any other method that will accurately reflect it will be permitted.

Line 36: Enter in Column A the gross annual rent multiplied by eight for all rented real property regardless of location. In Column B, enter the gross annual rent multiplied by eight for rented real property located in the City of Detroit. Gross annual rent should include money and other considerations given for the use or possession of real property rented or leased.

Line 38: Enter in Column A total compensation paid to all employees during the year. In Column B, show compensation paid to employees for work or services performed within the City of Detroit.

Line 39: Enter in Column A the total gross revenue from all sales or services rendered during the year. In Column B, show the amount of revenue derived from sales made or services rendered in the City of Detroit. Rental income is to be considered as derived from services rendered and is to be included in gross receipts.

Line 41: If column A has an amount greater than zero on each of lines 37, 38 and 39, divide line 40 by 3. If column A is zero for any of lines 37, 38 or 39, then divide line 40 by the number of factors that include an amount greater than zero in column A.

If the entire business operation is conducted inside the City of Detroit, your percentage should be 100 percent.

In the case of a taxpayer authorized by the City of Detroit Finance Director to use another apportionment formula, retain a copy of the approval letter. Treasury may request a copy of your approval letter.

Line 42: Enter net profit (or loss) per U.S. *Schedule C* or U.S. *Schedule F.*

Line 44: The city net operating loss (NOL) carryover is limited for NOLs created in 2018 and future years. Enter the full amount of NOL carryovers from NOLs created before 2018 (Group 1). For NOLs created in 2018 and future years (Group 2), enter the lesser of the Group 2 NOL carryover or 80% of the income subject to tax after deducting Group 1 NOLs. The calculation may be made using a worksheet found on the City Income Tax website at **www.michigan.gov/citytax**. Net operating losses may only be carried forward.

If less than 100 percent of business activity was conducted in the City of Detroit in the year in which the loss was sustained, the apportionment percentage in the loss year must be applied.

Line 45: Enter the applicable part of self-employment retirement deduction. Multiply deduction from U.S. Form *1040, Schedule 1* by line 41.

PART 6: Amended Return

Line 48: If you placed an "X" in the amended box on page 1, enter the reason for amending your return.

IMPORTANT: You **MUST** place an "X" in the box on top of page 1 of the return and complete the AMENDED RETURN WORKSHEET.

Include all payments made with the original City of Detroit Income Tax return on line 21. If line 25 computes to be an overpayment, it should be adjusted to reflect original refunds and credits from the AMENDED RETURN WORKSHEET; retain for your records.

AMENDED RETURN WORKSHEET

Line 1: Overpayment from amended Form 5119, line 25 ..... $ _____

Line 2: Refund from original Form 5119, line 27..... $ _____

Line 3: Amount credited to estimated tax from amended Form 5119, line 26. ..... $ _____

Line 4: Subtract lines 2 and 3 from line 1. If greater than zero, enter amount to be refunded here and on amended Form 5119, line 27 ..... $ _____

Line 5: Subtract lines 2 and 3 from line 1. If less than zero, enter amount as tax due here and on Form 5119, line 24a ..... $ _____

PART 7: Certification

Sign and date your tax return. If filing a joint return, both the filer and spouse must sign the return.

If the tax preparer is someone other than the taxpayer, he or she must enter the business name, address and telephone number of the firm he or she represents and Preparer Tax Identification Number (PTIN), Federal Employer Identification Number (FEIN), or Social Security number. Check the box to indicate if Treasury may discuss your return with your tax preparer.

Line-by-Line Instructions for Form 5120, 2021 City of Detroit Part-Year Resident Income Tax Return

Lines not listed are explained on the form.

If you do not meet the requirements for filing a return, but Detroit tax was withheld or estimated tax paid, a return must be filed to obtain a refund of tax withheld.

Line 1: Only married filers may file joint returns. You must complete the address section of the City of Detroit return. If one or both of the taxpayers is deceased, write "DECD" after the decedent's last name.

Lines 2 and 3: Print your full Social Security number(s).

Line 5: Place an "X" in the box to identify your filing status. An individual who is married for federal purposes must either file a joint return with her/his spouse or file using the status married filing separately. If your status is married filing separately (box c), print your spouse's full name in the space provided and be sure to print his or her full Social Security number on line 3. If you filed your federal return as head of household or qualifying widow(er), file your city return as single.

Line 6: Enter your dates of residency in 2021. If you were a resident in the City of Detroit January 1, 2021 through December 31, 2021, file a *City of Detroit Resident Income Tax Return* (Form 5118).

Line 8: Enter the number that applies to you and your spouse only for lines 8a-8c. Enter the number that applies to you, your spouse, and your dependents on lines 8d and 8e, as of December 31, 2021.

Line 8a: Enter "1" if you are single or married filing separately; "2" if you are married filing jointly. Do not claim an exemption on line 8a if you are a taxpayer eligible to be claimed as a dependent by another taxpayer.

Line 8b: You qualify for this exemption if you are 65 years of age or older. This applies for you and/or your spouse only.

Line 8c: You and/or your spouse qualify for this exemption if you are deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled.

You may claim as many as apply to you and/or your spouse.

- Deaf means the primary way you receive messages is through a sense other than hearing (e.g., lip reading or sign language).
- Blind means your better eye permanently has 20/200 vision or less with corrective lenses or your peripheral field of vision is 20 degrees or less.
- Totally and permanently disabled means disabled as defined under Social Security Guidelines 42 USC 416. If you were age 66 by October 31, 2021, you may **not** claim an exemption as totally and permanently disabled.

Line 9: Individuals who can be claimed as a dependent by someone else cannot claim an exemption for themselves. Place an "X" in the box if someone else can claim you as a dependent. If taxable income is less than $600, no tax is due and the tax withheld will be refunded. If income exceeds that amount, the tax shall be computed on the full amount.

PART 1: Income

See instructions for Forms 5118 and 5119 regarding the differences between income subject to tax for residents and nonresidents.

The following income is subject to tax:

- Compensation.
- Net profits of an unincorporated business, profession, enterprise, undertaking or other activity.
- Dividends, interest, capital gains less capital losses, income from estates and trusts and net profits from rental of real and tangible personal property.

The following income is not subject to tax:

- Gifts, inheritances and bequests.
- Pensions and annuities, including disability pensions. (Pre-retirement distributions are taxable.)
- Proceeds from insurance (except that payments from a health and accident policy paid for by your employer are taxable to the same extent as provided by the Internal Revenue Code).
- Unemployment compensation, Welfare relief payments, supplemental unemployment benefits (sub-pay).
- Worker's compensation or similar payments for death, injury or illness arising out of and in the course of an employee's job.
- Interest on obligations of the United States, the states or subordinate units of government of the states.
- Military pay for members of the Armed Forces of the United States and the National Guard.
- Social Security income or benefits.

Line 10: Enter wages, salaries, commissions, etc. All wage income is taxable while a resident of the City of Detroit. Only wage income earned inside the City of Detroit is taxable while a nonresident. See instructions for the *City of Detroit Nonresident Income Tax Return* (Form 5119), to determine the amount of taxable wages. Do not include compensation received for service in the armed forces of the United States.

Line 11: Enter taxable interest reported on U.S. Form *1040* and received while a resident of the City of Detroit in Column A. Interest on obligations of the United States is exempt.

Line 12: Report taxable dividends received while a resident of the City of Detroit in Column A.

Line 13: Report taxable alimony received while a resident of the City of Detroit in Column A. Generally, the person receiving alimony will not have taxable alimony if the court order was issued after December 31, 2018.

Line 14: Enter all business income earned while a resident in Column A. Enter business income amount earned from business located in the City of Detroit while a nonresident in Column B. Business income does not include income from S-Corporations. If business activity occurs both inside and outside the City of Detroit while a nonresident, complete a City of Detroit Business Income Apportionment Schedule (Form 5327). Add the total from Form(s) 5327, line 19, and enter on line 14, Column B. For additional instruction on completing Form 5327, refer to instructions for Form 5119, "Part 5: Business Income Apportionment." You may complete as many schedules as needed. Do not file this form. Retain a copy for your records.

Line 15: Residents should generally report all gains and losses in Column A. Nonresidents should report the gains and losses from the sale or exchange of real or tangible personal property located in the City of Detroit in Column B. Include schedules from your federal income tax return to support line 15. Gains or losses on sale of intangible assets (i.e., stocks, bonds, etc.) are neither taxed nor deductible by nonresidents on the City of Detroit return.

Gain or loss on property purchased prior to July 1, 1962 should be excluded. To determine the amount excluded, use one of the following methods:

1. The base may be the adjusted fair market value of the property on July 1, 1962, or

2. Divide the number of months the property has been held since June 30, 1962 by the total number of months the property was held and apply this fraction to the total gain or loss as reported on your federal income tax return.

Line 16: Residents should report any early distribution from an Individual Retirement Account (IRA) received before age 59 1/2.

Line 17: Residents should report any early distribution from a pension plan, annuity, or other retirement plan.

Line 18: Enter the net profit or loss from royalties and rentals of real and tangible personal property from U.S. *Schedule E* received while a resident of the City of Detroit in Column A. Enter the net profit or loss from rental of real and tangible property located in the City of Detroit and received while a nonresident in Column B. Include schedules from your federal income tax return to support line 18.

Line 19: Enter all partnership and trust income included on your U.S. Form *1040,* U.S *Schedule E* and received while a resident in Column A. For the period you were a nonresident, report your share of the City of Detroit partnership income (or loss) on line 19 Column B. If you are a shareholder in a tax-option corporation that has elected to file under Sub-Chapter S of the Internal Revenue Code, you are not required to report a distribution, nor may you deduct your share of any loss sustained by the corporation.

Include a copy of your federal Schedule K-1 for your share of partnership losses on City of Detroit activities and U.S. Form *8582*.

Line 20: Enter income reported as "Other Income" on U.S. Form *1040, Schedule 1* and received while a resident in Column A, except for income from recoveries related to federal itemized deductions from prior tax years.

Line 20 should include other City of Detroit income subject to tax that is not reported elsewhere on this return.

PART 2: Subtractions from Income

NOTE: For the period a taxpayer was a resident, any expense listed may be subtracted in full. For the period a taxpayer was a nonresident, the subtraction is limited to the share of total income earned in the City of Detroit.

Line 22: Enter the amount deducted on your federal return for contributions to an Individual Retirement Account (IRA) and/or a retirement account for the self employed (i.e., Keogh/SEP). Contributions made while a nonresident may be subtracted only to the extent income was earned in the City of Detroit.

Line 23: Ordinary, necessary, reasonable and unreimbursed expenses paid or incurred by an individual in connection with the performance by an individual of services as an employee may be deducted from gross income in determining income subject to the tax to the extent the expenses are applicable to income taxable under this ordinance. The expenses are limited to the following:

- Expenses of travel, meals and lodging while away from home.
- Expenses incurred as an outside salesman who works away from their employer's place of business.
- Expenses of transportation.
- Expenses under a reimbursement or other expense allowance arrangement with your employer, where the reimbursement or allowance has been included in total compensation reported.

Documentation that the activity was authorized by your employer and verification of expenses may be required. Miscellaneous business expenses such as professional dues, supplies, education and others not covered above are not deductible for City of Detroit tax purposes. Report eligible expenses incurred while a resident in Column A and those incurred while a nonresident in Column B.

Line 24: Moving expenses incurred by members of the Armed Forces on active duty pursuant to a military order and incident to a permanent change of station that qualify under the Internal Revenue Code as a deduction on your federal return may be deducted on your City of Detroit return. The City of Detroit deduction is limited to moving expenses in connection with new employment in the Detroit area. Multiply eligible expenses by the ratio of Detroit taxable income after the move to total income after the move. Taxpayers may not subtract moving expenses for moves outside the City of Detroit. Include U.S. Form *3903* with your return.

Line 25: For nonresidents, compute the alimony deduction by dividing your City of Detroit income received while a nonresident by your federal Adjusted Gross Income (before alimony deductions). Multiply that amount by the amount of alimony paid. The alimony deduction for payers only applies to those who have a court order issued before January 1, 2019.

Line 26: If applicable, residents should enter Renaissance Zone deduction in Column A, and **include Renaissance Zone approval letter**.

Line 27: Net profits received from a financial institution or an insurance company should be included here.

Enter net operating loss carryover. The city net operating loss (NOL) carryover is limited for NOLs created in 2018 and future years. Enter the full amount of NOL carryovers from NOLs created before 2018 (Group 1). For NOLs created in 2018 and future years (Group 2), enter the lesser of the Group 2 NOL carryover or 80% of the income subject to tax after deducting Group 1 NOLs. The calculation may be made using a worksheet found on the City Income Tax website at **www.michigan.gov/citytax**. Net operating losses may only be carried forward.

PART 3: Income Tax Calculation

Line 30: Exemptions on line 8f are multiplied by $600. The amount allowed for exemptions is prorated based on the number of months subject to each tax rate.

Line 32: When a loss exists on line 31 (if line 31 is negative) in either Column A or B and there is income in the other column, line 32 must be used to subtract the loss from the income column to arrive at taxable income (or loss) on line 33.

Example: A taxpayer reports $12,000 on line 29, column A, and -$1,000 on line 29, column B. The taxpayer has 3 exemptions and was a Detroit resident for six months. The taxpayer would report $900 in each column of line 30. Line 31 would have $11,100 in column A and -$1,900 in column B. Since column B has a loss, that loss is transferred to column A on line 32. The taxpayer would enter $1,900 in column A (the loss is entered as a positive number). For line 33, column A is $9,200, $11,100 - $1,900. The taxpayer would report $0 in Column B.

Line 33: If you can be claimed as a dependent by another taxpayer and the sum of columns A and B for line 33 is less than $600, enter $0 on Line 34.

Line 34: Multiply line 33, Column A by 2.4 percent (0.024) and line 33, Column B by 1.2 percent (0.012).

PART 4: Credits and Payments

Line 36: Enter the amount of city income tax withheld from a *City of Detroit Withholding Tax Schedule* (Form 5121), line 5. W-2 forms are no longer accepted. File Form 5121 and a *City of Detroit Withholding Tax Continuation Schedule* (Form 5253), when applicable. The credit for withholding may be denied if you do not complete and include Form 5121.

Use Form 5253 when you have more than eight W-2s to list on Form 5121. Carry the total from column E on Form 5253 and add it to the total on line 5 on Form 5121.

Line 37: Enter total payments made on a *2021 City Estimated Individual Income Tax Voucher* (Form 5123). Include the amount of your credit forward from the prior year and payments made with extensions for 2021.

Line 38: Enter the amount of city income tax paid for you by a partnership from Form 5121, line 6.

Use Form 5253 when you have more than three partnerships to list on Form 5121. Carry the total from column C on Form 5253 and add it to the total on line 6 on Form 5121.

Line 39: The credit only applies for tax paid on income received while a resident. Enter tax paid to another City.

Note: The credit may not exceed 1.2 percent the income earned in the other city. Enter the name of the city to which the tax was paid.

PART 5: Refund or Tax Due

Line 41a: If line 35 is greater than line 40, subtract line 40 from line 35. Enter the difference on line 41a.

Line 41b: You will owe interest for late payment of tax if you pay after the due date. The interest rate is 1 percent above the adjusted prime rate and is adjusted on January 1 and July 1 of each year. Interest is charged from the original due date of the return to the date the balance of the tax is paid. The interest rate through June 30, 2022 is 4.25 percent annually (.0001164 daily rate). For interest rates after June 30, 2022 visit **www.michigan.gov/citytax** or call 517-636-5829. Calculate your interest, if applicable, and enter on line 41b.

Line 41c: You will owe penalty for late payment of tax if you pay after the due date. Penalty accrues monthly at one percent of the tax due, and increases by an additional one percent per month, or fraction thereof (e.g., penalty on a $500 tax due will be $30 if the tax is unpaid for six months). Calculate your penalty, if applicable, and enter on line 41c.

Line 41d: Typically, if you owe more than $100, you are required to make estimated payments. You may owe penalty and interest for underpayment, late payment, or for failing to make estimated tax payments. Use the *City Underpayment of Estimated Income Tax* (Form 5338) to compute penalty and interest. If you do not file Form 5338, Treasury will compute your penalty and interest and send you a bill. If you annualize your income, you must complete and include Form 5338. Enter the penalty and interest due from Form 5338, line 26.

Line 41e: Add lines 41a through 41d and enter the total on line 41e. This is the total balance due with your return.

If the balance due is less than $1, no payment is required, but you must still file your return.

See "Pay" address on page 3 of Form 5120. Make checks payable to "**State of Michigan - Detroit.**"

Line 44: Subtract line 43 from line 42. The City of Detroit does not refund amounts less than $1. Mail your City of Detroit return to the "Refund or zero returns" address on page 3 of Form 5120.

PART 6: Amended Return

Line 45: If you placed an "X" in the amended box on page 1, enter the reason for amending your return.

IMPORTANT: You **MUST** place an "X" in the box on top of page 1 of the return and complete the AMENDED RETURN WORKSHEET.

Include all payments made with the original City of Detroit Income Tax return on line 37. If line 42 computes to be an overpayment, it should be adjusted to reflect original refunds and credits as set forth on the previous page.

AMENDED RETURN WORKSHEET

Line 1: Overpayment from amended Form 5120, line 42 ..... $ _____

Line 2: Refund from original Form 5120, line 44 ..... $ _____

Line 3: Amount credited to estimated tax from amended Form 5120, line 43. ..... $ _____

Line 4: Subtract lines 2 and 3 from line 1. If greater than zero, enter amount to be refunded here and on amended Form 5120, line 44..... $ _____

Line 5: Subtract lines 2 and 3 from line 1. If less than zero, enter amount as tax due here and on Form 5120, line 41a ..... $ _____

PART 7: Certification

Sign and date your tax return. If filing a joint return, both the filer and spouse must sign the return. If the tax preparer is someone other than the taxpayer, he or she must enter the business name, address and telephone number of the firm he or she represents and Preparer Tax Identification Number (PTIN), Federal Employer Identification Number (FEIN), or Social Security number. Check the box to indicate if Treasury may discuss your return with your tax preparer.