparing their Michigan income tax and credit forms. Specifically, you will be assisting in the preparation of income tax returns, homestead property tax credit, and home heating credit forms. Returns and/or claim forms will be prepared from documentation furnished by the taxpayer and information obtained from discussions with the taxpayer(s). These step-by-step preparations and techniques will be discussed later in this Manual.

Please remember that any information you acquire about a specific taxpayer, or group of taxpayers, is confidential. Do not discuss this information with anyone except the specific taxpayer(s) or Treasury personnel.

Your provision of this important service is more critical than ever. If you have any general questions, please contact the volunteer help line at 1-888-860-8389, or for technical questions, call (517) 636-4230.

Again, thank you for the valuable service you provide to the citizens of Michigan.

Sincerely,

A handwritten signature in cursive script that reads "Andy Dillon".

Andy Dillon
State Treasurer

GENERAL GUIDELINES

LABELS

Encourage the taxpayer to give you the booklet he or she received from Treasury. If the “peel-off” label (used by Treasury to send the booklet to the taxpayer) is accurate, peel it off and affix it to the return. When using the label, be sure to write the taxpayer’s Social Security number (SSN) on the appropriate line. If there are **any** errors on the label, do **not** use it. Instead, clearly print the taxpayer’s name, address, and SSN on the return. Do not use the label if taxpayer is a surviving spouse and the deceased taxpayer’s name is on the label.

COPY OF RETURN

E-filed Returns: When electronically filing (e-filing), provide the taxpayer with a paper copy of the return. It may be helpful to mark “COPY” on the taxpayer’s copy to eliminate any confusion and reduce the number of duplicate returns received where the taxpayer’s return was e-filed and then later mailed.

Paper Returns: Prepare all returns in duplicate. File the original return and give the copy to the taxpayer. Inform the taxpayer that it is important to keep a copy of the return.

In both cases, if there are problems regarding the tax return, the taxpayer will be able to refer to the copy to see exactly what was entered on the return. Advise the taxpayer to bring the copy the following year to expedite preparation.

SIGNATURES

After you have prepared the return, write your site designation and the date prepared in preparer’s signature area. Then have the taxpayer (and spouse, if applicable) sign and date the return.

RELEASE TO DISCUSS INFORMATION

Ask the taxpayer if he or she wants to authorize personnel in Treasury to discuss the return with the volunteer tax preparer if additional information is needed. Have the taxpayer check the appropriate box.

ARRANGING AND MAILING RETURNS AND ATTACHMENTS

Each form contains a two-digit attachment sequence number in the upper-right corner to guide in the proper assembly of Form MI-1040 and related schedules.

Do not staple Form MI-1040CR-7 to the other returns. Fold it and leave it loose in the envelope.

Mail return to the address shown on the bottom of the return.

POSTAGE

The U.S. Post Office calculates postage based on the weight, size, and thickness of an envelope. Consult with the Post Office to avoid delays in delivery; items with insufficient postage will be returned to the sender by the Post Office.

DECEASED TAXPAYER

If a deceased taxpayer has a surviving spouse, use both surviving spouse's and deceased spouse's names and SSNs. Write "DECD" after the deceased's name. Include all income (including the deceased spouse's) on the return. A full exemption allowance is allowed for the deceased.

If there is no surviving spouse and you are preparing a return for the personal representative or claimant filing single or joint returns for deceased taxpayer(s), you must attach a copy of U.S. form 1310 or *Michigan Claim for Refund Due A Deceased Taxpayer* (Form MI-1310). Enter the deceased person's name(s) in Filer and Spouse Name fields as indicated and the representative/claimant name(s), title, and address in the Home Address field.

For examples, see chart on page 47 of the Michigan 1040 instruction booklet.

COMPLETING A PAPER-FILED RETURN

Treasury uses scanning equipment to capture the information from paper income tax returns. To avoid unnecessary delays caused by manual processing, follow the guidelines below so that returns are processed quickly and accurately.

- **Use black or blue ink.** Do not use pencil, red ink, or felt tip pens. Do not highlight information.
- **Print using capital letters (UPPER CASE):** Capital letters are easier to recognize.
- **Print numbers like this: 0 1 2 3 4 5 6 7 8 9.** Do not put a slash through the zero or seven.
- **Leave lines/boxes blank** if they do not apply or if the amount is zero.
- **Do not write extra numbers, symbols, or notes** on the return, such as cents, dashes, decimal points, or dollar signs. Enclose any explanations on a separate sheet unless instructed to write explanations on the return.
- **Stay within the lines** when entering information in boxes.
- **Use whole dollars.** Round down amounts less than 50 cents. Round up amounts of 50 cents through 99 cents. Do not enter cents (e.g., 129.49 becomes 129, 129.50 becomes 130).

INFORMATION FOR 2011

NEW LEGISLATION

Public Act (PA) 235 of 2010 Small Business Investment Credit

This bill amended the Income Tax Act to create a small business investment credit for the 2011 and 2012 tax years. Generally speaking, the bill applies to investments in young, smaller firms. A qualified investment is defined as an investment after December 31, 2010 and before January 1, 2013 of at least \$20,000 certified by the Michigan Strategic Fund (MSF) that is made alongside of, or through a seed venture capital or angel investor group registered with and approved by the MSF. To qualify for the credit, the taxpayer must receive certification from the MSF. Additional information is available at www.michiganadvantage.org/Small-Business-Investment-Tax-Credit.

PA 347 of 2010 Girl Scouts of Michigan Fund Act

Beginning with the 2011 tax year and subsequent years, this act creates a new check-off with the proceeds going to the Girl Scouts of Michigan Fund in the Michigan Department of Treasury. Contributions to the Girl Scouts of Michigan Fund will be appropriated to each county from which a donation is received. Funds will be used to prepare young people to make ethical and moral choices over their lifetimes by instilling in them the values of the scout oath and law. The taxpayer may designate \$5, \$10, or more of his or her refund to be credited to the fund.

Legislative Changes to the Michigan Income Tax Act for Tax Year 2012

PA 38 of 2011 (HB 4361) signed into law May of 2011 contains extensive changes to Michigan's Individual Income Tax, most of which will not affect individual income tax returns filed until the 2012 tax year. One exception is the income tax rate which will remain 4.35 percent for 2011 and 2012. The rate reduction to 4.25 percent which was scheduled to occur on October 1, 2011 was rescinded. Many taxpayers will be impacted by the other changes and should review and adjust their quarterly estimated income tax payments for 2012 tax year accordingly. Additional information can be found at www.michigan.gov/taxes.

Pension and Retirement Benefits: Roth IRAs

Federal rules for 2010 on rollovers from regular IRAs to Roth IRAs allow installment reporting in 2011 and 2012. The individual must have been 59 ½ when the rollover occurred in 2010 in order to subtract the income on the Michigan return in 2011 and 2012. The subtraction in each year is subject to statutory limits for pension deductions, and the rollover must be included in household income for 2011.

**SUMMARY OF CHANGES
FOR 2011**

Tax Rate	4.35%
Personal Exemption	\$3,700
Special Exemption	\$2,400
Child Care Deduction	\$600
Qualified Disabled Veteran Deduction	\$300
Pension Deduction	
Single Filer	\$45,842
Jointly Filed	\$91,684
Senior Interest, Dividend, and Capital Gains	
Single Filer	\$10,218
Jointly Filed	\$20,437

**SUMMARY OF CHANGES
FOR PRIOR YEARS**

<u>Year</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Tax Rate	4.01%	4.35%	4.35%	4.35%
Personal Exemption	\$3,400	\$3,500	\$3,600	\$3,600
Special Exemption	\$2,200	\$2,200	\$2,300	\$2,300
Child Care Deduction	\$600	\$600	\$600	\$600
Qualified Disabled Veteran Deduction	\$0	\$250	\$300	\$300
Pension Deduction				
Single Filer	\$42,240	\$43,440	\$45,120	\$45,120
Jointly Filed	\$84,480	\$86,880	\$90,240	\$90,240
Senior Interest, Dividend, and Capital Gains				
Single Filer	\$9,420	\$9,690	\$10,058	\$10,058
Jointly Filed	\$18,840	\$19,380	\$20,115	\$20,115

FEDERAL/STATE AND STATE-ONLY/STATE STAND ALONE ELECTRONIC FILING PROGRAM

Over 90 million people nationwide know electronic filing (e-filing) is the way to go! Two-thirds (over 3.5 million) of all Michigan taxpayers chose to e-file their tax returns. Thank you for making e-file a success.



Beginning January 1, 2012, the IRS is mandating preparers filing 11 or more income tax returns to e-file those returns, with minor exceptions. Michigan would expect any preparer e-filing federal returns to also e-file Michigan returns. Software developers producing tax preparation software or computer-generated forms must support e-file for all Michigan income tax forms that are included in the software package.

To optimize operational efficiency and improve customer service, Treasury has joined with the Internal Revenue Service (IRS) by transitioning from the Electronic Management System (EMS) e-file program to the IRS Fed/State Modernized e-File (MeF) program for filing IIT returns. During this transition period, Michigan along with the IRS will support the EMS program as well as MeF. For tax year 2011, Michigan will accept 2009, 2010 and 2011 income tax returns through the MeF program when supported by the software. The software will determine which method of transmission will be used based on the type of return filed. Watch for MeF updates on the Michigan Web site at www.Mifastfile.org and the IRS Web site at www.IRS.gov.

MeF will not change the way tax preparers transmit e-file returns. Tax preparers may not even know the return was transmitted as an MeF return, although a rapid IRS acknowledgment will be the giveaway. In most cases, the returns are sent to a transmitter who then sends the returns to the IRS. Tax preparers should discuss MeF with their software provider to find out specifically what the provider is offering.

Ninety-five percent of Michigan taxpayers can e-file their Michigan and federal tax returns. Taxpayers who choose e-file will continue to receive faster refunds. In addition, the software checks the computations before transmission, eliminating data entry mistakes by the filer or data capture process. Treasury also acknowledges receipt of transmitted data within 48 hours, overcoming concerns of paper returns being lost in the mail or misplaced. When e-filing federal and State returns together, much of the same data is used so information is entered only once, again lessening the possibility of error.

There are many benefits to tax preparers who participate in the e-file program:

- **Expand services offered.** E-file is a valuable addition to a tax preparer's list of client services, which can mean more clients. In addition, prospective clients can search for an authorized e-file provider at www.IRS.gov.
- **Fast refunds for e-file returns.** E-file returns are processed faster than paper returns. **Allow 14 days** before checking the status of an e-filed return using Treasury's "Check My Income Tax Info" Web site. Clients can also choose Direct Deposit and have their refunds deposited directly into their accounts at the financial institution of their choice.

- **Improve return accuracy.** Treasury processes the same data the tax preparer enters into the computer. The computer program checks for math errors. If an error occurs on a return, the e-file software sends an error message and allows the tax preparer to immediately correct the mistake before the return is transmitted. There is two-thirds less chance of error compared to a paper return.
- **Increase customer satisfaction.** Only tax preparers and clients see the returns. Tax information is encrypted and transmitted directly to the IRS and Michigan. Also, an acknowledgment is sent to verify the return was received and accepted for processing.
- **Prior year returns (MeF only).** MeF will allow filing of prior year MI-1040 returns. Tax returns for 2009, 2010 and 2011 will be accepted during the 2012 processing year. As subsequent tax years are added to the system, MeF will accept the current tax year and two prior tax years.
- **PDF attachments (MeF only).** MeF accepts Portable Document Format (PDF) attachments with e-filed returns. Refer to the *Michigan Tax Preparer Handbook for 1040 Modernized e-File (MeF)* for more information on attachments that will be accepted by Michigan.
- **Detailed error conditions (MeF only).** MeF error explanations pinpoint the location of the error in the return and provide complete information in the acknowledgement file that is passed back to the transmitter. MeF error codes use simple wording to clarify each error that triggers a rejection. Michigan will return up to ten error rejection codes per MeF return.
- **Authorization to discuss.** Treasury staff can see immediately if the taxpayer has granted authorization to discuss the return with the tax preparer. The delays of ordering paper returns and mailing correspondence are eliminated.

How Fed/State EMS Electronic Filing Works

Tax preparers and transmitters accepted in the IRS e-file program may participate in the Fed/State e-file Program and file both the federal and State returns together in one transmission to the IRS Service Center. The IRS will acknowledge acceptance of the federal return. The State data will then be made available for retrieval by Treasury. After the data is retrieved, it will be acknowledged and processed by Michigan.

If the Michigan return is rejected, it can be retransmitted as a State-Only return if that filing option is supported by the software. E-filed returns are subject to the same audit checks as paper returns.

How State-Only EMS Electronic Filing Works

Michigan's State-Only e-file program is a cooperative effort with the IRS. The tax preparer will have to indicate in the software that it is a State-Only filing. Michigan will accept State-Only returns with or without an MI-1040. State returns will be transmitted to the IRS and the IRS will validate the SSN against the name and issue an acknowledgment. If the return passes validation, the State data will be made available for retrieval by Treasury. After the data is retrieved, it will be acknowledged and processed by Michigan.

State-Only returns may be signed electronically. Only those taxpayers who filed MI-1040, MI-1040CR MICHIGAN HOMESTEAD PROPERTY TAX CREDIT CLAIM, MI-1040CR-2 MICHIGAN HOMESTEAD PROPERTY TAX CREDIT CLAIM FOR VETERANS AND BLIND PEOPLE, or MI-1040CR-7 MICHIGAN HOME HEATING CREDIT CLAIM returns in the previous tax year are eligible to use the electronic signature alternative.

How Fed/State MeF Electronic Filing Works

Tax preparers and transmitters accepted in the IRS Fed/State MeF Program may submit federal and/or State returns to the IRS. The State submission can be linked to the IRS submission by including the Submission ID of the federal return. If the State submission is linked to an IRS submission (also referred to as the Fed/State return), the IRS will check to see if there is an accepted IRS submission under that Submission ID. If there is not an accepted federal return for that tax type, the IRS will deny the State submission and a rejection acknowledgment will be sent to the transmitter. Treasury has no knowledge that the State return was denied (rejected) by the IRS. If there is an accepted federal return under that Submission ID, MeF will perform minimal validation on the State submission. The State data will then be made available for retrieval by Treasury. After the State data is retrieved, it will be acknowledged and, if accepted, processed by Treasury.

Note: The IRS recommends if a state submission is linked to an IRS submission, send the IRS submission first and, after it has been accepted, send in the state submission.

How State Stand Alone MeF Electronic Filing Works

Tax preparers and transmitters accepted in the IRS e-file program may submit State Stand Alone returns when supported by the software. If the Electronic Return Originator (ERO) does not link the State return to a previously accepted federal return (also referred to as State Stand Alone return), the IRS will perform minimal validation on the State submission. The State data will then be made available for retrieval by Treasury. After the State data is retrieved, it will be acknowledged and, if accepted, processed by Treasury.

Who May Participate

E-filing of Michigan returns is available to all electronic filers who were accepted into the IRS e-file program and who transmit returns to an IRS Service Center. Beginning January 1, 2012, the IRS is mandating preparers filing 11 or more income tax returns to e-file those returns, with minor exceptions. Michigan would expect any preparer e-filing federal returns to also e-file the Michigan returns.

Application Process

To participate, applicants must first apply to the IRS and be accepted. Individuals must register with IRS e-Services and create a new (or revised) IRS e-file application. Individuals can contact e-Help toll-free at 1-866-255-0654 for assistance with the IRS e-file application or if unable to register for e-Services.

Publication 3112 IRS e-file Application and Participation specifies the application process and requirements for federal participation. The definitions used by the IRS of the various categories of electronic filers, EROs, transmitters, or software developers also apply for Michigan e-filing purposes.

Upon acceptance, the IRS Service Center assigns an Electronic Filer Identification Number (EFIN) and, if applicable, an Electronic Transmitter Identification Number (ETIN) to the applicant.

After receiving the federal acceptance information, applicants are automatically accepted into the Michigan e-file program.

IRS regulations require paid tax preparers to use Preparer Tax Identification Numbers (PTINs) for all tax returns and refund claims. Visit the IRS Web site at www.irs.gov for more information.

Acceptance Process

Treasury may conduct a suitability check on applicants who have been accepted in the Fed/State e-file program. Participation in the program may be denied if a company is not registered to conduct business in Michigan, or if there is an outstanding tax liability with Michigan.

Treasury will use the EFIN assigned by the IRS in the Fed/State e-file program. Michigan does not assign any additional identification numbers.

To participate in the e-file program, electronic filers must use software that has successfully completed the IRS and Michigan Participant Acceptance Testing System (PATS). Confirm that the software chosen was approved for Michigan and that the Michigan e-file program is operational before transmitting returns.

A list of approved software companies is available on Treasury's Web site. Tax preparers are not required to file test returns with Michigan.

If, after acceptance, a tax preparer/transmitter or software company has production problems, Treasury reserves the right to disapprove that tax preparer/software company for part or all of the remainder of the filing season.

Michigan Portion of the Electronic Return

The Michigan portion of an electronic return consists of data transmitted electronically and the supporting paper documents. The paper documents contain information that cannot be transmitted electronically.

Electronic Michigan Returns

The following forms and schedules may be e-filed:

- MI-1040 Individual Income Tax Return (**required for all Fed/State e-file returns; not required for State-Only e-file returns.**)
- SCHEDULE 1 Additions and Subtractions
- SCHEDULE 2 Nonrefundable Credits
- 4642 Voluntary Contributions Schedule
- SCHEDULE NR Nonresident and Part-Year Resident Schedule
- MI-1040CR Homestead Property Tax Credit Claim, or
- MI-1040CR-2 Homestead Property Tax Credit Claim for Veterans and Blind People

Note: Either the MI-1040CR or MI-1040CR-2 may be filed, but not both.

- MI-1040CR-5 Farmland Preservation Tax Credit Claim
- SCHEDULE CR-5 Schedule of Taxes and Allocation to Each Agreement (including returns filing for Property Development Rights and/or joint agreements that are not equally apportioned)
- MI-1040CR-7 Home Heating Credit Claim
- SCHEDULE CT College Tuition and Fees Credit
- MI-1040D Adjustment of Capital Gains and Losses
- MI-1040H Schedule of Apportionment

- MI-2210 Underpayment of Estimated Income Tax
- MI-4797 Adjustments of Gains and Losses From Sales of Business Property
- 4013 Resident Tribal Member (RTM) Annual Sales Tax Credit
- 4764 Energy Efficient Qualified Home Improvement Credit
- W-2 Wage and Tax Statement
- 1099 form(s)

Notes: The information from the W-2 and 1099 forms is entered in the software and transmitted with the e-file return. Do not mail W-2 and/or 1099 forms to Treasury. All W-2 and 1099 information, when applicable, is required when submitting a State-Only/State Stand Alone return.

Michigan will accept e-file returns for deceased taxpayers. If the federal 1310 return information is required, it must be included with the Michigan e-file return.

- Federal forms and schedules

Non-electronic Portion of Michigan Returns

The non-electronic Michigan return consists of the following supporting documents:

- **Copies of state returns other than Michigan for out-of-state credit.** Copies should be retained in the taxpayer's records. When transmitted using MeF, a copy of the other state return can be attached as a PDF when supported by the software.
- **Copies of tax bills should be retained in the taxpayer's records.** Treasury may request copies to verify tax information.
- **Form MI-1040CR-5 FARMLAND PRESERVATION TAX CREDIT CLAIM.** Farmland returns claiming an unequal distribution of property taxes on jointly-owned land must have a distribution statement signed by all owners. Part 2 of the MI-1040CR-5 may be used for this purpose. **Do not** mail a copy of MI-1040CR-5 or the signed statement to Treasury. A copy of the signed statement should be retained to avoid reduction and/or denial of the credit at a later date. Treasury may request a copy of the signed statement to verify the unequal distribution claimed.
- **Form MI-8453 MICHIGAN INDIVIDUAL INCOME TAX DECLARATION FOR ELECTRONIC FILING.** For Fed/State e-file, Treasury does not require that form MI-8453 be mailed. Treasury recommends tax preparers retain MI-8453 on file for six years.
- **Form MI-1040-V MICHIGAN E-FILE PAYMENT VOUCHER.** If tax is due on an e-filed return, the taxpayer must submit payment by check or money order by April 17, 2012, with form MI-1040-V. In late March, taxpayers will receive a reminder notice if payment has not been made. If full payment is not submitted by April 17, the taxpayer will receive a bill with applicable penalty and interest. Do not use form MI-1040-V for any other payments to the State of Michigan.
- Michigan does not participate in an electronic funds withdrawal process for tax due returns. All e-file payments must be mailed to Treasury along with a copy of form MI-1040-V.

Michigan E-file Signature Process

For Fed/State EMS and MeF Returns:

Michigan will accept the federal signature (Self-Selected Personal Identification Number (PIN) or Practitioner PIN). Michigan does not require any additional signature documentation. If the taxpayer chooses to complete the MI-8453, Treasury recommends that the tax preparer retain it for six years. **Do not** mail the MI-8453 to Treasury.

For State-Only (EMS) and State Stand Alone (MeF) Returns:

State-Only/State Stand Alone returns that are filed by a tax preparer with or without an MI-1040 can be signed using “shared secrets” or the MI-8453 signature document. The shared secrets consist of SSNs, previous year’s AGI or household income, and the previous year’s tax due or refund amount. If the MI-8453 is used, the tax preparer may retain a copy of the MI-8453. The MI-8453 should **not** be mailed to Treasury.

Note: If the return is signed using shared secrets and the return is rejected because the shared secrets do not validate, the taxpayer/tax preparer may correct the shared secrets information and retransmit. There is no limit on how many times the return can be retransmitted in this circumstance.

Volunteer Groups

If the taxpayer completes an MI-8453, it should be mailed to Treasury. Treasury recommends collecting all of the MI-8453 forms at the end of the filing season and sending them to Treasury at the address included in the instructions for the form. Volunteer tax preparers may provide taxpayers with their MI-8453 forms and instruct them to mail them to Treasury. If located in a permanent facility, volunteer tax preparers may retain the MI-8453 forms on file the same as a paid tax preparer.

Form MI-8453

When acknowledgment is received that the Michigan return has been accepted, a Declaration Control Number (DCN) will be provided for EMS returns. MeF returns will have a Submission ID associated with the return which does not need to be recorded.

Exclusions From E-file

When the following forms are included in a filing, the MI-1040 **can** be e-filed, but the forms listed below **must** be mailed.

- MI-1045 Application for Michigan Net Operating Loss Refund
- 4 Application for Extension of Time to File Michigan Tax Returns

When the following forms and/or taxpayer conditions exist, the taxpayer is **not** eligible for **EMS** e-file for the 2011 tax year:

- Returns or forms listed as excluded in *IRS Publication 1345*
- Filing MI-1040 and any of the following apply:
 - Fiscal year filers
 - Prior year returns
 - Not required to file U.S. Form 1040 if filing Fed/State
 - MI-1040CR-5 with more than 25 agreements
 - Stillbirth Credit
 - 4534 Venture Capital Deduction Schedule

- Individual or Family Development Account Credit
- Small Business Venture Tax Credit
- Filing more than one occurrence of MI-1040H Schedule of Apportionment
- Filing MI-1040D with more than 20 short-term capital gains/losses or 24 long-term capital gains/losses
- Filing MI-4797 with more than 16 sales/exchanges of property held over one year or more than 13 sales/exchanges of property held one year or less
- Filing the following Michigan forms:
 - MI-8839 Qualified Adoption Expenses
 - 3581 Historic Preservation Tax Credit
 - MI-1040X Amended Michigan Income Tax Return

When the following forms and/or taxpayer conditions exist, the taxpayer is **not** eligible for **MeF** e-file for the 2011 tax year:

- Filing federal returns or forms listed as excluded in MeF
- Filing MI-1040 and any of the following apply:
 - Prior year returns (2008 and prior)
 - Not required to file a U.S. Form 1040 if filing Fed/State
 - MI-1040CR-5 with more than 25 agreements
 - Claiming the Stillbirth Credit and the software does not support PDF attachments
 - Claiming the Individual or Family Development Account Credit and the software does not support PDF attachments
 - Claiming the Small Business Venture Credit and the software does not support PDF attachments
 - Filing more than one occurrence of MI-1040H Schedule of Apportionment
 - Filing MI-1040D with more than 20 short-term capital gains/losses or 24 long-term capital gains/losses
 - Filing MI-4797 with more than 16 sales/exchanges of property held over one year or more than 13 sales/exchanges of property held one year or less
 - Filing the following Michigan forms:
 - MI-8839 Qualified Adoption Expenses
 - 3581 Historic Preservation Tax Credit
 - MI-1040X Amended Michigan Income Tax Return

Refer to the *Michigan Tax Preparer Handbook for 1040 Modernized e-File (MeF)* for more information on the MeF program.

Note: Any future updates made to the list of exclusions from e-file will be available in the Michigan Tax Preparer Handbooks located on Treasury's Web site www.MIfastfile.org.

Refund Returns

Direct Deposit information is part of the electronic record; therefore, a separate 3174 does not have to be completed for e-file. However, remember that the Direct Deposit information for the federal and State returns can be different. This is especially important when the taxpayer has a Refund Anticipation Loan (RAL).

Treasury **cannot** make any changes to Direct Deposit information after the return is transmitted.

For More Information

Visit the federal Web site at *www.irs.gov* and Michigan Web site at *www.MIfastfile.org* for more information on the Fed/State e-file Program.

Assistance is available using TTY through the Michigan Relay Center by calling 1-800-649-3777 or 711. Printed material in an alternative format may be obtained by calling (517) 636-4486.

POST-FILING INFORMATION

Mailing Addresses

General income tax correspondence:

Michigan Department of Treasury
Customer Contact Division
P.O. Box 30057
Lansing, MI 48909

Returning State of Michigan checks:

Michigan Department of Treasury
Receipts Processing Division
Lansing, MI 48922

Write "Void" across check and include letter of explanation.

Returning a home heating draft for a check:

Michigan Department of Treasury
Customer Contact Division
P.O. Box 30757
Lansing, MI 48909

Write "Void" across draft and include letter of explanation.

Remind taxpayer the dollar amount will only be 50 percent of the draft and there will be further reviews of their account.

Refer to the Treasury Web site at www.michigan.gov/treasury for more information.

Amended Returns (MI-1040X)

This form is used to correct or amend information reported on an MI-1040, credit claims, and schedules. When filing the MI-1040X, indicate the tax year, give an explanation of the change, and provide any supporting documentation.

If the original return was adjusted by Treasury and the taxpayer disagrees with the adjustments, it is not necessary to file an amended return. Simply respond to the adjustment notice with documentation to support the original claim. Treasury will review the documentation for further adjustment.

Exceptions: When correcting a homestead property tax credit (MI-1040CR) and no MI-1040 was filed with the original claim, an MI-1040X is not required. File the MI-1040CR using the corrected figures and write “Amended” at the top of the form.

When correcting a home heating credit (MI-1040CR-7), file an MI-1040CR-7 and write “Amended” at the top of the form. An amended claim requesting an additional heating credit must be submitted by September 30, following the year of the claim.

When correcting a farmland credit (MI-1040CR-5), file an MI-1040CR-5 and write “Amended” at the top of the form. Submit the amended form along with a description and any documentation needed to explain the change.

An amended return is not required to change an incorrect SSN or incorrect mailing address. Contact Treasury at www.michigan.gov/it or call (517) 636-4486.

An amended return claiming an additional refund must be filed within four years of the due date of the original return.

2-D BARCODING DISCONTINUED TAX YEAR 2011

Beginning **January 1, 2012**, the IRS e-file mandate for individual income tax returns will apply to preparers who file 11 or more returns. Michigan would expect any preparer e-filing federal returns to also e-file the Michigan returns. Based on the anticipated decrease in the volume of 2-D barcode returns, Treasury cannot justify the time and expense required to continue to support 2-D barcoding. Therefore, Treasury will not support 2-D barcoding for the 2011 tax year.

CUSTOMER SELF-SERVICE

Taxpayers and authorized representatives can check on the status of tax returns, get a summary of estimated payments, or ask a question about tax accounts using Treasury's convenient Customer Self-Service options. Taxpayers and authorized representatives are encouraged to use these channels to get information quickly and efficiently. For individual income tax information, call (517) 636-4486 or access Treasury's Web site at www.michigan.gov/taxes.

It is very important that Treasury has the proper security measures in place for customers to access account information over the Internet. For privacy and security reasons, customers will have to authenticate and correctly enter a combination of shared secrets (e.g., AGI, SSN, etc.) before information can be accessed.

On the Web site, click on Check My Income Tax Info. After verification of identification, choose the appropriate link. Additional information may be requested depending on the request. If more than one account will be checked, use the Login/Logout button located in the upper-right corner at the end of the Michigan banner to return to the customer login page. The next taxpayer can then be authenticated.

The following self-service options are available for individual tax accounts:

- Check the date Treasury is currently processing returns.
- Check if and when a refund, credit claim, or energy draft has been issued for the current year and three prior years.
- Check to see if a refund, credit, or energy draft has been returned to Treasury, direct-deposited into an account, or offset to a debt.
- Check the status of a letter sent to Treasury.
- Request copies of returns filed.
- Ask Treasury a question related to the account or check the status of a service request.
- Order copies of current and prior year tax forms.
- Request blank tax forms.

Call Treasury at (517) 636-4486 to reach the automated response system. Entering or saying the information required activates the automated response system. Be cautioned that background noise or other conversations will be picked up by the automated response system.

The automated response system provides the current processing date and promotes self-service on the Web. Options available on the automated response system include:

- Current year status - The customer enters an SSN and AGI. The automated response system provides the following status information:
 - Current processing date
 - Completed with date
 - Pending review with date return should finish review
 - No record of return
 - The amount entered does not match Treasury records.

- Estimated payments - Enter the SSN and AGI from current year minus two (e.g., for tax year 2011, enter the AGI from the 2009 return). Also enter the tax year designated on the estimated payment. The automated response system provides payment amount(s) and date(s), credit forward amount and date, no payments on file, or transfers the caller to a Customer Service Representative (CSR).
- Prior year information - Enter the SSN, AGI, and tax year in question. The automated response system provides the following status information:
 - Completed with date
 - Pending review with date
 - No record of return
 - The amount entered does not match Treasury records.

Refund Returns

Direct Deposit information is part of the electronic record; therefore, a separate *Direct Deposit of Refund* (Form 3174) does not have to be completed for e-file. However, the Direct Deposit information for the federal and State returns can be different. This is especially important if there is a Rapid Refund or a Refund Anticipation Loan (RAL). Make sure this information is correct for both federal and State refunds. Tax preparers may want to request documentation from the taxpayer to verify bank account information.

Due to recent changes to the rules for Direct Deposit, if the income tax refund Direct Deposit is forwarded or transferred to a bank account in a foreign country, the Direct Deposit may be returned to Treasury. If this occurs, the refund will be converted to a check (warrant) and mailed to the address on the tax return.

Treasury **cannot** make any changes to Direct Deposit information after the return is transmitted.

Changes on the Return

If corrections must be made once the return has been accepted and acknowledged, the taxpayer must file form MI-1040X on paper.

Contact Information

Michigan e-file publications and forms are available on Treasury's Web site at www.Mifastfile.org. For questions about the e-file program, contact the Electronic Filing Programs staff at:

Mifile2D@michigan.gov
(517) 636-4450
(517) 636-4378 (Fax)
TTY Assistance only: (800) 649-3777

Michigan Electronic Filing Programs Office
Michigan Department of Treasury
430 W. Allegan St.
Lansing, Michigan 48922

This contact information is for **tax preparers and software developers only** and enables Treasury to provide better service to authorized e-file providers. The Electronic Filing Programs staff is unable to provide return status information or address specific taxpayer account issues.

Tax Preparer Resources

Visit Treasury's Web site at www.Mifastfile.org for more information on Michigan's Electronic Filing Programs including:

- **2011 Michigan Tax Preparer Handbook for Electronic Filing Programs.** These Handbooks are available on Treasury's Web site at www.Mifastfile.org. Go to www.Mifastfile.org, click on Tax Preparer, and scroll down to the handbook links.
- **Treasury Tax Professionals LISTSERV.** This is a free service that disseminates mass e-mail messages, within seconds, to all subscribers. This includes communications on Treasury's e-file programs and other information of interest. To subscribe to this service or for additional information, visit Treasury's Web site at www.Mifastfile.org and click on Tax Preparer.
- Frequently asked questions.

CHAPTER 2
HOMESTEAD PROPERTY TAX CREDIT
MI-1040CR, MI-1040CR-2

GENERAL INFORMATION

INTRODUCTION

A homestead property tax credit is given by the State of Michigan to assist residents in paying their property taxes. Property taxes are taxes paid by a homeowner directly to a Michigan city, township, or county, or that portion of rent paid to a landlord which represents property tax on an apartment, duplex, home, or other rental unit.

CREDIT REFUND

The taxpayer will be refunded the total credit unless he or she has a liability for:

- Income tax, business tax, etc.
- Other State agencies
- Friend of the Court
- Third-party liabilities.

If the taxpayer has a liability, the credit will be used to offset the amount due. However, should the credit be greater than the liability, the balance of the credit will be refunded.

INSTRUCTIONS

This chapter will often refer to the “instructions.” These are the instruction booklets used to prepare the homestead property tax credit forms MI-1040CR and MI-1040CR-2. Read the instruction booklets. The following information will recap and/or further explain the instructions.

WHO MAY CLAIM A CREDIT

A credit may be claimed for a person who:

1. Was a Michigan resident for at least six months of the year, **and**
2. Owned or rented and occupied a Michigan homestead on which either property tax or a service fee was paid, **and**
3. Has property taxes that exceed 3.5 percent household income, **and**
4. Has household income that does not exceed \$82,650.

HOMESTEADS THAT DO NOT QUALIFY

A homestead property tax credit may not be claimed for:

1. Rent paid to a city housing project if no property taxes or service fees are paid by the property owner.
2. Rent or property taxes on a summer cottage.
3. Rent or property taxes on property not located in Michigan.
4. Rent paid by anyone who is not a domiciled resident of Michigan.

CALCULATION OF THE CREDIT

Home Owner

For most filers, the credit is equal to 60 percent of the amount that property taxes exceed 3.5 percent of HHI. If the claimant is: (1) a senior citizen (at least one spouse is 65 or older); (2) totally and permanently disabled; (3) blind; (4) deaf; or (5) paraplegic, quadriplegic, or hemiplegic, the amount that can be claimed is 100 percent of the amount that property taxes exceed 3.5 percent of the HHI.

Renter

For most filers, the credit is equal to 60 percent of the amount that 20 percent of the annual rent exceeds 3.5 percent of HHI. If the claimant is either: (1) a senior citizen (at least one spouse is 65 or older); (2) totally and permanently disabled; (3) blind; (4) deaf; (5) paraplegic, quadriplegic, or hemiplegic, the amount that can be claimed is 100 percent of the amount that 20 percent of the rent exceeds 3.5 percent of HHI.

PERCENT NOT REFUNDABLE - HOUSEHOLD INCOME \$6,000 OR LESS

For most filers, 3.5 percent of HHI is subtracted from the annual property tax or 20 percent of annual rent to arrive at the credit. However, if the claimant or spouse is 65 or older or is a paraplegic, quadriplegic, hemiplegic, blind, deaf, or is totally and permanently disabled, **and** the total HHI is \$6,000 or less, use the percentage found in the table below.

<u>Income</u>	<u>% of Income</u>
\$3,000 or less	0%
\$3,001 - \$4,000	1
\$4,001 - \$5,000	2
\$5,001 - \$6,000	3
Greater than \$6,000	3.5

MAXIMUM CREDIT

The maximum credit is \$1,200, even if the calculated amount is greater than \$1,200.

PHASE-OUT

For taxpayers whose HHI exceeds \$73,650, the computed credit (maximum \$1,200) must be reduced by 10 percent for each thousand or portion of thousand over \$73,650.

WHEN TO FILE CLAIM

Claims must be filed within four years from the due date of form MI-1040.

WHICH FORM TO USE (MI-1040CR OR MI-1040CR-2)

Use form MI-1040CR for:

- General claimant.
- Senior citizen - regular method. Also, paraplegic, quadriplegic, hemiplegic, totally and permanently disabled, blind, or deaf persons.
- Senior citizen - alternate rent credit (rent larger than 40 percent of HHI).
- Senior citizen - homeowner over age 99 optional method.

Use form MI-1040CR-2 for:

- Veteran with a service-connected disability or veteran's surviving spouse, a surviving spouse of a veteran deceased in service, a veteran of wars before World War I, or a pensioned veteran.
- Person in active military whose income is less than \$7,500.
- Surviving spouse of a nondisabled or non-pensioned veteran of the Korean War, World War II, or World War I whose household income is less than \$7,500.
- Blind person who owns his or her home.

IDENTIFICATION

Complete the identifying information section as follows:

1. Enter name(s) and current mailing address. Use the mailing label if the information is correct.
- 2&3. Enter the SSN(s) on the return, even if the label is used. Ask to see the claimant's Social Security card(s). It is important that the correct number is entered. Both SSNs must be included on the form for married filing jointly and filing separately. This claim must be filed jointly unless there is a legal separation **and** separate homesteads are maintained.
4. Enter school district code. Obtain the code numbers from the instruction booklet.
5. Check the box that applies to the taxpayer or spouse.

Use the following definitions:

- Senior Citizen One spouse must be 65 or older on December 31, 2011, to qualify. The unremarried spouse, regardless of age, of a person who was 65 or older at the time of death also qualifies.
- Paraplegic An individual who has paralysis of the lower half of the body.
- Quadriplegic An individual who has paralysis of both arms and both legs.
- Hemiplegic An individual who has paralysis of one side of the body.
- Totally and permanently disabled person Generally a claimant who qualifies for this credit is receiving Social Security disability, Supplemental Security Income (SSI), or veterans' disability retirement payments. An individual who is 65 or older cannot claim totally and permanently disabled.
- Deaf Hearing-impaired to a degree that the primary method of receiving communication is through a sense other than hearing.
- Blind Vision with corrective lenses of 20/200 or less in the better eye, or peripheral field vision of 20 degrees or less.

COMPUTATION

This section identifies the allowable taxes, rent, and HHI which are the key figures needed to calculate the credit.

PROPERTY OWNER

Property Taxes

The taxable value (TV) and property taxes must be entered on lines 6 and 7 of the return. The TV can be found on the property tax statement or it can be obtained from the local tax assessor.

Homestead Property Owner

Determine the property is occupied by the owner. Remember:

1. Claim only the taxes **billed** for the year of claim regardless of when tax was paid.
2. Administrative fees of up to 1 percent of the taxes may be included in the amount of taxes used to compute the credit.
3. Special assessments may **not** be included in taxes unless special assessments are based on the TV and applied to the entire taxing jurisdiction. Public Act 28 of 2003 allows assessments on a portion of a township to be included in the credit calculation if the assessment is for police, fire, or advanced life support.
4. Delinquent taxes paid in 2011 may **not** be included in the amount of taxes used to compute the credit for 2011.
5. If the homestead was bought or sold during 2011, the taxes must be prorated for the time each homestead was occupied.

Farmland Property Owner

A claimant is entitled to a homestead property tax credit on farmland under the following conditions:

1. If gross receipts from farming are greater than claimant's HHI, all taxes on farmland may be claimed for credit including taxes on unoccupied land. The claimant may not include taxes on land that is not adjacent or contiguous to his or her home and is rented or leased to another person.
2. If gross receipts from farming are less than claimant's HHI, taxes are limited to property taxes on farmland adjacent and contiguous to the home providing claimant lived on the land ten years or more, **or**
3. If claimant has not lived on the land for ten years and the gross receipts from farming are less than HHI, only the taxes on the home and five acres of adjacent or

contiguous farmland may be claimed for credit. The township assessor can give the claimant this information.

Home Owner, Full Year

Indicate TV on line 6 and all allowable property taxes on line 7.

Home Owner, Part Year

Property taxes must be prorated if the claimant was a part-year resident **or** a full-year resident who bought or sold a home during the year. The total time claimed for all homesteads must not exceed 12 months or 365 days, and the taxes must be prorated for the time claimant owned and lived in each. Part-year residents are limited to the number of days they actually lived in Michigan. They must live in Michigan for at least **six months to qualify**. Complete lines 36 through 42 on the back of the return. Use both columns if necessary. Then carry the figure on line 42 to line 7.

Example:

Raymond Smith sold his homestead (House A) on March 31. He occupied it until March 31. On April 1, he moved into a new homestead (House B) which he purchased. Property taxes billed for that year are as follows:

<u>Taxing Authority</u>	<u>Date Billed</u>	<u>House A</u>	<u>House B</u>
City	July	\$600	\$ 1,050
County	November	<u>130</u>	<u>235</u>
Total		<u>\$730</u>	<u>\$1,285</u>

Mr. Smith occupied house A for 90 days and house B for 275 days in the tax year. He is entitled to use the following percentage of property taxes on each house for the credit:

<u>House A</u>	<u>House B</u>
$\frac{90 \text{ Days}}{365 \text{ Days}} = 25\%$	$\frac{275 \text{ Days}}{365 \text{ Days}} = 75\%$

Therefore, Mr. Smith is entitled to use the following taxes:

	<u>Total Tax</u>		<u>%</u>		<u>Allowable Tax</u>
House A	\$ 730	x	25%	=	\$ 183
House B	<u>1,285</u>	x	<u>75%</u>	=	<u>964</u>
Total	<u>\$2,015</u>		<u>100%</u>		<u>\$1,147</u>

RENTER

Rent

If a landlord does not pay property tax or a service fee, no portion of the rent is considered to be property tax. Therefore, no credit is allowed.

Rent should not include security deposits, late fees, or charges for other services provided, such as meals or housekeeping.

The property tax included in rent is as follows:

1. 20 percent of rent paid, if the landlord pays property tax.
2. 10 percent of rent paid, if the landlord pays a service fee to the local unit of government instead of property tax.

Renter, Full Year

Claimant rented homestead for the full year (12 months). Complete lines 43 and 44 on the back of the return. Carry the figure on line 44 to line 8 on the front of the return. Calculate 20 percent of line 8 and enter on line 9.

Renter, Part-Year

Claimant either moved from a rental situation to owning a home, was a part-year resident, or is filing on behalf of a deceased taxpayer. Claimant may only claim rent for the period of time he or she was a resident and actually occupied the rental unit. Do not include rent beyond the dates claimant lived in the unit (i.e., paid additional rent to fulfill a lease when he or she moved to another homestead). Complete lines 43 and 44 on the back of the return. Carry the figure on line 44 to line 8 on the front of the return. Calculate 20 percent of line 8 and enter on line 9. If the claimant also bought or sold a home, complete lines 36 through 42 and carry the figures to line 7.

TYPES OF HOUSING

To determine whether the claimant should be reporting a property tax figure or rent, consider the various types of housing and/or circumstances that may affect how the claimant should file.

Mobile Home

A claimant living in a mobile home park may claim \$3 per month in addition to 20 percent of the balance of the rent paid. The \$3 per month is a specific tax in addition to the general property tax paid. If the renter also pays a **separate property tax** for an additional attached building (such as a garage, carport, or shed), he or she may also claim the specific property tax. The taxes must be billed separately to qualify. Complete lines 43 and 44 on the back of the return. Include the lot rent minus the \$3 per month tax. Carry the figure on line 44 to line 8. Calculate 20 percent of line 8 and enter on line 9. Also, enter \$3 a month or \$36 for the full year for the specific tax on line 7.

Example:

John Jackson lives in the Happy Motor Trailer Park. Rental receipts reviewed disclose total rent paid of \$1,636.

Included in each month's rent is a \$3 specific tax, which totals \$36 a year. Enter this amount on line 7 as taxes paid and enter the balance of \$1,600 on line 8 as rent paid.

Service Fee Housing

Complete lines 45 through 47 of the back of the return. Carry the figure on line 47 to line 7 on the front of the return. Leave line 6 blank and **do not** complete lines 8 and 9.

Nursing Home, Home for the Aged, and Adult Foster Care Claimants

A permanent resident of a nursing home, home for the aged, or foster care home is entitled to a homestead property tax credit if the facility bills a lump sum for rent and services. The resident's allocable share is calculated by dividing the facility's property tax by the number of licensed beds.

If the facility received a direct payment from a State or federal agency for the care of the resident, then the allocable share may be limited. The resident cannot claim an allocable share that is greater than the charges paid by the resident to the facility.

Example: Mrs. Brown's nursing home charges were billed in a lump sum of \$13,000 (for rent, food, and other nursing services) to the State of Michigan. Of that sum, \$12,000 was paid directly to the nursing home by the State. Mrs. Brown paid the balance due of \$1,000. Mrs. Brown's "allocable share" of property taxes on the nursing home, based on 100 beds and \$60,000 in real property taxes, is \$600. Since Mrs. Brown's total charges paid by her are greater than her "allocable share," only the allocable share of \$600 may be used by her for calculating a property tax credit.

Room and Board

If the claimant pays room and board in **separate** billings, the claimant must base the credit on the rent. If the claimant pays room and board in **one** billing, the credit must be based on a prorated share of the property taxes on the facility. If the landlord does not provide this figure, divide the square footage of the claimant's living space by the total square footage of the facility, then multiply the total taxes on the facility by that percentage.

Special Housing

If the claimant resides in housing where the rent includes meals and other services (housekeeping, laundry, transportation, etc.), the credit must be based on the prorated share of the taxes on the entire property. The facility must provide the claimant with the prorated share of the property taxes for use in the credit calculation. Claimants may not calculate the credit by using the portion of the monthly payment as rent.

Cooperative Housing

Use the claimant's share of property taxes on the building and 20 percent of rent paid on leased land (if co-op is built on rented land). Ask to see a statement from the co-op giving the amount of taxes or the percentage of the monthly payment that is considered tax on claimant's unit. Complete lines 43 and 44 for the "land rent" and carry to line 8. Calculate 20 percent and enter on line 9. Indicate TV on line 6 and enter property taxes on line 7.

HOUSEHOLD INCOME

Complete lines 11 through 28 according to the instructions.

HHI is the total income of a husband and wife or a single person maintaining a household. It is made up of taxable and non-taxable income. HHI is federal AGI plus income that is specifically excluded or exempted from federal tax. (*See Income and Deductible Items, page 78.*)

The following is a **partial list** of excluded income that must be included in a claimant's HHI:

1. Benefits received from Social Security, including SSI and Railroad Retirement benefits. Do not include Medicare payments in this total.
2. Family Independence Program (FIP) assistance and Department of Human Services (DHS).
3. Unemployment insurance benefits.
4. Workers' compensation payments.
5. Veteran's disability payments, pension benefit, or mustering out payments.
6. Amounts received for loss of wages due to permanent disability.

7. Amounts received as damages for personal injury or sickness.
8. Amounts in excess of the claimant's contributions received from a pension plan or annuity. This includes reimbursement payments, such as an increase in a pension to pay for Medicare charges.
9. Life insurance proceeds, except benefits from insurance on a spouse.
10. Money received from a person who is legally obligated to support a member of the household.
11. An inheritance, bequest, or devise, excluding an inheritance from a spouse.
12. Educational benefits received under federal or State legislation with respect to services in the military or naval forces of the United States.
13. A scholarship or other educational grant.
14. Income from an obligation issued by a state or its political subdivisions, including this State.
15. Gifts in cash or kind from nongovernmental sources exceeding \$300.
16. The portion of capital gains and dividends excluded or deducted from federal AGI.
17. All capital gains. This is the total of short- and long-term gains less short- and long-term losses from U.S. Schedule 1040D. Include gains realized on the sale of taxpayer's residence regardless of age or whether or not these gains are exempt from federal income tax. Losses may not be deducted.
18. Death benefits paid by or on behalf of an employer, excluding benefits paid for a spouse.
19. Earned income from foreign sources excluded from federal gross income.
20. Accumulation distributions received from a trust.
21. Net rental income.
22. Child support.
23. Lump sum distributions that have been deducted in arriving at federal AGI.
24. Amounts received for minor children or other dependent adults who live with the claimant.

Household income **does not include** (partial list):

1. Minor child's income.
2. Loan proceeds.
3. Surplus foods.
4. Receipt of original contributions to pension plans.
5. Relief in kind by a governmental unit such as Medicaid payments to a nursing home or doctor, or rent paid in whole or in part directly to the landlord. Chore service payments are income to the provider but not to the person receiving the benefits.
6. Governmental grants which must be used by the claimant to improve a homestead.
7. State and city income tax refunds, including homestead property tax and home heating credits. Farmland preservation tax credits are included in federal AGI and household income.
8. Amounts deducted from Social Security or railroad retirement benefits for Medicare premiums.
9. Amounts paid by an employer for life, health, or accident insurance.
10. First \$300 in income from gambling, bingo, lottery, or prizes and awards during the year.
11. Stipends received by a person 60 years of age or older who is acting as a foster grandparent under the Foster Grandparent Program or as a senior companion of the Domestic Volunteer Service Act.
12. An inheritance from a spouse.
13. Life insurance benefits from a policy on the claimant's spouse.

Note: Any health insurance premiums paid, in whole or in part, by the claimant and not by the employer for both claimant and family are deductible from gross income to arrive at HHI. The filer may not claim protection insurance premiums for monetary compensation if he or she acquires a specific disease or becomes disabled. Also, a deduction may not be taken for insurance premiums covering the cost of nursing home or in-home care. The taxpayer may claim the portion of an auto insurance policy that covers medical coverage.

Enter the following on line 25, "Other Adjustments," taken from the adjustments to income portion of *Form U.S. 1040*:

1. Payments made to an Individual Retirement Account (IRA), Keogh (HR10), SEP, or Simple Plans if deducted from federal AGI.
2. Student loan interest deduction.
3. Health savings account deduction.
4. Medical insurance/HMO premiums claimant paid.
5. Moving expenses when moving into Michigan.
6. Deduction for ½ of the self-employment tax.
7. Self-employed health insurance deduction.
8. Forfeited interest penalty for premature withdrawal.
9. Alimony paid.
10. Net operating loss (NOL) deduction (may not exceed federal modified taxable income).
11. Educator expenses.
12. Tuition and fees deduction.
13. Domestic production activities deduction.

The adjustments listed above, plus any other losses shown, should be supported by attaching a copy of the front page of U.S. form 1040 and/or all supporting schedules indicating the losses.

See instruction booklet for additional information. Refer to Income and Deductible Items, page 78, for other items which may or may not be included in HHI.

INSUFFICIENT INCOME TO COVER LIVING EXPENSES

HHI must be sufficient to pay property taxes or rent plus living expenses. If income is insufficient, attach a note explaining the extenuating circumstances. General questions may be asked to obtain additional information.

Example:

A claimant comes into the office with W-2s showing total wages of \$2,500 which he or she claims to be the only income received for the year. This claimant also shows you rent receipts totaling \$3,000. Upon questioning the claimant, you discover the claimant has three children and claims no other money was received during the year. Obviously, something is wrong. The claimant spent \$3,000 towards rent but only had \$2,500 available to spend. In addition, there must have been other living expenses incurred to maintain the household.

The following are some questions you might ask the claimant to ascertain other possible sources of income:

- Did you receive ANY other income during the year from other sources, such as child support?
- Did you receive food stamps or other non-cash assistance during the year?
- Did you share living expenses with anyone else (rent, food, etc.)?
- Did you receive gifts of cash or were expenses paid on your behalf by friends or relatives?

State returns suspected to contain false information should be sent to the Treasury Discovery and Tax Enforcement Division, with a note of explanation.

CREDIT COMPUTATION METHODS

This section discusses how to compute a property tax credit. If the claimant is eligible for more than one method, choose the method which produces the largest credit.

All filers must reduce the computed property tax credit by 10 percent for every \$1,000 (or part of \$1,000) that HHI exceeds \$73,650. A property tax credit is not available to any filer whose household income exceeds \$82,650.

The credit computation methods are:

- General claimant
- Senior citizen - regular method. Paraplegic, quadriplegic, hemiplegic, totally and permanently disabled, blind, or deaf person.
- Senior citizen - alternate rent credit method (rent larger than 40 percent of HHI)
- Senior citizen - optional method (homeowner age 99 or older)
- Service persons or veterans or their widows or widowers
- Blind persons
- FIP recipient.

GENERAL CLAIMANT

Qualifications

This method is available when the claimant or spouse does not qualify for any other method or when the taxpayer or spouse does qualify for one or more of the other methods but the other method(s) results in a smaller refund or credit.

Method of Computation

The credit is equal to 60 percent of the amount by which property taxes or 20 percent of the rent paid exceeds 3.5 percent of HHI.

Examples:

<u>Homeowner</u>		<u>Renter</u>	
Property Taxes	\$900	Rent/Year	\$4,200
			<u>x 0.2</u>
			840
HHI	\$9,500	HHI	\$9,500
	<u>x 0.035</u>		<u>x 0.035</u>
Amount Not Refundable	<u>- 333</u>	Amount Not Refundable	<u>- 333</u>
Balance	567	Balance	507
	<u>x 0.6</u>		<u>x 0.6</u>
Credit	<u>\$340</u>	Credit	<u>\$ 304</u>

Note: A general claimant will always apply 3.5 percent to HHI, even when the HHI is \$6,000 or less.

SENIOR CITIZEN, PARAPLEGIC, QUADRAPLEGIC, HEMIPLEGIC, TOTALLY AND PERMANENTLY DISABLED, BLIND, OR DEAF PERSONS

Qualifications

See page 29 of this text.

Method of Computation

The credit equals the amount by which property taxes or 20 percent of the rent paid exceeds 3.5 percent of HHI. The following examples illustrate the computation for both the homeowner and the renter.

Examples:

<u>Homeowner</u>		<u>Renter</u>	
Property Taxes	\$620	Rent/Year	\$4,000
			<u>x 0.2</u>
			800
<u>Homeowner</u>		<u>Renter</u>	
HHI	\$8,000	HHI	\$8,000
	<u>x 0.035</u>		<u>x 0.035</u>
Amount Not Refundable	<u>- 280</u>	Amount Not Refundable	<u>- 280</u>
Credit	<u>\$340</u>	Credit	<u>\$ 520</u>

Notes: If HHI is \$6,000 or less, substitute the 3.5 percent with the lower percentage found in the table on page 27 of this text or in the Michigan 1040 instruction booklet.

A homeowner who is blind should also complete Form MI-1040CR-2 and select the form that results in the larger credit.

**SENIOR CITIZEN - ALTERNATE METHOD FOR RENTER
(RENT LARGER THAN 40% OF HHI)**

Qualifications

A claimant is eligible for this method if either spouse is 65 or over, and they rent their homestead.

Method of Computation

The credit is equal to the amount by which the annual rent paid exceeds 40 percent of the HHI. The illustration below compares this method to the regular method for a senior citizen.

<u>Regular Method</u>		<u>Alternate Method</u>	
Rent/Year	\$5,000	Rent/Year	\$5,000
	<u>x 0.2</u>		
	1,000		
HHI	\$8,500	HHI	\$8,500
x 3.5%	<u>x 0.035</u>	x 40%	<u>x 0.4</u>

Amount Not Refundable	<u>- 298</u>	Amount Not Refundable	<u>- 3,400</u>
Regular Method Credit	<u>\$ 702</u>	Alternate Method Credit	<u>\$ 1,600</u>

Use the Alternate Method = \$1,200 (maximum amount allowed).

SENIOR CITIZEN - HOME OWNER AGE 99 OR OVER IN 2011

Qualifications

To qualify for this method, the taxpayer must meet all of the following:

1. The claimant or spouse must have received a senior citizen credit in 1977.
2. The HHI must be less than \$6,000.
3. The claimant's age is at least 99 in 2011.

Method of Computation

Use the following formula to determine the property tax credit:

$$\frac{\$2,500}{TV} \times \text{Property Tax} = \text{Credit}$$

Example:

Harry Freeman is 99 years old and his HHI is \$5,500. The TV on his house is \$10,000, while the property taxes are \$320. Using the optional method, Mr. Freeman's credit is \$80, determined as follows:

$$\frac{\$ 2,500}{\$10,000} \times \$320 = \$80$$

However, using the senior citizen HHI method, as discussed earlier, Mr. Freeman's credit is \$155, determined as follows:

Property Taxes	\$320
Taxes Not Refundable (Table 3) (3% x \$5,500)	<u>-165</u>
Allowable Credit	<u>\$155</u>

In this situation, prepare the form using the HHI calculation, even though the claimant qualifies for both methods. If a senior citizen is qualified to use the alternate method, attach a sheet showing the computation.

Senior citizens who are renters are not entitled to use the optional method.

SERVICE PERSONS, VETERANS, OR THEIR WIDOWS OR WIDOWERS

Qualifications

A serviceman, servicewoman, veteran, and his or her widow or widower who owns his or her own home and meets one of the following descriptions is entitled to use a special TV calculation (Form MI-1040CR-2):

1. Veteran with service-connected disability or widow or widower
2. Widow or widower of a veteran deceased in service
3. Veteran of war before World War I or widow or widower
4. Pensioned veteran or widow or widower
5. Active serviceperson or widow or widower
6. Widow or widower of a nondisabled or non-pensioned veteran of certain wars.

To qualify under categories 3 through 6 above, the claimant cannot have HHI greater than \$7,500. FIP/DHS benefits must be included in the HHI.

Method of Computation - Home Owner

The credit calculation for an eligible serviceman, servicewomen, veteran, widow, or widower is:

$$\frac{TVA}{TV} \times \text{Property Tax} = \text{Credit}$$

Table 1 in the MI-1040CR-2 instruction booklet lists the taxable value allowance (TVA) for each category of serviceman, servicewoman, veteran, widow, or widower.

To determine the refundable percentage for TVs, divide the TVA by the TV.

Method of Computation - Renter

The following formula is used to compute the TV:

$$\frac{\text{20\% of Rent Paid}}{\text{Combined Millage Rate of the Locality of the Homestead (Non-homestead rate must be used)}} = \text{TV}$$

Example:

Martin Barnum is a 70 percent disabled veteran. He lived all year in an apartment and paid \$250 per month in rent. The combined county and city millage rate on the property is 56 mills (.056). Mr. Barnum’s property tax credit is calculated as follows:

- 1. Property tax included in rent:

Monthly Rent	\$ 250
	<u> x 12</u>
Annual Rent	3,000
	<u> x 0.20</u>
Property Tax	<u>\$ 600</u>

- 2. TV:

Property Tax divided by Combined Millage Rate = TV

$\frac{\$600}{0.056} = \$10,714$

- 3. TVA for a 70 percent disabled veteran is \$4,000. (See Table 1 in Form MI-1040CR-2 instruction booklet.)

- 4. Percent of taxes refundable from $\frac{\text{TVA}}{\text{TV}} = 37.3\%$

- 5. Property Tax Credit:

20% of Annual Rent multiplied by % of Taxes Refundable = Allowable Credit

$\$600 \times 37.3\% = \224

BLIND PERSON

Qualifications

To use the following method, a person must qualify as blind under Michigan Compiled Law (MCL) 206.504(1). Generally, this is vision of 20/200 or less in the better eye with corrective lenses, or peripheral field vision of 20 degrees or less.

Method of Computation

The credit calculation for a blind person is:

$$\frac{\text{TVA}}{\text{TV}} \times \text{Property Tax} = \text{Credit}$$

The TVA for the following categories of blindness is:

<u>Claimant</u>	<u>TVA</u>
Blind individual	\$3,500
Husband and wife (one blind)	3,500
Husband and wife (both blind)	7,000

A blind claimant who is a homeowner may use the TVA/TV method. A blind claimant who is a renter may not use Form MI-1040CR-2.

PUBLIC ASSISTANCE RECIPIENT/DEPARTMENT OF HUMAN SERVICES

Qualifications

An individual whose only income is from DHS is not eligible for a homestead property tax or rent credit. Assistance payments include FIP and State Disability Assistance (SDA). A taxpayer who received other income in addition to these benefits is eligible to file for the credit.

Method of Computation

Prorate the credit for a DHS recipient by using the ratio (percentage) of non-DHS income to total HHI.

Example:

Jane Canton earned wages of \$4,000 and received DHS payments of \$6,000 during the tax year. She will receive a credit equal to 40 percent of the property tax credit.

$$\frac{\text{Non-DHS Income (Wages)}}{\text{HHI}} = \frac{\$ 4,000}{\$10,000} = 40\%$$

If her property tax or rent credit was computed at \$400, she would receive a credit of \$160 (\$400 x 40%).

Child Support

Subtract child support payments included in the DHS benefits from the amount on the DHS statement when calculating the non-DHS income. Include the child support as other income when computing the ratio of non-DHS income to total HHI.

Example:

Jane Canton informs you that her husband pays child support. She should obtain a child support statement from the Friend of the Court indicating the amount of child support paid. If the statement indicates her husband paid \$2,000 in child support, compute the percentage as follows:

DHS			\$ 6,000
Less: Child Support Per Statement From Friend of the Court			<u>2,000</u>
Net DHS			<u>\$ 4,000</u>
<u>Wages + Child Support</u>	=	<u>\$4,000 + \$2,000</u>	= 60%
HHI		\$10,000	

In this example, Jane can claim 60 percent of the credit. Make the following three entries on the household income schedule:

Wages			\$ 4,000
FIP/DHS			4,000
Child Support			<u>2,000</u>
Total HHI			<u>\$ 10,000</u>

Attach the annual statement from Friend of the Court to Form MI-1040CR or MI-1040CR-2, whichever is being completed.

SPECIAL SITUATIONS

Married-Joint Filers, Separate Homesteads

A claimant may file for one 12-month period. Even though a husband and wife maintain separate homesteads, if they file a joint State income tax return, they must file a joint property tax credit. They may claim only one homestead and must include their total combined HHI.

Married-Separate Filer, Joint Homestead

If a husband and wife file separate federal and Michigan returns and maintain a joint homestead they must:

1. Enter combined HHI.
2. Enter total property taxes and/or rent paid for the year.
3. Split the credit between spouses.
4. Attach a copy of the CR form to each return.

Example:

Jason and Ruth Gordon (husband and wife) maintain one homestead at 111 Main Street, Anytown, Michigan. They filed separate federal and Michigan income tax returns. Their only income is wages. Jason earned \$25,000 and Ruth earned \$17,500. Homestead property taxes are \$2,525. The correct property tax credit is computed as follows:

Jason’s Wages	\$25,000
Ruth’s Wages	<u>17,500</u>
Combined HHI	<u>\$42,500</u>
Homestead Property Tax	\$ 2,525
Less 3.5% of HHI (0.035 x \$42,500)	<u>- 1,488</u>
Net Property Tax x 60%	<u>1,037</u> <u>x 0.60</u>
Homestead Property Tax Credit	<u>\$ 622</u>

The total of the Gordon’s’ property tax credit cannot exceed \$622. If the Gordons elect to split the credit evenly, each would claim \$311.

Married-Separate Filer, Separate Homestead

If a husband and wife file separate federal and Michigan returns and maintain separate homesteads for the entire year, they must:

1. Determine that each spouse has established his or her separate domicile.
2. Enter only his or her HHI.
3. Enter only property tax and/or rent paid on his or her homestead.

Divorced or Separated Filer

If a married couple separates or obtains a divorce during the year, each party usually establishes a separate homestead. The rules for determining homestead property tax for each claimant are:

1. Each claimant is entitled to a prorated share of the taxes or rent paid for the period prior to separation or divorce, based on each claimant’s income to total income for the period.
2. Each claimant is entitled to his or her own prorated property tax or rent paid after separation plus his or her share of taxes or rent paid in the period prior to separation or divorce.
3. If applicable, a claimant must include house payments or rent paid by the other claimant in HHI.

Example:

A husband and wife separated on May 1. The property tax on the home is \$800. The husband continued to pay the mortgage on the home of \$225 per month. In addition, he rented an apartment for \$200 per month from May 1 through December 31. His income for the period prior to divorce is \$4,000, and her income is \$2,000.

Husband:

1.	No. of Months in Year With Spouse	x	Property Tax	x	<u>Husband’s Income</u> Total Income	=	Prorated Property Tax for Period Living Together
	4/12	x	\$800	x	<u>\$4,000</u> \$6,000 (0.667)	=	\$178
2.	No. of Months Rented	x	Monthly Rent	x	20%	=	Prorated Tax in Rent
	8	x	\$200	x	0.20	=	\$320
3.	Prorated Property Tax	+	Tax Paid in Rent			=	Prorated Property Taxes
	\$178	+	\$320			=	\$498

Wife:

1. No. of Months in Year With Spouse	x	Property Tax	x	$\frac{\text{Wife's Income}}{\text{Total Income}}$	=	Prorated Property Tax for Period Living Together
4/12	x	\$800	x	$\frac{\$2,000}{\$6,000}$ (.333)	=	\$89
2. Remainder of Months per Year	x	Property Tax			=	Prorated Property Tax
8/12	x	\$800			=	\$533
3. Prorated Property Tax	+	Prorated Property Tax			=	Prorated Property Taxes
\$89	+	\$533			=	\$622

The wife must include \$1,800 in HHI because her husband paid the monthly mortgage payments of \$225 for eight months after the separation ($\$225 \times 8 = \$1,800$).

Part-Year Resident

If claimant resided in Michigan for at least six months of the year of the claim:

1. Enter HHI received during the time claimant resided in Michigan. It may be necessary to annualize HHI to determine if income exceeds phase-out limit. (See "Annualized Household Income" on page 49.)
2. Enter rent paid or prorated property tax for length of time claimant occupied a Michigan homestead. (See page 31 for proration of property tax.)

Note: Business income and/or losses which occurred in another state must be included in Michigan HHI, based on the number of days the claimant was a Michigan resident to 365 days.

Deceased Claimant, Single Individual

If filing for a deceased claimant with no surviving spouse:

1. Enter HHI received up to the date of death. (See "Annualized Household Income" on page 49.)

2. Enter prorated property taxes or use the amount of rent paid to decedent's date of death.

Note: The heir, personal representative, or person (other than spouse) filing for decedent must file Form MI-1310 with claim.

Annualized Household Income

A part-year resident or claimant filing on behalf of a deceased taxpayer must annualize the HHI to determine if income exceeds the phase-out limit. If the claimant is over 65 years old or is a paraplegic, quadriplegic, hemiplegic, or is totally and permanently disabled, and is filing either as a part-year resident or on behalf of the deceased, the HHI must be annualized to determine the percentage of taxes not refundable.

To annualize HHI, compute income as follows:

$$\frac{\text{Michigan Income}}{\text{\# of Days in Michigan}} = \text{Income Per Day} \times 365 \text{ Days} = \text{Annualized Income}$$

Example:

A claimant and spouse were residents of Michigan for 212 days of the tax year and had HHI of \$20,417 during their Michigan residency. Compute their annualized income as follows:

$$\frac{\$20,417}{212} = \$96.31 \times 365 \text{ days} = \$35,153$$

Owner-Occupied Rental Property

If a claimant owns and lives in a multiple dwelling homestead and rents a portion of it, not all the property tax can be claimed for credit.

Note: School operating taxes are only levied on the non-homestead portion of the property and may not be included in taxes levied when computing the property tax credit.

Owner-occupied duplexes. When both units are equal, the taxes that can be claimed are limited to 50 percent of the tax on both units, after subtracting the school operating taxes from the total taxes billed.

Owner-occupied income property. Apartment building owners who live in one of the units or single family homeowners who rent a room(s) to a tenant(s) must do two calculations to figure the tax they can claim and base their credit on the **lower** amount. First, subtract 20 percent of the rent collected from the tax that can be claimed for credit. Second, reduce the tax claimed for credit by the amount of tax claimed as a business deduction on *U.S. Form 1040*.

For example, a home has an upstairs apartment that is rented to a tenant for \$395 a month. Total property taxes on the home are \$2,150. The calculations are as follows:

- Step 1:** $\$395 \times 12 = \$4,740$ annual rent
 $\$4,740 \times 0.20 = \948 taxes attributable to the apartment
 $\$2,150$ total taxes - $\$948 = \$1,202$ taxes attributable to owner's homestead.
- Step 2:** $\$2,150$ total taxes - $\$858$ taxes claimed as a business deduction = $\$1,292$
 taxes attributable to homestead.

The owner's taxes that can be claimed for credit are \$1,202, the smaller of the two computations.

Adults Sharing Homestead

Two or more unrelated adults may be entitled to claim a property tax as explained below.

1. If one of the individuals signed the lease and makes all payments or owns the homestead and pays the property tax, that adult is entitled to claim a credit on the total property tax or rent paid. If the other person contributes to the household, that amount must be included in the claimant's HHI. Include it on line 21 (Other Nontaxable Income).

Or

2. If each of the adult occupants owns the homestead or has contracted to pay a share of the rent, each is a claimant and is entitled to file a claim based on his or her own HHI and his or her share of the taxes or rent paid.

Example:

A claimant owns and occupies a homestead that she shares with her two adult children. Neither child paid rent or room and board but contributes to their mother's household income. Since the children are not owners of the home nor did they contract to pay rent, the mother is entitled to claim all the property taxes in computing her homestead property tax credit. She must include the children's contributions in HHI.

CHAPTER 3 HOME HEATING CREDIT MI-1040CR-7

GENERAL INFORMATION

INTRODUCTION

A home heating credit helps low-income families pay their heating costs. This credit is claimed on Form MI-1040CR-7.

Note: Michigan's home heating credit is funded by federal Low-Income Home Energy Assistance Program Grants. The credit for 2011 may be reduced if the grant from the Low-Income Home Energy Assistance Program has been reduced.

Do not attach Form MI-1040CR-7 to Form MI-1040. The home heating credit cannot offset an income tax liability. If Form MI-1040CR-7 is attached to Form MI-1040, it may cause delays in processing the credits.

Under **Public Act 335 of 2004** for certain claimants, the amount of a credit that exceeded outstanding heating bills would have to be applied by the energy provider to subsequent bills until used up or until nine months had passed. If there was any remaining energy draft amount after the nine-month period (or if the claimant was no longer a customer of the provider before the end of the nine-month period), the heating fuel provider would remit it to the claimant within 14 days. This would apply only if the claimant was a DHS recipient or received home heating assistance from a governmental agency or a nonprofit organization 12 months prior to remitting an energy draft to the claimant's enrolled heating fuel provider.

As a result of this legislation, taxpayers who receive their heat from DTE Energy, Consumers Energy, or SEMCO Gas will have their home heating credit sent directly to their heat provider whether or not they are enrolled in DHS's direct payment program.

The current refund provisions would continue to apply to a claimant who did not fit the category described above.

INSTRUCTIONS

Read the MI-1040CR-7 instruction booklet. The following information will recap and/or further explain the instructions in the booklet. ("Instructions" refers to the booklet used to prepare Form MI-1040CR-7.)

WHEN TO FILE CLAIM

A home heating credit claim must be filed by **September 30** of the year following the year of the claim.

ELIGIBILITY

Who May Claim a Credit

A credit may be claimed if each of the following is true:

1. Taxpayer's homestead is in Michigan.
2. Taxpayer owns or rents the home where he or she lives.
3. Taxpayer's income is within the income limits listed on page 15 of the instruction booklet.

Who May Not Claim a Credit

A home heating credit cannot be claimed if:

1. Taxpayer is a full-time student claimed as a dependent by another person.
2. Taxpayer is a resident of a congregate care facility (e.g., nursing home, foster care home, home for aged, substance abuse center, etc.)

Exception: A claimant who did not reside in a congregate care facility for the full tax year may claim a home heating credit based on a proration of the standard allowance. If the claim is for less than 12 months, only the standard credit method can be used.

IDENTIFYING INFORMATION

Enter claimant's:

1. Name(s) and address. Be sure to enter claimant's current address.
2. SSN. If necessary, ask to see claimant's Social Security card.
3. Spouse's SSN, if applicable.
4. County code. Codes are listed on page 15 of the instruction booklet.
5. Check the Yes box if claimant's heat costs are currently included in the rent or the heat service is in someone else's name.

Note: Do not mark through, cross out, etc., any box that does not apply to the claimant. Leave the box blank.

6. Check the box if the claimant wants his or her name referred for possible assistance.
7. Check Yes or No box if taxpayer or taxpayer's spouse received SSI.
8. Age(s) if 60 years old or older; otherwise, leave blank.
9. Claimant's total heating cost for November 1, 2010 through October 31, 2011.
10. Check one box only (a through d) if applicable to the claimant; otherwise, leave it blank. Do not check box if joint return and only one spouse lives in a care facility.
11. Exemptions. Enter the number that applies on the appropriate lines:
 - A Personal Exemption. (Claimant and spouse.)
 - B Age 65 or older. (An exemption may be claimed for the taxpayer, spouse, and each dependent of the taxpayer who is age 65 or older on December 31, 2011.)
 - C An exemption may be claimed for the taxpayer, spouse, and each dependent of the taxpayer who is:
 - Deaf. (Includes being hearing-impaired to a degree that the primary method of receiving communication is through a sense other than hearing.)
 - Disabled or Blind. (Disabled - Totally and permanently disabled as defined under the Social Security Guidelines (42U5c416 of the U.S. Code). Blind - Defined under MCL 206.504 (1) as vision of 20/200 or less in the better eye with corrective lenses or peripheral field of vision of 20 degrees or less.)
 - D Unemployment compensation. If 50 percent or more of claimant's combined AGI is from unemployment compensation, he or she may claim **one** additional exemption. If a U.S. Form 1040 is filed, AGI is the amount on line 37.
 - E, F, G Enter number of children living with the claimant:
 - An exemption **can** be claimed on Form MI-1040CR-7 for any child(ren) living with the claimant.
 - An exemption **cannot** be claimed on Form MI-1040CR-7 for any child(ren) **not** living with the claimant, even if the claimant pays most of the support and is entitled to an exemption(s) on form MI-1040.

H Enter the number of dependent adults other than claimant's spouse who live with claimant (including children over 18) **and for whom the claimant provided more than half the dependent's support.**

I Add lines A through H.

12. Name, relationship, SSN, and age of the dependents claimed.

HOUSEHOLD INCOME

HHI is the total income received by a husband and wife or a single person. It includes income from all sources. It is the federal AGI plus income that is specifically excluded or exempted from federal tax. (*See Income and Deductible Items, page 78.*)

Example:

Mr. and Mrs. Smith have total wages of \$7,500 and interest of \$250. Federal AGI was \$7,750. Mrs. Smith receives child support of \$3,500 (which is not taxable) from a previous marriage. The total HHI is \$11,250.

STANDARD CREDIT OR ALTERNATE CREDIT COMPUTATION: WHICH METHOD TO USE

A standard credit is computed based on the number of exemptions and total HHI.

The alternate credit is computed based on total HHI and total heating costs.

If the claimant **currently** does not contract to pay heating costs, use the standard credit.

If the claimant was a part-year resident or filing on behalf of a taxpayer deceased during 2011, use the standard credit.

If the claimant lives in a condominium and does not contract to pay for heating costs, use the standard credit.

If the claimant contracts to pay for heating costs, calculate both methods and claim the larger credit.

STANDARD CREDIT COMPUTATION FOR 2011

The standard credit computation is based on the number of exemptions and total HHI.

First, the number of exemptions is used to determine the standard allowance from the table below:

Standard	Income Exemptions	Allowance	Ceiling
	0 or 1	\$ 420	\$ 11,986
	2	567	16,186
	3	714	20,387
	4	861	24,587
	5	1,009	28,815
	6	1,156	33,014
	Each over 6*	+ 147	+ 4,200

***Example:** If eight exemptions are claimed, the standard allowance for 2011 is \$1,450.
 (2 x \$147 = \$294 + \$1,156 = \$1,450)

IMPORTANT: Heating credits may be prorated for the tax year 2011. The proration percentage was not available at the time this manual was prepared.

Renter

If claimants are renters and heating costs are currently included in their rent, the standard home heating credit is reduced by 50 percent. An individual who currently pays the landlord separately for heat, and not the heat provider, must also reduce the credit by 50 percent.

Michigan Resident, Full Year

The following example illustrates how to compute the credit for full-year residents based on the above table, which can also be found on page 15 (Table A) of the instruction booklet. If the eligible claimant's HHI exceeds the income ceiling corresponding to the number of exemptions allowed on the Michigan return, the individual is not eligible for a credit.

Example:

John and Mary had household income of \$8,400. They were both 65 years old in 2011, which entitles them to four exemptions on the 2011 return.

Standard Allowance for 4 exemptions	\$ 861
Less 3.5% Household Income (0.035 x \$8,400)	<u>-294</u>
Home Heating Credit	\$ 567 (subject to possible proration)

If John and Mary rented their homestead and heating costs were included in their rent, the credit would be computed as follows:

Home Heating Credit (From Above)	\$567
Less 50% of the Credit (0.5 x \$ 567)	<u>- 284</u>
Reduced Home Heating Credit	\$284 (subject to possible proration)

Part-Year Resident or Deceased Claimant

The standard allowance is prorated and only the HHI received while the taxpayer was a Michigan resident is used to compute the credit.

Example:

John and Mary Doe moved to Michigan on May 1. They have four children which entitles them to a total of six exemptions. Their Michigan income is \$14,800.

1. <u>No. of Days in Michigan</u>	x	Standard Allowance	=	Prorated Standard Allowance
365 Days				
$\frac{245}{365} = (67\%)$	x	\$1,156	=	\$775
2. Prorated Standard Allowance		\$775		
Less 3.5% of Household Income (0.035 x \$14,800)		<u>-518</u>		
Home Heating Credit		\$257 (subject to possible proration)		

If John and Mary Doe rented their homestead and heating costs were included in their rent, the home heating credit would be reduced by 50 percent.

Home Heating Credit	\$ 257
Less 50% (0.5 x \$257)	<u>- 129</u>
Reduced Home Heating Credit	\$ 129 (subject to possible proration)

Adults Sharing Homestead

If a claimant **shares** a home but is **not** the owner or renter, he or she cannot claim a credit.

When people who are not spouses **own a home jointly**, each can claim a home heating credit based on individual HHI. The same is true for renters. Determine the standard allowance from Table A in the instruction booklet, using the total number of exemptions in the home. Do **not** include Michigan special exemptions or dependent exemptions in this total. Divide the standard allowance by the number of claimants in the home.

Example:

Three unrelated men share an apartment. Each has a signed lease and pays 1/3 of the rent. The standard allowance for three exemptions is \$714. Each person must use a standard allowance of \$238 ($\$714 \div 3$) to compute his credit.

If eligible for a special exemption for age, blindness, disability, or unemployment compensation, compute the standard allowance following this example.

Example:

Emma and Ruth (sisters) share a home. Emma is age 61 and Ruth is age 66. They file separate form MI-1040CR-7 claims. They must first divide the \$567 standard allowance by 2. Emma's allowance is \$284. However, Ruth qualifies for an extra exemption for age. She adds to her share of the standard allowance of \$284, the difference between the standard allowance for three (\$714) and the standard allowance for two (\$567 as follows):

$$\$714 - \$567 = \$147 + \$284 = \$431 \text{ allowance for Ruth}$$

Condominium Owner

The owner of a condominium who does not contract separately for heating costs but pays a maintenance fee, does not have to reduce the claim to 50 percent. Leave box 5 blank and attach a letter of explanation.

Alternate Credit Computation

The alternate credit computation is based on total HHI and total heating costs.

For 2011, a claimant's HHI may not exceed the maximum income amount corresponding to the number of exemptions claimed on the return based on the following table:

<u>Exemptions</u>	<u>Maximum Income</u>
0 or 1	\$ 12,973
2	17,458
3	21,946
4 or more	22,782

Heating Cost

A claimant must provide his or her total heating costs for the 12 consecutive monthly billing periods ending in October of the tax year. A claimant should contact his or her enrolled heating provider for this information. If claimant is not a customer of an enrolled heating fuel provider, use billing statements to calculate the total cost for the 12 consecutive months ending in October of the tax year. Enter the smaller of \$2,506 or the total cost.

Heating costs include amounts paid for fuel oil, electricity (if homestead has electric heat), gas, coal, wood, or propane. The cost of wood is the amount spent during the 12 consecutive months ending sometime in October of the tax year or the fair market value if harvested from property owned by the claimant.

Michigan Resident, Full-Year

The following example illustrates how to compute the alternate credit for a full-year resident based on Table B on page 15 of the instruction booklet.

Example:

James and Jean Smith have HHI of \$13,000 and three exemptions. Their total heating cost is \$1,950. Their HHI does not exceed the maximum income allowed for 3 exemptions.

Maximum Fuel Cost	\$1,950
Less 11% of Household Income (0.11 x \$13,000)	<u>-1430</u>
Balance	520
Multiply by 70%	<u>x 0.70</u>
Home Heating Credit	\$ 364 (subject to possible proration)

DRAFTS OR WARRANTS

If, at the time of filing, the taxpayer pays his or her own heating costs, the taxpayer will receive an energy draft.

If, at the time of filing, the taxpayer's heat is included in rent, the taxpayer will receive a check.

For taxpayers whose heat is provided by DTE Energy, Consumers Energy, or SEMCO, the home heating credit will be sent directly to the heat provider. If the credit amount exceeded the heat account balance, check the box on line 43 to receive a refund from the heat provider for the overpayment, if eligible. If not eligible, the excess refund will be used toward future bills. If after nine months there is still refund money due, the heat provider will send the excess refund to the individual. Eligibility requirements are: 1) no outstanding balance with the heat provider **and** 2) no heat assistance received in the past 12 months.

CHAPTER 4
MICHIGAN INCOME TAX MI-1040

INTRODUCTION

FILING REQUIREMENTS

Every person who is a Michigan resident for all or part of the tax year is **required** to file a Michigan income tax return if any of the following are true:

1. Michigan Income Tax is due.
2. The taxpayer is due a refund.
3. A federal return is required.
4. The AGI is greater than the personal exemption allowance on a Michigan Income Tax return.

For tax year 2011, a taxpayer is allowed \$3,700 for each personal exemption.

Anyone eligible to be claimed as a dependent on someone else's return may claim a \$1,500 exemption (\$3,000 on a joint return). This is true whether or not the other person claims the exemption.

To prepare a Michigan income tax return, you must have a copy of the taxpayer's federal income tax return. The U.S. Form *1040/1040EZ/1040A* return contains information needed to prepare a Michigan income tax return. You will need to complete the Michigan Form MI-1040 if the return is a U.S. Form *1040, 1040A, or 1040EZ*.

Taxpayers who file any of the following schedules or forms with their federal return must attach a copy to their Michigan income tax return and designate the location of any business activity or the location of any real property involved.

Schedule B	Interest and dividend income (if over \$5,000)
Schedule C or C-EZ	Profit or loss from business
Schedule F	Farm income and expenses (include address of farm)
Schedule E	Supplemental income and loss (losses from rents, royalties, partnerships, estates and trusts, and S corporations)
Schedule D and Form 4797	Capital and ordinary gains and losses (copies of U.S. Forms <i>1040D</i> and <i>4797</i> are required if taxpayer is filing Forms MI-1040D and MI-4797).
Form 2555	Foreign earned income
Form 3903 or 3903-F	Moving expenses

Form 6198	Computation of deductible loss from an activity described in Internal Revenue Code (IRC) Section 465(c)
U.S. <i>Schedule R</i> or Form <i>1040A Schedule 3</i>	Credit for the elderly or totally and permanently disabled
Form 4868	Application for Automatic Extension of Time to File U.S. Individual Income Tax Return.
Form 8829	Expense for business use of home

MI-1040

This chapter will refer to the “instructions.” This refers to the instruction booklet used to prepare form MI-1040. Read the instruction booklet. The following information will recap and/or further explain the instructions in the booklet.

DUE DATE OF RETURN

Income tax returns are due on the 15th day of the fourth month following the close of the taxpayer’s calendar or fiscal tax year. If the due date falls on a weekend or a holiday, the next business day will be considered the due date. The due date for 2011 income tax returns will be April 17, 2012.

EXTENSION

If a taxpayer receives an extension of time to file a federal income tax return (U.S. Form 4868), attach a copy to Form MI-1040. Treasury will extend the due date to the new federal due date.

If a taxpayer does not have a federal extension, complete *Application For Extension Of Time To File Michigan Tax Returns* (Form 4) **with the payment of tax due.** Upon receipt of Form 4, Treasury will grant an automatic extension of time to file.

The taxpayer will not receive any notification of approval of a request for an extension.

An extension allows a taxpayer to file later than April 17, 2012. It does not allow a taxpayer to pay the tax later. If the tax is not paid by April 17, 2012, appropriate penalty and interest will be charged.

Do not file an extension request if claiming a refund.

United States military personnel serving in a combat zone on April 17, 2012, will be given 180 days after leaving the combat zone to file their federal and State returns and will be exempt from penalties and interest. Servicemen and women serving in combat zones will simply write “Combat Zone” in ink on the top of page 1 of their return.

IDENTIFICATION SECTION

Enter taxpayer's:

- Name(s).
- Current mailing address. If the taxpayer changes his or her address after filing a return/claim, the taxpayer should notify Treasury **in writing** of the change of address.

SOCIAL SECURITY NUMBER(S)

Enter the SSN on the return, even if using a label. Ask to see taxpayer's Social Security cards. It is important to enter the taxpayer's correct SSN(s). If the claimant is married filing jointly or married filing separately, both SSNs must be included on the form.

SCHOOL DISTRICT CODE

Obtain the code number from pages 49 and 50 of the instruction booklet.

STATE CAMPAIGN FUND

A taxpayer and/or spouse may designate \$3 of their taxes to go to the State campaign fund. This decision will not increase the tax liability or reduce the refund.

FILING STATUS

The filing status used on Form MI-1040 must be the same as the filing status used for the federal return, with one exception: taxpayers who file "married filing separately" for federal purposes may file either "married filing jointly" or "married filing separately" on the Michigan return.

<u>Federal Status</u>	<u>State Status</u>
Single	Single
Head of Household	Single
Qualifying Widow(er)	Single
Married, Joint	Married, Joint
Married, Separate	Married, Separate
	or
	Married, Joint

RESIDENCY STATUS

Check box a, b, or c. If one spouse is a resident and the other spouse a nonresident or part-year resident, check the appropriate boxes. If taxpayer is a part-year resident or a nonresident, Schedule NR must be completed.

1. **Resident.** An individual is a Michigan resident if Michigan is his or her permanent home. A permanent home is the place an individual intends to return to whenever he or she goes away.
2. **Nonresident.** An individual whose permanent home is not in Michigan. A nonresident must file a Michigan return if any income is attributable to Michigan. Some examples are wages earned in Michigan or income received from a business activity located in Michigan.
3. **Part-Year Resident.** An individual who moved in or out of Michigan during the year. A temporary absence from Michigan, such as spending the winter in a southern state, **does not** make the taxpayer a part-year resident. A taxpayer is a part-year resident only if he or she moved his or her permanent home into or out of Michigan.

A taxpayer filing as a nonresident or part-year resident must:

1. Complete Schedule NR and attach it to Form MI-1040 allocating all items of AGI between the states. (Attach appropriate schedules verifying adjustments.)
2. Prorate **personal** and **dependency** exemption amounts by dividing Michigan income by total income. Do not prorate the child care deduction.

Michigan has reciprocal agreements with Illinois, Indiana, Kentucky, Minnesota, Ohio, and Wisconsin. Michigan residents pay only Michigan income tax on salaries and wages earned in these states.

A resident of a reciprocal state who earned wages in Michigan must file Form MI-1040 to receive a refund of Michigan tax withheld. Be sure to indicate the taxpayer's state of residence.

EXEMPTIONS

The following are the exemption allowances for 2011:

1. \$3,700 for each exemption the taxpayer is allowed to claim on the federal return.
2. An additional \$2,400 for each Michigan special exemption.
3. A \$600 Child Care deduction for each child 18 and under claimed as a dependent by the taxpayer.

4. A \$300 deduction for each taxpayer and every dependent of the taxpayer who is a qualified disabled veteran.
5. \$1,500 for a taxpayer who is single or married filing separately (\$3,000 if married filing jointly) and can be claimed as a dependent on someone else's return. (See the worksheet on page 10 of the instruction booklet).

Note: Part-year residents and nonresidents must prorate the exemption allowance using Schedule NR.

Special exemptions are:

1. A special exemption may be claimed for the taxpayer, spouse, and each dependent of the taxpayer who is age 65 or older on December 31, 2011.
2. A special exemption may be claimed for the taxpayer, spouse, and each dependent of the taxpayer who is disabled in any of the following ways:
 - A. Hemiplegic. An individual who has paralysis of one side of the body.
 - B. Paraplegic. An individual who has paralysis of the lower half of the body.
 - C. Quadriplegic. An individual who has paralysis of both arms and both legs.
 - D. Totally and permanently disabled. As defined under Social Security Guidelines (42U5c416 of the U.S. Code). Do not claim totally and permanently disabled if the taxpayer is age 65 or older.
 - E. Blind. An individual who has a permanent impairment of both eyes of the following status: central visual acuity of 20/200 or less in the better eye, with corrective glasses, or central visual acuity of more than 20/200 if there is a field defect in which the peripheral field has contracted to such an extent that the widest diameter of visual field of not greater than 20 degrees in the better eye.
 - F. Deaf. An individual whose primary method of receiving messages is through a sense other than hearing.
3. A single special exemption may be claimed if 50 percent or more of the taxpayer's AGI is from unemployment.

ADJUSTED GROSS INCOME

Enter the AGI (loss) from the U.S. Form *1040*, *1040A*, or *1040EZ*.

ADDITIONS TO ADJUSTED GROSS INCOME

The following are the most common additions and must be entered on Schedule 1: Additions to Income. Enter the total on line 7 and carry total to line 11 of Form MI-1040.

- Interest and dividends from obligations or securities of states other than Michigan and their political subdivisions
- Losses from out-of-state businesses, partnerships, S corporations
- Losses from out-of-state rental of real property
- Out-of-state farm losses
- Losses from the sale or exchange of U.S. obligations
- Deduction for self employment tax on U.S. Form *1040*
- Refund received from the termination of a Michigan Education Trust (MET) contract
- Michigan portion of gain from Form MI-1040D or MI-4797.

SUBTRACTIONS FROM ADJUSTED GROSS INCOME

The following are the most common allowable subtractions and must be entered on Schedule 1: Subtractions From Income. Enter the total on line 21 and carry total to line 13 of form MI-1040.

- U.S. obligations (attach copy of U.S. Schedule B if over \$5,000) (*see Income Tax Federal Obligations Taxability, page 88*)
- Military pay and military retirement benefits (*see Military Pay, Allowable IT Subtractions, page 86*)
- Pensions and retirement income from Michigan governmental units (to the extent included in AGI)
- U.S. Government (federal Civil Service) pension and retirement income (to the extent included in AGI)
- Other pension and retirement income (*see "Private Pensions," page 66*)
- Retirement annuities that are paid for life to a senior citizen age 65 or over (*see limitation on page 67*)
- Interest and dividend and capital gains income received by a senior citizen age 65 or over (*see page 69 for limits and qualifications*)

- Proceeds and prizes won in Michigan regulated bingo, raffle, or charity games to the extent included in AGI
- Refunds of Michigan city and State income taxes and homestead property tax credit received in 2011 (if included in AGI)
- **Taxable amount** of Social Security included in AGI from U.S. form 1040, line 20b, or U.S. Form *1040A*, line 14b
- Wages and salaries earned by **resident of a reciprocal state**
- Income earned while a resident of a Renaissance Zone
- Income used to compute the credit for the elderly or totally and permanently disabled from U.S. *Schedule R* (attach a copy of U.S. *Schedule R*)
- Income attributed to another state (line 11 on Schedule 1: Subtractions From Income)
- Federal portion of capital gains from Form MI-1040D or MI-4797
- Gross income included in AGI from Michigan gas and oil royalty interest or working interest
- Contributions made to the Michigan Education Savings Program (MESP), not to exceed \$5,000 for a single return or \$10,000 for a joint return per year
- The amount of an advance payment under a MET contract during the tax year
- Distribution from a pension or retirement plan that is contributed to a qualifying charitable organization
- Qualified withdrawals from an MESP that are included in AGI.

Do not allow the subtraction of any of the following:

- Income from U.S. Public Health Service
- Itemized deductions (U.S. *Schedule A*)
- Wages, salaries, and personal compensation earned in Michigan of a resident or nonresident, unless a resident of a reciprocal state
- Pensions, if the taxpayer did not meet the minimum requirements for pension under the terms of the plan
- Distributions from IRAs before the age of 59½, unless the taxpayer meets the guidelines of IRC 72(t)(2)(A)(iv)
- Unemployment benefits

- Wage continuation plans (disability pension benefits are not from wage continuation plans)
- Stock purchase plans that do not qualify as pension plans under the IRC
- IRA, Keogh contributions (these are subtracted in arriving at AGI)
- Lottery winnings (unless receiving installment payments from prizes won before December 30, 1988).

PENSIONS AND RETIREMENT BENEFITS

For purposes of this section, the term “pension” will include pension and retirement benefits.

A subtraction is allowed on the Michigan return for qualifying distributions from pension plans. Pension plans include private and public employer plans, and individual accounts, such as IRAs. To be considered a qualified distribution, several requirements must be met. For employer plans, an employee generally must have retired under the provisions of the plan, the pension benefits must be paid from a retirement trust fund, and the payment must be made to either the employee or a surviving spouse. (Payments made to a surviving spouse are only deductible if the employee qualified for the subtraction at the time of death.)

Public Pensions

Public pensions are retirement or pension benefits received from a federal or Michigan public retirement system, or from a retirement system of a political subdivision of Michigan. Distributions from these pension systems may be deducted to the extent included in AGI.

Private Pensions

Private pensions are retirement or pension benefits distributed from a pension trust qualified under IRC section 401(a). The maximum deduction for a private pension is adjusted annually by the percentage increase in the U.S. Consumer Price Index. The maximum deduction for the 2011 tax year is \$45,842 for a single filer and \$91,684 for a joint return.

The following table outlines the current years and prior years’ maximum pension deductions.

<u>Tax Year</u>	<u>Single Return</u>	<u>Joint Return</u>
2007	42,240	84,480
2008	43,440	86,880
2009	45,120	90,240
2010	45,120	90,240
2011	45,842	91,684

Example: Calvin is retired and single. He has a State of Michigan pension of \$33,475 and a qualified private pension of \$13,030. His total pension deduction for 2011 is calculated as follows:

Maximum private pension deduction	\$ 45,842
Less: Public Pension	<u>-33,475</u>
Allowable private pension subtraction	\$ 12,367
Calvin's total pension subtraction is:	
Public	\$33,475
Private	<u>12,367</u>
Total	\$ 45,842

If Calvin's public pension was more than \$45,842, then he would not be able to subtract any of his private pension.

Examples of other distributions that qualify for the private pension deduction are:

- **IRA.** Distributions for individuals 59½ or older, distributions made on account of disability or death of the participant, and distributions described under IRC section 72(t)(2)(iii)(iv) (series of equal periodic payments made for life). Distributions made on account of the death of the participant may only be subtracted by a surviving spouse, and only if the distributions qualified as a subtraction for the participant at the time of death.
- **Senior Citizen Annuity.** Benefits received from a retirement annuity policy in which payments are made for life to a senior citizen.

For purposes of the retirement annuity subtraction, a senior citizen is defined in MCL 206.514(1) as an "individual ...who is 65 years of age or older at the close of the tax year. The term also includes the unremarried surviving spouse of a person who was 65 years of age or older at the time of death."

- **401(k) or 403(b) Deduction.** Distributions from a 401(k) or 403(b) plan are deductible to the extent that they represent distributions attributable to the employer's contributions or employee's contributions that were mandated by the plan. A contribution is considered mandated if the employee must contribute to elicit an employer match. If all the contributions are made by the employee or if the employee makes contributions that are not matched by the employer, any distributions attributable to the employee contributions will not qualify for the subtraction.

Example: Richard's employer established a 401(k) plan for its employees. The plan provides for a 50 percent employer match of employee contributions up to the maximum employer match of 3 percent of the employee's salary. The plan also allows the employees to make additional unmatched contributions up to the annual percentage rate allowed by the IRC. In 2011, Richard retired under the provisions of the retirement plan at age 60. At the time of his retirement, Richard received an annual statement from the 401(k) plan showing total contributions of \$460,000, of which \$110,000 were employer contributions. Richard took a distribution of \$25,000 in 2011, the year he retired.

Since the plan includes unmatched employee contributions, Richard must determine what amount of the \$25,000 distribution is attributed to the unmatched contributions. The plan called for a 50 percent employer match; therefore, \$220,000 of the employee contributions was required to elicit \$110,000 employer matching contributions. The remaining account balance of \$130,000 is unmatched employee contributions. The deductible amount of the 2011 distribution is determined as follows:

$$\$130,000/\$460,000 \times \$25,000 = \$7,065 \text{ (distribution attributed to unmatched distribution)}$$

$$\$25,000 - \$7,065 = \$17,935 \text{ (allowable pension subtraction)}$$

Note: All pension income must be included in HHI except for the original contributions made by the taxpayer to the pension fund.

An individual having a pension from both a public and a private retirement system or an IRA distribution must reduce the maximum allowable subtraction for the private pension by any distribution taken for pension income from a public retirement system.

Roth IRAs

Contributions to a Roth IRA are subject to Michigan income tax to the extent the contributions are included in federal AGI.

A rollover from a regular IRA to a Roth IRA is subject to Michigan income tax to the extent the rollover is included in federal AGI. However, if an individual is age 59½ when the rollover occurs, the individual may deduct the rollover as a pension deduction within the statutory limits for deducting pension income.

Also, a rollover from a regular IRA to a Roth IRA is subject to Michigan income tax for a taxpayer moving into and domiciled in Michigan to the extent the rollover is included in AGI. Conversely, a taxpayer moving from Michigan to another state is not taxed on the amount of a rollover from a regular IRA to a Roth IRA during the years the taxpayer is not domiciled in Michigan.

A qualified distribution from a Roth IRA is not subject to Michigan income tax because the distribution is not included in federal AGI.

A rollover from a regular IRA to a Roth IRA is included in HHI in the year the income is included in the taxpayer's federal AGI. 2003 was the first year a qualified or tax-free distribution could be made from a Roth IRA. The amount of a qualified distribution in excess of a taxpayer's contributions (rollover or regular contributions) must be included in HHI. A nonqualified or taxable distribution from a Roth IRA must be included in HHI to the extent it is included in a taxpayer's federal AGI. Investment losses from the liquidation of a Roth IRA are not allowed in HHI.

Railroad Retirement and Pension Benefits

The taxable amount of Tier 2 income included in AGI may be subtracted as a public pension on the Michigan return. Tier 1 is taxable as Social Security on the federal return and should be subtracted as Social Security benefits to the extent in AGI.

SENIOR CITIZEN INTEREST, DIVIDEND, AND CAPITAL GAINS SUBTRACTION

This deduction may only be taken by a senior citizen age 65 or older. The deduction limits below must be reduced by the amount of pension subtraction taken by the taxpayer.

<u>Year</u>	<u>Single</u>	<u>Joint</u>
2007	9,420	18,840
2008	9,690	19,380
2009	10,058	20,115
2010	10,058	20,115
2011	10,218	20,437

TAX

The tax rate for 2011 is 4.35%.

For prior years use the following rates:

- 2010 – 4.35%
- 2009 - 4.35%
- 2008 - 4.35%
- 2007 - 4.01%

TAX CREDITS (NONREFUNDABLE)

What Is a Nonrefundable Tax Credit

A tax credit is a direct reduction of the tax and is based on a certain formula. Any excess of the credits listed below over tax due is not refundable.

City Income Tax Credit

A city income tax credit is based on a percentage of tax paid to Michigan cities.

1. Use the city tax withheld amount per form W-2 WAGE AND TAX STATEMENT.
2. Adjust this amount by the prior year’s refund or additional payment made (per city tax return). Do not include penalties or interest paid.

Example:

1. Jack Thompson’s 2011 W-2 shows \$222 of city income tax withheld. Mr. Thompson filed his 2010 city income tax return on April 12, 2011 and received a refund of \$50 on May 15, 2011. Mr. Thompson would use the following calculation to determine amount of city income tax subject to credit on the 2011 form MI-1040:

2011 Withholding	\$222
2010 Refund Received in 2011	<u>-50</u>
 City Tax Eligible for Credit Computation	 <u>\$172</u>

2. Margaret O’Brian’s 2011 W-2 shows \$375 of city income tax withheld. Mrs. O’Brian filed her 2010 city income tax return on April 20, 2011. She paid an additional tax of \$75 with the city return on April 20, 2011. Mrs. O’Brian would use the following calculation to determine her credit:

2011 Withholding	\$375
2010 Tax Paid in 2011	<u>+75</u>
 City Tax Eligible for Credit Computation	 <u>\$450</u>

Calculate the actual credit using the city income tax chart in the instruction booklet. The following are examples of city income tax credit calculation:

<u>City Income Tax</u>	<u>Calculation</u>	<u>Allowable Credit</u>
\$ 95	\$95 x 20%	\$19
125	20 + (\$ 25 x 10%)	23
185	25 + (\$ 35 x 5%)	27
325	25 + (\$175 x 5%)	34

Public Contributions Credit

The public contribution credit is an income tax credit for donations made to Michigan colleges and universities, Michigan public libraries, Michigan public broadcasting stations not affiliated with an institution of higher learning, Michigan Colleges Foundation, State Art in Public Places Fund, State of Michigan Museum, and State of Michigan for the Preservation of State Archives. (See section under Schedule 2, line 2 in the instruction booklet.) The credit is limited to the **lesser** of:

- 50 percent of the contribution, or
- \$100 on a single return, or
- \$200 on a joint return.

Community Foundations Credit

The Community Foundations Credit is an income tax credit for donations made to certified charitable community foundations. A list of the eligible foundations can be found in the instruction booklet on page 48. The credit is limited to the **lesser** of:

- 50 percent of the contribution, or
- \$100 on a single return, or
- \$200 on a joint return.

Homeless Credit

A resident is allowed a credit for **cash** contributions made to a qualifying shelter for homeless persons, a food bank, a food kitchen, or other entity whose **primary** purpose is to provide overnight accommodation, food, or meals to indigent persons. An income tax credit is also allowed for the cash value of donations of food made to any of these organizations but only if the donation is matched with similar food items by a retailer. The credit is limited to the **lesser** of:

- 50 percent of the contribution, or
- \$100 on a single return, or
- \$200 on a joint return.

Out-of-State Tax Credit

A Michigan resident is allowed a credit for income tax paid to another government unit(s) on income earned while a resident of Michigan and taxed by Michigan.

Note: Credit is not allowed for tax imposed by another state on business income apportioned to Michigan.

For a **Michigan resident** the allowable credit for tax imposed by:

1. **Another state is the lesser** of:
 - The actual tax imposed by the other state governmental unit on salaries/wages earned in that state, **or**

The percentage of Michigan tax due on salaries/wages earned in the other state.

$$\frac{\text{Tax Imposed on Out-of-State Income Subject to Tax by Both States}}{\text{Total Income Subject to Michigan Tax (Line 14)}} \times \text{by Michigan (Line 17)}$$

To claim this credit, a return must be filed with the other state and a copy of the other state's return attached to form MI-1040.

Exceptions: The credit is not allowed on salaries and wages earned in Illinois, Indiana, Kentucky, Minnesota, Ohio, and Wisconsin since this income is not taxable by these states (based on reciprocity agreement). However, the credit is allowed if they pay a city or county tax in a reciprocal state. The credit is not allowed on salaries and wages which are subtracted as "Income Attributable to Another State" (by a part-year or nonresident) since no Michigan income tax is calculated on this income.

2. A **Canadian province** is the **lesser** of:

- The Michigan tax due on Canadian income taxed by Michigan, **or** The portion of provincial tax not claimed as credit for U.S. income tax on income derived from Canadian sources also subject to Michigan income tax.

To claim this credit, file Michigan *Resident Credit For Tax Imposed By A Canadian Province* (Form 777)). Instructions are included. Attach copies of Canadian federal Individual Income Tax Return, Canadian Form T-4, U.S. form 1116 Computation of Foreign Tax Credit, and U.S. Form 1040.

Michigan Historic Preservation Credit

A taxpayer is allowed a nonrefundable credit of 25 percent of the qualified expenditures made for the rehabilitation of a historic resource pursuant to a rehabilitation plan. The rehabilitation plan and completed rehabilitation of the historic resource must be certified by the Michigan Historical Center. Any unused portion of the credit may be carried forward for a maximum of ten years. For more information on how to qualify, visit the State Historic Preservation Office at www.michigan.gov/hal or call (517) 373-1630.

Michigan College Tuition and Fees Credit

A taxpayer may claim a credit against the income tax for tuition and fees paid on behalf of a student to a Michigan college or university. The amount of the credit is the **lesser** of 8 percent of the tuition and fees paid or \$375 for each student.

To be eligible for this credit the claimant must:

1. Be a Michigan resident.
2. Have AGI of \$200,000 or less.
3. Have paid tuition and/or fees on behalf of the student. Fees must be those that are paid uniformly by all students.

A list of the eligible colleges and universities is printed on the back of Schedule CT.

The student(s) must be working on an undergraduate degree or certificate. Tuition and fees paid for graduate studies are not eligible for the credit. The costs of books, room and board, transportation, etc., are not considered to be tuition/fees and cannot be used when calculating this credit.

The Michigan College Tuition and Fees Credit is claimed on Form MI-1040. Treasury may require proof from the claimant to support the fees and tuition claimed in the calculation of this credit.

Vehicle Donation Program for 2011

Donors may claim a nonrefundable tax credit of the donation of an automobile to a charitable organization if the automobile is transferred to an individual for employment purposes.

Donors must receive *Donor Tax Credit Certificate For Donated Automobile* (Form 4284) from a certified charitable organization to claim the credit.

The tax credit is equal to 50 percent of the **lesser** of the fair market value of the automobile as determined by the charitable organization or the National Automobile Dealers Association (NADA) guidebook, up to \$50 for a return filed by a single person or \$100 for a joint return.

A Michigan income tax credit is not available to donors who give motor vehicles to a church or house of religious worship, even if the vehicle is intended for use by a qualified recipient.

The following charitable organizations have qualified for the vehicle donation program for 2011. (The Credit Eligibility Number is also listed.)

CarsINC	505
Carlink, Inc.	604
Collex Wheels of Hope Outreach, Inc.	304
Goodwill Industries of Mid-Michigan, Inc.	105
Goodwill Industries of Northern Michigan, Inc.	705
Goodwill Industries of Southeast Michigan, Inc.	905
Goodwill Industries of Southwestern Michigan, Inc.	601
Goodwill Industries of West Michigan, Inc.	803
Goodwill Wheels to Work	202

Although the certificate need not be attached, the three-digit code number must be entered whether the Michigan income tax return is e-filed or paper-filed. The taxpayer must save the certificate as proof if verification is later requested by Treasury.

Individual or Family Development Account Credit

The Individual or Family Development Account Credit is a nonrefundable income tax credit that was first effective for the 2007 tax year and is available for contributions to Michigan-based Individual Development Account (IDA) programs. Contributions to an IDA program are eligible for a \$0.75 credit for every \$1.00 donated. A taxpayer may not claim a credit in excess of the amount approved by Michigan State Housing Development Authority (MSHDA). A taxpayer must attach the tax credit certificate received from MSHDA to the income tax return on which a credit is claimed. For additional information visit www.midap.info/ida-tax-credit.

Renewable Energy Surcharge Credit

For tax years 2009, 2010, and 2011, taxpayers may claim a nonrefundable credit equal to the energy surcharge the taxpayer's electric utility provider is authorized to charge. This credit is based on an itemized surcharge (maximum \$3 per month) that may appear on residential electric "cost recovery charges." This credit is available to both homeowners and renters who have paid electric bills for the tax year they are claiming the credit. Those who qualify for the credit must have an AGI equal to or less than \$65,000 for single or married filing separate, and \$130,000 for joint filers. The maximum credit allowed is \$9 per meter for 2009, and \$7.20 per meter for 2010 and 2011. This credit is equal to 25 percent of the annual surcharge for 2009, and 20 percent of the annual surcharge for 2010 and 2011.

USE TAX

The taxpayer must use Worksheet 1, page 9, in the instruction booklet to calculate the tax and enter the amount of tax due on line 22.

TAX CREDITS (REFUNDABLE)

Homestead Property Tax Credit

This credit was covered in Chapter 2 of this Manual.

Farmland Preservation Tax Credit

This credit is for taxpayers who have entered into a Farmland Development Rights Agreement with the Department of Agriculture. To receive this credit, complete Form MI-1040CR-5 and attach it to Form MI-1040. Form MI-1040CR-5 is supplied to the taxpayer by the Department of Agriculture.

When a Farmland Preservation Tax Credit is claimed, the taxpayer must attach the following items to Form MI-1040:

1. Property tax bills for 2011, with the agreement number listed on each of the tax bills and a receipt verifying payment of 2010 or 2011 property taxes. (Failure to show proof of payment will result in a check jointly payable to the taxpayer and the county treasurer.)
2. If ownership of the agreement is other than individual, appropriate distribution statement or partnership schedules.

Taxpayers who claim a farmland preservation tax credit may also claim a credit for a homestead property tax credit using the same taxes. However, total credits cannot exceed property taxes levied for the tax year.

Adoption Credit

The Adoption Credit allows an eligible taxpayer to claim an adoption credit against the tax imposed by the Income Tax Act that is equal to the taxpayer's qualified expenses that are in excess of the amount of the credit for qualified adoption expenses the taxpayer claimed under IRC Section 23 (Adoption Expenses) **or \$1,200** per child, whichever is less.

“Eligible taxpayer” is a taxpayer who has claimed a credit under IRC Section 23 for the same tax year in which the taxpayer is claiming an adoption credit on the Michigan income tax return. The AGI on the MI-1040 must be less than \$225,210 for tax year 2011.

“Qualified adoption expenses” are those expenses that can be claimed as a credit under IRC Section 23 for the same tax year.

If there are no excess federal adoption expenses or no federal adoption credit taken, there is no Michigan credit.

Stillbirth Credit

The Income Tax Act was amended for tax years beginning after December 31, 2005, to provide a taxpayer a credit against the tax imposed by the Income Tax Act equal to 4.5 percent of the exemption amount for the tax year allowed under Section 30(2) for a single exemption, rounded up to the nearest \$10 in the tax year for which the taxpayer has a certificate of stillbirth from the Department of Community Health.

Earned Income Tax Credit

Beginning January 1, 2008, a taxpayer may claim a refundable credit against the income tax for an amount equal to a percentage of the credit the taxpayer is allowed to claim as a credit under IRC Section 32 (i.e., the Earned Income Tax Credit (EITC)) for a tax year on a return filed under the Income Tax Act for the same year. For tax years beginning after December 31, 2008, an eligible taxpayer may claim a credit of 20 percent of his or her federal EITC.

Energy Efficient Qualified Home Improvement Credit

For tax years 2009, 2010, and 2011, taxpayers may claim a credit that is equal to ten percent of the purchase price and installation of a qualified home improvement or energy efficient appliance, up to \$75 on a single or separate return or \$150 on a joint return, for each category listed in the statute. The specific categories listed are: insulation, furnaces, water heaters, windows, refrigerators, clothes washers, and dishwashers.

A single taxpayer who purchased and installed an appliance or home improvement from each category listed above in the same year would be entitled to a maximum credit of \$375. The credit is allowed to taxpayers with an AGI equal to or less than \$37,500 on a single or separate return, or \$75,000 on a joint return. In addition, the credit is limited to home improvements or appliances purchased for the use in the home of the taxpayer for which the principal residence exemption is in force. The credit is not available to renters or for the purchase made for second homes.

Income Tax Withheld

This appears on the taxpayer's W-2 statement under "Michigan Tax Withheld." Be sure to include withholding for each W-2. Complete Schedule W and attach it to the return.

Claim of Right Doctrine

The Michigan Income Tax act allows a refundable credit for tax paid on income in an earlier year because the taxpayer thought he or she had an unrestricted right to it, but had to repay that amount in the current year. For example, if the taxpayer received the money in 2008 and had to repay it in 2011, he or she may claim a credit on the 2011 return.

The amount of the repayment must have been deducted on U.S. Schedule A or claimed as a credit on U.S. form 1040 to claim a credit on the Michigan return. If the repayment was deducted in arriving at AGI, no additional credit is allowed on the Michigan return.

To compute the credit, multiply the amount that was repaid in 2011 by the tax rate in effect in the year the money was received. Then add the amount of the credit to the Michigan tax withheld and include it on the withholding line on form MI-1040. Write "Claim of Right" next to the withholding line.

The following documents must be attached to Form MI-1040: a schedule showing the computation of the Michigan credit, proof of the repayment, and the portion of the federal return showing the deduction or credit claimed under the claim of right.

Estimate Payments/Credit Forward

Ask the taxpayer if any estimate payments were made for the tax year or if there is a credit forward to be applied from the previous tax year. Any taxpayer who expects his or her tax liability for the year to exceed \$500 after withholding and tax credits should file Form MI-1040ES and make quarterly estimated payments for the year.

CHAPTER 5
ATTACHMENTS

INCOME AND DEDUCTIBLE ITEMS

Key: N = Not included AGI = Adjusted Gross Income
 Y = Included HHI = Household Income

<u>Income Items</u>	<u>AGI</u>	<u>Michigan Taxable Income</u>	<u>HHI</u>
Alimony received	Y	Y	Y
Awards, prizes (in excess of \$300 for HHI)	Y	Y	Y
<hr/>			
Bingo:			
First \$300 (Michigan)	Y	N	N
In excess of \$300 (Michigan)	Y	N	Y
First \$300 (from another state)	Y	Y	N
In excess of \$300 (from another state)	Y	Y	Y
Bonuses	Y	Y	Y
Business (Schedule C) income or loss:			
In Michigan (except Michigan oil and gas subject to severance tax)	Y	Y	Y
From another state and/or Michigan oil and gas subject to severance tax	Y	N	Y
<hr/>			
Capital gains:			
100% taxable	Y	Y	Y
Note: This subtraction is adjusted by the percentage increase in the U.S. Consumer Price Index for the preceding calendar year. See the MI-1040 instruction booklet for the year being reviewed.			
Senior citizen age 65 or older may subtract interest, dividends and capital gains included in AGI. The maximum deduction must be reduced by the pension subtraction. Allowable deduction is the smaller of the calculation or actual total interest, dividends and capital gains.			
Gains on sale of principle residence	N	N	Y
Casualty loss reimbursement in excess of loss of property	Y	Y	Y

<u>Income Items</u>	<u>AGI</u>	<u>Michigan Taxable Income</u>	<u>HHI</u>
Child support payments:			
Payer	Y	Y	Y
Receiver	N	N	Y
Chore service payments:			
Provider of service	Y	Y	Y
Receiver of service	N	N	N
Commissions	Y	Y	Y
Compensation for personal services rendered	Y	Y	Y
<hr/>			
Damages for personal injury or sickness	N	N	Y
Deferred compensation	Y	Y	Y
Director's fees	Y	Y	Y
Disability income (limited)	Y	Y	Y
Policeman and Firemen On-Duty "J-Days"	N	N	Y
Dividends received (see Note under "Capital gains")	Y	Y	Y
<hr/>			
Educational expenses paid by employer	N	N	Y
Employee business expenses, cash allowance or reimbursement	Y	Y	Y
Energy assistance grants or tax credit	N	N	N
Estates or trusts income or loss	Y	Y	Y
<hr/>			
FIP benefits (see "Public Assistance")			
Farm income or loss from:			
Michigan	Y	Y	Y
Another state	Y	N	Y
Farm portion of homestead property tax credit	Y	Y	N
Farmland preservation tax credits	Y	Y	Y
Foreign earned income exclusion	N	N	Y
Foster care payments	N	N	Y

<u>Income Items</u>	<u>AGI</u>	<u>Michigan Taxable Income</u>	<u>HHI</u>
<hr/>			
Gambling:			
Winnings (in excess of \$300 for HHI)	Y	Y	Y
Losses:			
Professional gamblers	Y	Y	Y
All others	N	N	N
Gifts - cash:			
First \$300	N	N	N
Excess over \$300	N	N	Y
Government grant for home repair or improvement	N	N	N
Government payments made directly to educational institutions or housing projects	N	N	N
<hr/>			
Health, life (unless benefits exceed \$50,000), and accident insurance premiums paid by employer	N	N	N
Homestead property tax credits	Y	N	N
Housing allowance for clergy	N	N	Y
<hr/>			
Inheritance bequest or devise from:			
Non-spouse	N	N	Y
Spouse	N	N	N
Interest received on:			
Banking, savings and loan assoc., etc., accounts	Y	Y	Y
Insurance dividends	Y	Y	Y
Land contracts	Y	Y	Y
Money market and savings certificates	Y	Y	Y
Municipal bonds issued by another state	N	Y	Y
Municipal bonds issued by Michigan	N	N	Y
Tax refunds	Y	Y	Y
U.S. Obligations (only specific agencies exempt)	Y	N	Y

<u>Income Items</u>	<u>AGI</u>	<u>Michigan Taxable Income</u>	<u>HHI</u>
Interest taxable to Michigan (see Note under “Capital gains”)			
<hr/>			
Life insurance proceeds paid to:			
Non-spouse	N	N	Y
Spouse	N	N	N
Life insurance - cash in amount in excess of premiums	Y	Y	Y
Living expenses of claimant paid by another person	N	N	Y
Loans received or paid	N	N	N
Long-term disability payments received (if all or part of premium paid by employer)	Y	Y	Y
Lottery:			
100% taxable (in excess of \$300 for HHI)			
Installment winners of Michigan lottery who won prior to 12-30-1988	Y	Y	Y
Lump sum distribution included in 10-year averaging (for individuals born before 1936)	Y	N	Y
	N	N	Y
<hr/>			
Medicare payments	N	N	N
Military wages or retirements	Y	N	Y
Combat pay not excluded from taxable on federal return	Y	N	Y
Combat pay excluded from taxable on federal return	N	N	Y
Moving expenses, reimbursement:			
Moving into Michigan	Y	Y	Y
Moving out of Michigan	Y	N	N
<hr/>			
Net operating loss deduction for household income (limited to federal modified taxable income)	Y	Y	Y
<hr/>			
Partnership income or loss:			
In Michigan (except Michigan oil and gas subject to severance tax)	Y	Y	Y
From another state and/or Michigan oil and gas subject to severance tax	Y	N	Y

<u>Income Items</u>	<u>AGI</u>	<u>Michigan Taxable Income</u>	<u>HHI</u>
Private pensions up to amount allowed as subtraction for claimed year	Y	N	Y
Note: This subtraction is adjusted by the percentage increase in the U.S. Consumer Price Index for the preceding calendar year. See the MI-1040 instruction booklet for the year being reviewed.			
Private pensions or qualified annuity plans in excess of amount allowed as subtraction for claimed year	Y	Y	Y
Public pensions (Federal, State of Michigan or Municipal Governments located in Michigan)	Y	N	Y
Public pensions (states other than Michigan or Municipal Governments located outside of Michigan)	Y	N	Y
Note: Limited to Michigan's private pension limits for states other than:			
Alaska, Florida, Hawaii, Illinois, Massachusetts, Mississippi, Nevada, New Hampshire, Pennsylvania, South Dakota, Tennessee, Texas, Washington and Wyoming. Refer to Chart CC-41013.			
Public assistance payments from Department of Human Services			
FIP paid to grandparents for care of grandchildren	N	N	Y
FIP paid to parents for children	N	N	Y
Public health officer's income:			
Michigan resident	Y	Y	Y
Nonresident	Y	N	N
Railroad sick pay	Y	Y	Y
Railroad Tier 1 retirement benefits:			
Taxable amount	Y	N	Y
Nontaxable portion	N	N	Y
Railroad Tier 2 retirement benefits	Y	N	Y
Railroad unemployment benefits	N	N	Y

<u>Income Items</u>	<u>AGI</u>	<u>Michigan Taxable Income</u>	<u>HHI</u>
Refunds - Michigan state and local income tax	Y	N	N
Relief in kind	N	N	N
Rents and royalties income or loss:			
In Michigan (except Michigan oil and gas royalties subject to severance tax)	Y	Y	Y
From another state and/or Michigan oil and gas royalties subject to severance tax	Y	N	Y
Retirement benefits (see “Private and Public pensions . . .”)	Y	N	Y
<hr/>			
S corporation business activity:			
In Michigan (except Michigan oil and gas subject to severance tax)	Y	Y	Y
In another state and/or Michigan oil and gas subject to severance tax	Y	N	Y
Scholarship, stipends, education grants, GI bill benefits	N	N	Y
Note: Scholarship must be received and used for qualified tuition and related expenses such as fees, books, supplies and equipment required for courses of instruction at a qualified organization.			
Scholarships or grants received and used for nonqualified expenses that are included in federal AGI such as room and board.	Y	Y	Y
Severance pay	Y	Y	Y
Sick pay	Y	Y	Y
Social Security benefits:			
Taxable amount	Y	N	Y
Nontaxable portion	N	N	Y
Stipends received for benefit of grantor (interns, resident doctors)	Y	Y	Y
Strike pay	Y	Y	Y
Supplemental gain (form 4797)	Y	Y	Y

<u>Income Items</u>	<u>AGI</u>	<u>Michigan Taxable Income</u>	<u>HHI</u>
Supplemental unemployment benefits	Y	Y	Y
Surplus foods	N	N	N
Unemployment compensation	Y	Y	Y
Unemployment compensation from railroad	N	N	Y
Vacation allowance	Y	Y	Y
Veterans Administration benefits	N	N	Y
Wages, salaries, tips	Y	Y	Y
Workers' Compensation	N	N	Y

<u>Deductible Items</u>	<u>AGI</u>	<u>Michigan Taxable Income</u>	<u>HHI</u>
Alimony paid	Y	Y	Y
Capital losses:			
Short-term, maximum \$3,000 (HHI, maximum \$3,000)	Y	Y	Y
Long-term, maximum \$3,000 (HHI, maximum \$3,000)	Y	Y	Y
Casualty Loss:			
Claimed as itemized deduction	N	N	N
Claimed as business deduction	Y	Y	Y
“Claim of Right” (repayment of items previously included in income) taken as:			
Itemized deduction (Michigan credit taken)	N	N	N
Federal tax credit (Michigan credit taken)	N	N	N
Deduction reflected in AGI	Y	Y	Y
Health and accident insurance paid by taxpayer for self and family	N	N	Y
IRA or Keogh (payments to)	Y	Y	Y

<u>Deductible Items</u>	<u>AGI</u>	<u>Michigan Taxable Income</u>	<u>HHI</u>
Moving Expenses:			
Moving into Michigan	Y	Y	Y
Moving out of Michigan	Y	N	N
Penalty on early withdrawal of savings	Y	Y	Y
Self-employment tax deduction	Y	N	Y
Venture Capital deduction	Y	N	N

MILITARY PAY, ALLOWABLE IT SUBTRACTIONS

Note: Compensation paid from federal appropriations, including retirement benefits, for military services in the armed forces is exempt from Michigan income tax and is deductible from adjusted gross income (AGI) by the recipient to the extent it is included in federal AGI. Employee business expenses attributable to military income shall reduce the subtraction for military income.

In the following cases, **income qualifies** as a subtraction for military pay:

1. Second set of digits of the employer identification number (EIN) on the W-2 wage and tax statement begin with 997, 998 or 999.

Three exceptions when EIN 35-9970000 would be taxable are:

- Payment to active or reserve member for a Do It Yourself (DITY) household move associated with a permanent change of station.
- Student loan payment made on behalf of a member to a lending institution.
- Separate W-2 is issued for these payments. Income is not subtracted out as military if there is a second W-2 issued under EIN 35-9970000 and taxpayer is not subtracting it out.

2. W-2 indicates:

- A particular unit, company (C.O.) or battalion (B.N.)
- A particular navy ship (U.S.S.) or Air Force Base (A.F.B.)
- “Disbursing Officer, Navy Finance Center, Cleveland OH”
- “Air Force Accounting and Finance Center, Denver, CO”
- “DFAS, ATTN: DFAS-IN/FJC” (EIN 35-1819323).

Note: If the EIN is 35-1819323, the entire amount of wages in box 1 qualifies for a subtraction on the Michigan return even if box 14 indicates a different amount of “active duty pay.” Box 14 is information for the Social Security Administration (SSA) and SSA’s definition of active pay is different than the State’s.

3. Reserve duty pay when called to duty by the President.
4. Military retirement pay.
5. National Guard pay **only** for the following:
 - Weeknight and regular weekend drills
 - Summer camp
 - Pay received for riot duty **while nationalized by the President.**
6. Public Health Officers - only those assigned to the Coast Guard or who are **nonresidents** of Michigan.

Note: Federal law prohibits any state other than the state of residence from taxing the wages of Public Health Officers from Health and Human Services.

In the following cases, **income does not qualify** as a subtraction for military pay:

1. W-2 forms from an Officer's Open Mess or similar establishment.
2. W-2 from the military shows an employer number identifying a civilian employee (i.e., taxable wages paid a civilian employee).
3. Wages paid to employees of the United States Property and Fiscal Office (USPFO).

Note: Michigan tax is typically withheld which is the best indication that it is civilian pay. If a taxpayer disputes the decision that the pay is civilian pay, request a copy of taxpayer's latest "Defense Finance and Accounting Service Military Leave and Earnings Statement" to verify that taxpayer is in the military.

4. W-2 issued from DFAS-Pensacola, Florida is military pay issued from this employer and is not an allowable subtraction as it is technical pay or other pay that is not active duty pay.
5. National Guard pay for the following:
 - Riot duty when called to duty by **the Governor** (paid by the State).
 - Full-time employment for which the taxpayer received a W-2 from the State.
6. Reserve duty pay when called to duty by **the Governor** (paid by the State).
7. Resident Public Health Officers (employees of Health and Human Services) for other than the Coast Guard.

Note: Residency of military personnel and Public Health Officers remains with the state from which they entered the service unless they have filed a declaration with the service to change it.

INCOME TAX FEDERAL OBLIGATIONS TAXABILITY

The following U.S. Obligations are exempt from Michigan Individual Income Tax:

U.S. Government Bonds
U.S. Government Certificates

U.S. Savings Bonds – Series E, F, G and H
U.S. Treasury Bills and Notes

Obligations issued by the following U.S. Agencies are exempt:

Banks for Cooperatives
Central Banks for Cooperatives
Commodity Credit Corp.
Consolidated Bonds
Consolidated Discount Notes
Consolidated System Bond, Series L
Consolidated Systemwide
Discount Notes
District of Columbia
Farm Credit Banks
Farmers Home Corp.
Federal Deposit Insurance Corp.
Federal Farm Credit Bank
Federal Farm Loan Corp.
Federal Farm Mortgage Corp.
Federal Financing Banks
Federal Home Loan Banks
Federal Housing Administration
(General Insurance Fund Debentures)

Federal Intermediate Credit Banks
Federal Intermediate Credit Corp.
Federal Land Banks
Federal Land Banks Association
Federal Savings and Loan Insurance
Corporation
Home Owner's Loan Corp.
Joint Stock Land Banks
Maritime Administration
Production Credit Association
Small Business Administration
Student Loan Marketing Association
Tennessee Valley Authority (bonds only)
U.S. Housing Authority
U.S. Maritime Commission
U.S. Possessions (obligations Puerto Rico,
Virgin Islands, etc.)
U.S. Postal Service (bonds)

The following debentures issued under the General Insurance Fund are exempt:

Interest from debentures issued under War Housing Insurance Law
Interest from debentures to acquire rental housing projects
Interest from Armed Service Housing Mortgage Debentures

The following General Services Administration Public Building Trust Participation Certificates are exempt:

1st series A through E
2nd series F
3rd series G
4th series H and I

The Guam Obligations issued by Government of Guam are exempt.

Notes: Income from **exempt** U.S. Obligations received by the taxpayer through Money Market Funds, Money Market Certificates, Mutual Funds, Trusts, etc., generally qualifies for a subtraction.

Treasury Bill Futures are **not** U.S. obligations.

The following U.S. Obligations are taxable:

Government National Mortgage Association (debentures, notes and participation certificates)
Federal National Mortgage Association participation and other instruments
Federal Home Loan Mortgage Corporation, mortgages and other securities
Federal Housing Administration (debentures, notes and participation certificates)
U.S. Department of Agriculture Farmers Home Administration Insured Notes
Export-Import Bank of Washington, D.C.
International Bank of Reconstruction and Development (World Bank)
Participation Certificates issued by the Federal National Mortgage Association
Building and Loan Associations
Credit Union Share Accounts
District of Columbia Armory Board
Federal Savings and Loan Associations
Panama Canal Bonds
Philippine Bonds
U.S. Government Insured Merchant Marine Bonds

Other examples of taxable interest from federal obligations:

Refunds of federal income tax
Interest-bearing certificates issued in lieu of tax-exempt securities, such income losing its identity when merged with other funds
Debentures issued to mortgages or mortgages foreclosed under the provisions of the National Housing Act
Promissory notes of the federal instrumentality
Federal Home Loan Time deposits
FSLIC secondary reserve prepayments
Government National Mortgage Association participation certificates and on Federal Home Loan Mortgage Corporation participation certificates in mortgage pools
U.S. Postal Service Certificates and savings deposits
Participating loans in the Federal Reserve System for member banks (Federal Funds)
Farmer's Home Administration

INCOME TAX ALLOCATION OF INCOME

<u>Type of Income</u>	<u>Allocate To</u>
Salaries, wages, tips, director fees, commissions, etc.	<p>State where earned and state of residence. A Michigan resident may be entitled to a credit if income also taxed by another state.</p> <p>Exception: Residents of reciprocal states are not taxed by Michigan on this type of income and vice versa.</p>
Deferred compensation:	
1. Principal portion	<p>State of residence when received. (See Revenue Administrative Bulletin 1997-2 for tax years prior to 1996.)</p> <p>State of residence when received.</p>
2. Interest portion	
Dividends and interest	<p>State of residence.</p> <p>Exception: If earned by a partnership or S corporation, allocate or apportion to the state of the business activity if business income.</p>
Business income or loss (Schedule C)	<p>State where business activity takes place. Business income attributable to Michigan and one or more states must be apportioned. (See Schedule H.)</p>
Partnerships, S corporations or other flow-through entities income or loss:	
1. Ordinary business income or loss (Schedule E)	<p>State where business activity takes place.</p>
2. All other business income or loss	<p>State where business activity takes place.</p>
3. Nonbusiness income or loss	<p>State of residence.</p>
Capital gain or loss (Schedule D or 4797):	
1. Intangible personal property such as stocks, bonds, commodities, futures, etc.	<p>State of residence unless business income.</p> <p>State where property is located unless business income.</p>
2. Section 1231	<p>State where property is located unless business income.</p>
3. Real property	<p>State where real property is located.</p>

<u>Type of Income</u>	<u>Allocate to</u>
Pension, retirement, annuity, qualifying IRA distributions and Social Security benefits	State of residence when received.
Rent and royalty income or loss (Schedule E):	
1. Tangible and intangible personal property	Michigan if utilized in this state, or if a resident and not taxable in the state where property is utilized.
2. Real property (includes royalties for minerals which came from real property such as oil and coal)	State where real property is located.
Estate or trust income or loss	Look to type and source of income and apply guidelines in this chart.
Farm income or loss (Schedule F)	State where farm is located.
Unemployment compensation	State of residence.
Alimony, prizes, state and local refunds, and gambling winnings	State of residence when received. (Michigan Lottery won by nonresidents is taxable to Michigan.)
Prizes won after September 30, 2003 from casinos or licensed horse tracks located in Michigan	State where casinos and horse tracks are located.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JOHN ENGLER
GOVERNOR

DOUGLAS B. ROBERTS
STATE TREASURER

REVENUE ADMINISTRATIVE BULLETIN 2002-2

Approved: March 28, 2002

**INDIVIDUAL INCOME TAX – HOMESTEAD PROPERTY TAX CREDIT
PERMANENT RESIDENT OF A NURSING HOME**

(Replaces Revenue Administrative Bulletin 1988-21)

RAB 2002-2. This Revenue Administrative Bulletin (RAB) describes a permanent nursing home resident's entitlement to a homestead property tax credit when substantially all or a part of the charges for rent, food, nursing or other services are paid directly to the nursing home by agencies of the state or federal government.

Entitlement to a Homestead Property Tax Credit

An individual natural person who was domiciled in Michigan for at least six months of the calendar year may file for a homestead property tax credit based on property taxes levied or rent paid on a Michigan homestead owned or rented as the claimant's principal residence. MCL 206.520(2) and Department of Treasury Rule, 1979 AC, R 206.28 provide that a claimant who rents or leases a homestead may claim a similar credit.

Property Taxes Eligible to be Claimed for the Credit

MCL 206.520(1) provides that the property taxes that may be used to calculate a property tax credit are the taxes on a homestead that are deductible for federal income tax purposes pursuant to Section 164 of the Internal Revenue Code of 1986, or the property taxes that would have been deductible if the taxpayer had elected to itemize his or her deductions. In computing the credit, "homestead property taxes" are the taxes levied on property and based on the taxable value of the homestead, including collection fees, or 20 percent of the gross rent paid. [MCL 206.520(2)]

The property taxes used for the credit computation may not be greater than the amount levied for one year and, pursuant to MCL 206.530(2), will be subject to further adjustment if the homestead is occupied less than a 12 month period.

Computation of Credit

The credit is equal to 60 percent of the property taxes levied on the homestead or property taxes paid in rent that exceed 3.5 percent of the claimant's household income, and subject to further reduction if the claimant receives aid to dependent children and/or has household income in excess of \$73,650.00 (as indexed). [MCL 206.520(8) and MCL 206.522(1)(a)]

MCL 206.522 describes other categories, for example senior citizen, that a claimant may qualify to file under for the credit. Generally, these other categories will entitle him or her to a larger percentage of the property taxes as a credit. The claimant may only elect one category in filing a claim. The total credit allowed to a claimant in a taxable year on or after December 31, 1975, may not exceed \$1,200.00. [MCL 206.520(16)]

A permanent resident of a nursing home may not use in the computation on a property tax credit all or a portion of his or her “allocable share” of property taxes, as defined in Department of Treasury Rules, 1979 AC, R 206.28(6), if the rent, food, nursing or other services are paid directly to the nursing home by an agency of the state or federal government.

This claimant is considered to have paid none of the property taxes in rent to the nursing home if he or she has no responsibility for rent, food and other nursing home charges. Only a renter or lessee may claim a property tax credit on property that he or she has contracted to rent or lease. Pursuant to MCL 206.520(1), the property taxes eligible for the credit must be the same property taxes that could have been deducted under Section 164 of the Internal Revenue Code of 1986. A cash basis taxpayer cannot claim a deduction of real estate taxes in excess of those property taxes which he or she has not paid.

Therefore, if all the charges for a permanent nursing home resident are paid directly to the nursing home by an agency of the state or federal government, the resident has not paid any property taxes and may not claim a property tax credit based on the “allocated share” of property taxes designated to a person residing in a nursing home.

Summary

A nursing home resident cannot claim as his or her “allocable share” of property taxes any sum that exceeds the total nursing home charges paid by him or her. In determining the total nursing home charges paid by the resident, any charges paid directly to the nursing home by state or federal agencies will be deducted from the total charges paid for the year from all sources. Where the total charges paid by the resident are less than the “allocable share” of property taxes, all payments made by him or her are designated as payment of taxes. And, where the total charges paid by the resident are equal to or greater than the resident's “allocable share,” the claimant may include the “allocable share” of property taxes in the computation of his or her credit.

Example: Nursing home charges for Resident A were billed in a lump sum of \$10,000 for rent, food, and other nursing services to the State of Michigan. Of that sum, \$9,600 was paid directly to the nursing home by the state. The resident paid the balance of \$400.00 due.

The resident's “allocable share” of property taxes on the facility, based on 100 beds and real property taxes of \$50,000.00, is \$500.00. However, since the total charges paid by him are less than his “allocable share,” only the lesser figure of \$400.00 may be utilized by the resident for calculating a property tax credit.

In computing the household income of a nursing home resident, any charges paid directly to the nursing home by an agency of the state or federal government are not required to be considered. See Department of Treasury Income Tax Rules, 1979 AC, R 206.4(2)(b). This Rule provides that “household income” does not include “[r]elief in kind by a governmental unit such as medicaid payments to a nursing home or doctor, or rent paid, in whole or in part, directly to the landlord...”



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JOHN ENGLER
GOVERNOR

DOUGLAS B. ROBERTS
STATE TREASURER

REVENUE ADMINISTRATIVE BULLETIN 2002-4

Approved: March 28, 2002

**INDIVIDUAL INCOME TAX – HOMESTEAD PROPERTY TAX CREDIT WHEN
ADULTS OTHER THAN HUSBAND AND WIFE SHARE HOMESTEAD**

(Replaces Revenue Administrative Bulletin 1988-24)

RAB 2002-4. This Revenue Administrative Bulletin (RAB) explains who is considered an eligible claimant for the purpose of claiming a homestead property tax credit under MCL 206.520(1) and when a homestead is occupied by more than one adult who are not related as husband and wife.

To qualify as a claimant for homestead property tax credit purposes, the claimant must be an individual natural person who was domiciled in this state during at least six months of the calendar year preceding the year in which the claim is filed. Claimant includes a husband and wife if they file a joint State income tax return. [MCL 206.504(2)] A claimant must own or lease a homestead to qualify for the credit. [MCL 206.520]

Owner Defined

An owner is defined in Department of Treasury Rule, 1979 AC, R 206.27(1) as a natural person who owns his home or is:

- (a) purchasing a homestead under a mortgage or land contract, or
- (b) purchasing a dwelling on leased land, or
- (c) a tenant stockholder of a cooperative housing corporation, or
- (d) holding a life lease in a homestead previously sold, or
- (e) the sole occupant of a homestead where he is a joint owner.

Subsection (2) of Rule 206.27 provides that "[c]laimants not related as husband and wife, who jointly own and occupy the same dwelling, shall file separate claims on their prorated share of the taxes."

Renter Defined

A renter is defined in MCL 206.512(4) as "... a person who rents or leases a homestead."

Property Taxes Eligible to a Renter

A renter or lessee is entitled to use 20% of the gross rent paid during the tax year as property taxes eligible for the credit. However, the amount of gross rent paid by the lessee may not always be used to calculate the credit. The gross rent must be the amount the renter or lessee contracts to pay the landlord or the amount established in an arm's length transaction with the landlord. The Department will adjust the amount of gross rent if it determines that the amount is excessive.

Shared Homestead

In some cases, more than one eligible renter or lessee may occupy the same homestead. Each claimant is entitled to compute a homestead property tax credit based upon 20% of the gross rent he or she contracts to pay the landlord or agrees to pay the landlord based on an arm's length transaction.

An individual who does not have a contract to rent or cannot establish that an arm's length transaction exists between him or her and the landlord will be ineligible to claim a homestead property tax credit.

Examples:

An individual owns and occupies a homestead with her two adult children. Her children do not pay a specific rental or room and board charge, but sporadically contribute small sums of money to her. Since the children are not owners of the home nor do they contract to pay rent, the mother is entitled to claim all of the property taxes in the calculation of her homestead property tax credit.

Two unrelated individuals are sharing a rented home. Only one of these individuals has signed a rental agreement with the lessor. Each person pays one-half of the contract rent. The Department requires the non-contracting tenant to be able to prove her payments are bona fide if she claims a homestead property tax credit. [MCL 206.508(1)]

PROBLEM 1 – HOMEOWNER



Prepare an MI-1040CR for John and Joanna Powers, ages 66 and 68 respectively. They have no dependents or handicaps. Their Social Security numbers (SSNs) are 587-71-8320 and 210-30-7854, respectively. They owned and lived in their house at 312 W. Outer Drive, Detroit, MI 48106, for the entire year. The property tax bills on their homestead are:

<u>SUMMER 2011</u>		<u>WINTER 2011</u>	
Total Taxes	\$475	Total Taxes	950
Special Assessment Sidewalk	<u>+175</u>		
Total	650	Total	<u>950</u>
		Administration Fee	<u>+ 9</u>
Total	\$650	Total	\$959
State Equalized Value	\$55,000		
Taxable Value	\$31,000		

Their annual income is:

<u>SOCIAL SECURITY</u>		<u>PENSION</u>	
Paid by check or direct deposit	\$5,850	Gross Distributions	\$11,700
Medicare premiums deducted	600	Original contributions	2,300
Benefits for 2010	\$6,450	Taxable Benefits	\$9,400

They paid \$450 health insurance premiums to Aplac.

Assume the same facts as shown above and compute the homestead property tax credit for the Bowers for each of the following fact changes:

- A. Joanna’s age is 62. _____
- B. Joanna’s age is 66 and their \$5,850 Social Security income is changed to Social Security Disability. _____
- C. Joanna passed away two years ago at age 66. _____
- D. John and Joanna sold their home September 1, 2011, but moved in with their children on July 1. The children would not accept any rent from them for the remainder of the year. _____

PROBLEM 2 – RENTER



Susan Storm is age 49 and single. Susan has three dependents and no handicaps. Her SSN is 999-99-9999. Her only income is from wages of \$17,850. Susan pays no health insurance premiums, as health insurance is provided by her employer. She rented an apartment at 360 W. 18th Street, Holland, MI 49422, paying \$750 per month for the entire year. Her landlord is Bill Lux at 505 Main, Zeeland, MI 49424. Prepare her MI-1040CR.

Assume the same facts as shown above and compute the Homestead Property tax credit for Susan for each of the following fact changes:

- A. Susan rents an apartment at Holland City Towers.
The apartment building pays a service fee of 8 percent to the Holland City Housing Commission. _____

- B. Susan lives in a mobile home park and pays lot rent of \$840 per month, which includes \$3 per month specific tax. _____

- C. Susan lives six months in a complex that pays ad valorem property taxes and she pays \$800 per month, and six months in a service fee complex where she pays \$725 per month. _____

**PROBLEM 3:
SENIOR CITIZEN WITH LARGE RENT**

Marjorie Stone is age 82. Her SSN is 336-36-8218. She received a \$6,750 pension from Toys-R-Us and \$800 in interest income. Her annual Social Security statement revealed the following:

Paid by check or direct deposit	\$ 6,700
Medicare premiums deducted	<u>500</u>
Benefits for 2010	\$ 7,200



Marjorie paid Blue Cross Insurance premiums of \$275 per quarter. She rented an apartment in the Biltmore Towers at 216 Biltmore S.E., Grand Rapids, MI 47460, paying \$625 per month for the entire year. Prepare the MI-1040CR for Marjorie.



**PROBLEM 4:
VETERAN USING MI-1040CR-2**

John Hogan is 59 years old and not married. His SSN is 111-11-6666. John received a disability pension from the Army of \$7,900 for the year. John's percent of disability is 25 percent. John also received wages of \$40,000 for the year.

The Property Tax Bill on his homestead at 54 Rutgers, Kalamazoo, MI 49001, contains the following information:

Property Taxes	\$ 1,100
Taxable Value	\$ 21,750

SOLUTION NOTE:

As a General Claimant, he would receive no Property Tax Credit (see computation below).

Property Taxes	\$ 1,100
HHI (\$47,900) x .035	<u>- 1,677</u>
	0

Therefore, examine the MI-1040CR-2 method.

- A. Assume the same facts as in the example above for John Hogan, except that he rented his home paying \$600 per month for the entire year. Also, assume that the combined non-homestead millage rate for Kalamazoo city and county is 59.5 mills.

Solution Note: To prepare a credit for a renter using the CR-2 method, the combined millage rate for the city and county must be obtained by the taxpayer or tax preparer. This figure may be obtained from the Treasurer/assessor's office or from calculating it from tax bills of other taxpayers.

**PROBLEM 5:
FAMILY INDEPENDENCE PAYMENT (FIP) / DHS RECIPIENT**

Joan Street had the following household income:

Wages	\$3,200
FIP/DHS	<u>6,800</u>
Total Household	\$10,000



Per the Friend of the Court statement, the father paid \$2,000 in 2011. The property taxes on Joan Street's home in 2011 are \$890 and the taxable value is \$23,350. Joan's SSN is 222-02-2222 and her address is 1452 Dawson, Port Huron, MI 48322. Prepare Joan's MI-1040CR.

PROBLEM 6: HOME HEATING CREDIT

Arthur and Millie Watson are ages 83 and 81, respectively. Arthur is deaf (cannot communicate through the spoken word) and Millie is blind (vision of 20/200 or less with corrective lenses in the better eye). They have no children or other dependents.

Their income is as follows:

- Social Security after the Medicare deduction is \$680 per month.
- Pension from Ajax Manufacturing is \$5,750 for the year.



They present heating statements from Consumers Energy for the 12-consecutive-month period of November 1, 2010 through October 31, 2011, for \$1,970. They own their home and heat with gas. Prepare a Home Heating Credit for the Watsons.

Their SSNs are 380-71-4143 and 416-23-5066, and they currently still own and reside in their home at 3607 Weaver, Royal Oak, MI 48237.

- A. Compute the heating credit for the Watson's if they moved on January 15, 2011 to 660 W. Foster, Ferndale, MI 48221, where heat is now included in their rent.
-



**PROBLEM 7:
MICHIGAN INCOME TAX RETURN**

Donald and Sandra Earle are ages 70 and 65 respectively. Their SSNs are 000-00-0000 and 112-12-1212 and they reside at 200 River, Saginaw, MI 48000. Sandra's corrected vision in her better eye is 20/100. They have no other handicaps. They furnish 75 percent of the support for Donald's mother.

Their income for the year is from the following:

Wages	\$ 25,500
City of Highland Park Pension	\$ 12,850
Bank Interest	750

2011 W-2 Information	<u>Gross</u> <u>Wages</u>	<u>Fed</u> <u>WH</u>	<u>State</u> <u>WH</u>	<u>City</u> <u>WH</u>
38-1234567 Barker Products	\$25,500	\$775	\$625	\$198

They received a city income tax refund of \$100 in 2011 from their 2010 city income tax return.

They donated an automobile during the year to Goodwill Industries of Mid-Michigan, Inc. They presented a Donors Certificate Form 4284, reflecting a value of \$300. The NADA Guidebook reflected a value of \$400. In addition, they want to donate \$10 to the Children of Veteran's Tuition Grant Program and \$15 to the United Way Fund.

Prepare a Michigan Income Tax Return based on the above information.

Determine the Exemption Allowance for each of the following. Assume there are no federal or Michigan Special Exemptions other than those shown. The Michigan exemption allowance is \$3,700 for each federal exemption and \$2,400 for each Michigan Special Exemption.

- A. Married couple, both over 65, and one dependent _____
- B. Married couple, one under 65 _____
- C. Married couple, both under 65, and one is blind _____
- D. Single individual, over 65 and deaf _____
- E. Single individual, under 65 and fully supports mother, age 77 _____

PROBLEM 8:
**MICHIGAN INCOME TAX RETURN WITH INTEREST,
DIVIDEND, AND CAPITAL GAIN SUBTRACTION**



George Burns is age 73 and his SSN is 456-78-9012. He lives at 456 Fire Lane, Grand Rapids, MI 49505. His filing status is single.

His income for the year is the following:

Wages – Walmart (38-9999998)	\$5,800
Interest from savings bonds	1,700
Bank interest	1,500
Dividend Income	8,500
Social Security (non-taxable)	2,700
Michigan Withholding	\$ 260

George rents his homestead in Grand Rapids and pays \$750 per month. Prepare his 2011 Michigan income tax return. His landlord is Gibson Management in Kalamazoo, MI 49001.

**PROBLEM 9:
MICHIGAN INCOME TAX RETURN
WITH PART-YEAR RESIDENTS**

Norman and Patty Duke moved to Michigan from Tennessee on June 1, 2011, and they reside at 41692 Brunswick Lane, Beverly Hills, MI 48112. They are ages 50 and 43 respectively, and their SSNs are 300-30-0300 and 299-29-8297.

The Dukes have three children ages 9, 13, and 15. Their income for 2011 is as follows:

Norm:	Wages-Ajax, Inc. (Tennessee wages -\$65,000)	
	Michigan wages \$20,000 (reported on separate W-2s)	\$85,000
	Michigan withholding	785
	Interest received (\$175 in Michigan)	500
	Lottery winnings (MI)	2,750



Patty: Not employed

The Dukes sold their home in Tennessee with a gain of \$15,000.
The taxable value of their Michigan home is \$85,000 and the taxes levied were \$2,500.
The school district code is 63010 and the number of days as Michigan residents is 214.

2011 MICHIGAN Homestead Property Tax Credit Claim MI-1040CR

Issued under authority of Public Act 281 of 1967. Type or print in blue or black ink.

Print numbers like this: 0123456789 - NOT like this: 0 1 4 7

Attachment 05

▶ 1. Filer's First Name	M.I.	Last Name	▶ 2. Filer's Social Security Number (Example: 123-45-6789)
If a Joint Return, Spouse's First Name	M.I.	Last Name	— —
Home Address (Number, Street, or P.O. Box) If using a P.O. Box, you must complete line 36, page 2.			▶ 3. Spouse's Social Security Number (Example: 123-45-6789)
City or Town			— —
State	ZIP Code	▶ 4. School District Code (5 digits - see p. 49)	

▶ 5. Check the box(es) for which you or your spouse qualify (excluding dependents):

a. Age 65 or older; or an unmarried spouse of a person who was 65 or older at the time of death

b. Deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled

6. Homeowners: Enter the 2011 taxable value of your homestead (see p. 20).....	▶ 6.		00
7. Property Taxes levied on your home in 2011 (see p. 18) or amount from line 42, 47 and 48	▶ 7.		00
8. Renters: Enter rent you paid in 2011 from line 44	▶ 8.	00	
9. Multiply line 8 by 20% (0.20)	▶ 9.		00
10. Total. Add lines 7 and 9.....	▶ 10.		00

HOUSEHOLD INCOME. Include income from both spouses.

11. Wages, salaries, tips, sick, strike and SUB pay, etc.	▶ 11.		00
12. All interest and dividend income (including nontaxable interest).....	▶ 12.		00
13. Net business, royalty or rent income (including self-employment).....	▶ 13.		00
14. Retirement pension, annuity, and IRA benefits. Name of payer: _____	▶ 14.		00
15. Net farm income	▶ 15.		00
16. Capital gains less capital losses (see p. 21).....	▶ 16.		00
17. Alimony and other taxable income (see p. 21). Describe: _____	▶ 17.		00
18. Social Security, SSI and/or railroad retirement benefits	▶ 18.		00
19. Child support and foster parent payments (see p. 21)	▶ 19.		00
20. Unemployment compensation.....	▶ 20.		00
21. Other nontaxable income (see p. 21). Describe: _____	▶ 21.		00
22. Workers' compensation, veterans' disability compensation and pension benefits	▶ 22.		00
23. FIP and other DHS benefits (do not include Food Assistance Program benefits).....	▶ 23.		00
24. SUBTOTAL. Add lines 11 through 23.....	▶ 24.	SUBTOTAL	00

25. Other adjustments (see p. 21). Describe: _____	25.		00
26. Medical insurance or HMO premiums you paid for you and your family (see p. 21)	26.		00

27. Add lines 25 and 26.....	▶ 27.		00
28. HOUSEHOLD INCOME. Subtract line 27 from line 24. If more than \$82,650, STOP; you are not eligible	▶ 28.		00
29. Multiply line 28 by 3.5% (0.035) or by the percent in Table 2 (see p. 22) (if negative, enter "0")	▶ 29.		00
30. Subtract line 29 from line 10. If line 29 is more than line 10, enter "0" and STOP; you are not eligible	▶ 30.		00

If you checked a box on line 5, complete line 32 or 33. FIP/DHS recipients, complete line 32. All others must complete line 31.

31. Multiply line 30 by 60% (0.60) (maximum \$1,200). Go to line 34.....	▶ 31.		00
32. FIP/DHS recipients , enter amount from Worksheet 5 on p. 22. Seniors who pay rent , complete Worksheet 6 on p. 22 and enter amount from worksheet here (maximum \$1,200). Go to line 34.....	▶ 32.		00
33. If you checked a box on line 5 (if you completed line 32, skip this line), enter the amount from line 30 (maximum \$1,200). Go to line 34	▶ 33.		00
34. CREDIT. If your household income (line 28) is less than or equal to \$73,650, enter the amount that applies to you from line 31, 32 or 33 here. If household income is more than \$73,650, you must reduce your credit (see instructions on p. 22). If you file an MI-1040, carry this amount to your MI-1040, line 24	▶ 34.		00

Filer's Social Security Number
— —

▶ 35. Residency Status in 2011: *If you checked box "c," enter dates of Michigan residency in 2011. Enter dates as MM-DD-YYYY (Example: 04-15-2011)

a. Resident

b. Nonresident

c. Part-Year Resident*

FROM:	FILER	SPOUSE
	— — 2011	— — 2011
TO:	— — 2011	— — 2011

PART 1: HOMEOWNERS. Report on lines 36 and 37 the addresses of the homesteads for which you are claiming a credit.

36. Address where you lived on December 31, 2011, if different than reported on line 1.	Taxable Value
37. Address of homestead sold (moved from) during 2011 (Number, Street, City, ZIP Code).	Taxable Value

Homeowners who moved during 2011, complete lines 38 through 42.

HOMESTEAD	
A. Moved Into	B. Moved From
38. Number of days occupied (total cannot be more than 365)..... ▶ 38.	
39. Divide line 38 by 365 and enter percentage here..... 39.	% %
40. Property taxes levied and assessed in calendar year 2011 40.	
41. Prorated property taxes. Multiply line 40 by percentage on line 39..... 41.	
42. Taxes eligible for credit. Add line 41, columns A and B. Enter here and on line 7..... 42.	00

PART 2: RENTERS

43. A Address of Homestead You Rented (No., Street, Apt. #, City, ZIP Code)	B Landowner's Name and Address	C # Months Rented	D Monthly Rent	▶ E Total Rent Paid Less Mobile Home Taxes

44. Total rent you paid (not more than 12 mos). Add total rent for each period. Enter here and on line 8 44. 00

PART 3: ALTERNATE HOUSING FACILITIES

▶ 45. If you lived in one of these types of facilities for all or part of 2011, check the appropriate box and see instructions.

a. **Subsidized Housing**, complete line 46. Enter result on line 8. b. **Service Fee Housing**, complete lines 46 and 47.

46. Enter the total rent you paid in 2011. Do not include amounts paid on your behalf by a government agency 46. 00

47. If you checked 45b, multiply line 46 by 10% (0.10) (see instructions). Enter here and on line 7 47. 00

▶ 48. **Special Housing:** If you lived in one of these facility types for all or part of 2011, check the appropriate box and see instructions.

a. **Cooperative Housing** b. **Home for the Aged** c. **Nursing Home**

d. **Adult Foster Care Home** e. **Paid Room and Board**

Enter your prorated share of taxes from the type of facility checked above and on line 7 48. 00

49. Name and Address (include ZIP Code) of Housing Facility, Landowner, or Care Facility if you completed Part 3

<p>DIRECT DEPOSIT Deposit your refund directly to your financial institution! See p. 11 and complete a, b and c.</p>	a. Routing Transit Number ▶	b. Type of Account: ▶ (1) <input type="checkbox"/> Checking (2) <input type="checkbox"/> Savings
	c. Account Number ▶	

Deceased Taxpayers. If Filer and/or Spouse died after 12-31-2010, enter dates below.
ENTER DATE OF DEATH ONLY. Example: 04-15-2011 (MM-DD-YYYY).

▶ Filer — — ▶ Spouse — —

Taxpayer Certification. I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.

Filer's Signature	Date
Spouse's Signature	Date

▶ I authorize Treasury to discuss my return with my preparer. Yes No

Preparer Certification. I declare under penalty of perjury that this return is based on all information of which I have any knowledge.

▶ Preparer's PTIN, FEIN or SSN

▶ Preparer's Business Name (print or type)

Preparer's Business Address (print or type)

2011 MICHIGAN Homestead Property Tax Credit Claim MI-1040CR

Issued under authority of Public Act 281 of 1967. Type or print in blue or black ink.

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City or Town	State	ZIP Code	▶ 4. School District Code (5 digits - see p. 49)

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Filer's Social Security Number
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PART 2: RENTERS

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44. Total rent you paid (not more than 12 mos). Add total rent for each period. Enter here and on line 8 44. 00

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46. Enter the total rent you paid in 2011. Do not include amounts paid on your behalf by a government agency 46. 00

47. If you checked 45b, multiply line 46 by 10% (0.10) (see instructions). Enter here and on line 7 47. 00

▶ 48. **Special Housing:** If you lived in one of these facility types for all or part of 2011, check the appropriate box and see instructions.

a. **Cooperative Housing** b. **Home for the Aged** c. **Nursing Home**

d. **Adult Foster Care Home** e. **Paid Room and Board**

Enter your prorated share of taxes from the type of facility checked above and on line 7 48. 00

49. Name and Address (include ZIP Code) of Housing Facility, Landowner, or Care Facility if you completed Part 3

DIRECT DEPOSIT a. Routing Transit Number ▶

Deposit your refund directly to your financial institution! See p. 11 and complete a, b and c. c. Account Number ▶

b. Type of Account: ▶ (1) Checking (2) Savings

Deceased Taxpayers. If Filer and/or Spouse died after 12-31-2010, enter dates below.
ENTER DATE OF DEATH ONLY. Example: 04-15-2011 (MM-DD-YYYY).

▶ Filer ▶ Spouse

Taxpayer Certification. I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.

Filer's Signature	Date
Spouse's Signature	Date

▶ I authorize Treasury to discuss my return with my preparer. Yes No

Preparer Certification. I declare under penalty of perjury that this return is based on all information of which I have any knowledge.

▶ Preparer's PTIN, FEIN or SSN

▶ Preparer's Business Name (print or type)

Preparer's Business Address (print or type)

If you are also filing Form MI-1040, attach this form behind it.
If not, mail this form to: **Michigan Department of Treasury, Lansing, MI 48956**

2011 MICHIGAN Homestead Property Tax Credit Claim MI-1040CR

Issued under authority of Public Act 281 of 1967. Type or print in blue or black ink.

Print numbers like this: 0123456789 - NOT like this: 0 1 4 7

Attachment 05

▶ 1. Filer's First Name	M.I.	Last Name	▶ 2. Filer's Social Security Number (Example: 123-45-6789)
If a Joint Return, Spouse's First Name	M.I.	Last Name	— —
Home Address (Number, Street, or P.O. Box) If using a P.O. Box, you must complete line 36, page 2.			▶ 3. Spouse's Social Security Number (Example: 123-45-6789)
City or Town			— —
State	ZIP Code	▶ 4. School District Code (5 digits - see p. 49)	

▶ 5. Check the box(es) for which you or your spouse qualify (excluding dependents):

a. Age 65 or older; or an unmarried spouse of a person who was 65 or older at the time of death

b. Deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled

6. Homeowners: Enter the 2011 taxable value of your homestead (see p. 20).....	▶ 6.		00
7. Property Taxes levied on your home in 2011 (see p. 18) or amount from line 42, 47 and 48	▶ 7.		00
8. Renters: Enter rent you paid in 2011 from line 44	▶ 8.	00	
9. Multiply line 8 by 20% (0.20)	▶ 9.		00
10. Total. Add lines 7 and 9.....	▶ 10.		00

HOUSEHOLD INCOME. Include income from both spouses.

11. Wages, salaries, tips, sick, strike and SUB pay, etc.	▶ 11.		00
12. All interest and dividend income (including nontaxable interest).....	▶ 12.		00
13. Net business, royalty or rent income (including self-employment).....	▶ 13.		00
14. Retirement pension, annuity, and IRA benefits. Name of payer: _____	▶ 14.		00
15. Net farm income	▶ 15.		00
16. Capital gains less capital losses (see p. 21).....	▶ 16.		00
17. Alimony and other taxable income (see p. 21). Describe: _____	▶ 17.		00
18. Social Security, SSI and/or railroad retirement benefits	▶ 18.		00
19. Child support and foster parent payments (see p. 21)	▶ 19.		00
20. Unemployment compensation.....	▶ 20.		00
21. Other nontaxable income (see p. 21). Describe: _____	▶ 21.		00
22. Workers' compensation, veterans' disability compensation and pension benefits	▶ 22.		00
23. FIP and other DHS benefits (do not include Food Assistance Program benefits).....	▶ 23.		00
24. SUBTOTAL. Add lines 11 through 23.....	▶ 24.	SUBTOTAL	00

25. Other adjustments (see p. 21). Describe: _____	25.		00
26. Medical insurance or HMO premiums you paid for you and your family (see p. 21)	26.		00

27. Add lines 25 and 26.....	▶ 27.		00
28. HOUSEHOLD INCOME. Subtract line 27 from line 24. If more than \$82,650, STOP; you are not eligible	▶ 28.		00
29. Multiply line 28 by 3.5% (0.035) or by the percent in Table 2 (see p. 22) (if negative, enter "0")	▶ 29.		00
30. Subtract line 29 from line 10. If line 29 is more than line 10, enter "0" and STOP; you are not eligible	▶ 30.		00

If you checked a box on line 5, complete line 32 or 33. FIP/DHS recipients, complete line 32. All others must complete line 31.

31. Multiply line 30 by 60% (0.60) (maximum \$1,200). Go to line 34.....	▶ 31.		00
32. FIP/DHS recipients , enter amount from Worksheet 5 on p. 22. Seniors who pay rent , complete Worksheet 6 on p. 22 and enter amount from worksheet here (maximum \$1,200). Go to line 34.....	▶ 32.		00
33. If you checked a box on line 5 (if you completed line 32, skip this line), enter the amount from line 30 (maximum \$1,200). Go to line 34	▶ 33.		00
34. CREDIT. If your household income (line 28) is less than or equal to \$73,650, enter the amount that applies to you from line 31, 32 or 33 here. If household income is more than \$73,650, you must reduce your credit (see instructions on p. 22). If you file an MI-1040, carry this amount to your MI-1040, line 24	▶ 34.		00

Filer's Social Security Number
— —

▶ 35. Residency Status in 2011: *If you checked box "c," enter dates of Michigan residency in 2011. Enter dates as MM-DD-YYYY (Example: 04-15-2011)

a. Resident

b. Nonresident

c. Part-Year Resident*

FROM:	FILER	SPOUSE
	— — 2011	— — 2011
TO:	— — 2011	— — 2011

PART 1: HOMEOWNERS. Report on lines 36 and 37 the addresses of the homesteads for which you are claiming a credit.

36. Address where you lived on December 31, 2011, if different than reported on line 1.	Taxable Value
37. Address of homestead sold (moved from) during 2011 (Number, Street, City, ZIP Code).	Taxable Value

Homeowners who moved during 2011, complete lines 38 through 42.

		HOMESTEAD	
		A. Moved Into	B. Moved From
38. Number of days occupied (total cannot be more than 365).....	▶ 38.		
39. Divide line 38 by 365 and enter percentage here.....	39.	%	%
40. Property taxes levied and assessed in calendar year 2011	40.		
41. Prorated property taxes. Multiply line 40 by percentage on line 39.....	41.		
42. Taxes eligible for credit. Add line 41, columns A and B. Enter here and on line 7.....	42.		00

PART 2: RENTERS

43. A Address of Homestead You Rented (No., Street, Apt. #, City, ZIP Code)	B Landowner's Name and Address	C # Months Rented	D Monthly Rent	▶ E Total Rent Paid Less Mobile Home Taxes

44. Total rent you paid (not more than 12 mos). Add total rent for each period. Enter here and on line 8 44. 00

PART 3: ALTERNATE HOUSING FACILITIES

▶ 45. If you lived in one of these types of facilities for all or part of 2011, check the appropriate box and see instructions.

a. **Subsidized Housing**, complete line 46. Enter result on line 8. b. **Service Fee Housing**, complete lines 46 and 47.

46. Enter the total rent you paid in 2011. Do not include amounts paid on your behalf by a government agency 46. 00

47. If you checked 45b, multiply line 46 by 10% (0.10) (see instructions). Enter here and on line 7 47. 00

▶ 48. **Special Housing:** If you lived in one of these facility types for all or part of 2011, check the appropriate box and see instructions.

a. **Cooperative Housing** b. **Home for the Aged** c. **Nursing Home**

d. **Adult Foster Care Home** e. **Paid Room and Board**

Enter your prorated share of taxes from the type of facility checked above and on line 7 48. 00

49. Name and Address (include ZIP Code) of Housing Facility, Landowner, or Care Facility if you completed Part 3

	DIRECT DEPOSIT <i>Deposit your refund directly to your financial institution! See p. 11 and complete a, b and c.</i>	a. Routing Transit Number	b. Type of Account: ▶ (1) <input type="checkbox"/> Checking (2) <input type="checkbox"/> Savings
	c. Account Number		

Deceased Taxpayers. If Filer and/or Spouse died after 12-31-2010, enter dates below.
ENTER DATE OF DEATH ONLY. Example: 04-15-2011 (MM-DD-YYYY).

▶ Filer — — ▶ Spouse — —

Taxpayer Certification. I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.

Filer's Signature	Date
Spouse's Signature	Date

▶ I authorize Treasury to discuss my return with my preparer. Yes No

Preparer Certification. I declare under penalty of perjury that this return is based on all information of which I have any knowledge.

▶ Preparer's PTIN, FEIN or SSN

▶ Preparer's Business Name (print or type)

Preparer's Business Address (print or type)

If you are also filing Form MI-1040, attach this form behind it.
If not, mail this form to: **Michigan Department of Treasury, Lansing, MI 48956**

percentage from Table 2. Then use the **actual** household income to compute the credit. See instructions for annualizing on this page.

Line 34: Taxpayers with household income over \$82,650 (line 28) are not eligible for credit in any category. The computed credit is reduced by 10 percent for every \$1,000 (or part of \$1,000) that your household income exceeds \$73,650. If you are filing a part-year return (for a deceased taxpayer or a part-year resident), you must annualize the household income to determine if the credit reduction applies. If the annualized income is more than \$73,650, use actual household income to compute the credit; then reduce the credit 10 percent for every \$1,000 (or part of \$1,000) that your annualized income exceeds \$73,650. The surviving spouse filing a joint claim does not have to annualize the deceased spouse's income. **To annualize income (project what it would have been for a full year):**

Step 1: Divide 365 by the number of days the taxpayer was a Michigan resident in 2011.

Step 2: Multiply the answer from step 1 by the taxpayer's household income (line 28). The result is annualized income.

Line 35: If you and your spouse had a different residency status, check the box that applies to each spouse.

Renters

See "Rent That Can Be Claimed for Credit" on page 18.

Line 43: If you rented a Michigan homestead subject to local property

taxes, enter the street number and name, city, landlord's name and

TABLE 3 - HOMESTEAD PROPERTY TAX CREDIT PHASE OUT

Household Income	Percentage allowed for
\$73,651 - 74,650	90%
\$74,651 - 75,650	80%
\$75,651 - 76,650	70%
\$76,651 - 77,650	60%
\$77,651 - 78,650	50%
\$78,651 - 79,650	40%
\$79,651 - 80,650	30%
\$80,651 - 81,650	20%
\$81,651 - 82,650	10%
\$82,651 - above	0%

address, number of months rented, rent paid per month, and total rent paid. Do this for each Michigan homestead rented during 2011 and for each time rental amounts changed. If you need more space, attach an additional sheet. Do **not** include more than 12 months' rent. If you married during 2011, see page 19. Do **not** include amounts paid directly to the landowner on your behalf by a government agency, unless payment is made with money withheld from your benefit. If you pay lot rent on your mobile home, subtract the \$3 per month property tax from the total rental amount and claim the remaining rent on line 44.

Line 45: If your housing costs are subsidized check box 45a and enter the total amount of rent **you** paid on line 46 and on line 8. Do not include amounts paid on your behalf by a government agency. Complete lines 9-34 to calculate your credit.

If you lived in Service Fee Housing, check box 45b and enter the amount of rent you paid on line 46 and calculate 10% of the rent entering the 10% on lines 47 and 7 (as property taxes), completing lines 10-34 to calculate your credit.

Line 48 Special Housing: If you lived in one of the special housing facilities identified, check the appropriate box and calculate your prorated share of taxes. See "Residents of Nursing Homes and Other Adult Care Homes", "cooperative housing" and "room and board in one fee" on p. 19.

Credit Proration

If you received FIP assistance or other DHS benefits in 2011, prorate your credit to reflect the ratio of income from other sources to total household income. To prorate your credit, complete your MI-1040CR, lines 1 through 30 first, then use the information from your form to complete Worksheet 5 below.

Alternate Property Tax Credit for Renters Age 65 or Older

Worksheet 6, Line B: Enter rent paid from line 44 or, if you live in service fee housing, enter amount from line 46. If you moved from one rental homestead to another during the last two years (also see "If You Moved in 2011" on page 19), enter smaller of:

- The final month's rent on your previous rented homestead multiplied by 12, or
- The actual rent paid from line 44 or line 46.

TABLE 2 - PERCENT OF TAXES NOT REFUNDABLE

ALL GENERAL CLAIMANTS

Income	% of Income
\$0 - \$82,650	3.5%

OTHER CLAIMANTS*

Income	% of Income
\$3,000 or less	0%
\$3,001 - \$4,000	1%
\$4,001 - \$5,000	2%
\$5,001 - \$6,000	3%
More than \$6,000	3.5%

*Other claimants are senior citizens or people who are paraplegic, hemiplegic, quadriplegic, blind, deaf, or totally and permanently disabled or unremarried spouse of an individual 65 or older.

WORKSHEET 5 - FIP/DHS BENEFITS

- Enter amount from line 23 (FIP and other DHS benefits).....
- Enter amount from line 28 (Household Income).....
- Subtract line A from line B (if amount is a negative value, enter "0").....
- Divide line C by line B and enter percentage here.....
- If you checked either box on line 5, enter amount from line 30. All others, multiply amount on line 30 by 60% (0.60) and enter here (if over \$1,200, enter \$1,200).....
- Multiply line E by line D. If you are age 65 or older and you rent your home, enter amount here and on line A of Worksheet 6 below.
Otherwise, enter here and on your MI-1040CR, line 32.....

WORKSHEET 6 - ALTERNATE PROPERTY TAX CREDIT FOR RENTERS AGE 65 AND OLDER

- Enter amount from line 30 or from Worksheet 5, line F, above.....
- Enter rent paid from line 44 or line 46.....
- Multiply amount on line 28 by 40% (0.40) and enter here.....
- Subtract line C from line B. If line C is more than line B, enter "0".....
- Enter the larger of line A or line D here and carry amount to your MI-1040CR, line 32.....

2011 MICHIGAN Homestead Property Tax Credit Claim for Veterans and Blind People MI-1040CR-2

Print numbers like this: 0123456789 - NOT like this: 0147

Attachment 06

PLACE LABEL HERE	▶ 1. Filer's First Name	M.I.	Last Name	▶ 2. Filer's Social Security Number (Example: 123-45-6789)	— —
	If a Joint Return, Spouse's First Name	M.I.	Last Name		— —
	Home Address (No., Street or P.O. Box)			▶ 3. Spouse's Social Security Number (Example: 123-45-6789)	— —
	City or Town	State	ZIP Code		▶ 4. School District Code (5 digits - see p. 15)

▶ 5. Residency Status in 2011: *If you checked box "c," enter dates of Michigan residency in 2011.
Enter dates as MM-DD-YYYY (Example: 04-15-2011)

a. Resident

b. Nonresident

c. Part-Year Resident*

	FROM:	TO:	FILER	SPOUSE
			— — 2011	— — 2011
			— — 2011	— — 2011

▶ 6. Check one of the following that applies to you:

a. Blind and own your homestead

b. Veteran with service-connected disability or veteran's surviving spouse

▶ Enter percent of disability: %

c. Surviving spouse of veteran deceased in service

* d. Active military, pensioned veteran or his/her surviving spouse

* e. Surviving spouse of a nondisabled or nonpensioned veteran of the Korean War, World War II, or World War I

* If you checked "d" or "e" above and your household income (line 29) is more than \$7,500, you cannot claim a credit on this form.

7. Taxable value allowance from Table 2, p.10.....	▶ 7.	00
8. Taxable value of homestead	▶ 8.	00
9. Property taxes levied on your home in 2011 (see p. 4)	▶ 9.	00
10. Percent of tax relief. Divide line 7 by line 8 (not to exceed 100%)	10.	%
11. Multiply line 9 by line 10. Enter the result (maximum \$1,200)	11.	00
HOUSEHOLD INCOME. Include income from both spouses.		
12. Wages, salaries, tips, sick, strike and SUB pay, etc.	▶ 12.	00
13. All interest and dividend income (including nontaxable interest).....	▶ 13.	00
14. Net business, royalty or rent income (including self-employment).....	▶ 14.	00
15. Retirement pension, annuity, and IRA benefits. Name of payer: _____	▶ 15.	00
16. Net farm income	▶ 16.	00
17. Capital gains less capital losses (see p. 7).....	▶ 17.	00
18. Alimony and other taxable income (see p. 7). Describe: _____	▶ 18.	00
19. Social Security, SSI and/or railroad retirement benefits	▶ 19.	00
20. Child support and foster parent payments (see p. 7)	▶ 20.	00
21. Unemployment compensation	▶ 21.	00
22. Other nontaxable income (see p. 8). Describe: _____	▶ 22.	00
23. Workers' compensation, veterans' disability compensation and pension benefits	▶ 23.	00
24. FIP and other DHS benefits (do not include Food Assistance Program benefits).....	▶ 24.	00
25. SUBTOTAL. Add lines 12 through 24	▶ 25.	00
26. Other adjustments (see p. 8). Describe: _____	26.	00
27. Medical insurance or HMO premiums you paid for you and your family	27.	00
28. Add lines 26 and 27.....	▶ 28.	00
29. HOUSEHOLD INCOME. Subtract line 28 from line 25. If greater than \$82,650, STOP; you are not eligible	▶ 29.	00
30. PROPERTY TAX CREDIT. (Maximum \$1,200). Enter one of the following:		
a. FIP/DHS RECIPIENTS, enter amount from the Worksheet on p. 8.		
b. If line 29 is more than \$73,650, see instructions on p. 8 and enter the reduced amount.		
c. ALL OTHERS, enter the amount from line 11.		
If you file an MI-1040, carry this amount to your MI-1040, line 24.....	CREDIT ▶ 30.	00

2011 MICHIGAN Homestead Property Tax Credit Claim MI-1040CR

Issued under authority of Public Act 281 of 1967. Type or print in blue or black ink.

Print numbers like this: 0123456789 - NOT like this: 0 1 4 7

Attachment 05

▶ 1. Filer's First Name	M.I.	Last Name	▶ 2. Filer's Social Security Number (Example: 123-45-6789)
If a Joint Return, Spouse's First Name	M.I.	Last Name	— —
Home Address (Number, Street, or P.O. Box) If using a P.O. Box, you must complete line 36, page 2.			▶ 3. Spouse's Social Security Number (Example: 123-45-6789)
City or Town			— —
State	ZIP Code	▶ 4. School District Code (5 digits - see p. 49)	

▶ 5. Check the box(es) for which you or your spouse qualify (excluding dependents):

a. Age 65 or older; or an unmarried spouse of a person who was 65 or older at the time of death

b. Deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled

6. Homeowners: Enter the 2011 taxable value of your homestead (see p. 20).....	▶ 6.		00
7. Property Taxes levied on your home in 2011 (see p. 18) or amount from line 42, 47 and 48	▶ 7.		00
8. Renters: Enter rent you paid in 2011 from line 44	▶ 8.	00	
9. Multiply line 8 by 20% (0.20)	▶ 9.		00
10. Total. Add lines 7 and 9.....	▶ 10.		00

HOUSEHOLD INCOME. Include income from both spouses.

11. Wages, salaries, tips, sick, strike and SUB pay, etc.	▶ 11.		00
12. All interest and dividend income (including nontaxable interest).....	▶ 12.		00
13. Net business, royalty or rent income (including self-employment).....	▶ 13.		00
14. Retirement pension, annuity, and IRA benefits. Name of payer: _____	▶ 14.		00
15. Net farm income	▶ 15.		00
16. Capital gains less capital losses (see p. 21).....	▶ 16.		00
17. Alimony and other taxable income (see p. 21). Describe: _____	▶ 17.		00
18. Social Security, SSI and/or railroad retirement benefits	▶ 18.		00
19. Child support and foster parent payments (see p. 21)	▶ 19.		00
20. Unemployment compensation	▶ 20.		00
21. Other nontaxable income (see p. 21). Describe: _____	▶ 21.		00
22. Workers' compensation, veterans' disability compensation and pension benefits	▶ 22.		00
23. FIP and other DHS benefits (do not include Food Assistance Program benefits).....	▶ 23.		00
24. SUBTOTAL. Add lines 11 through 23.....	▶ 24.	SUBTOTAL	00

25. Other adjustments (see p. 21). Describe: _____	25.		00
26. Medical insurance or HMO premiums you paid for you and your family (see p. 21)	26.		00

27. Add lines 25 and 26.....	▶ 27.		00
28. HOUSEHOLD INCOME. Subtract line 27 from line 24. If more than \$82,650, STOP; you are not eligible	▶ 28.		00
29. Multiply line 28 by 3.5% (0.035) or by the percent in Table 2 (see p. 22) (if negative, enter "0")	▶ 29.		00
30. Subtract line 29 from line 10. If line 29 is more than line 10, enter "0" and STOP; you are not eligible	▶ 30.		00

If you checked a box on line 5, complete line 32 or 33. FIP/DHS recipients, complete line 32. All others must complete line 31.

31. Multiply line 30 by 60% (0.60) (maximum \$1,200). Go to line 34	▶ 31.		00
32. FIP/DHS recipients , enter amount from Worksheet 5 on p. 22. Seniors who pay rent , complete Worksheet 6 on p. 22 and enter amount from worksheet here (maximum \$1,200). Go to line 34	▶ 32.		00
33. If you checked a box on line 5 (if you completed line 32, skip this line), enter the amount from line 30 (maximum \$1,200). Go to line 34	▶ 33.		00
34. CREDIT. If your household income (line 28) is less than or equal to \$73,650, enter the amount that applies to you from line 31, 32 or 33 here. If household income is more than \$73,650, you must reduce your credit (see instructions on p. 22). If you file an MI-1040, carry this amount to your MI-1040, line 24	▶ 34.		00

percentage from Table 2. Then use the **actual** household income to compute the credit. See instructions for annualizing on this page.

Line 34: Taxpayers with household income over \$82,650 (line 28) are not eligible for credit in any category. The computed credit is reduced by 10 percent for every \$1,000 (or part of \$1,000) that your household income exceeds \$73,650. If you are filing a part-year return (for a deceased taxpayer or a part-year resident), you must annualize the household income to determine if the credit reduction applies. If the annualized income is more than \$73,650, use actual household income to compute the credit; then reduce the credit 10 percent for every \$1,000 (or part of \$1,000) that your annualized income exceeds \$73,650. The surviving spouse filing a joint claim does not have to annualize the deceased spouse's income. **To annualize income (project what it would have been for a full year):**

Step 1: Divide 365 by the number of days the taxpayer was a Michigan resident in 2011.

Step 2: Multiply the answer from step 1 by the taxpayer's household income (line 28). The result is annualized income.

Line 35: If you and your spouse had a different residency status, check the box that applies to each spouse.

Renters

See "Rent That Can Be Claimed for Credit" on page 18.

Line 43: If you rented a Michigan homestead subject to local property

taxes, enter the street number and name, city, landlord's name and

TABLE 3 - HOMESTEAD PROPERTY TAX CREDIT PHASE OUT

Household Income	Percentage allowed for
\$73,651 - 74,650	90%
\$74,651 - 75,650	80%
\$75,651 - 76,650	70%
\$76,651 - 77,650	60%
\$77,651 - 78,650	50%
\$78,651 - 79,650	40%
\$79,651 - 80,650	30%
\$80,651 - 81,650	20%
\$81,651 - 82,650	10%
\$82,651 - above	0%

address, number of months rented, rent paid per month, and total rent paid. Do this for each Michigan homestead rented during 2011 and for each time rental amounts changed. If you need more space, attach an additional sheet. Do **not** include more than 12 months' rent. If you married during 2011, see page 19. Do **not** include amounts paid directly to the landowner on your behalf by a government agency, unless payment is made with money withheld from your benefit. If you pay lot rent on your mobile home, subtract the \$3 per month property tax from the total rental amount and claim the remaining rent on line 44.

Line 45: If your housing costs are subsidized check box 45a and enter the total amount of rent **you** paid on line 46 and on line 8. Do not include amounts paid on your behalf by a government agency. Complete lines 9-34 to calculate your credit.

If you lived in Service Fee Housing, check box 45b and enter the amount of rent you paid on line 46 and calculate 10% of the rent entering the 10% on lines 47 and 7 (as property taxes), completing lines 10-34 to calculate your credit.

Line 48 Special Housing: If you lived in one of the special housing facilities identified, check the appropriate box and calculate your prorated share of taxes. See "Residents of Nursing Homes and Other Adult Care Homes", "cooperative housing" and "room and board in one fee" on p. 19.

Credit Proration

If you received FIP assistance or other DHS benefits in 2011, prorate your credit to reflect the ratio of income from other sources to total household income. To prorate your credit, complete your MI-1040CR, lines 1 through 30 first, then use the information from your form to complete Worksheet 5 below.

Alternate Property Tax Credit for Renters Age 65 or Older

Worksheet 6, Line B: Enter rent paid from line 44 or, if you live in service fee housing, enter amount from line 46. If you moved from one rental homestead to another during the last two years (also see "If You Moved in 2011" on page 19), enter smaller of:

- The final month's rent on your previous rented homestead multiplied by 12, or
- The actual rent paid from line 44 or line 46.

TABLE 2 - PERCENT OF TAXES NOT REFUNDABLE

ALL GENERAL CLAIMANTS

Income	% of Income
\$0 - \$82,650	3.5%

OTHER CLAIMANTS*

Income	% of Income
\$3,000 or less	0%
\$3,001 - \$4,000	1%
\$4,001 - \$5,000	2%
\$5,001 - \$6,000	3%
More than \$6,000	3.5%

*Other claimants are senior citizens or people who are paraplegic, hemiplegic, quadriplegic, blind, deaf, or totally and permanently disabled or unremarried spouse of an individual 65 or older.

WORKSHEET 5 - FIP/DHS BENEFITS

- Enter amount from line 23 (FIP and other DHS benefits).....
- Enter amount from line 28 (Household Income).....
- Subtract line A from line B (if amount is a negative value, enter "0").....
- Divide line C by line B and enter percentage here.....
- If you checked either box on line 5, enter amount from line 30. All others, multiply amount on line 30 by 60% (0.60) and enter here (if over \$1,200, enter \$1,200).....
- Multiply line E by line D. If you are age 65 or older and you rent your home, enter amount here and on line A of Worksheet 6 below.
Otherwise, enter here and on your MI-1040CR, line 32.....

WORKSHEET 6 - ALTERNATE PROPERTY TAX CREDIT FOR RENTERS AGE 65 AND OLDER

- Enter amount from line 30 or from Worksheet 5, line F, above.....
- Enter rent paid from line 44 or line 46.....
- Multiply amount on line 28 by 40% (0.40) and enter here.....
- Subtract line C from line B. If line C is more than line B, enter "0".....
- Enter the larger of line A or line D here and carry amount to your MI-1040CR, line 32.....

Filer's Social Security Number
— —

27. Enter amount from line 26	27.		00
28. Other adjustments (see instructions). Describe: _____	28.		00
29. Medical insurance or HMO premiums you paid for you and your family	29.		00
30. Add lines 28 and 29.....	30.		00
31. HOUSEHOLD INCOME. Subtract line 30 from line 27	▶ 31.		00

Standard and Alternate Home Heating Credit Computations

32. STANDARD CREDIT. Standard allowance from Table A, p.15.....	32.		00
33. Multiply line 31 (Household Income) by 3.5% (0.035) (if negative, enter "0")	33.		00
34. Subtract line 33 from line 32 for standard credit amount. If line 33 is greater than line 32, enter "0".....	34.		00
35. If you answered "Yes" to line 5, multiply the amount on line 34 by 50% (0.50). Enter here and on line 40. (If approved, the final amount as shown on line 41 is issued as a check.).....	35.		00
36. ALTERNATE CREDIT. Total heating costs from line 9 or \$2,506 (whichever is less).....	36.		00
37. Multiply line 31 (Household Income) by 11% (0.11) (if negative, enter "0")..	37.		00
38. Subtract line 37 from line 36. If line 37 is greater than line 36, enter "0".....	38.		00
39. Multiply line 38 by 70% (0.70) for alternate credit amount	39.		00
40. If you completed line 35, enter that amount here. Otherwise, enter the larger of lines 34 or 39 here	40.		00
41. HOME HEATING CREDIT. Multiply line 40 by 52% (0.52)	▶ 41.		00

42. RESIDENCY in 2011:

*If you checked box "c," enter dates of Michigan residency in 2011.
Enter dates as MM-DD-YYYY (Example: 04-15-2011)

- a. Resident
- b. Nonresident
- c. Part-Year Resident*

FROM:
TO:

FILER		SPOUSE	
—	— 2011	—	— 2011
—	— 2011	—	— 2011

IMPORTANT

43. ▶ **You must check this box to receive a refund from your heat provider for any overpayment to your heat account, if eligible. See instructions, p. 8.**

Before you sign, please review your claim. Make sure your name, Social Security number and current mailing address are on the form and that you have answered all the questions that pertain to you.

<p>Deceased Taxpayers. If Filer and/or Spouse died after 12-31-2010, enter dates below. ENTER DATE OF DEATH ONLY. Example: 04-15-2011 (MM-DD-YYYY).</p> <p>▶ Filer <input type="text"/> — — ▶ Spouse <input type="text"/> — —</p>		<p>Preparer Certification. I declare under penalty of perjury that this return is based on all information of which I have any knowledge.</p> <p>▶ Preparer's PTIN, FEIN or SSN</p> <p><input type="text"/></p> <p>▶ Preparer's Business Name (print or type)</p> <p><input type="text"/></p> <p>Preparer's Business Address (print or type)</p> <p><input type="text"/></p>					
<p>Taxpayer Certification. I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.</p> <table border="1"> <tr> <td>Filer's Signature</td> <td>Date</td> </tr> <tr> <td>Spouse's Signature</td> <td>Date</td> </tr> </table>		Filer's Signature	Date	Spouse's Signature	Date		
Filer's Signature	Date						
Spouse's Signature	Date						
<p>▶ I authorize Treasury to discuss my return with my preparer. <input type="checkbox"/> Yes <input type="checkbox"/> No</p>							

**File (postmark) your claim by September 30, 2012. Mail your claim to: Michigan Department of Treasury
Lansing, MI 48956**

2011 MICHIGAN Individual Income Tax Return MI-1040

Return is due April 17, 2012.

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

▶ 1. Filer's First Name	M.I.	Last Name	▶ 2. Filer's Social Security No. (Example: 123-45-6789)
If a Joint Return, Spouse's First Name	M.I.	Last Name	— —
Home Address (No., Street, P.O. Box or Rural Route)			▶ 3. Spouse's Social Security No. (Example: 123-45-6789)
City or Town			— —
State	ZIP Code	▶ 4. School District Code (5 digits - see p. 49)	

<p>▶ 5. STATE CAMPAIGN FUND</p> <p>Check this box if you (or your spouse, if filing a joint return) want \$3 of your taxes to go to this fund. This will not increase your tax or reduce your refund.</p> <table style="width:100%;"> <tr> <td style="width:30%;"></td> <td style="width:10%; text-align: center;">Yes</td> <td style="width:10%; text-align: center;">No</td> </tr> <tr> <td>a. You</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>b. Spouse</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table>		Yes	No	a. You	<input type="checkbox"/>	<input type="checkbox"/>	b. Spouse	<input type="checkbox"/>	<input type="checkbox"/>	<p>▶ 6. FARMERS, FISHERMEN OR SEAFARERS</p> <p><input type="checkbox"/> Check this box if 2/3 of your income is from farming, fishing or seafaring.</p>
	Yes	No								
a. You	<input type="checkbox"/>	<input type="checkbox"/>								
b. Spouse	<input type="checkbox"/>	<input type="checkbox"/>								

<p>▶ 7. FILING STATUS. Check one.</p> <p>a. <input type="checkbox"/> Single</p> <p>b. <input type="checkbox"/> Married, filing jointly</p> <p>c. <input type="checkbox"/> Married, filing separately*</p> <p style="text-align: right; margin-right: 20px;">* If you check box "c," complete line 3 and enter spouse's name below:</p> <div style="border: 1px solid black; width: 200px; height: 20px; margin-left: auto; margin-right: 0;"></div>	<p>▶ 8. RESIDENCY. Check all that apply.</p> <p>a. <input type="checkbox"/> Resident</p> <p>b. <input type="checkbox"/> Nonresident*</p> <p>c. <input type="checkbox"/> Part-Year Resident*</p> <p style="text-align: right; margin-right: 20px;">* If you check box "b" or "c," you must complete and attach Schedule NR.</p>
--	---

▶ 9. EXEMPTIONS

a. Number of exemptions you claimed on your 2011 federal return	▶ 9a.		x \$3,700		00
b. Number of individuals 65 or older who qualify for a special exemption.....	▶ 9b.		x \$2,400		00
c. Number of individuals who qualify for one of the following special exemptions: deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled	▶ 9c.		x \$2,400		00
d. Number of children ages 18 and under you claimed as Michigan exemptions	▶ 9d.		x \$600		00
e. Number of qualified disabled veterans	▶ 9e.		x \$300		00
f. If your unemployment compensation is 50% or more of your Adjusted Gross Income (amount claimed on line 10) check (X) the box and enter \$2,400.....	▶ 9f.	<input type="checkbox"/>	\$2,400		00
g. If someone else can claim you as a dependent, check (X) the box, complete Worksheet 2 on p.10, and enter the amount from the worksheet	▶ 9g.	<input type="checkbox"/>	9g.		00
h. Add lines 9a, 9b, 9c, 9d, 9e, 9f and 9g. Enter here and on line 15	▶ 9h.				00

10. Adjusted Gross Income from your U.S. Forms 1040, 1040A, 1040EZ or 1040NR (see p. 10)	▶ 10.		00
11. Additions from Michigan Schedule 1, line 7. Attach Schedule 1.....	▶ 11.		00
12. Total. Add lines 10 and 11	▶ 12.		00
13. Subtractions from Michigan Schedule 1, line 21. Attach Schedule 1	▶ 13.		00
14. Income subject to tax. Subtract line 13 from line 12. If line 13 is greater than line 12, enter "0".	▶ 14.		00
15. Exemption allowance. Amount from line 9h or Schedule NR, line 20	▶ 15.		00
16. Taxable income. Subtract line 15 from line 14. If line 15 is greater than line 14, enter "0"	▶ 16.		00
17. Tax. Multiply line 16 by 4.35% (0.0435)	▶ 17.		00
18. Total Nonrefundable Credits. Amount from Schedule 2, line 11. Attach Schedule 2	▶ 18.		00
19. Income Tax. Subtract line 18 from line 17. If line 18 is greater than line 17, enter "0"	▶ 19.		00

	DIRECT DEPOSIT Deposit your refund directly to your financial institution! See p. 11 and complete a, b and c.	a. Routing Transit Number ▶ <div style="border: 1px solid black; width: 150px; height: 20px;"></div>	b. Type of Account ▶ (1) <input type="checkbox"/> Checking (2) <input type="checkbox"/> Savings
	c. Account Number ▶ <div style="border: 1px solid black; width: 500px; height: 20px;"></div>		

Filer's Social Security Number

— —

20. Enter amount of Income Tax from line 19.....	20.		00
21. Voluntary Contributions from Form 4642, line 7. Attach Form 4642.....	21.		00
22. USE TAX Use tax due on Internet, mail order or other out-of-state purchases from Worksheet 1, line 3, p. 9.	▶ 22.		00
23. Add lines 20, 21 and 22.....	23.		00
REFUNDABLE CREDITS AND PAYMENTS			
24. Property Tax Credit. Attach MI-1040CR or MI-1040CR-2.....	▶ 24.		00
25. Farmland Preservation Credit. Attach MI-1040CR-5.....	▶ 25.		00
26. Qualified Adoption Expenses. Attach U.S. Form 8839 and MI-8839.....	▶ 26.		00
27. Stillbirth Credit. Amount from Worksheet 3, line B, p. 11.....	▶ 27.		00
28. a. Federal Earned Income Tax Credit.....	▶ 28a.	00	
b. Michigan Earned Income Tax Credit. Multiply line 28a by 20% (0.20).....	▶ 28b.		00
29. Energy Efficient Qualified Home Improvement Credit. Attach Form 4764.....	▶ 29.		00
30. Michigan Historic Preservation Tax Credit (refundable). Attach Form 3581.....	▶ 30.		00
31. Michigan tax withheld from Schedule W, line 3. Attach Schedule W (do not submit W-2's).....	▶ 31.		00
32. Estimated tax, extension payments and 2010 credit forward.....	▶ 32.		00
33. Total refundable credits and payments. Add lines 24 through 27, 28b, and 29 through 32.....	33.		00
REFUND OR TAX DUE			
34. If line 33 is less than line 23, subtract line 33 from line 23. Include interest and penalty if applicable (see p. 11).... YOU OWE	▶ 34.	Office Use Only	00
35. Overpayment. If line 33 is greater than line 23, subtract line 23 from line 33.....	35.		00
36. Credit Forward. Amount of line 35 to be credited to your 2012 estimated tax for your 2012 tax return.....	▶ 36.		00
37. Subtract line 36 from line 35.....	▶ 37.	REFUND	00

<p>Deceased Taxpayer. If Filer and/or Spouse died after December 31, 2010, check the appropriate box below.</p> <p>▶ <input type="checkbox"/> Filer is Deceased ▶ <input type="checkbox"/> Spouse is Deceased</p> <p>Taxpayer Certification. I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Filer's Signature</td> <td style="width: 50%;">Date</td> </tr> <tr> <td>Spouse's Signature</td> <td>Date</td> </tr> </table> <p>▶ I authorize Treasury to discuss my return with my preparer. <input type="checkbox"/> Yes <input type="checkbox"/> No</p>	Filer's Signature	Date	Spouse's Signature	Date	<p>Preparer Certification. I declare under penalty of perjury that this return is based on all information of which I have any knowledge.</p> <p>▶ Preparer's PTIN, FEIN or SSN</p> <p>▶ Preparer's Business Name (print or type)</p> <p>Preparer's Business Address (print or type)</p>
Filer's Signature	Date				
Spouse's Signature	Date				

Refund, credit, or zero returns. Mail your return to: **Michigan Department of Treasury, Lansing, MI 48956**
Pay amount on line 34. Mail your check and return to: **Michigan Department of Treasury, Lansing, MI 48929**

Make your check payable to "State of Michigan." Print your **Social Security number** and "**2011 income tax**" on the front of your check. If paying on behalf of another taxpayer, **write the taxpayer's name and Social Security number** on the check. Do not staple your check to the return. Keep a copy of your return and all supporting schedules for six years. To check the status of your refund, have a copy of your MI-1040 available when you visit: www.michigan.gov/iit

2011 MICHIGAN Schedule 1 Additions and Subtractions

Issued under authority of Public Act 281 of 1967.

Type or print in blue or black ink. Print numbers like this: 0123456789 - NOT like this: 0 1 4 7

Attach to Form MI-1040.

Attachment 1A

Filer's First Name	M.I.	Last Name	▶ Filer's Social Security Number (Example: 123-45-6789) — —
If a Joint Return, Spouse's First Name	M.I.	Last Name	Spouse's Social Security Number (Example: 123-45-6789) — —

Additions to Income (all entries must be positive numbers)

1. Gross interest and dividends from obligations issued by states (other than Michigan) or their political subdivisions.....	▶ 1.		00
2. Deduction for taxes on, or measured by, income including self-employment tax taken on your federal return (see p. 12).....	▶ 2.		00
3. Gains from Michigan column of MI-1040D and MI-4797	▶ 3.		00
4. Losses attributable to other states (see p. 12)	▶ 4.		00
5. Net loss from federal column of your Michigan MI-1040D or MI-4797	▶ 5.		00
6. Other (see p. 12). Describe: _____	▶ 6.		00
7. Total additions. Add lines 1 through 6. Enter here and on MI-1040, line 11	▶ 7.		00

Subtractions from Income (all entries must be positive numbers)

8. Income from U.S. government bonds and other U.S. obligations included in MI-1040, line 10. Attach U.S. <i>Schedule B</i> or U.S. <i>1040A Schedule 1</i> if over \$5,000	▶ 8.		00
9. Military pay from U.S. Armed Forces included in MI-1040, line 10. Attach Schedule W. (Report military retirement pay on line 12.)	▶ 9.		00
10. Gains from federal column of Michigan MI-1040D and MI-4797	▶ 10.		00
11. Income attributable to another state. Explain type and source: _____	▶ 11.		00
12. Retirement or pension benefits included in MI-1040, line 10. (Include military retirement here.) See exceptions, p. 13. Name of payer: _____	▶ 12.		00
13. Dividend/interest/capital gains deduction for senior citizens age 65 and older (see p. 13).....	▶ 13.		00
14. Social Security benefits included in MI-1040, line 10	▶ 14.		00
15. Income earned while a resident of a renaissance zone. Name of zone: _____	▶ 15.		00
16. Michigan state and local income tax refunds received in 2011 and included in MI-1040, line 10	▶ 16.		00
17. Michigan Education Savings Program  and MI 529 Advisor Plan	▶ 17.		00
18.  Michigan Education Trust	▶ 18.		00
19. Venture Capital Deduction. Not available for 2011	▶ 19.		00
20. Miscellaneous subtractions (see p. 14). Describe: _____	▶ 20.		00
21. Total subtractions. Add lines 8 through 20. Enter here and on MI-1040, line 13	▶ 21.		00

2011 MICHIGAN Schedule 2 Nonrefundable Credits

Issued under authority of Public Act 281 of 1967.

Attach to Form MI-1040.

Attachment 1B

Filer's First Name	M.I.	Last Name	▶ Filer's Social Security Number (Example: 123-45-6789) <input type="text"/>
If a Joint Return, Spouse's First Name	M.I.	Last Name	Spouse's Social Security Number (Example: 123-45-6789) <input type="text"/>

	Amount	Credit
1. City Income Tax Credit (see p. 15)..... ▶ 1a.	00	1b. 00
2. Public Contribution Credit (see p. 15)..... ▶ 2a.	00	2b. 00
3. Community Foundation Credit. Enter code from p. 48 ▶ <input type="text"/> ▶ 3a.	00	3b. 00
4. Homeless Shelter/Food Bank Credit (see p. 15)..... ▶ 4a.	00	4b. 00
5. Credit for Income Tax Imposed by Government Units Outside Michigan. Attach a copy of the return..... 5a.	00	▶ 5b. 00
6. Michigan Historic Preservation Tax Credit (nonrefundable). For a refund of any unused credit, see Form 3581 inst. Attach Form 3581.. ▶ 6a.	00	▶ 6b. 00
7. College Tuition and Fees Credit. Attach Schedule CT..... ▶ 7.		00
8. Vehicle Donation Credit. Enter code from list below.. ▶ <input type="text"/> ▶ 8a.	00	8b. 00
9. Individual or Family Development Account Credit and/or Small Business Investment Tax Credit. Attach applicable certificate.. 9a.	00	▶ 9b. 00
10. Renewable Energy Surcharge Credit..... ▶ 10a.	00	10b. 00
11. Total nonrefundable credits. Add lines 1b, 2b, 3b, 4b, 5b, 6b, 7, 8b, 9b and 10b. Enter here and carry amount to your MI-1040, line 18..... 11.		<input type="text"/> 00

VEHICLE DONATION CREDIT CODES	
604	Carlink, Inc.
505	CarsINC
304	Collex Wheels of Hope Outreach, Inc.
105	Goodwill Industries of Mid-Michigan, Inc.
705	Goodwill Industries of Northern Michigan, Inc.
905	Goodwill Industries of Southeast Michigan, Inc.
803	Goodwill Industries of West Michigan, Inc.
601	Goodwill of Southwestern Michigan, Inc.
202	Goodwill Wheels to Work

2011 MICHIGAN Voluntary Contributions Schedule

Issued under authority of Public Act 281 of 1967.

INSTRUCTIONS: Use this schedule to make a donation from your refund to any of the organizations listed below. If you are not receiving a refund, your donation will increase your tax due. Check the box associated with the dollar amount you wish to contribute in columns A or B or enter a specific dollar amount greater than \$10 in the space provided in column C. Enter the total of your contribution for each line in column D. For detailed descriptions of each fund, see the reverse side of this form. Attach completed form to Form MI-1040.

Type or print in blue or black ink. Print numbers like this: 0123456789 - NOT like this: ∅ 1 4 7
Attach to Form MI-1040.

Attachment 18

▶ Filer's First Name	M.I.	Last Name	▶ Filer's Social Security Number (Example: 123-45-6789) <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div>
If a Joint Return, Spouse's First Name	M.I.	Last Name	Spouse's Social Security Number (Example: 123-45-6789) <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div>

	A.	B.	C. Other Amount (greater than \$10)		D. Total Contribution				
1. Animal Welfare Fund	<input type="checkbox"/> \$5	<input type="checkbox"/> \$10	\$ <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">00</td></tr></table>		00	▶ 1.	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">00</td></tr></table>		00
	00								
	00								
2. Children of Veterans Tuition Grant Program ..	<input type="checkbox"/> \$5	<input type="checkbox"/> \$10	\$ <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">00</td></tr></table>		00	▶ 2.	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">00</td></tr></table>		00
	00								
	00								
3. Children's Trust Fund - Preventing Child Abuse in Michigan	<input type="checkbox"/> \$5	<input type="checkbox"/> \$10	\$ <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">00</td></tr></table>		00	▶ 3.	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">00</td></tr></table>		00
	00								
	00								
4. Girl Scouts of Michigan Fund	<input type="checkbox"/> \$5	<input type="checkbox"/> \$10	\$ <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">00</td></tr></table>		00	▶ 4.	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">00</td></tr></table>		00
	00								
	00								
5. Military Family Relief Fund	<input type="checkbox"/> \$5	<input type="checkbox"/> \$10	\$ <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">00</td></tr></table>		00	▶ 5.	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">00</td></tr></table>		00
	00								
	00								
6. United Way Fund	<input type="checkbox"/> \$5	<input type="checkbox"/> \$10	\$ <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">00</td></tr></table>		00	▶ 6.	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">00</td></tr></table>		00
	00								
	00								
7. Add column D, lines 1 through 6. Enter total of column D here and carry amount to your MI-1040, line 21				▶ 7.	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">00</td></tr></table>		00		
	00								

This form must be attached to your MI-1040 to ensure your contributions are properly credited to the designated fund(s). Visit www.michigan.gov/taxes for details on voluntary contribution funds.

2011 MICHIGAN Withholding Tax Schedule

Issued under authority of Public Act 281 of 1967.

INSTRUCTIONS: If you had Michigan income tax withheld in 2011, you must complete a *Withholding Tax Schedule* (Schedule W) to claim the withholding on your *Individual Income Tax Return* (MI-1040, line 31). Attach your completed Schedule W to Form MI-1040 or MI-1040X where applicable. See complete instructions on page 2 of this form. Type or print in blue or black ink.

Print numbers like this: 0123456789 - NOT like this: Ø 1 4 7

Attachment 13

Filer's First Name	M.I.	Last Name	▶ Filer's Social Security Number (Example: 123-45-6789) _____
If a Joint Return, Spouse's First Name	M.I.	Last Name	

TABLE 1: MICHIGAN TAX WITHHELD ON W-2, W-2G or CORRECTED W-2 FORMS

▶ A Enter "X" if for: You or Spouse	▶ B Box b - Employer's federal identification number	C Box c - Employer's name	D Box 1 - Wages, tips, other compensation	▶ E Box 17 - Michigan income tax withheld	F Box 19 - City income tax withheld
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
Enter Table 1 Subtotal from additional Schedule W forms (if applicable).....				00	00
1. SUBTOTAL. Enter total of Table 1, columns E and F. Carry total of column F to Worksheet 4 (City Income Tax Credit), p. 15.....				1. 00	00

IMPORTANT: If you have no entries for Table 2, carry total of line 1, column E, to line 3 below.

TABLE 2: MICHIGAN TAX WITHHELD ON 1099 and 4119 FORMS

▶ A Enter "X" if for: You or Spouse	▶ B Payer's federal identification number	C Payer's name	D Taxable pension distribution, misc. income, etc. (see instr.)	▶ E Michigan income tax withheld	F Box 7 - Distribution Code (1099-R only)
			00	00	
			00	00	
			00	00	
			00	00	
			00	00	
			00	00	
Enter Table 2 Subtotal from additional Schedule W forms (if applicable).....				00	
2. SUBTOTAL. Enter total of Table 2, column E.....				2. 00	
3. TOTAL. Add line 1 and line 2, column E. Carry total to your MI-1040, line 31.....				▶ 3. 00	

2011 MICHIGAN Individual Income Tax Return MI-1040

Return is due April 17, 2012.

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

▶ 1. Filer's First Name	M.I.	Last Name	▶ 2. Filer's Social Security No. (Example: 123-45-6789)
If a Joint Return, Spouse's First Name	M.I.	Last Name	— —
Home Address (No., Street, P.O. Box or Rural Route)			▶ 3. Spouse's Social Security No. (Example: 123-45-6789)
City or Town			— —
State	ZIP Code	▶ 4. School District Code (5 digits - see p. 49)	

▶ 5. STATE CAMPAIGN FUND

Check this box if you (or your spouse, if filing a joint return) want \$3 of your taxes to go to this fund. This will not increase your tax or reduce your refund.

	Yes	No
a. You	<input type="checkbox"/>	<input type="checkbox"/>
b. Spouse	<input type="checkbox"/>	<input type="checkbox"/>

▶ 6. FARMERS, FISHERMEN OR SEAFARERS

Check this box if 2/3 of your income is from farming, fishing or seafaring.

▶ 7. FILING STATUS. Check one.

a. Single

b. Married, filing jointly

c. Married, filing separately*

* If you check box "c," complete line 3 and enter spouse's name below:

▶ 8. RESIDENCY. Check all that apply.

a. Resident

b. Nonresident*

c. Part-Year Resident*

* If you check box "b" or "c," you must complete and attach Schedule NR.

▶ 9. EXEMPTIONS

a. Number of exemptions you claimed on your 2011 federal return	▶ 9a.		x \$3,700		00
b. Number of individuals 65 or older who qualify for a special exemption.....	▶ 9b.		x \$2,400		00
c. Number of individuals who qualify for one of the following special exemptions: deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled	▶ 9c.		x \$2,400		00
d. Number of children ages 18 and under you claimed as Michigan exemptions	▶ 9d.		x \$600		00
e. Number of qualified disabled veterans	▶ 9e.		x \$300		00
f. If your unemployment compensation is 50% or more of your Adjusted Gross Income (amount claimed on line 10) check (X) the box and enter \$2,400.....	▶ 9f.	<input type="checkbox"/>	\$2,400		00
g. If someone else can claim you as a dependent, check (X) the box, complete Worksheet 2 on p.10, and enter the amount from the worksheet	▶ 9g.	<input type="checkbox"/>	9g.		00
h. Add lines 9a, 9b, 9c, 9d, 9e, 9f and 9g. Enter here and on line 15	▶ 9h.				00

10. Adjusted Gross Income from your U.S. Forms 1040, 1040A, 1040EZ or 1040NR (see p. 10)	▶ 10.		00
11. Additions from Michigan Schedule 1, line 7. Attach Schedule 1.....	▶ 11.		00
12. Total. Add lines 10 and 11	▶ 12.		00
13. Subtractions from Michigan Schedule 1, line 21. Attach Schedule 1	▶ 13.		00
14. Income subject to tax. Subtract line 13 from line 12. If line 13 is greater than line 12, enter "0".	▶ 14.		00
15. Exemption allowance. Amount from line 9h or Schedule NR, line 20	▶ 15.		00
16. Taxable income. Subtract line 15 from line 14. If line 15 is greater than line 14, enter "0"	▶ 16.		00
17. Tax. Multiply line 16 by 4.35% (0.0435)	▶ 17.		00
18. Total Nonrefundable Credits. Amount from Schedule 2, line 11. Attach Schedule 2	▶ 18.		00
19. Income Tax. Subtract line 18 from line 17. If line 18 is greater than line 17, enter "0"	▶ 19.		00

DIRECT DEPOSIT
Deposit your refund directly to your financial institution! See p. 11 and complete a, b and c.

a. Routing Transit Number ▶		b. Type of Account ▶	(1) <input type="checkbox"/> Checking	(2) <input type="checkbox"/> Savings
c. Account Number ▶				

Filer's Social Security Number

—	—
---	---

20. Enter amount of Income Tax from line 19.....	20.		00
21. Voluntary Contributions from Form 4642, line 7. Attach Form 4642.....	21.		00
22. USE TAX Use tax due on Internet, mail order or other out-of-state purchases from Worksheet 1, line 3, p. 9.	▶ 22.		00
23. Add lines 20, 21 and 22.....	23.		00

REFUNDABLE CREDITS AND PAYMENTS

24. Property Tax Credit. Attach MI-1040CR or MI-1040CR-2.....	▶ 24.		00
25. Farmland Preservation Credit. Attach MI-1040CR-5.....	▶ 25.		00
26. Qualified Adoption Expenses. Attach U.S. Form 8839 and MI-8839.....	▶ 26.		00
27. Stillbirth Credit. Amount from Worksheet 3, line B, p. 11.....	▶ 27.		00
28. a. Federal Earned Income Tax Credit..... ▶ 28a.		00	
b. Michigan Earned Income Tax Credit. Multiply line 28a by 20% (0.20).....	▶ 28b.		00
29. Energy Efficient Qualified Home Improvement Credit. Attach Form 4764.....	▶ 29.		00
30. Michigan Historic Preservation Tax Credit (refundable). Attach Form 3581.....	▶ 30.		00
31. Michigan tax withheld from Schedule W, line 3. Attach Schedule W (do not submit W-2's).....	▶ 31.		00
32. Estimated tax, extension payments and 2010 credit forward.....	▶ 32.		00
33. Total refundable credits and payments. Add lines 24 through 27, 28b, and 29 through 32.....	33.		00

REFUND OR TAX DUE

34. If line 33 is less than line 23, subtract line 33 from line 23. Include interest [] and penalty [] if applicable (see p. 11).... YOU OWE	▶ 34.		00
35. Overpayment. If line 33 is greater than line 23, subtract line 23 from line 33.....	35.		00
36. Credit Forward. Amount of line 35 to be credited to your 2012 estimated tax for your 2012 tax return.....	▶ 36.		00
37. Subtract line 36 from line 35..... REFUND	▶ 37.		00

Office Use Only

Deceased Taxpayer. If Filer and/or Spouse died after December 31, 2010, check the appropriate box below.

▶ Filer is Deceased ▶ Spouse is Deceased

Taxpayer Certification. I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.

Filer's Signature	Date
Spouse's Signature	Date

▶ I authorize Treasury to discuss my return with my preparer. Yes No

Preparer Certification. I declare under penalty of perjury that this return is based on all information of which I have any knowledge.

▶ Preparer's PTIN, FEIN or SSN

▶ Preparer's Business Name (print or type)

Preparer's Business Address (print or type)

Refund, credit, or zero returns. Mail your return to: **Michigan Department of Treasury, Lansing, MI 48956**
Pay amount on line 34. Mail your check and return to: **Michigan Department of Treasury, Lansing, MI 48929**

Make your check payable to "State of Michigan." Print your **Social Security number** and "2011 income tax" on the front of your check. If paying on behalf of another taxpayer, **write the taxpayer's name and Social Security number** on the check. Do not staple your check to the return. Keep a copy of your return and all supporting schedules for six years. To check the status of your refund, have a copy of your MI-1040 available when you visit: www.michigan.gov/iit

2011 MICHIGAN Schedule 1 Additions and Subtractions

Issued under authority of Public Act 281 of 1967.

Type or print in blue or black ink. Print numbers like this: 0123456789 - NOT like this: 0 1 4 7

Attach to Form MI-1040.

Attachment 1A

Filer's First Name	M.I.	Last Name	▶ Filer's Social Security Number (Example: 123-45-6789) — —
If a Joint Return, Spouse's First Name	M.I.	Last Name	Spouse's Social Security Number (Example: 123-45-6789) — —

Additions to Income (all entries must be positive numbers)

1. Gross interest and dividends from obligations issued by states (other than Michigan) or their political subdivisions.....	▶ 1.		00
2. Deduction for taxes on, or measured by, income including self-employment tax taken on your federal return (see p. 12).....	▶ 2.		00
3. Gains from Michigan column of MI-1040D and MI-4797	▶ 3.		00
4. Losses attributable to other states (see p. 12)	▶ 4.		00
5. Net loss from federal column of your Michigan MI-1040D or MI-4797	▶ 5.		00
6. Other (see p. 12). Describe: _____	▶ 6.		00
7. Total additions. Add lines 1 through 6. Enter here and on MI-1040, line 11	▶ 7.		00

Subtractions from Income (all entries must be positive numbers)

8. Income from U.S. government bonds and other U.S. obligations included in MI-1040, line 10. Attach U.S. <i>Schedule B</i> or U.S. <i>1040A Schedule 1</i> if over \$5,000	▶ 8.		00
9. Military pay from U.S. Armed Forces included in MI-1040, line 10. Attach Schedule W. (Report military retirement pay on line 12.)	▶ 9.		00
10. Gains from federal column of Michigan MI-1040D and MI-4797	▶ 10.		00
11. Income attributable to another state. Explain type and source: _____	▶ 11.		00
12. Retirement or pension benefits included in MI-1040, line 10. (Include military retirement here.) See exceptions, p. 13. Name of payer: _____	▶ 12.		00
13. Dividend/interest/capital gains deduction for senior citizens age 65 and older (see p. 13).....	▶ 13.		00
14. Social Security benefits included in MI-1040, line 10	▶ 14.		00
15. Income earned while a resident of a renaissance zone. Name of zone: _____	▶ 15.		00
16. Michigan state and local income tax refunds received in 2011 and included in MI-1040, line 10	▶ 16.		00
17. Michigan Education Savings Program  and MI 529 Advisor Plan	▶ 17.		00
18.  Michigan Education Trust	▶ 18.		00
19. Venture Capital Deduction. Not available for 2011	▶ 19.		00
20. Miscellaneous subtractions (see p. 14). Describe: _____	▶ 20.		00
21. Total subtractions. Add lines 8 through 20. Enter here and on MI-1040, line 13	▶ 21.		00

2011 MICHIGAN Homestead Property Tax Credit Claim MI-1040CR

Issued under authority of Public Act 281 of 1967. Type or print in blue or black ink.

Print numbers like this: 0123456789 - NOT like this: 0 1 4 7

Attachment 05

▶ 1. Filer's First Name	M.I.	Last Name	▶ 2. Filer's Social Security Number (Example: 123-45-6789)
If a Joint Return, Spouse's First Name	M.I.	Last Name	— —
Home Address (Number, Street, or P.O. Box) If using a P.O. Box, you must complete line 36, page 2.			▶ 3. Spouse's Social Security Number (Example: 123-45-6789)
City or Town			— —
State	ZIP Code	▶ 4. School District Code (5 digits - see p. 49)	

▶ 5. Check the box(es) for which you or your spouse qualify (excluding dependents):

a. Age 65 or older; or an unmarried spouse of a person who was 65 or older at the time of death

b. Deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled

6. Homeowners: Enter the 2011 taxable value of your homestead (see p. 20).....	▶ 6.		00
7. Property Taxes levied on your home in 2011 (see p. 18) or amount from line 42, 47 and 48	▶ 7.		00
8. Renters: Enter rent you paid in 2011 from line 44	▶ 8.	00	
9. Multiply line 8 by 20% (0.20)	▶ 9.		00
10. Total. Add lines 7 and 9.....	▶ 10.		00

HOUSEHOLD INCOME. Include income from both spouses.

11. Wages, salaries, tips, sick, strike and SUB pay, etc.	▶ 11.		00
12. All interest and dividend income (including nontaxable interest).....	▶ 12.		00
13. Net business, royalty or rent income (including self-employment).....	▶ 13.		00
14. Retirement pension, annuity, and IRA benefits. Name of payer: _____	▶ 14.		00
15. Net farm income	▶ 15.		00
16. Capital gains less capital losses (see p. 21).....	▶ 16.		00
17. Alimony and other taxable income (see p. 21). Describe: _____	▶ 17.		00
18. Social Security, SSI and/or railroad retirement benefits	▶ 18.		00
19. Child support and foster parent payments (see p. 21)	▶ 19.		00
20. Unemployment compensation	▶ 20.		00
21. Other nontaxable income (see p. 21). Describe: _____	▶ 21.		00
22. Workers' compensation, veterans' disability compensation and pension benefits	▶ 22.		00
23. FIP and other DHS benefits (do not include Food Assistance Program benefits).....	▶ 23.		00
24. SUBTOTAL. Add lines 11 through 23.....	▶ 24.	SUBTOTAL	00

25. Other adjustments (see p. 21). Describe: _____	25.		00
26. Medical insurance or HMO premiums you paid for you and your family (see p. 21)	26.		00

27. Add lines 25 and 26.....	▶ 27.		00
28. HOUSEHOLD INCOME. Subtract line 27 from line 24. If more than \$82,650, STOP; you are not eligible	▶ 28.		00
29. Multiply line 28 by 3.5% (0.035) or by the percent in Table 2 (see p. 22) (if negative, enter "0")	▶ 29.		00
30. Subtract line 29 from line 10. If line 29 is more than line 10, enter "0" and STOP; you are not eligible	▶ 30.		00

If you checked a box on line 5, complete line 32 or 33. FIP/DHS recipients, complete line 32. All others must complete line 31.

31. Multiply line 30 by 60% (0.60) (maximum \$1,200). Go to line 34	▶ 31.		00
32. FIP/DHS recipients , enter amount from Worksheet 5 on p. 22. Seniors who pay rent , complete Worksheet 6 on p. 22 and enter amount from worksheet here (maximum \$1,200). Go to line 34	▶ 32.		00
33. If you checked a box on line 5 (if you completed line 32, skip this line), enter the amount from line 30 (maximum \$1,200). Go to line 34	▶ 33.		00
34. CREDIT. If your household income (line 28) is less than or equal to \$73,650, enter the amount that applies to you from line 31, 32 or 33 here. If household income is more than \$73,650, you must reduce your credit (see instructions on p. 22). If you file an MI-1040, carry this amount to your MI-1040, line 24	▶ 34.		00

Filer's Social Security Number
— —

▶ 35. Residency Status in 2011: *If you checked box "c," enter dates of Michigan residency in 2011. Enter dates as MM-DD-YYYY (Example: 04-15-2011)

a. Resident

b. Nonresident

c. Part-Year Resident*

		FILER	SPOUSE
FROM:		— — 2011	— — 2011
TO:		— — 2011	— — 2011

PART 1: HOMEOWNERS. Report on lines 36 and 37 the addresses of the homesteads for which you are claiming a credit.

36. Address where you lived on December 31, 2011, if different than reported on line 1.	Taxable Value
37. Address of homestead sold (moved from) during 2011 (Number, Street, City, ZIP Code).	Taxable Value

Homeowners who moved during 2011, complete lines 38 through 42.

		HOMESTEAD	
		A. Moved Into	B. Moved From
38. Number of days occupied (total cannot be more than 365).....	▶ 38.		
39. Divide line 38 by 365 and enter percentage here.....	39.	%	%
40. Property taxes levied and assessed in calendar year 2011	40.		
41. Prorated property taxes. Multiply line 40 by percentage on line 39.....	41.		
42. Taxes eligible for credit. Add line 41, columns A and B. Enter here and on line 7.....	42.		00

PART 2: RENTERS

43. A Address of Homestead You Rented (No., Street, Apt. #, City, ZIP Code)	B Landowner's Name and Address	C # Months Rented	D Monthly Rent	▶ E Total Rent Paid Less Mobile Home Taxes

44. Total rent you paid (not more than 12 mos). Add total rent for each period. Enter here and on line 8 44. 00

PART 3: ALTERNATE HOUSING FACILITIES

▶ 45. If you lived in one of these types of facilities for all or part of 2011, check the appropriate box and see instructions.

a. **Subsidized Housing**, complete line 46. Enter result on line 8. b. **Service Fee Housing**, complete lines 46 and 47.

46. Enter the total rent you paid in 2011. Do not include amounts paid on your behalf by a government agency 46. 00

47. If you checked 45b, multiply line 46 by 10% (0.10) (see instructions). Enter here and on line 7 47. 00

▶ 48. **Special Housing:** If you lived in one of these facility types for all or part of 2011, check the appropriate box and see instructions.

a. **Cooperative Housing** b. **Home for the Aged** c. **Nursing Home**

d. **Adult Foster Care Home** e. **Paid Room and Board**

Enter your prorated share of taxes from the type of facility checked above and on line 7 48. 00

49. Name and Address (include ZIP Code) of Housing Facility, Landowner, or Care Facility if you completed Part 3

DIRECT DEPOSIT a. Routing Transit Number ▶

Deposit your refund directly to your financial institution! See p. 11 and complete a, b and c. c. Account Number ▶

b. Type of Account: ▶ (1) Checking (2) Savings

Deceased Taxpayers. If Filer and/or Spouse died after 12-31-2010, enter dates below.
ENTER DATE OF DEATH ONLY. Example: 04-15-2011 (MM-DD-YYYY).

▶ Filer ▶ Spouse

Taxpayer Certification. I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.

Filer's Signature	Date
Spouse's Signature	Date

▶ I authorize Treasury to discuss my return with my preparer. Yes No

Preparer Certification. I declare under penalty of perjury that this return is based on all information of which I have any knowledge.

▶ Preparer's PTIN, FEIN or SSN

▶ Preparer's Business Name (print or type)

Preparer's Business Address (print or type)

If you are also filing Form MI-1040, attach this form behind it.
If not, mail this form to: **Michigan Department of Treasury, Lansing, MI 48956**

2011 MICHIGAN Withholding Tax Schedule

FINAL DRAFT 7/7/11

Issued under authority of Public Act 281 of 1967.

INSTRUCTIONS: If you had Michigan income tax withheld in 2011, you must complete a *Withholding Tax Schedule* (Schedule W) to claim the withholding on your *Individual Income Tax Return* (MI-1040, line 31). Attach your completed Schedule W to Form MI-1040 or MI-1040X where applicable. See complete instructions on page 2 of this form. Type or print in blue or black ink.

Print numbers like this: 0123456789 - NOT like this: 0147

Attachment 13

Filer's First Name	M.I.	Last Name	Filer's Social Security Number (Example: 123-45-6789) _____
If a Joint Return, Spouse's First Name	M.I.	Last Name	

TABLE 1: MICHIGAN TAX WITHHELD ON W-2, W-2G or CORRECTED W-2 FORMS

▶ A Enter "X" if for: You or Spouse	▶ B Box b - Employer's federal identification number	C Box c - Employer's name	D Box 1 - Wages, tips, other compensation	▶ E Box 17 - Michigan income tax withheld	F Box 19 - City income tax withheld
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
Enter Table 1 Subtotal from additional Schedule W forms (if applicable).....				00	00
1. SUBTOTAL. Enter total of Table 1, columns E and F. Carry total of column F to Worksheet 4 (City Income Tax Credit), p. 15.....				1. 00	00

IMPORTANT: If you have no entries for Table 2, carry total of line 1, column E, to line 3 below.

TABLE 2: MICHIGAN TAX WITHHELD ON 1099 and 4119 FORMS

▶ A Enter "X" if for: You or Spouse	▶ B Payer's federal identification number	C Payer's name	D Taxable pension distribution, misc. income, etc. (see instr.)	▶ E Michigan income tax withheld	F Box 7 - Distribution Code (1099-R only)
			00	00	
			00	00	
			00	00	
			00	00	
			00	00	
			00	00	
Enter Table 2 Subtotal from additional Schedule W forms (if applicable).....				00	
2. SUBTOTAL. Enter total of Table 2, column E.....				2. 00	
3. TOTAL. Add line 1 and line 2, column E. Carry total to your MI-1040, line 31.....				▶ 3. 00	

2011 MICHIGAN Individual Income Tax Return MI-1040

Return is due April 17, 2012.

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

▶ 1. Filer's First Name	M.I.	Last Name	▶ 2. Filer's Social Security No. (Example: 123-45-6789)
If a Joint Return, Spouse's First Name	M.I.	Last Name	— —
Home Address (No., Street, P.O. Box or Rural Route)			▶ 3. Spouse's Social Security No. (Example: 123-45-6789)
			— —
City or Town	State	ZIP Code	▶ 4. School District Code (5 digits - see p. 49)

▶ 5. STATE CAMPAIGN FUND

Check this box if you (or your spouse, if filing a joint return) want \$3 of your taxes to go to this fund. This will not increase your tax or reduce your refund.

	Yes	No
a. You	<input type="checkbox"/>	<input type="checkbox"/>
b. Spouse	<input type="checkbox"/>	<input type="checkbox"/>

▶ 6. FARMERS, FISHERMEN OR SEAFARERS

Check this box if 2/3 of your income is from farming, fishing or seafaring.

▶ 7. FILING STATUS. Check one.

a. Single

b. Married, filing jointly

c. Married, filing separately*

* If you check box "c," complete line 3 and enter spouse's name below:

▶ 8. RESIDENCY. Check all that apply.

a. Resident

b. Nonresident*

c. Part-Year Resident*

* If you check box "b" or "c," you must complete and attach Schedule NR.

▶ 9. EXEMPTIONS

a. Number of exemptions you claimed on your 2011 federal return	▶ 9a.		x \$3,700		00
b. Number of individuals 65 or older who qualify for a special exemption.....	▶ 9b.		x \$2,400		00
c. Number of individuals who qualify for one of the following special exemptions: deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled	▶ 9c.		x \$2,400		00
d. Number of children ages 18 and under you claimed as Michigan exemptions	▶ 9d.		x \$600		00
e. Number of qualified disabled veterans	▶ 9e.		x \$300		00
f. If your unemployment compensation is 50% or more of your Adjusted Gross Income (amount claimed on line 10) check (X) the box and enter \$2,400.....	▶ 9f.	<input type="checkbox"/>	\$2,400		00
g. If someone else can claim you as a dependent, check (X) the box, complete Worksheet 2 on p.10, and enter the amount from the worksheet	▶ 9g.	<input type="checkbox"/>	9g.		00
h. Add lines 9a, 9b, 9c, 9d, 9e, 9f and 9g. Enter here and on line 15	▶ 9h.				00

10. Adjusted Gross Income from your U.S. Forms 1040, 1040A, 1040EZ or 1040NR (see p. 10)	▶ 10.		00
11. Additions from Michigan Schedule 1, line 7. Attach Schedule 1.....	▶ 11.		00
12. Total. Add lines 10 and 11	▶ 12.		00
13. Subtractions from Michigan Schedule 1, line 21. Attach Schedule 1	▶ 13.		00
14. Income subject to tax. Subtract line 13 from line 12. If line 13 is greater than line 12, enter "0".	▶ 14.		00
15. Exemption allowance. Amount from line 9h or Schedule NR, line 20	▶ 15.		00
16. Taxable income. Subtract line 15 from line 14. If line 15 is greater than line 14, enter "0"	▶ 16.		00
17. Tax. Multiply line 16 by 4.35% (0.0435)	▶ 17.		00
18. Total Nonrefundable Credits. Amount from Schedule 2, line 11. Attach Schedule 2	▶ 18.		00
19. Income Tax. Subtract line 18 from line 17. If line 18 is greater than line 17, enter "0"	▶ 19.		00

DIRECT DEPOSIT
Deposit your refund directly to your financial institution! See p. 11 and complete a, b and c.

a. Routing Transit Number ▶		b. Type of Account ▶ (1) <input type="checkbox"/> Checking (2) <input type="checkbox"/> Savings
c. Account Number ▶		

Filer's Social Security Number

—	—
---	---

20. Enter amount of Income Tax from line 19.....	20.		00
21. Voluntary Contributions from Form 4642, line 7. Attach Form 4642.....	21.		00
22. USE TAX Use tax due on Internet, mail order or other out-of-state purchases from Worksheet 1, line 3, p. 9.	▶ 22.		00
23. Add lines 20, 21 and 22.....	23.		00
REFUNDABLE CREDITS AND PAYMENTS			
24. Property Tax Credit. Attach MI-1040CR or MI-1040CR-2.....	▶ 24.		00
25. Farmland Preservation Credit. Attach MI-1040CR-5.....	▶ 25.		00
26. Qualified Adoption Expenses. Attach U.S. Form 8839 and MI-8839.....	▶ 26.		00
27. Stillbirth Credit. Amount from Worksheet 3, line B, p. 11.....	▶ 27.		00
28. a. Federal Earned Income Tax Credit.....	▶ 28a.	00	
b. Michigan Earned Income Tax Credit. Multiply line 28a by 20% (0.20).....	▶ 28b.		00
29. Energy Efficient Qualified Home Improvement Credit. Attach Form 4764.....	▶ 29.		00
30. Michigan Historic Preservation Tax Credit (refundable). Attach Form 3581.....	▶ 30.		00
31. Michigan tax withheld from Schedule W, line 3. Attach Schedule W (do not submit W-2's).....	▶ 31.		00
32. Estimated tax, extension payments and 2010 credit forward.....	▶ 32.		00
33. Total refundable credits and payments. Add lines 24 through 27, 28b, and 29 through 32.....	33.		00
REFUND OR TAX DUE			
34. If line 33 is less than line 23, subtract line 33 from line 23. Include interest and penalty if applicable (see p. 11).... YOU OWE	▶ 34.	Office Use Only	00
35. Overpayment. If line 33 is greater than line 23, subtract line 23 from line 33.....	35.		00
36. Credit Forward. Amount of line 35 to be credited to your 2012 estimated tax for your 2012 tax return.....	▶ 36.		00
37. Subtract line 36 from line 35..... REFUND	▶ 37.		00

<p>Deceased Taxpayer. If Filer and/or Spouse died after December 31, 2010, check the appropriate box below.</p> <p>▶ <input type="checkbox"/> Filer is Deceased ▶ <input type="checkbox"/> Spouse is Deceased</p>	<p>Preparer Certification. I declare under penalty of perjury that this return is based on all information of which I have any knowledge.</p> <p>▶ Preparer's PTIN, FEIN or SSN</p> <p style="border: 1px solid black; height: 20px; margin: 5px 0;"></p> <p>▶ Preparer's Business Name (print or type)</p> <p>Preparer's Business Address (print or type)</p>				
<p>Taxpayer Certification. I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Filer's Signature</td> <td style="width: 60%;">Date</td> </tr> <tr> <td>Spouse's Signature</td> <td>Date</td> </tr> </table> <p>▶ I authorize Treasury to discuss my return with my preparer. <input type="checkbox"/> Yes <input type="checkbox"/> No</p>	Filer's Signature	Date	Spouse's Signature	Date	
Filer's Signature	Date				
Spouse's Signature	Date				

Refund, credit, or zero returns. Mail your return to: **Michigan Department of Treasury, Lansing, MI 48956**
Pay amount on line 34. Mail your check and return to: **Michigan Department of Treasury, Lansing, MI 48929**

Make your check payable to "State of Michigan." Print your **Social Security number** and "**2011 income tax**" on the front of your check. If paying on behalf of another taxpayer, **write the taxpayer's name and Social Security number** on the check. Do not staple your check to the return. Keep a copy of your return and all supporting schedules for six years. To check the status of your refund, have a copy of your MI-1040 available when you visit: www.michigan.gov/iit

2011 MICHIGAN Homestead Property Tax Credit Claim MI-1040CR

Issued under authority of Public Act 281 of 1967. Type or print in blue or black ink.

Print numbers like this: 0123456789 - NOT like this: 0 1 4 7

Attachment 05

▶ 1. Filer's First Name	M.I.	Last Name	▶ 2. Filer's Social Security Number (Example: 123-45-6789)
If a Joint Return, Spouse's First Name	M.I.	Last Name	— —
Home Address (Number, Street, or P.O. Box) If using a P.O. Box, you must complete line 36, page 2.			▶ 3. Spouse's Social Security Number (Example: 123-45-6789)
			— —
City or Town	State	ZIP Code	▶ 4. School District Code (5 digits - see p. 49)

▶ 5. Check the box(es) for which you or your spouse qualify (excluding dependents):

a. Age 65 or older; or an unmarried spouse of a person who was 65 or older at the time of death

b. Deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled

6. Homeowners: Enter the 2011 taxable value of your homestead (see p. 20).....	▶ 6.	00
7. Property Taxes levied on your home in 2011 (see p. 18) or amount from line 42, 47 and 48	▶ 7.	00
8. Renters: Enter rent you paid in 2011 from line 44	▶ 8.	00
9. Multiply line 8 by 20% (0.20)	▶ 9.	00
10. Total. Add lines 7 and 9.....	▶ 10.	00

HOUSEHOLD INCOME. Include income from both spouses.

11. Wages, salaries, tips, sick, strike and SUB pay, etc.	▶ 11.	00
12. All interest and dividend income (including nontaxable interest).....	▶ 12.	00
13. Net business, royalty or rent income (including self-employment).....	▶ 13.	00
14. Retirement pension, annuity, and IRA benefits. Name of payer: _____	▶ 14.	00
15. Net farm income	▶ 15.	00
16. Capital gains less capital losses (see p. 21).....	▶ 16.	00
17. Alimony and other taxable income (see p. 21). Describe: _____	▶ 17.	00
18. Social Security, SSI and/or railroad retirement benefits	▶ 18.	00
19. Child support and foster parent payments (see p. 21)	▶ 19.	00
20. Unemployment compensation	▶ 20.	00
21. Other nontaxable income (see p. 21). Describe: _____	▶ 21.	00
22. Workers' compensation, veterans' disability compensation and pension benefits	▶ 22.	00
23. FIP and other DHS benefits (do not include Food Assistance Program benefits).....	▶ 23.	00
24. SUBTOTAL. Add lines 11 through 23.....	▶ 24.	00

25. Other adjustments (see p. 21). Describe: _____	25.	00
26. Medical insurance or HMO premiums you paid for you and your family (see p. 21)	26.	00

27. Add lines 25 and 26.....	▶ 27.	00
28. HOUSEHOLD INCOME. Subtract line 27 from line 24. If more than \$82,650, STOP; you are not eligible	▶ 28.	00
29. Multiply line 28 by 3.5% (0.035) or by the percent in Table 2 (see p. 22) (if negative, enter "0")	▶ 29.	00
30. Subtract line 29 from line 10. If line 29 is more than line 10, enter "0" and STOP; you are not eligible	▶ 30.	00

If you checked a box on line 5, complete line 32 or 33. FIP/DHS recipients, complete line 32. All others must complete line 31.

31. Multiply line 30 by 60% (0.60) (maximum \$1,200). Go to line 34	▶ 31.	00
32. FIP/DHS recipients , enter amount from Worksheet 5 on p. 22. Seniors who pay rent , complete Worksheet 6 on p. 22 and enter amount from worksheet here (maximum \$1,200). Go to line 34	▶ 32.	00
33. If you checked a box on line 5 (if you completed line 32, skip this line), enter the amount from line 30 (maximum \$1,200). Go to line 34	▶ 33.	00
34. CREDIT. If your household income (line 28) is less than or equal to \$73,650, enter the amount that applies to you from line 31, 32 or 33 here. If household income is more than \$73,650, you must reduce your credit (see instructions on p. 22). If you file an MI-1040, carry this amount to your MI-1040, line 24	▶ 34.	00

Filer's Social Security Number
— —

▶ 35. Residency Status in 2011: *If you checked box "c," enter dates of Michigan residency in 2011. Enter dates as MM-DD-YYYY (Example: 04-15-2011)

a. Resident

b. Nonresident

c. Part-Year Resident*

FROM:	FILER	SPOUSE
	— — 2011	— — 2011
TO:	— — 2011	— — 2011

PART 1: HOMEOWNERS. Report on lines 36 and 37 the addresses of the homesteads for which you are claiming a credit.

36. Address where you lived on December 31, 2011, if different than reported on line 1.	Taxable Value
37. Address of homestead sold (moved from) during 2011 (Number, Street, City, ZIP Code).	Taxable Value

Homeowners who moved during 2011, complete lines 38 through 42.

		HOMESTEAD	
		A. Moved Into	B. Moved From
38. Number of days occupied (total cannot be more than 365).....	▶ 38.		
39. Divide line 38 by 365 and enter percentage here.....	39.	%	%
40. Property taxes levied and assessed in calendar year 2011	40.		
41. Prorated property taxes. Multiply line 40 by percentage on line 39.....	41.		
42. Taxes eligible for credit. Add line 41, columns A and B. Enter here and on line 7.....	42.		00

PART 2: RENTERS

43. A Address of Homestead You Rented (No., Street, Apt. #, City, ZIP Code)	B Landowner's Name and Address	C # Months Rented	D Monthly Rent	▶ E Total Rent Paid Less Mobile Home Taxes

44. Total rent you paid (not more than 12 mos). Add total rent for each period. Enter here and on line 8 44. 00

PART 3: ALTERNATE HOUSING FACILITIES

▶ 45. If you lived in one of these types of facilities for all or part of 2011, check the appropriate box and see instructions.

a. **Subsidized Housing**, complete line 46. Enter result on line 8. b. **Service Fee Housing**, complete lines 46 and 47.

46. Enter the total rent you paid in 2011. Do not include amounts paid on your behalf by a government agency 46. 00

47. If you checked 45b, multiply line 46 by 10% (0.10) (see instructions). Enter here and on line 7 47. 00

▶ 48. **Special Housing:** If you lived in one of these facility types for all or part of 2011, check the appropriate box and see instructions.

a. **Cooperative Housing** b. **Home for the Aged** c. **Nursing Home**

d. **Adult Foster Care Home** e. **Paid Room and Board**

Enter your prorated share of taxes from the type of facility checked above and on line 7 48. 00

49. Name and Address (include ZIP Code) of Housing Facility, Landowner, or Care Facility if you completed Part 3

DIRECT DEPOSIT a. Routing Transit Number ▶

Deposit your refund directly to your financial institution! See p. 11 and complete a, b and c. c. Account Number ▶

b. Type of Account: ▶ (1) Checking (2) Savings

Deceased Taxpayers. If Filer and/or Spouse died after 12-31-2010, enter dates below.
ENTER DATE OF DEATH ONLY. Example: 04-15-2011 (MM-DD-YYYY).

▶ Filer ▶ Spouse

Taxpayer Certification. I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.

Filer's Signature	Date
Spouse's Signature	Date

▶ I authorize Treasury to discuss my return with my preparer. Yes No

Preparer Certification. I declare under penalty of perjury that this return is based on all information of which I have any knowledge.

▶ Preparer's PTIN, FEIN or SSN

▶ Preparer's Business Name (print or type)

Preparer's Business Address (print or type)

If you are also filing Form MI-1040, attach this form behind it.
If not, mail this form to: **Michigan Department of Treasury, Lansing, MI 48956**

2011 MICHIGAN Schedule 1 Additions and Subtractions

Issued under authority of Public Act 281 of 1967.

Type or print in blue or black ink. Print numbers like this: 0123456789 - NOT like this: 0 1 4 7
Attach to Form MI-1040.

Attachment 1A

Filer's First Name	M.I.	Last Name	▶ Filer's Social Security Number (Example: 123-45-6789) — —
If a Joint Return, Spouse's First Name	M.I.	Last Name	Spouse's Social Security Number (Example: 123-45-6789) — —

Additions to Income (all entries must be positive numbers)

1. Gross interest and dividends from obligations issued by states (other than Michigan) or their political subdivisions.....	▶ 1.		00
2. Deduction for taxes on, or measured by, income including self-employment tax taken on your federal return (see p. 12).....	▶ 2.		00
3. Gains from Michigan column of MI-1040D and MI-4797	▶ 3.		00
4. Losses attributable to other states (see p. 12)	▶ 4.		00
5. Net loss from federal column of your Michigan MI-1040D or MI-4797	▶ 5.		00
6. Other (see p. 12). Describe: _____	▶ 6.		00
7. Total additions. Add lines 1 through 6. Enter here and on MI-1040, line 11	▶ 7.		00

Subtractions from Income (all entries must be positive numbers)

8. Income from U.S. government bonds and other U.S. obligations included in MI-1040, line 10. Attach U.S. <i>Schedule B</i> or U.S. <i>1040A Schedule 1</i> if over \$5,000	▶ 8.		00
9. Military pay from U.S. Armed Forces included in MI-1040, line 10. Attach Schedule W. (Report military retirement pay on line 12.)	▶ 9.		00
10. Gains from federal column of Michigan MI-1040D and MI-4797	▶ 10.		00
11. Income attributable to another state. Explain type and source: _____	▶ 11.		00
12. Retirement or pension benefits included in MI-1040, line 10. (Include military retirement here.) See exceptions, p. 13. Name of payer: _____	▶ 12.		00
13. Dividend/interest/capital gains deduction for senior citizens age 65 and older (see p. 13).....	▶ 13.		00
14. Social Security benefits included in MI-1040, line 10	▶ 14.		00
15. Income earned while a resident of a renaissance zone. Name of zone: _____	▶ 15.		00
16. Michigan state and local income tax refunds received in 2011 and included in MI-1040, line 10	▶ 16.		00
17. Michigan Education Savings Program  and MI 529 Advisor Plan	▶ 17.		00
18.  Michigan Education Trust	▶ 18.		00
19. Venture Capital Deduction. Not available for 2011	▶ 19.		00
20. Miscellaneous subtractions (see p. 14). Describe: _____	▶ 20.		00
21. Total subtractions. Add lines 8 through 20. Enter here and on MI-1040, line 13	▶ 21.		00

2011 MICHIGAN Nonresident and Part-Year Resident Schedule

Issued under authority of Public Act 281 of 1967.

Type or print in blue or black ink. Print numbers like this: 0123456789 - NOT like this: 0147
 Attach to Form MI-1040. Read all instructions before completing this form.

Attachment 02

1. Filer's First Name	M.I.	Last Name	▶ 2. Filer's Social Security Number (Example: 123-45-6789) <div style="border: 1px solid black; width: 100%; height: 20px; margin-top: 5px;"></div>
If a Joint Return, Spouse's First Name	M.I.	Last Name	3. Spouse's Social Security Number (Example: 123-45-6789) <div style="border: 1px solid black; width: 100%; height: 20px; margin-top: 5px;"></div>

4. **Residency Status.** Check appropriate box.
 See Worksheet 7, p. 47.

*Dates of Michigan residency in 2011 (Enter dates as MM-DD-YYYY, Example: 04-15-2011)

- a. Nonresident
- b. Part-Year Resident of Michigan.
 Enter dates of Michigan residency in 2011*

	FILER	SPOUSE
FROM:	— — 2011	— — 2011
TO:	— — 2011	— — 2011

Income Allocation

	A. Total Income	B. Michigan Income	C. Other State(s) Income
5. Wages, salaries, other payments (tips, etc.).....	00	00	00
6. Interest and dividends	00	00	00
7. Business and farm income (attach U.S. Schedules C and F).....	00	00	00
8. Gains/losses from MI-1040D or U.S. Schedule D, and/or MI-4797 or U.S Form 4797.....	00	00	00
9. Income reported on U.S. Schedule E (attach U.S. Schedule E and supporting stmts.).....	00	00	00
10. Pensions, IRA distributions, annuities and Social Security.....	00	00	00
11. Other (see instructions).....	00	00	00
12. Total income. Add lines 5 through 11.....	00	00	00
13. Enter the total adjustments from U.S. Form 1040, line 36, or U.S. Form 1040A, line 20. Describe:.....	00	00	00
14. Subtract line 13 from line 12. The amount in column A should equal MI-1040, line 10. Enter amount in column C on Michigan Schedule 1 , line 11 or, if a negative amount, enter as a positive amount on Michigan Schedule 1 , line 4	00	00	00

Exemption Allowance (If one spouse is a full-year resident, see instructions.)

15. Subtract the amount on your MI-1040, line 9d, from the amount on your MI-1040, line 9h		00
16. Enter your Michigan source income from line 14, column B		00
17. Enter your total income from line 14, column A.....		00
18. Divide line 16 by line 17 (if line 16 is greater than line 17, enter 100%).....		%
19. Multiply line 15 by the percentage on line 18 or enter amount from Worksheet 7, p. 47.....		00
20. Add the amount from your MI-1040, line 9d, to your calculation on line 19. Enter here and on MI-1040, line 15.....		00

2011 MICHIGAN Withholding Tax Schedule

Issued under authority of Public Act 281 of 1967.

INSTRUCTIONS: If you had Michigan income tax withheld in 2011, you must complete a *Withholding Tax Schedule* (Schedule W) to claim the withholding on your *Individual Income Tax Return* (MI-1040, line 31). Attach your completed Schedule W to Form MI-1040 or MI-1040X where applicable. See complete instructions on page 2 of this form. Type or print in blue or black ink.

Print numbers like this: 0123456789 - NOT like this: 0147

Attachment 13

Filer's First Name	M.I.	Last Name	▶ Filer's Social Security Number (Example: 123-45-6789) <div style="border: 1px solid black; width: 100%; height: 20px; text-align: center;">— —</div>
If a Joint Return, Spouse's First Name	M.I.	Last Name	Spouse's Social Security Number (Example: 123-45-6789) <div style="border: 1px solid black; width: 100%; height: 20px; text-align: center;">— —</div>

TABLE 1: MICHIGAN TAX WITHHELD ON W-2, W-2G or CORRECTED W-2 FORMS

▶ A Enter "X" if for: You or Spouse	▶ B Box b - Employer's federal identification number	C Box c - Employer's name	D Box 1 - Wages, tips, other compensation	▶ E Box 17 - Michigan income tax withheld	F Box 19 - City income tax withheld
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
			00	00	00
Enter Table 1 Subtotal from additional Schedule W forms (if applicable).....				00	00
1. SUBTOTAL. Enter total of Table 1, columns E and F. Carry total of column F to Worksheet 4 (City Income Tax Credit), p. 15.....				1. 00	00

IMPORTANT: If you have no entries for Table 2, carry total of line 1, column E, to line 3 below.

TABLE 2: MICHIGAN TAX WITHHELD ON 1099 and 4119 FORMS

▶ A Enter "X" if for: You or Spouse	▶ B Payer's federal identification number	C Payer's name	D Taxable pension distribution, misc. income, etc. (see instr.)	▶ E Michigan income tax withheld	F Box 7 - Distribution Code (1099-R only)
			00	00	
			00	00	
			00	00	
			00	00	
			00	00	
			00	00	
Enter Table 2 Subtotal from additional Schedule W forms (if applicable).....				00	
2. SUBTOTAL. Enter total of Table 2, column E.....				2. 00	
3. TOTAL. Add line 1 and line 2, column E. Carry total to your MI-1040, line 31.....				▶ 3. 00	

STATE TEST

The following pages are a test that may be used by coordinators and instructors to give their volunteers extra training and/or evaluate their volunteers' readiness to prepare Michigan tax returns.

Note: Treasury, at this point, does not require that a volunteer pass this test prior to preparing tax returns. For answers to this test, coordinators or instructors may contact the Volunteer Helpline at 1-888-860-8389, or for any technical questions, call (517) 636-4230.

HOUSEHOLD INCOME EXERCISE

Which of the following must be included in Household Income? Yes (Y) or No (N)

- A. Gambling winnings in another state _____
- B. Proceeds received from a reverse mortgage _____
- C. Social Security received for a minor child _____
- D. Gain on the sale of a residence _____
- E. Original contributions shown on a 1099R _____
- F. Workers' compensation _____
- G. Chore service payments _____
- H. Relief in kind _____
- I. Alimony received _____
- J. Child support received _____
- K. Winnings from a casino in Michigan _____
- L. FIP paid to grandparents for care of grandchildren _____
- M. Cancellation of debt _____
- N. Unemployment compensation _____
- O. Scholarships _____
- P. Food stamps _____
- Q. Social security received for a dependent child _____
- R. Life insurance proceeds from death of a spouse _____
- S. Tax exempt Michigan municipal bond interest _____
- T. Gross income of mother-in-law who lives rent free in taxpayer's home _____
- U. State income tax refund received _____
- V. Savings account withdrawals _____
- W. Assistance received from daughter to pay rent or mortgage _____

Which of the following may be deducted from Household Income? (Y or N)

- A. Gambling losses _____
- B. Medical insurance premiums paid by the taxpayer _____
- C. A net capital gain from U.S. 1040D _____
- D. Roth IRA contributions _____
- E. Alimony paid _____
- F. Child support paid _____
- G. Contributions to an Illinois public radio station _____
- H. Moving expenses (out of Michigan) _____
- I. A net loss on the sale of a personal residence (\$3,000 or less) _____
- J. Claim of right (reflected in AGI) _____
- K. Self-employment tax deduction _____

MULTIPLE CHOICE

(Choose the correct answer from the following, circling the corresponding letter)

1. The maximum homestead property tax yearly refund is?
 - A. \$1,300
 - B. \$2,000
 - C. \$1,200
 - D. \$1,500

2. After April 15, 2012, which is the oldest year property tax return a taxpayer may still file for a refund?
 - A. 2008
 - B. 2007
 - C. 2005
 - D. 2006

3. How long during the year must a taxpayer be a resident of Michigan to claim a homestead credit?
 - A. Full year
 - B. 6 months
 - C. 6 weeks
 - D. No requirement

4. Which of the following may not be claimed on the Form MI-1040CR?
 - A. County taxes
 - B. Collection fees up to 1 percent of property taxes
 - C. Property taxes from prior years

5. How much is the homestead refund for a Senior Citizen who has household income of \$12,500 and pays rent of \$5,400? (Assume the property is taxable and the rent does not include meals or other services).
 - A. \$420
 - B. \$642
 - C. \$800
 - D. \$400

6. A single taxpayer who lives in a nursing home and still owns a vacant family home may claim which of the following on his or her Form MI-1040CR?
 - A. Nursing home taxes only
 - B. Family home taxes only
 - C. Both the taxes on the nursing home and the family home
 - D. The larger of the taxes on the nursing home or the family home

7. If a taxpayer moves into a new home on August 1, 2011, and is billed \$500 for summer taxes on the home sold and \$1,000 in winter taxes on the home purchased, how much of the property taxes may the taxpayer claim for credit? (Assume the winter taxes on the home sold were \$1,500 and the summer taxes on the home purchased were \$400).
 - A. \$1,700
 - B. \$1,852
 - C. \$1,748
 - D. \$1,200

8. Which of the following is not included in household income?
- A. Social Security
 - B. Unemployment
 - C. Food stamps
 - D. Disability income
9. In 2011, Linda Little filed a federal return as a single individual. Included in her AGI was \$38,000 received from the State of Michigan retirement plan and \$15,000 received from a GM retirement plan. What is Linda's total allowable pension subtraction?
- A. \$45,120 B. \$45,842 C. \$53,000 D. 42,240
10. Which of the following may not be subtracted on the Form MI-1040?
- A. U.S. Treasury Bond interest
 - B. Contributions to a political party
 - C. Military pay
 - D. Charitable contributions
11. Jim Dandy, a single individual age 76, received a pension of \$8,500 from the city of Traverse City during the year, interest income of \$2,850, and dividend income of \$1,200. What is his Senior Citizen Interest, Dividend, and Capital Gain subtraction?
- A. \$4,050 B. \$10,218 C. \$1,558 D. \$1,718

TEST PROBLEM

Jon and Andrew Adams are brothers who live together in the house they inherited from their father at 31506 Greenway, Swartz Creek, Michigan 48345. Jon's SSN is 202-22-2222 and Andrew's is 303-33-3333. Jon's age is 83 and Andrew's age is 85, and they have no handicaps other than being a little ornery. Their incomes are as follows:

	<u>Jon</u>	<u>Andrew</u>
Social Security Pension	\$ 4,850	\$ 7,550
Ford Motor IRA	2,900	5,250
Interest and Dividends	250	1,585

The property taxes on their house are \$2,300 and the taxable value is \$60,000. They heat with gas and were billed \$1,770 for the year ending October 31, 2011. The heat is in Andrew's name.

Prepare the necessary Michigan tax forms for the two brothers.