

## GENERAL INSTRUCTIONS FOR ALL FILERS

This section contains general information regarding all returns. Specific instructions are attached for **RESIDENT, NON-RESIDENT and PART-YEAR** returns.

**PLEASE INCLUDE W-2 FORM(S) WITH YOUR RETURN.** The processing of your return may be delayed if the W-2 Forms are not attached.

### WHO MUST FILE A RETURN

If you had Battle Creek taxable income greater than the total of your personal and dependency exemptions, you must file a tax return — even if you did not file a federal tax return. See Exemptions Schedule for more information on your allowable exemptions. **You are required to file a tax return and pay tax even if your employer did not withhold Battle Creek tax from your paycheck.** You will be required to make quarterly estimated income tax payments if you work for an employer not withholding Battle Creek tax from your wages.

### ESTIMATED TAX PAYMENTS

When your total income tax is greater than the amount of tax withheld plus other credits by \$100 or more, you may be required to make quarterly estimated tax payments. File Form BC-1040ES (available on the Battle Creek website) by April 30 of the tax year and pay at least one-fourth (¼) of the estimated tax. The remaining estimated tax is due in three equal payments on June 30 and September 30 of the tax year and January 31 of the following year. Adjust the remaining quarterly payments if your income increases or decreases during the year.

**Failure to make required estimated tax payments or underpayment of estimated tax will result in assessment of penalty and interest.**

If you have made estimated tax payments and do not owe additional tax for the year, you still must file a tax return.

### DUE DATE AND EXTENSIONS

Returns are due on or before April 30<sup>th</sup> each year. If a due date falls on a weekend or holiday, the due date becomes the next business day. **2024 DUE DATE: APRIL 30th, 2025. RETURNS MUST BE RECEIVED BY THIS DATE.**

The due date of the annual income tax return may be extended for a period not to exceed six months. To apply for an extension, file Form BC-4868, Application for Automatic Extension of Time to File an Individual Income Tax Return. Applying for a federal extension does not satisfy the requirement for filing a Battle Creek extension. Application for an extension must be made and the tentative tax due must be paid (MCL 141.664). Filing an extension with payment is not a substitute for making estimated tax payments. **An extension does not extend the time for paying the tax due.**

When an extension form is filed and the balance due is paid, it may be assumed that the extension is automatically granted unless otherwise notified. Interest and penalty is charged on taxes paid late even if an extension of time to file is granted. Penalty may be waived by the Income Tax Administrator if the tax paid by the original due date is not understated by more than 5% of tax or the taxpayer is able to show that the failure to pay on time was due to reasonable cause.

### CHARGES FOR LATE PAYMENTS

All taxes remaining unpaid after the due date are subject interest at the rate of 1% above the adjusted prime rate on an annual basis and to penalty at a rate of 1% per month, not to exceed a total penalty of 25% of the tax. The minimum charge for interest and penalty is \$2.00. **Charges begin to accrue on tax not paid by the due date even if the return is filed on time.**

### AMENDED RETURNS

If you have already filed a return and need to make changes, you may file an amended return. If your federal return is adjusted and the change affects your Battle Creek income, an amended return must be filed and paid within 90 days. You may use the BC-1040X amended form available on our website. If you are writing corrections on a copy of the original tax return, please clearly write **AMENDED** at the top of the return. **Please be sure to provide an explanation for the amendment.** This information can be provided on page 2 of the 1040X in Part III: Explanation of Changes or by

attaching a separate sheet. Amended returns may be mailed to: City of Battle Creek, P O Box 1657, Battle Creek, MI 49016-1657. If applicable, please attach a copy of the amended federal return or the IRS notice detailing why your federal return was adjusted.

### DISCLAIMER

These instructions are interpretations of the Battle Creek Income Tax Ordinance, MCLA 141.601 et seq. The City of Battle Creek Ordinance will prevail in any disagreement between these instructions and the Ordinance.

### COMPLETING YOUR RETURN

#### NAME, ADDRESS, SOCIAL SECURITY NUMBER

- **Always write your Social Security number(s) on the return.** Your Social Security number must match the SSN on the W-2 Form(s) attached to your return.
- Enter your name and, if a joint return, your spouse's name.
- If the taxpayer or spouse is deceased: attach a copy of federal Form 1310 or a copy of the death certificate and mark (X) the box under the Social Security numbers indicating the taxpayer and/or spouse is deceased. Write "deceased" in the signature area on page 2 and enter the date of death in the box on the right side of the signature line.
- Enter your **current** home address on the present home address line. If using a PO Box for mailing purposes, enter the PO Box number on address line 2. If using an in care of address that is not your legal residence (domicile), you must report your residence (domicile) address in the Address Schedule on page 2.

### RESIDENCY STATUS

Indicate your residency status by marking (X) the proper box at the top of page 1.

**Resident** – a person whose domicile (principle residence) was in the city limits of Battle Creek all year. File as a resident if you were a resident the entire year.

**Non-Resident** – a person whose domicile (principle residence) was outside the city limits of Battle Creek all year. File as a nonresident if you were a nonresident the entire year.

**Part-Year Resident** – a person who changed their domicile (primary residence) during the year from one inside Battle Creek to one outside Battle Creek or vice versa. If you were a resident for only part of 2024, use Form BC-1040TC to calculate the tax and attach it to the BC-1040.

**Check Residency.** Battle Creek Street Directory to check if an address is located in the city: <https://www.battlecreekmi.gov/206/Income-Tax>

**Married with Different Residency Status.** If you were married during the tax year and had a different residency status from that of your spouse, file separate returns or file a part-year resident return using Form BC-1040TC to compute the tax.

### FILING STATUS

Indicate filing status by marking (X) the proper box. If married filing separately, enter spouse's Social Security number in the spouse's SSN box and enter the spouse's full name in the filing status box.

### INCOME EXEMPT FROM CITY TAX

Battle Creek does not tax the following types of income:

1. Social Security, pensions and annuities (including disability pensions), Individual Retirement Account (IRA) distributions received after reaching age 59½.
2. Proceeds of insurance where the taxpayer paid policy premiums. (Payments from a health and accident policy paid by an employer are taxed the same as under the Internal Revenue Code).
3. Welfare relief, unemployment compensation and supplemental unemployment benefits.
4. Interest from obligations of the United States, the states or subordinate units of government of the states and gains or losses on the sales of obligations of the United States.
5. Military pay of members of the armed forces of the United States, including Reserve and National Guard pay.

6. Michigan Lottery prizes won on or before December 30, 1967. (Michigan lottery prizes won after December 30, 1967 are taxable to residents.)
7. City, state and federal refunds.

#### ITEMS NOT DEDUCTIBLE ON THE BATTLE CREEK RETURN

Battle Creek does **not** allow deductions for items such as taxes, interest, medical expenses, charitable contributions, casualty and theft losses, etc. In addition, the following federal adjustments are not deductible on the Battle Creek return: student loan interest, Archer MSA deduction, self-employed health insurance deduction, one-half or self-employment tax, and penalty for early withdrawal of savings. Battle Creek allowable deductions can be found under the DEDUCTIONS SCHEDULE on page 2 of the tax form.

The **Federal Standard Deduction** is not applicable to Battle Creek and cannot be subtracted from taxable income.

**PAGE 1:** All taxpayers should complete the **EXEMPTIONS SCHEDULE** at the top of the page. Exemptions are \$750.00 per person. All taxpayers are to claim 1 exemption for self – even if claimed as a dependent on another person's return. Dependents should be the same as reported on your federal tax return – if you cannot claim a dependent on the federal return, you cannot claim them on the Battle Creek return.

**INCOME:** The tax form has 3 columns. **Column A** should have all income as reported on your federal tax return. **Column B** is where income NOT taxable to Battle Creek will be reported, such as excludible non-resident wages (see non-resident instructions). **Column C** should contain only the income taxable to Battle Creek.

**Line 17** is where your total taxable income after subtracting applicable deductions and exemptions will be reported. This amount will be multiplied by either the resident rate (.01) or the non-resident rate (.005) depending on your filing status on **Line 18**. If you were a part-year resident, the tax amount will be carried to Line 18 from the Sch TC (part-year resident schedule).

**Line 19.** On Line 19, you will report Battle Creek tax withheld by your employer(s) in Box 19a – **ATTACH W-2 FORMS SHOWING THE BATTLE CREEK TAX WITHHELD**. Estimated tax paid, tax paid with extension and credits from the previous tax year are reported in Box 19b. Corporate and partnership tax credits are also to be claimed in Box 19b. Credit for tax paid to another city is claimed in Box 19c – **ATTACH PAGE 1 OF THE OTHER CITY'S TAX FORM**. Failure to attach W-2 Forms and other city tax forms may result in a delay in processing your tax return.

**Line 21 (TAX DUE).** If Line 19d is LESS than Lines 18b plus 20c, you owe tax and will report the amount on Line 21. To pay with a check or money order, please make payable to BATTLE CREEK CITY TREASURER. Be sure your name and Social Security or account number is on the payment. You may also have the money directly withdrawn from your checking or savings account by filling out the bank account information at the bottom of the form. Additional options for payment are available on our website: <https://www.battlecreekmi.gov/632/Online-Payments>. If you will be mailing a payment with a payment voucher separately from the tax return, do not provide your bank account on the tax return. **SEE MAILING ADDRESS AT THE BOTTOM OF PAGE.**

**Line 22 (OVERPAYMENT).** If Line 19d is MORE than Lines 18b plus 20c, you are due a refund and will report the amount on Line 22. If you would like the full amount to be refunded, put the amount on **Line 25**. Options for donating all or part of your refund are on **Line 23**. If you would like your refund to be issued as a direct deposit, please fill out the bank account information at the bottom of the form. Please allow 45 days before contacting our office to inquire about refund status. **SEE MAILING ADDRESS AT THE BOTTOM OF PAGE.**

**Line 24.** If you would like all or part of your refund to be credited to the next year, put the amount on Line 24.

**PAGE 2. SCHEDULE A – OTHER INCOME.** All items in Sch A are taxable to residents. Alimony, S-Corp and Gambling income is not taxable to non-residents. See specific non-resident instructions.

**EXCLUDED WAGES AND TAX WITHHELD SCHEDULE** (Attach W-2 Forms even if completing this schedule). All wages of RESIDENTS are

taxable – even if earned outside of the Battle Creek city limits. For NON-RESIDENTS, wages earned outside of the Battle Creek city limits are not taxable, however **documentation from the employer will be required if Battle Creek tax was withheld on the excluded wages**. Additional information can be found with the non-resident instructions.

**DEDUCTIONS SCHEDULE.** Deductions are allowed to the same extent as the federal return, however must be pro-rated if you were a non-resident or part-year resident. For example, if you contributed to an IRA as a non-resident but only 50% of your wages were taxable to Battle Creek, only 50% of the IRA contribution can be claimed.

Allowable deductions include: **1. Contributions to an Individual Retirement Account (IRA).**

**2. Self-Employed SEP, SIMPLE and Qualified Plans.**

**3. Employee Business Expenses.** Employee business expenses are deductible only when incurred in the performance of service for an employer and only to the extent not reimbursed by the employer. Meal expenses are not subject to the reductions and limitations of the Internal Revenue Code. Under the Battle Creek Income Tax Ordinance, meals must be incurred while away from home overnight on business.

**BUSINESS EXPENSES ARE LIMITED TO THE FOLLOWING:**

- A. Expenses of transportation, but not to and from work.
- B. Expenses of travel, meals and lodging while away from home overnight on business for an employer.
- C. Expenses incurred as an "outside salesperson" away from the employer's place of business. This does not include driver-salesperson whose primary duty is service and delivery.
- D. Expenses reimbursed by employer from an expense account or other arrangement if included in gross earnings.

**NOTE:** Business expenses claimed on line 4 of federal Form 2106 are not allowed unless taxpayer qualifies as an outside salesperson.

**Please attach federal Form 2106 to support the deduction claimed.**

**4. Moving Expenses.** For tax years after 2017, only members of the military are eligible to claim moving expense. If applicable, attach federal Form 3903.

**5. Alimony Paid** (do not include child support). Attach the federal return showing the recipient's Social Security number and amount paid.

**6. Renaissance Zone Deduction;** attach Sch RZ if applicable.

**ADDRESS SCHEDULE** (Taxpayer, Spouse or Both). Please complete this section with all home addresses for the tax year.

**THIRD PARTY DESIGNEE.** If you would like to authorize another person to discuss the tax return, check the box for YES and provide their information. If you are a parent preparing the return for a dependent, this will need to be completed before information about the return can be shared.

**SIGN AND DATE THE RETURN.**

#### WHERE TO MAIL FORMS AND PAYMENTS

City of Battle Creek, P O Box 1657, Battle Creek, MI 49016-1657

RESIDENTS

If you lived in the Battle Creek city limits for entire year, you will file a resident tax return. Residency is based on your home address – even if you were renting your home. If you moved during the year and lived both inside and outside of the Battle Creek city limits, you will file as a part-year resident. See separate part-year tax form, instructions and Sch TC (part-year resident schedule) if applicable. Exemptions are \$750.00 per person.

All income of Battle Creek residents is taxable, including wages and other income earned outside of the Battle Creek city limits. In general, if income is taxable on the federal tax return, it is taxable to Battle Creek. The exception to taxable wages would be pay received as an active-duty military member, including Reserve and National Guard Pay.

**Lines 2 and 3** – Interest and Dividend income is taxable unless the source was from a federal government obligation (U.S. Bonds, Treasury bills and notes, etc.).

**Line 4 – Business Income / Losses.** Attach Federal Schedule C

#### **Line 5 – Capital Gain or (Losses)**

The Uniform City Income Tax Ordinance follows the Internal Revenue Code regarding capital gains. **All capital gains realized while a resident are taxable regardless of where the property is located, with the following exceptions:**

1. Capital gains on sales of obligations of the United States and subordinate units of government.
2. The portion of the capital gain or loss on property purchased prior to the inception of the Battle Creek income tax ordinance that is attributed to the time before inception ordinance.
3. Capital loss carryovers that originated prior to the taxpayer becoming a resident of Battle Creek are not deductible.

Capital losses are allowed to the same extent they are allowed under the Internal Revenue Code and limited to \$3,000 per year. Unused net capital losses may be carried over to future tax years. The capital loss carryover for Battle Creek may be different than the carryover for federal income tax purposes.

Deferred capital gain income from installment sales and like-kind exchanges are taxable in the same year reported on the taxpayer's federal income tax return.

Flow through income or loss from an S corporation reported on federal Sch. D is not taxable. **Attach copies of federal Sch. K-1 (Form 1120S).**

Residents reporting capital gains or losses **must attach a copy of federal Schedule D.**

Excluded capital gains must be explained by completing and attaching the Exclusions and Adjustments to Capital Gains or (Losses) schedule.

#### **Line 6 – Other Gains (or Losses)**

Other gains or losses are taxable to the extent that they are taxable on the federal 1040. Other gains and losses realized while a resident are taxable regardless of where the property is located, except the portion of the gain or loss on property purchased prior to the inception of the Battle Creek Income Tax Ordinance.

Deferred other gains from installment sales and like-kind exchanges are taxable in the year recognized on the federal income tax return. Deferred gains **must be supported by attaching a copy of federal Form 6252 and/or Form 8824.**

Residents reporting other gains and losses **must attach a copy of federal Form 4797.**

Flow through income or loss from an S corporation reported on federal Form 4797 of a resident is not taxable. **Attach copies of federal Schedule K-1 (Form 1120S).**

Use the Exclusions and Adjustments to Other Gains or (Losses) schedule to compute exclusions and adjustments to other gains and losses reported on your federal income tax return.

#### **Line 7 – IRA Distributions** – PLEASE ATTACH 1099-R FORM(S)

IRA distributions qualifying as retirement benefits are not taxable to Battle Creek. Excludible IRA distributions are typically designated with Distribution

Premature IRA distributions – typically designated with Distribution Code 1 in Box 1 of the 1099-R form and received prior to age 59½ - are taxable to Battle Creek.

#### **Line 8 – Pensions and Annuities** – PLEASE ATTACH 1099-R FORM(S)

Pension and retirement benefits **NOT** taxable (typically designated by Distribution Code 7 in Box 7 of the 1099-R form) to Battle Creek include:

1. Pension plans that define eligibility for retirement and set contribution and benefit amounts in advance.
2. Qualified retirement plans for the self-employed. Benefits from any of the previous plans received on account of disability or as a surviving spouse if the decedent qualified for the exclusion at the time of death.
3. Distributions from a 401(k) or 403(b) plan attributable to employer contributions or attributable to employee contributions to the extent they result in matching contributions by the employer.
4. Benefits paid to an individual from a retirement annuity policy that has been annuitized and paid over the life of the individual.

Pension and retirement benefits that **ARE** taxable (typically designated by Distribution Code 1 in Box 7 of the 1099-R form) to Battle Creek include:

1. Premature pension plan distributions (those received prior to qualifying for retirement).
2. Amounts received from deferred compensation plans that let the employee set the amount to be put aside and do not set retirement age or requirements for years of service. These plans include, but are not limited to, plans under IRC Sections 401(k), 457 and 403(b):
  - Amounts received before the recipient could retire under the plan provisions, including amounts paid on separation, withdrawal or discontinuance of the plan;
  - Amounts received as early retirement incentives, unless the incentives were paid from a pension trust;
3. Benefits paid from a retirement annuity policy other than annuitized benefits paid over the life of the individual are taxable to the same extent taxable under the Internal Revenue Code.

1099-R DEATH BENEFITS INDICATED BY DISTRIBUTION CODE 4 OF THE 1099-R FORM (Both Lines 7 and 8). If you received a distribution as the surviving spouse of the decedent, the income is not taxable to Battle Creek. The income is taxable to all other recipients.

#### **Line 9 – Rental real estate, royalties, partnerships, S Corporations, trusts, etc.** – PLEASE ATTACH FEDERAL SCH E

Except for royalty income upon which Michigan severance tax was paid, all income reported on federal Schedule E is taxable. A resident's share of an S corporation's flow through income is not taxable. Royalty income upon which Michigan severance tax was paid is to be reported in column B (income excludible to Battle Creek).

**Line 19, Box C – Credit for tax paid to another city.** If you worked in another taxing city (such as Springfield) you can claim the other city tax credit. Please attach page 1 of the other city's return to support the amount claimed. Failure to attach page 1 of the other city's tax return will result in a denial of the credit.

**Other Income (Page 2, Schedule A).** Any other income taxable to Battle Creek for which there is not a specific line is reported here. For residents, this includes alimony, gambling winnings, tribal income, etc. If you had a Net Operating Loss (NOL), report the loss amount on Line 5 and attach supporting documentation.

**See GENERAL INSTRUCTIONS FOR ALL FILIERS for mailing addresses.**

**NONRESIDENTS**

If you lived outside of the Battle Creek city limits for the entire year but had income earned inside of the Battle Creek city limits, you will file a non-resident tax return. If you moved during the year and lived both inside and outside of the Battle Creek city limits, you will file as a part-year resident. See separate part-year tax form, instructions and Sch TC (part-year resident schedule) if applicable. Exemptions are \$750.00 per person.

For non-residents, only income earned in the city limits is taxable. Alimony received and gambling winnings are not taxable to non-residents.

#### **NONRESIDENT INCOME SUBJECT TO TAX:**

1. Compensation for work done or services performed in the Battle Creek city limits which includes, but is not limited to, the following: bonuses, commissions, fees, tips, incentive payments, severance pay, vacation pay and sick pay.
2. Net profits from the operation of an unincorporated business, profession or other activity attributable to business activity conducted in Battle Creek, whether or not such business is located in Battle Creek. This includes business interest income from business activity in Battle Creek.
3. Gains or losses from the sale or exchange of real or tangible personal property located in the Battle Creek city limits.
4. Net profits from the rental of real or tangible personal property located in Battle Creek.
5. Premature distributions from an Individual Retirement Account (IRA) where a deduction was claimed on a current or previous year's Battle Creek income tax return.
6. Premature distributions from a pension plan attributable to work performed in Battle Creek.
7. Deferred compensation earned in Battle Creek.

**Wages received while on vacation, holiday and sick pay are taxable at the same percentage as your taxable wages, as is third party sick pay. Severance pay is also taxable at the same percentage as your wages had been taxable. If you allocated wages prior to receiving severance pay, a 3 to 5 year average should be used. This income cannot be excluded merely because it was paid to you after you stopped physically working in the Battle Creek city limits.**

**Wage Allocations on Commissions, etc.** A nonresident salesperson paid on a commission basis or other results achieved should allocate wages based on commissions received or other results achieved attributable to efforts expended in Battle Creek. A nonresident insurance salesperson paid sales commissions and renewal commissions should allocate compensation on the following basis: Allocate commissions from life, health, accident and vehicle (auto) insurance based on the location (residence) of the purchaser. Allocate commissions from group insurance based on the location of the group. Allocate commissions from fire and casualty insurance based on the location of the risk insured.

**Line 1 – Taxable wages.** In Column A, you will report 100% of your wages as shown on the federal return. In Column B, you will report wages earned outside of the Battle Creek city limits. If excluding wages in Column B, you will need to complete the EXCLUDED WAGES AND TAX WITHHELD SCHEDULE on Page 2.

**Please note that if you exclude 100% of your wages from an employer that withheld tax for Battle Creek, you will be asked to provide a statement from the employer that no work duties were done in the Battle Creek city limits. If you will not be working in the city limits for the employer, we also ask for the date that they stopped withholding tax for Battle Creek. Battle Creek tax should not be withheld on wages earned outside of the Battle Creek city limits by non-residents. You may need to file an updated W-4 Form with your payroll department to indicate you do not live or work in the Battle Creek city limits. Employer verification letter on letter head is required when not using box 1 wages on your W-2.**

**Wages earned while working from home.** The same verification letter will be required from the employer when you exclude wages earned while working at home when Battle Creek tax was withheld. If you are permanently

mandatory government stay home orders were no longer in place. The Battle Creek Income Tax Ordinance (Sec. 141.613, Reg. 13.2) states the following: the mere fact that a nonresident employee takes work home with them and performs such work at their home does not permit for the allocation of compensation. If an office or other work space is maintained for you in the city limits and you choose to work from home, this compensation cannot be allocated/excluded.

Wages are only to be taken from Box 1 of the W-2 form. Wages are not to be taken from Box 18. If you are allocating wages and Box 18 is the correct taxable amount, you are still required to fill out EXCLUDED WAGES AND TAX WITHHELD SCHEDULE.

**Line 2 – Taxable interest.** In general, interest income is not taxable to non-residents unless related to business income. For example, if you own commercial property in the Battle Creek city limits and receive income (such as interest paid on land contract) the interest is taxable.

**Line 3 – Dividends.** Not taxable unless attributable to a Battle Creek source.

**Line 4 – Business income (or loss) – PLEASE ATTACH FEDERAL SCH C.** Any business income earned in the Battle Creek city limits is taxable to non-residents. If you are claiming a loss, please be sure the actual address of the business is provided so we may verify it was in the Battle Creek city limits or the loss may be disallowed.

**Line 5 – Capital Gains (or Losses).** Capital gains or losses of a nonresident are included in taxable income to the extent the gains or losses are from property located in Battle Creek. Capital losses from property located in Battle Creek are allowed to the same extent they are allowed under the Internal Revenue Code. Unused capital losses may be carried over to future tax years. The capital loss carryover for Battle Creek may be different than the carryover for federal income tax purposes. Deferred capital gain income from installment sales and like-kind exchange of property located in Battle Creek are taxable in the year recognized on the taxpayer's federal income tax return. Flow through income or loss from an S corporation reported on a nonresident's federal Schedule D is excluded on the Exclusions and Adjustments to Capital Gains or (Losses) schedule. Attach copies of federal Schedule K-1 (Form 1120S). Use the Exclusions and Adjustments to Capital Gains or (Losses) schedule to compute exclusions and adjustments to capital gains. NOTE: A common error on a nonresident return is failure to complete the Exclusions and Adjustments schedule to exclude the capital loss carryover reported on the taxpayer's federal income tax return.

**Line 6 – Other Gains (or Losses).** A nonresident's other gains and losses are included in taxable income to the extent the gains or losses are from property located in Battle Creek. Deferred other gains and losses from installment sales and like-kind exchanges of property located in Battle Creek are taxable in the year recognized on the taxpayer's federal income tax return. Deferred other gains must be supported by attaching a copy of federal Form 6252 and/or Form 8824. Flow through income or loss from an S corporation reported on federal Form 4797 is excluded on the Exclusions and Adjustments to Other Gains and (Losses) schedule. Attach copies of federal Schedule K-1 (Form 1120S). Nonresidents reporting other gains and losses must attach a copy of federal Form 4797. Use the Exclusions and Adjustments to Other Gains and Losses schedule to compute exclusions and adjustments to other gains and losses reported on the federal income tax return. On line 4 of the schedule enter the total excluded other gains or losses and also enter this total on page 1, line 6, column B.

**Line 7 – IRA Distributions.** That portion of a premature IRA distribution that was deducted from Battle Creek taxable income in the current or a prior tax year (reported on Form 1099-R, box 7, distribution code 1) are taxable to a nonresident. IRA distributions received after age 59 ½ or described by Section 72(t)(2)(A)(iv) of the IRC are not taxable.

**Line 8- Taxable Pensions and Annuities.** Premature pension plan distributions (those received by a nonresident prior to qualifying for NONRESIDENTS NONRESIDENTS (Continued) retirement) are taxable to the same extent the normal wages from the employer are taxable. A nonresident remaining employed by the particular employer in Battle Creek

#### **NONRESIDENTS (Continued)**

the CF-COV Covid work allocation worksheet will not be accepted as



may not exclude amounts received from deferred compensation plans that let the employee set the amount to be put aside and do not set retirement age or requirements for years of service. These plans include, but are not limited to, plans under Sections 401(k), 457 and 403(b) of the Internal Revenue Code (IRC): Amounts received before the recipient could retire under the plan provisions, including amounts paid on separation, withdrawal or discontinuance of the plan. Amounts received as early retirement incentives unless the incentives were paid from a pension trust. Form 1099-R, box 7, code 8, Excess contributions or excess deferrals taxable in current tax year are taxable to a nonresident to the same extent and on the same basis as the normal earnings from the specific employer are taxable. Note: Form 1099-R, box 7, code P, reports excess contributions or excess deferrals taxable in the prior tax year and may require a nonresident to file an amended return for the prior tax year. See Line 10 under "Residents" for additional information on nontaxable pension and retirement benefits.

**Line 9 – Rental real estate, royalties, partnerships, S Corporations, trusts, etc.** – PLEASE ATTACH FEDERAL SCHEDULE E. All income reported on the federal Schedule E that comes from business activity in Battle Creek or property located in Battle Creek is taxable to nonresidents. When an estate or trust has taxable income in Battle Creek, the estate or trust must file a return and pay tax on distributions to nonresidents and on undistributed taxable income. The following income reported on federal Schedule E is excludable: income from business activity or property outside Battle Creek including royalty income upon which Michigan severance tax was paid; S corporation flow through income or loss reported on Schedule E; and income from estates and trusts. Explain all exclusions on the Exclusions and Adjustments to Income from Rental Real Estate, Royalties, Partnerships, S Corporations, Trusts, Etc. schedule. On line 6 of this schedule enter the total exclusions and adjustments; enter also on page 1, line 11, column C.

#### **OTHER INCOME (Page 2, Schedule A)**

**Alimony, S-Corp and gambling income is not taxable to non-residents.** Any other income earned in the Battle Creek city limits for which there is not a specific line is reported here.

**Line 3 – Farm Income (or Loss).** A nonresident's profit or loss from a farm are included in Battle Creek income to the extent the profit or loss results from work done, services rendered or other activities conducted in Battle Creek. The portion of the profit or loss reported on the Battle Creek return is determined by use of the three factor Farm Allocation Percentage formula. Sales of crops at the produce market, any of the farmer's markets or a produce stand located in the city is Battle Creek business activity and subjects the farm to Battle Creek income tax.

**DEDUCTIONS SCHEDULE.** A nonresident's deductions are limited by the extent they relate to income taxable under the Battle Creek Income Tax Ordinance. Nonresidents must allocate deductions the same way related income is allocated. For example, if you contributed to an Individual Retirement Account (IRA) but only 50% of your wages are taxable to Battle Creek, only 50% of the IRA deduction can be claimed.

See **GENERAL INSTRUCTIONS FOR ALL FILERS** for mailing addresses

### **PART-YEAR RESIDENTS SCH TC INSTRUCTIONS**

**PART-YEAR RESIDENTS: COMPLETE THE SCH TC AND ATTACH IT TO PAGE 1 OF THE BC-1040. CHECK BOX 18a ON PAGE 1 OF THE BC-1040 AND CARRY THE PART-YEAR TAX CALCULATION FROM LINE 23C OF THE SCH TC TO BOX 18b. BOTH FORMS MUST BE FILED – DO NOT SEND THE SCH TC BY ITSELF.**

**Part-Year Resident** – a person who changed their domicile (primary residence) during the year from one inside Battle Creek to one outside Battle Creek or vice versa. If you were a resident for only part of 2024, use form BC-1040TC to calculate the tax and attach it to the BC-1040. If you had income taxable as a resident and as a nonresident during the year, you must file as a part-year resident.

**Married with Different Residency Status.** If you were married in 2024 and had a different residency status from that of your spouse, file separate returns or file a part-year resident return using Form BC-1040TC to compute the tax.

**Check Residency.** If an address falls within the Battle Creek city limits, the Political Jurisdiction will show BATTLE CREEK CITY. <https://bsaonline.com/?uid=337>

General instructions for completing the Sch TC are below. If specific detail is needed, such as what income is taxable, please refer to the instructions attached to the Resident (BC-1040R) and Non-Resident (BC-1040NR) forms.

**COLUMN A.** Report all income in Column A as it is shown on your federal tax return.

**COLUMN B.** Income not taxable to Battle Creek is to be reported in Column B. This includes income earned outside of the city limits while you were a non-resident. Only income (wages, business and rental income, etc.) earned inside of the Battle Creek city limits is taxable to non-residents. For example, if you earned wages in Springfield while you lived in Kalamazoo, those wages would be reported in Column B because they are not taxable to Battle Creek. PLEASE NOTE: If you are excluding wages which had Battle Creek tax withheld upon, you must attach the WAGES AND EXCLUDIBLE WAGES SCHEDULE and provide the location(s) where work duties were actually performed. For a detailed list of taxable income taxable to non-residents, please refer to the instructions provided with the non-resident tax form.

**COLUMN C.** Report the income earned while living in the Battle Creek city limits. ALL income of Battle Creek residents is taxable – even if earned outside of the Battle Creek city limits.

**COLUMN D.** Any income you earned in the city limits of Battle Creek while a non-resident is to be reported in Column D. For example, if you lived in Rockford for part-of the year, but earned wages in the city limits of Battle Creek, those wages are taxable, as is business or rental income, etc. Interest income is not taxable to non-residents unless it is related to property located in the Battle Creek city limits (example: interest received from land contract). Capital gain income is also only taxable if related to income activity inside of the Battle Creek city limits. For a detailed list of taxable income taxable to non-residents, please refer to the instructions provided with the non-resident tax form.

Once you have completed all applicable columns of the Sch TC, copy the amount from Line 23c to Line 18b on page 1.