

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	State of residence when received. (See Revenue Administrative Bulletin 1997-2 for tax years prior to 1996.)
2. Interest portion	State of residence when received.
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)	State where business activity takes place. Business income attributable to Michigan and one or more states must be apportioned. (See Schedule H.)
Partnerships, S corporations or other flow-through entities income or loss:	
1. Ordinary business income or loss (Schedule E)	State where business activity takes place.
2. All other business income or loss	State where business activity takes place.
3. Nonbusiness income or loss	State of residence.
Capital gain or loss (Schedule D or 4797):	
1. Intangible personal property such as stocks, bonds, commodities, futures, etc.	State of residence unless business income.
2. Section 1231	State where property is located unless business income.
3. Real property	State where real property is located.

<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.

End