

MICHIGAN 1040

2009 INDIVIDUAL INCOME TAX FORMS AND INSTRUCTIONS

www.michigan.gov/taxes

NEW FOR 2009

Voluntary Contributions: Several new designated funds are available to which taxpayers may contribute.

Two New Energy Credits: Energy Efficient Qualified Home Improvement Credit (refundable) and the Energy Cost Recovery Surcharge Credit (nonrefundable) may be claimed by eligible taxpayers.

See *Important News for 2009* on page 3 for additional information.

Watch your mailbox for a U.S. Census Questionnaire in March/April 2010 (see page 9).



WWW.MIFASTFILE.ORG

- ✓ E-filing your return is easy, fast, and secure!
- ✓ Two-thirds (over 3.2 million) of all Michigan taxpayers choose e-file.
- ✓ E-file returns are usually processed within 14 business days (see page 4). Please allow 14 days before checking the status of your e-filed return.
- ✓ Tax preparers who complete 200 or more Michigan Individual Income Tax returns are required to e-file all eligible returns supported by their software (see page 4).
- ✓ Free e-file is available. Do you qualify?

Filing Due Date: April 15, 2010

Jennifer M. Granholm, Governor
Robert J. Kleine, State Treasurer

Help With Your Taxes

Self Service Options

The Michigan Department of Treasury (Treasury) offers a variety of services designed to assist you, and most are available 24 hours a day, seven days a week.

IMPORTANT: To obtain information about your account using the Internet and Telephone Options listed below, you will need the following information from your return:

- Social Security number of the primary filer (the filer listed first on the return)
- Tax year of the return
- Adjusted gross income (AGI) or household income
- Filing status (single, married filing jointly, married filing separately).

Internet Options

www.michigan.gov/incometax

Find the following information on this Web site:

- Current year forms and instructions
- Answers to many tax preparation questions
- Most commonly used tax forms
- Free assistance in preparing your return
- Other tax time resources.

www.michigan.gov/iit

This secure Web site was designed specifically to protect your personal tax information. Use this Web site to:

- Check the status of your return
- Check estimated payments you made during the year

- Check the status of letters you have sent to Treasury
- Change your address
- Ask a specific question about your account.

Telephone Options

1-800-827-4000

Automated Information Service

With Treasury's automated phone system, you can:

- Request the status of your refund
- Request information on estimated payments
- Order current tax year forms.

Tele-Help: For prerecorded information about income tax and tax credit topics, call 1-800-827-4000 and press option "1." See a list of topics below.

While most questions can be answered by the Automated Information Service, you may speak with a customer service representative from 8:00 a.m. to 4:45 p.m., Monday through Friday, by calling 1-800-827-4000.

Telephone help is available using teletypewriter (TTY) equipment by calling (517) 636-4999. Printed material in an alternate format may be obtained by calling 1-800-827-4000 and pressing options 1, 4, and 223.

Forms

Find tax forms using the Internet and Telephone Options listed on this page. Commonly used forms are also available at Treasury offices (see back cover) and most public libraries, Northern Michigan post offices, Michigan Secretary of State branch offices, and Department of Human Services (DHS) county offices.

Tele-Help Code Numbers and Topics Tax Information at Your Fingertips! Call 1-800-827-4000

General Tax Information

- 112 Address changes
- 151 Deceased taxpayers
- 192 Direct Deposit; routing transit number
- 171 Electronic filing
- 431 Forgiveness of debt
- 181 Home electronic filing
- 421 Internal Revenue Service, contact information
- 101 Penalty and interest calculation
- 411 Principal Residence Exemption Affidavit
- 131 Refund offsets
- 161 Repayments of income reported in a prior year (Claim of Right)
- 121 Requesting a copy of your return
- 125 Requirements for dependents, minors, and students
- 127 Residency
- 191 Tax due, penalty, and interest
- 111 Where to go for help
- 141 Who must file an income tax return; how to file

MI-1040

- 231 Additions and subtractions from income
- 211 Amended returns - MI-1040X
- 241 Capital gains and losses
- 242 Charitable distribution subtraction
- 204 Children of Veterans Tuition Grant Program
- 234 Children's Trust Fund
- 292 College Tuition and Fees Credit
- 261 Community Foundations Credit
- 205 Contributions to IRAs
- 271 Deferred compensation
- 272 Disabled Taxpayers
- 203 Distributions from IRAs
- 221 Estimated tax payments
- 267 Extensions, general
- 193 Extensions, military serving in combat zone
- 281 Homeless Shelter/Food Bank Credit
- 273 Michigan 1099-G
- 232 Michigan Education Savings Program
- 243 Military Family Relief Fund
- 233 Military income
- 212 Prior year returns

- 251 Public Contributions Credit
- 108 Qualified Disabled Veteran
- 293 Renaissance Zones
- 294 Resident/nonresident income
- 295 Roth IRA
- 202 Schedule W, Withholding Tax
- 296 Stillbirth Credit
- 262 Tax Deferred Retirement Plan
- 268 Tax status of U.S. obligations
- 201 Use tax
- 110 Voluntary Contributions

Credit Information

- 105 Earned Income Tax Credit
- 451 Energy Credits
- 301 Farmland Preservation Credit
- 351 Household income/adjusted gross income, difference
- 331 Home Heating Credit
- 311 Homestead Property Tax Credit
- 341 Long-term care
- 321 Special situations for property tax credits
- 210 Vehicle Donation Credit
- 229 Venture Capital Deduction

Important News for 2009

Earned Income Tax Credit (EITC)

For tax year 2009, a taxpayer may claim a Michigan EITC equal to 20 percent of the federal EITC for which the taxpayer is eligible. If you are not eligible for a federal credit, you are not eligible for a Michigan credit.

Use Tax

Every state that has a sales tax has a companion tax for purchases made outside that state, by catalog or over the Internet. In Michigan, that companion tax is called the "use tax," but might be described more accurately as a remote sales tax because it is a 6 percent tax owed on purchases made outside of Michigan. See page 9 for more information on use tax.

Tax Rate, Exemption Allowances, and Pension and Interest Deductions

The income tax rate for 2009 is 4.35 percent.

For tax year 2009, the personal exemption allowance increased to \$3,600 and the special exemptions allowance increased to \$2,300. See page 10 for more information.

For tax year 2009, pension benefits included in AGI from a private pension system or an Individual Retirement Account (IRA) are deductible to a maximum of \$45,120 for a single filer or \$90,240 for joint filers.

Senior citizens age 65 or older may be able to deduct part of their interest, dividends, and capital gains that are included in AGI. For 2009, the deduction is limited to a maximum of \$10,058 for single filers and \$20,115 for joint filers. See Schedule 1 instructions beginning on page 12 for further details regarding pension benefits and senior citizen interest deductions.

Exemption Increase for Qualified Disabled Veterans

Taxpayers who either have a service-connected disability or have a dependent with a service-connected disability may be eligible to claim a \$300 exemption for tax year 2009. See the instructions for line 9e on page 10.

New Individual or Family Development Account Credit

Beginning with tax year 2009, a taxpayer may claim the Individual or Family Development Account nonrefundable credit equal to 75 percent of certified contributions made to a reserve fund of a fiduciary organization in accordance with the Individual or Family Development Account Program Act. To qualify, a donor cannot be the holder of an Individual or Family Development Account. See page 17, line 9 instructions for further details.

New Funds Added to Voluntary Contributions Schedule

Michigan taxpayers can contribute \$5, \$10, or more to any of the following new funds on *Voluntary Contributions Schedule* (Form 4642):

Children's Hospital of Michigan Fund

The Children's Hospital of Michigan Fund was created to provide funds for donation to the Children's Hospital of Michigan to support the hospital in providing life-saving pediatric care, education, and research.

Children's Miracle Network Fund

The Children's Miracle Network Fund was created to provide funds for donation to the Children's Miracle Network to support the Children's Miracle Network hospitals located in this State in providing life-saving pediatric care, education, and research.

Foster Care Trust Fund

Contributions to the Foster Care Trust Fund will be used to identify and address issues facing foster children in Michigan and to work with existing foster care programs to build further service capacity in the State.

Michigan Council for the Arts Fund - Local Grant Programs

Help keep your community thriving with quality arts and culture. You may contribute \$5 or more to the Michigan Council for Arts and Cultural Affairs in support of local arts and cultural events. These contributions are returned to local communities and nonprofit organizations in the form of grants. Programs and services funded by these monies include arts education and low-cost performances and exhibits.

Renewable Fuels Fund

Contributions to the Renewable Fuels Fund will be used to promote the production and use of renewable fuels in Michigan including but not limited to: biodiesel, biodiesel blends, hydrogen fuel, and E85 fuel.

United Way Fund

Contributions to the United Way Fund (of America) will be used to improve the lives of Michigan residents by mobilizing the caring power of communities to provide for basic needs, including, but not limited to, food, clothing, and shelter.

Note: Fund contributions increase your tax due or reduce your refund.

Two New Energy Credits

Eligible taxpayers may claim two new credits on Michigan income tax returns for tax years 2009, 2010, and 2011. For information on the Energy Efficient Qualified Home Improvement Credit (refundable), see the instructions for MI-1040, line 32, on page 11. For information on the Energy Cost Recovery Surcharge Credit (nonrefundable), see the instructions for Schedule 2, line 10, on page 17.

Filing Extension Granted for Military Personnel Serving in a Combat Zone

United States military personnel serving in a combat zone on April 15, 2010, will be given 180 days after leaving the combat zone to file their federal and State tax returns and will be exempt from penalties and interest. Service men and women serving in combat zones must print "Combat Zone" in ink on the top of page 1 of their MI-1040. Visit Treasury's Web site at www.michigan.gov/taxes for more information.

Pension/Interest/Dividends/Capital Gain Estimator

Certain amounts of interest/dividends/capital gains and pension distributions are subtractable from taxable income. A new online estimator is available to assist taxpayers

in determining what amounts can be subtracted. Visit Treasury's Web site at www.michigan.gov/taxes and select Pension Estimator from the Quick List, Services dropdown menu.

Appeals of Adjusted Refunds or Credits

Taxpayers have 60 days from the issuance of refund denials, refund adjustments, or Treasury decisions (other than final assessment), that may be appealed under Section 22 of the Revenue Act, to request informal conferences.

Unemployment Income

The American Recovery and Reinvestment Act of 2009 provides the first \$2,400 of unemployment benefits be excluded from taxable income. However, the excluded unemployment benefits must be included in household income when computing the property tax credit and other credits that are based on household income.

Renaissance Zones

Certain Renaissance Zones, along with the tax benefits, will continue to phase out. See instructions for Schedule 1, line 15, on page 14.

Property Tax Credits/Refunds

A reminder from the Internal Revenue Service (IRS). Michigan homestead property tax credit and homestead exemption refunds received in 2009 may be taxable on your 2009 U.S. Form 1040. If you claimed an itemized deduction for property taxes on your 2008 U.S. Form 1040 and then received a refund in 2009 from the State or your local unit of government for a portion of those taxes, you must include that refund as income on your 2009 U.S. Form 1040. If you have questions about the taxability (for federal tax purposes) of the refunds, call the IRS at 1-800-829-1040.

What You Should Know About Your Michigan 1099-G

If you itemized deductions on your 2008 federal income tax return and received a Michigan tax refund in 2009, you will be mailed a 2009 Michigan 1099-G in early 2010 that shows the amount of your 2008 refund that was issued in 2009. The refund amount will include any amounts credited forward to 2009 estimated tax, prior year refunds issued in 2009, refund amounts intercepted for back tax assessments or other debts (such as child support or court-ordered garnishments), and any portion of a refund assigned to pay use tax or any amount you contributed as a voluntary contribution. The refund amount will not include homestead property tax credits, adoption credits, or other refundable tax credits claimed on the MI-1040. **The 1099-G IS NOT A BILL.** Visit www.michigan.gov/taxes for more information about your Michigan 1099-G.

A Note About Debts

By law, any money you owe to the State and other agencies must be deducted from your refund or credit before it is issued. Debts include money you owe for past-due taxes, student loans, child support due the Friend of the Court, an IRS levy, money due a State agency, a court-ordered garnishment, or other court orders. Taxpayers who are married, filing jointly, may receive an *Income Allocation to Non-Obligated Spouse* (Form 743) after the return is filed. Completing and filing this form may limit the portion of the refund that can be applied to a debt. If Treasury applies all or part of your refund to any of these debts, you will receive a letter of explanation.

Adjusted Gross Income (AGI)

Throughout this booklet, we refer to adjusted gross income as AGI. When AGI is asked for, copy your AGI directly from your U.S. Form 1040 line 37, or U.S. Form 1040A, line 21.

Who Must File a Return

File a return if you owe tax, are due a refund, or your AGI exceeds your exemption allowance. You should also file a Michigan return if you file a federal return, even if you do **not** owe Michigan tax. This will eliminate unnecessary correspondence from Treasury.

- If your parents (or someone else) can claim you as a dependent on their return and your AGI is \$1,500 or less if single or married filing separately or \$3,000 or less if filing a joint return, you do not need to file a return unless you are claiming a refund of withholding.

Important: If your income subject to tax (MI-1040, line 14) is less than your personal exemption allowance (line 15) and Michigan income tax was withheld from your earnings, you must file a return to claim a refund of the tax withheld.

Who Must File a Joint Return

File a joint Michigan return if you filed a joint federal return. If you filed separate federal returns, you may file separate or joint Michigan returns. You may file a joint return only with your spouse.

When to File Your Return

Always complete your federal tax return before your Michigan return. You may file a Michigan return even if you are not required to file a federal return.

Your return must be postmarked no later than April 15, 2010, to be considered timely. Payment must be included with your return. Make your check payable to "State of Michigan" and write your Social Security number(s) and "2009 income tax" on the front of the check. To avoid penalty and interest, if you owe tax, postmark no later than April 15, 2010.

If you cannot file before the due date and you owe tax, you may file an *Application for Extension of Time to File Michigan Tax Returns* (Form 4) with your payment. See page 6. If you are due a refund, you must file a return within four years of the due date to obtain the refund. Keep a copy of your return and all supporting schedules for six years.

Penalty and Interest Added for Filing and Paying Late

If you file and pay late, Treasury will add a penalty of 5 percent of the tax due. After the second month, penalty will increase by an additional 5 percent per month, or fraction thereof, up to a maximum of 25 percent of the tax due. If you pay late, you must add penalty and interest to the amount due. The interest rate through June 30, 2010, is 4.25 percent. For interest rates after June 30, 2010, visit Treasury's Web site at www.michigan.gov/taxes or call 1-800-827-4000.

Choose e-file Instead of Paper Returns. Get Your Refund Fast!

E-filing eliminates many of the errors that lengthen processing times. E-file returns are usually processed within 14 days. Tax preparers who complete more than 200 income tax returns are required to e-file all eligible returns. Visit Treasury's Web site at www.MIfastfile.org to find an authorized e-file provider near you, a list of resources offering this service, and information on free e-file services.

How to Complete and File Paper Returns

Completing Michigan Forms

Treasury captures the information from paper income tax returns using an Intelligent Character Recognition (ICR) process. If completing a paper return, avoid unnecessary delays by following the guidelines below so your return is 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:** 0123456789
Do **not** put a slash through the zero (Ø) or seven (7).
- **Fill check boxes with an [X].** Do not use a check mark [✓].
- **Leave lines/boxes blank** if they do not apply or if the amount is zero unless otherwise directed.
- **Do not enter data in boxes filled with Xs.**
- **Do not write extra numbers, symbols, or notes** on the return, such as cents, dashes, decimal points, commas, or dollar signs. Enclose any explanations on a separate sheet unless you are instructed to write explanations on the return.
- **Stay within the lines** when entering information in boxes.
- **Report all amounts in whole dollars.** Round down amounts of 49 cents or less. Round up amounts of 50 cents or more. If cents are entered on the form, they will be treated as whole dollar amounts.

When You Have Finished

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

Assemble your returns and attachments and staple in the upper-left corner. (Do not staple your check to your return.) If an *Individual Income Tax Barcode Datasheet* (Form 4220) is part of your filing, it must be the first item in the sequence followed by MI-1040. A sequence number is printed in the upper-right corner of the following Michigan forms to help you assemble them in the correct order behind your MI-1040:

- Additions and Subtractions and Nonrefundable Credits (Schedule 1/Schedule 2)
- Nonresident and Part-year Resident (Schedule NR)
- Farmland Credit (MI-1040CR-5)
- Schedule of Taxes and Allocation to Each Agreement (Schedule CR-5)
- Property Tax Credit (MI-1040CR or MI-1040CR-2)
- College Tuition Credit (Schedule CT)
- Federal schedules (see Table 2, page 47)

- Schedule of Apportionment (MI-1040H)
- Qualified Adoption Expenses (MI-8839)
- Underpayment of Estimated Income Tax (MI-2210)
- Schedule of Withholding (Schedule W)
- Adjustments of Capital Gains and Losses (MI-1040D)
- Adjustments of Gains and Losses From Sales of Business Property (MI-4797)
- Voluntary Contribution Schedule (4642)
- Energy Efficient Qualified Home Improvement Credit (4764)
- Farmland Preservation Tax Credit (4594)

If you are also filing a Home Heating Credit Claim (MI-1040CR-7) do **not** staple it to your return; fold it and leave it loose in the envelope.

Important Reminder: If you do not include all the required attachments with your return, your refund may be reduced, denied, or delayed. Send original forms. Do not send photocopies.

Do not staple multiple prior year returns together.

Mailing Labels

Review the label on the back cover of this booklet. If your name and address are correct and your filing status is the same as last year (single, married filing jointly, or married filing separately), place the label on the top of page 1 of your tax return. It is important that you place your label in the space provided.

If the information on your label is not correct, do not use the label. Enter the correct information on your return.

Where to Mail Your Return

Mail **refund, credit, or zero due** returns to:

Michigan Department of Treasury
Lansing, MI 48956

If you **owe tax**, mail your return to:

Michigan Department of Treasury
Lansing, MI 48929

Make check payable to “**State of Michigan**” and **print your Social Security number** and “**2009 income tax**” on the front of your check. To ensure accurate processing of your return, send one check for each return type. Do not staple your check to your return.

Do not mail your 2009 return in the same envelope with a return for years prior to 2009; mail your 2009 return in a separate envelope.

E-file and Leave the Paper Behind!



- Accurate
- Quick Refunds
- Proof of Acceptance
- May Be Free – Do you qualify?

www.Mifastfile.org

Special Situations

Extensions

To request more time to file your Michigan tax return, send a payment of your estimated tax to Treasury with a copy of your approved federal extension (U.S. Form 4868) on or before the original due date of your return. Treasury will extend the due date to your new federal due date. If you do not have a federal extension, file an *Application for Extension of Time to File Michigan Tax Returns* (Form 4) with your payment. Treasury will **not** notify you of approval. **Do not file an extension if you will be claiming a refund.**

An extension of time to file is NOT an extension of time to pay. If you do not pay enough with your extension request, you must pay interest on the unpaid amount. Compute interest from the original due date of the return. Interest is 1 percent above the prime rate and is adjusted on July 1 and January 1.

You may be charged a penalty of 10 percent or more if the balance due is not paid with your extension request.

When you file your MI-1040 return, include on line 35 the amount of tax you paid with your extension request. Attach a copy of your federal or State extension to your return.

2010 Estimated Payments

Usually, you must make estimated income tax payments if you expect to owe more than \$500 when you file your 2010 MI-1040. This is after crediting the property tax, farmland, any other refundable or nonrefundable credits, and amounts you paid through withholding.

Common income sources which make estimated payments necessary are self-employment income, salary and wages if you do not have enough tax withheld, tips, lump sum payments, unemployment benefits, dividend and interest income, income from the sale of property (capital gains), and rental income.

You may ask your employer to increase your withholding to cover the taxes on other types of income.

Estimated payments are due April 15, 2010; June 15, 2010; September 15, 2010; and January 18, 2011. If you are a fiscal year filer, the due dates

are the same as your federal estimated payment due dates.

If you filed estimates for 2009, Treasury will send you personalized forms for 2010, unless you used a tax preparer (see page 4). Otherwise, request *Michigan Estimated Income Tax Voucher* (MI-1040ES).

Exceptions. If you expect to owe more than \$500, you may not have to make estimated payments if you expect your 2010 withholding to be at least:

- 90 percent of your total 2010 tax, or
- 100 percent of your total 2009 tax.

Total 2009 tax is the amount on your 2009 MI-1040, line 19, less the amount on lines 27, 28, 29, 30, 31b, 32, and 33.

Note: 2010 estimates for taxpayers with 2009 AGI of \$150,000 or more for joint or single filers (\$75,000 or more for married filing separate) must equal 90 percent of the current year's liability or 110 percent of the previous year's liability.

Farmers, fishermen, or seafarers may have to pay estimates, but have different filing options. If at least two-thirds of your gross income is from farming, fishing, or seafaring, you may:

- Delay paying your first 2010 quarterly installment (with MI-1040ES) until as late as January 18, 2011, and pay the entire amount of your 2010 estimated tax due, or
- File your 2010 MI-1040 return and pay the entire amount of tax due on or before March 1, 2011.

You are considered a farmer or fisherman if you file U.S. *Schedule F* or *Schedule C*. Wages earned as a farm employee or from a corporate farm do **not** qualify you for this exception. You are considered a seafarer if your wages are exempt from income tax withholding under Title 46, Shipping, USC, Sec. 11108.

Failure to make payments or underpayment of estimates. If you fail to make required estimated payments, pay late, or underpay in any quarter, Treasury may charge penalty and interest. Penalty is 25 percent of the tax due (with a minimum of \$25) for failing to file estimate payments or 10 percent (with a minimum of \$10)

for failing to pay enough with your estimates or paying estimates late. Interest is 1 percent above the prime rate and is computed monthly. The rate is adjusted on July 1 and January 1.

Residency

Resident. You are a Michigan resident if Michigan is your permanent home. Your permanent home is the place you intend to return to whenever you go away. A temporary absence from Michigan, such as spending the winter in a southern state, does **not** make you a part-year resident.

Income earned by a Michigan resident in a nonreciprocal state (see "Reciprocal States" on page 7) or Canadian province is taxed by Michigan, and may also be taxed by the other jurisdiction. If you pay tax to both, you can claim a credit on your Michigan return. See instructions for Schedule 2, line 5 and the example on page 16.

Part-year resident. You are a part-year resident if, during the year, you move your permanent home into or out of Michigan. You must pay Michigan income tax on income you earned, received, or accrued while living in Michigan.

Use *Michigan Nonresident and Part-year Resident Schedule* (Schedule NR) and the following guidelines to help you figure your tax:

- Allocate your income from the date you moved into or out of Michigan.
- Bonus pay, severance pay, deferred income, and any other amount accrued while a Michigan resident are subject to Michigan tax no matter where you lived when you received it.
- Deferred compensation reported to you on U.S. Form 1099-R and dividend and interest income are allocated to the state of residence when received.
- Part-year residents who lived in Michigan at least six months of the tax year may qualify for a homestead property tax credit (see page 19).

Note: Out-of-state students who live in Michigan while they are attending school are not considered Michigan residents or part-year residents and should file as nonresidents.

Nonresident. Use Schedule NR to figure your Michigan taxable income.

You must pay Michigan income tax on the following types of income:

- Salary, wages, and other employee compensation for work performed in Michigan, unless you live in a state covered by a reciprocal agreement (see “Reciprocal States” below)
- Net rents and royalties from real and tangible personal property in Michigan
- Capital gains from the sale or exchange of real property located in Michigan, or of tangible personal property located in Michigan
- Patent or copyright royalties if the patent or copyright is used in Michigan or if you have a commercial domicile in Michigan
- Income (including dividend and interest income) from an S corporation, partnership or an unincorporated business, or other business activity in Michigan
- Lottery winnings
- Prizes won from casinos or licensed horse tracks located in Michigan. Nonresidents from reciprocal states must also declare these prizes as taxable.

Reciprocal States

Illinois, Indiana, Kentucky, Minnesota, Ohio, and Wisconsin have reciprocal agreements with Michigan. Michigan residents pay only Michigan income tax on their salaries and wages earned in any of these states. A Michigan resident can file a withholding form with an employer in a reciprocal state to claim exemption from that state’s income tax withholding. The out-of-state income might make Michigan income tax estimate payments necessary. Residents of reciprocal states working in Michigan do not have to pay Michigan tax on salaries or wages earned in Michigan but do have to pay Michigan tax on business income earned from business activity in Michigan. A resident of a reciprocal state who claims a refund of Michigan withholding tax must file a Schedule NR.

Deceased Taxpayers

A **personal representative** for the estate of a taxpayer who died in 2009 (or 2010 before filing a 2009 return) must file if the taxpayer owes tax or is due a refund. A full-year exemption is allowed for a deceased taxpayer on the 2009 MI-1040.

Use the deceased’s Social Security number and **your** address. If the taxpayer died after December 31, 2008, check the appropriate box(es) in the “Deceased Taxpayers” section on the bottom of page 2 on MI-1040.

The **surviving spouse** may file a joint return for 2009. Write your name and the deceased’s name and both Social Security numbers on MI-1040. Write “DECD” after the deceased’s last name. You must report the deceased’s income. Sign the return. In the deceased’s signature block, write “Filing as surviving spouse.” If the taxpayer died after December 31, 2008, check the appropriate box(es) on page 2 of the MI-1040. See “Deceased Taxpayer Chart of Examples” on page 47, example A.

If filing as a **personal representative** or **claimant** and you are claiming a refund for a **single** deceased taxpayer, you must attach a U.S. Form 1310 or *Michigan Claim for Refund Due a Deceased Taxpayer* (MI-1310). Enter the deceased’s name in the Filer’s Name fields and the representative’s or claimant’s name in the Spouse’s Name fields. See “Deceased Taxpayer Chart of Examples” on page 47, example B or C.

If filing as a **personal representative** or **claimant** of a deceased taxpayer(s) for a **jointly** filed return, you must attach a U.S. Form 1310 or *Michigan Claim for a Refund Due a Deceased Taxpayer* (MI-1310). Enter the names of the deceased persons in the Filer’s and Spouse’s Name fields and the representative’s or claimant’s name, title, and address in the Home Address field. See “Deceased Taxpayer Chart of Examples” on page 47, example D or E.

For information about filing a credit claim, see “Deceased Claimant’s Credit” on page 19.

Amended Returns

If you need to make a correction to your return, file an *Amended Michigan Individual Income Tax Return* (MI-1040X). If you are due a refund on your amended return, you must file it within four years of the due date of the original return.

If a change on your federal return affects Michigan taxable income, you must file MI-1040X within 120 days of the change. Include payment of any tax and interest due.

To amend only a homestead property tax or home heating tax credit, file a revised claim form clearly marked “Amended.” Do not file MI-1040X.

Net Operating Losses (NOL)

If you have a federal NOL deduction, you must add back the federal deduction on your Michigan Schedule 1, line 5, to the extent included in federal AGI. A subtraction for a Michigan NOL deduction may be claimed on Schedule 1, line 20, and is calculated on page 1 of *Application for Michigan Net Operating Loss Refund* (MI-1045). Compute your Michigan NOL and Michigan NOL deduction by completing the MI-1045. File MI-1045 to claim a refund for a carryback deduction. Returns for tax years affected by carryforward deductions must have MI-1045 attached to substantiate the deduction.

Repayments of Income Reported in a Prior Year

If you had to repay an amount of money in 2009 which you claimed as income in a previous year (e.g., unemployment benefits), you may be entitled to a credit on your 2009 return for the tax paid in an earlier year.

If you subtracted the repayment in arriving at AGI, no additional credit is allowed on the Michigan return because your income for the year has been reduced by the repayment amount. If the amount of the repayment was deducted on U.S. *Schedule A* or a credit was claimed on U.S. Form 1040, line 70, a credit will be allowed on the Michigan return.

To compute your Michigan credit, multiply the amount you repaid in 2009 by the tax rate which was in effect the year you paid the tax. Then add the amount of the credit to the Michigan tax withheld on MI-1040, line 34. Write “Claim of Right/Repayment” next to line 34.

Attach a schedule showing the computation of the credit, proof of the repayment, and pages 1 and 2 of your U.S. Form 1040 and *Schedule A* if applicable.

Summary of Income Tax Credits, Additions, and Subtractions

Below is a summary of income tax credits, additions, and subtractions available to taxpayers. Detailed information for each is provided on the page number indicated below.

CREDITS

The following refundable credits may be claimed on your MI-1040. The line reference follows the credit listed below.

<u>MI-1040 - Refundable Credits</u>	<u>Page No.</u>
Homestead Property Tax Credit (27)	11
Farmland Preservation Tax Credit (28)	11
Qualified Adoption expenses (29).....	11
Stillbirth Credit (30).....	11
Earned Income Tax Credit (31).....	11
Energy Efficient Qualified Home Improvement Credit (32)	11
Historic Preservation Tax Credit (33).....	11

The following nonrefundable credits may be claimed on your Schedule 2. The line reference follows the credit listed below.

<u>Schedule 2 - Nonrefundable Credits</u>	
City Income Tax Credit (1)	15
Public Contribution Credit (2)	15
Community Foundations Credit (3).....	15
Homeless Shelter/Food Bank Credit (4).....	16
Taxes paid to government units outside Michigan (5).....	16
Historic Preservation Tax Credit (6).....	16
College Tuition and Fees Credit (7)	16
Vehicle Donation Credit (8)	16
Individual or Family Development Account Credit (9)	17
Energy Cost Recovery Surcharge Credit (10)	17

The following credit is claimed on the MI-1040CR-7 Home Heating Credit Claim form.

Home Heating Credit See MI-1040CR-7 Instruction Booklet

ADDITIONS


The following additions are claimed on your Michigan Schedule 1; total additions are carried forward to the MI-1040, line 11. The Schedule 1 line reference follows the addition listed below.

	<u>Page No.</u>
Gross interest, dividends, and income from obligations or securities of states and their political subdivisions other than Michigan (1).....	12
Deduction taken on your federal return for self-employment tax or other taxes on or measured by income (2)	12
Capital gains from the Michigan column of the MI-1040D or MI-4797 (3)	12
Certain losses from a business or property located in another state (4).....	12
Net loss from the federal column of your Michigan MI-1040D, line 15, or MI-4797, line 18b(1) (5).....	12
Money withdrawn in the tax year from an MESP account if the withdrawal was not a qualified withdrawal as provided in the MESP Act (6)	12
Net operating loss deduction used to reduce AGI (6).....	12
Refund received from a MET contract (6).....	12

SUBTRACTIONS

The following subtractions are claimed on your Michigan Schedule 1; total subtractions are carried forward to the MI-1040, line 13. The Schedule 1 line reference follows the subtraction listed below.

	<u>Page No.</u>
Income from U.S. government obligations (Series EE Bonds, Treasury notes, etc.) (8)	13
Compensation received for active duty in U.S. Armed Forces (9)	13
Gains from federal column of Michigan MI-1040D (15) and MI-4797 (10).....	13
Income attributable to another state (11).....	13
Qualifying retirement and pension benefits (12).....	13
Dividends, interest, and capital gains for senior citizens (13).....	13
Taxable Social Security and Tier 1 railroad benefits (14).....	14
Renaissance zone deduction (15)	14
Michigan state and city income tax refunds and homestead property tax credit refunds (16).....	14
Contributions made to accounts established through the Michigan Education Savings Program (MESP) (17)	14
Contract price for a Michigan Education Trust (MET) contract (18)	14
Venture Capital Deduction (19).....	14
Contributions to national or Michigan political parties or candidates (20).....	14
Benefits from a discriminatory self-insured medical expense reimbursement plan (20).....	14
Proceeds and prizes won in a Michigan regulated bingo, raffle, or charity games (20).....	14
Deduction for claiming a work opportunity credit, clinical testing (orphan drug) credit, or research credit (20).....	14
Losses from disposal of property (20)	14
Amount used to determine the credit for elderly or totally and permanently disabled (20)	14
Michigan net operating loss deduction (20).....	14
Gross income included in AGI from Michigan gas and oil royalty interest or working interest (20).....	14
Distributions from individual retirement accounts used to pay qualified higher education expenses (20).....	14
Holocaust victim payments (20).....	14
Distribution from a pension or retirement plan that is contributed to a qualifying charitable organization (20).....	14



Watch your mailbox
for a U.S. Census
Questionnaire in
March/April 2010.

Use Tax

Every state that has a sales tax has a companion tax for purchases made outside that state by catalog, telephone, or Internet. In Michigan, that companion tax is called the “use tax,” but might be described more accurately as a remote sales tax because it is a 6 percent tax owed on purchases made outside of Michigan.

Use tax is due on catalog, telephone, or Internet purchases made from out-of-state sellers as well as purchases while traveling in foreign countries when the items are to be brought in to Michigan. Use tax must be paid on the total price (including shipping and handling charges).

How to Pay Use Tax

Use Worksheet 1 below to calculate your tax and enter the amount of tax due on line 25 of MI-1040.

Worksheet Calculation

Line 1: For purchases of \$0-\$1,000, if you know the amount, multiply your total purchases times 6 percent (0.06) and enter the amount on Line 1, **or**

For purchases under \$1,000, if you have incomplete or inaccurate receipts to calculate your purchases, you may use Table 1 - Use Tax to estimate your taxes. (See the following example.)

Line 1 should contain a number unless you made no purchases under \$1,000 subject to the use tax. If we later determine that you owe use tax, you may be subject to penalty and interest.

Line 2: In all cases, if a single purchase is \$1,000 or more, you must pay 6 percent use tax on those purchases.

Example: Kurt ordered a computer from a catalog retailer in New York for \$1,437.50. Kurt also purchased items over the Internet for less than \$1,000 during the year, but lost his receipts. He is sure he did not pay Michigan sales tax. Kurt’s AGI is \$46,500. Kurt would complete Worksheet 1 as follows:

Line 1: Kurt selects \$36 from the table based on his AGI \$36

Line 2: Kurt enters \$1,437.50 x 6 percent..... \$86.25

Line 3: Total use tax due \$122.25

Kurt would enter \$122 (no cents) on his 2009 MI-1040, line 25.

Estimating your taxes does not preclude Treasury from auditing your account. If additional tax is due, you may receive an assessment for the amount of the tax owed, plus applicable penalty and interest.

TABLE 1 - USE TAX

AGI*	Tax
\$0 - \$10,000	\$4
\$10,001 - \$20,000	\$12
\$20,001 - \$30,000	\$20
\$30,001 - \$40,000	\$28
\$40,001 - \$50,000	\$36
\$50,001 - \$75,000	\$50
\$75,001 - \$100,000	\$70
Above \$100,000.....	Multiply AGI by 0.08% (0.0008)

* AGI from MI-1040, line 10.

Use Tax on the Difference

If you paid at least 6 percent to another state on your purchase, you do not owe use tax to Michigan. If you paid less than 6 percent, you owe the difference.

Note: The full 6 percent use tax is owed on purchases made in a foreign country.

For more information, visit
www.michigan.gov/taxes.

WORKSHEET 1 - USE TAX

Line 1: Itemized purchases of \$0 to \$1,000 x 6 percent (0.06) **OR** Use Tax table amount \$ _____

Line 2: Single purchases \$1,000 or more x 6 percent (0.06)... \$ _____

Line 3: Total Use Tax Due (add Lines 1 and 2)..... \$ _____

Enter amount from Line 3 above on your 2009 MI-1040, Line 25. If the amount on Line 3 is 0, enter “0” on your 2009 MI-1040, Line 25.

2010 U.S. CENSUS - IMPORTANT INFORMATION For All Michigan Residents Including “Snowbirds”

The information you provide on the 2010 U.S. Census Questionnaire you will receive in March or April is kept confidential by the United States Census Bureau and not shared with any other entity. Completing your census questionnaire will contribute to Michigan receiving its fair share of federal spending and political representation. **People with more than one residence should only be counted on the census questionnaire delivered to the address where they spend the largest part of the year.**

If you spend the largest part of the year in Michigan and the remaining part in another state, you should:

- (1) Enter zero on the census questionnaire delivered to your non-Michigan address if no one spends the largest part of the year there and write “Usual Residence Elsewhere” so the Census Bureau knows why you are saying that no one is living there. Leave the rest of that census questionnaire blank.
- (2) Make sure you are included on the census questionnaire for your Michigan residence. If you do not find a census questionnaire when you return home, you can wait for a census worker to come to your home.

Many snowbirds answer the census questionnaire incorrectly because it simply asks for the number of people “living or staying” at each residence on April 1. Unless they are experts on census terminology, snowbirds may not realize that “living” at a certain place on April 1st means “having it as your usual residence,” and “staying” at a certain place means “staying there while having no usual residence elsewhere.”

FOR MORE INFORMATION ABOUT THE CENSUS, go to www.michigan.gov/census2010 or call (866) 861-2010.

Line-by-Line Instructions for MI-1040

Lines not listed are explained on the form.

Line 1: Only married filers may file joint returns. Include name and address unless you use the label supplied with your instruction booklet.

Lines 2 and 3: Write your Social Security number(s) here even if you use a label.

Line 5: State Campaign Fund. These funds are disbursed only to candidates for governor, regardless of political party, who agree to limit campaign spending and meet the campaign fund requirements. Choosing "Yes" will not raise your tax or reduce your refund.

Line 6: Only farmers, fishermen, and seafarers should check this box. (For estimate filing information, see page 6.)

Line 7: Filing Status. Check the box to identify your filing status. If you file a joint federal return, you must file a joint Michigan return and you cannot be claimed as a dependent on another person's tax return. Married couples who file separate federal returns may file a separate or joint Michigan return. If you are claiming a homestead property tax credit or other tax credits, it may be easier to file a joint Michigan return because total (joint) household income is the basis for computing these credits. If your status is married filing separately (box c), write your spouse's full name in the space provided and be sure to write his or her Social Security number on line 3. If you filed your federal return as head of household or qualifying widow(er), you must file the Michigan return as single.

Line 8: Residency. Check the box that describes your Michigan residency for 2009. If you and your spouse had a different residency status during the year, check a box for each of you. Both part-year residents and nonresidents must file Schedule NR. (For definition of residency, see page 6.)

Line 9: Exemptions. Use this line to compute your Michigan exemption amount plus your Michigan special exemptions.

a) Enter the number of exemptions you claimed on your U.S. Form 1040 or 1040A, line 6d. These exemptions are for you, your spouse (if filing jointly), and your dependents.

Multiply the number of exemptions by your exemption allowance of \$3,600 and enter that amount in the box.

Exemptions. Complete the lines that apply to you, your spouse, or dependents as of December 31, 2009. If your dependent files an annual return, you and your dependent may not both claim the special exemption.

b) Age 65 or older. You are considered age 65 the day before your 65th birthday. If you claim this exemption, you may **not** claim an exemption as totally and permanently disabled.

c) Deaf, Blind, or Disabled. You qualify for this exemption if you are deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled. 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 are age 65 or older, you may **not** claim an exemption as totally and permanently disabled. You may claim only one exemption per person in this category.

d) Child 18 and Under. Enter \$600 for each child 18 and under as of December 31, 2009, whom you claim as a dependent.

e) Qualified Disabled Veterans. A taxpayer may claim an exemption of \$300 in addition to the taxpayer's

other exemptions if (a) the taxpayer or spouse is a qualified disabled veteran, or (b) a dependent of the taxpayer is a qualified disabled veteran. To be eligible for the additional exemption an individual must be a veteran of the active military, naval, marine, coast guard, or air service who received an honorable or general discharge and has a disability incurred or aggravated in the line of duty as described in 38 USC 101(16). This additional exemption may not be claimed on more than one tax return.

f) Unemployment compensation. Check this box if 50 percent or more of your AGI (MI-1040, line 10) is from unemployment compensation. If you checked the box, enter \$2,300 in the space provided. Unemployment benefits, up to \$2,400, excluded from AGI cannot be used to determine whether a taxpayer may claim this exemption for 2009.

g) If someone else can claim you as a dependent, check the box, complete Worksheet 2 below, and enter the amount from the worksheet in the space provided on line 9g.

Line 10: Adjusted Gross Income. Enter your AGI from your federal return. This is the amount from your U.S. Form 1040, line 37, or U.S. Form 1040A, line 21. You must attach copies of federal schedules that apply to you (see Table 2 on page 47). For Michigan adjustments to AGI, see Schedule 1, page 31. Instructions for completing Schedule 1 begin on page 12.

Line 17: Tax. Multiply the amount on line 16 by 4.35 percent (0.0435).

Line 18: Nonrefundable Credits. Enter the total amount of nonrefundable credits from Schedule 2, line 9.

WORKSHEET 2 - FILER ELIGIBLE TO BE CLAIMED AS A DEPENDENT

Is your AGI (from your federal return) over \$1,500 if single or married filing separately?

YES. If single or married filing separately, enter "0" on line 9a and \$1,500 on line 9g.

Do not continue the rest of this worksheet.

OR

NO. Then was Michigan income tax withheld from your wages?

Continue with the following two questions.

- If YES, enter "0" on lines 9h and 19, and complete line 10 and lines 21 through 38.

OR

- If NO, you do not need to file this return.

Line 19: Income Tax. Carry this amount to line 20.

Line 21: Military Family Relief Fund. You may contribute to the Military Family Relief Fund by entering your contribution amount (\$1 minimum) here. This fund provides assistance to qualifying families of military members in either the Michigan National Guard who are serving in the U.S. Armed Forces or those reserve forces called to active duty by the federal government. Your contribution will increase your tax due or reduce your refund.

Line 22: Children's Trust Fund. Help keep kids safe by preventing child abuse! You may contribute to the Children's Trust Fund by entering your contribution amount (\$5 or more) here. These contributions are returned to local communities in the form of grants to county-based prevention councils and direct service programs benefitting children and parents. Programs and services funded by these monies include parent education and support groups, newborn support services, local training, and public education and outreach. The Children's Trust Fund is the Michigan chapter of Prevent Child Abuse America. Your contribution will increase your tax due or reduce your refund.

Line 23: Children of Veterans Tuition Grant Program. Help send the child of a Michigan veteran to a Michigan college or university! Michigan income taxpayers can voluntarily contribute \$2 or more to the Children of Veterans Tuition Grant Program by entering a contribution amount here. Contributions will be a key source of funding for the undergraduate tuition expenses of children of certain deceased or disabled veterans. Your contribution will increase your tax due or reduce your refund.

Line 24: Additional Voluntary Contributions. Contribution amounts can be made on Form 4642, *Voluntary Contribution Schedule*. Attach Form 4642 to ensure your contributions are applied to the fund(s) of your choice. Contributions will increase your tax due or reduce your refund.

Line 25: Use Tax. Enter use tax due from Worksheet 1, line 3, on page 9.

Line 27: Property tax credit information begins on page 17.

WORKSHEET 3 - STILLBIRTH CREDIT

- A. Enter number of Certificates of Stillbirth for 2009 (see line 30 instructions below for qualifications) _____
- B. Multiply line A by \$170. Enter here and carry to MI-1040, line 30. _____

Line 28: Farmland preservation credit applies to farmers only. See page 18.

Line 29: Qualified Adoption Expenses. Enter the amount from your *Michigan Qualified Adoption Expenses* (MI-8839), line 10. Attach a completed U.S. Form 8839 and a completed MI-8839.

Line 30: Stillbirth Credit. If you are the mother of a stillborn delivered during 2009 and have been issued a Certificate of Stillbirth from the Michigan Department of Community Health, attach a copy of the certificate to MI-1040 and complete Worksheet 3 above.

If you do not have a certificate, contact the Michigan Department of Community Health at (517) 335-8666 for an application or information on obtaining the certificate. You should not file for the credit until you have the certificate. You can amend your 2009 return at a later date should you get the certificate after you file the original return.

Line 31: Michigan Earned Income Tax Credit (EITC). Taxpayers who are eligible to claim an EITC on their federal return may claim a Michigan EITC equal to 20 percent of the taxpayer's federal credit. To claim the Michigan credit, enter your federal EITC amount on line 31a and 20 percent of line 31a on line 31b.

Line 32: Energy Efficient Qualified Home Improvement Credit. Enter the amount from your completed *Energy Efficient Qualified Home Improvement Credit* (Form 4764), line 6.

Line 33: Michigan Historic Preservation Tax Credit. Enter the amount from your *2009 Historic Preservation Tax Credit* (Form 3581), line 16a or 16b, whichever applies. Attach a completed Form 3581 and U.S. Form 3581, if applicable.

Line 34: Enter the total Michigan tax withheld (from your Schedule W). If applicable, include any credit for repayments under the "Claim of Right." See "Repayments of Income Reported in a Prior Year" on page 7.

Line 35: Enter the total estimated tax paid with your 2009 MI-1040ES, the amount paid with a Form 4, and the amount of your 2008 overpayment applied to this year's tax (2008 MI-1040, line 36).

Line 37: Tax Due. If line 36 is less than line 26, enter the difference. This is the tax you owe with your return.

You will owe penalty and interest for late payment of tax. Penalty accrues monthly at 5 percent of the tax due, and increases by an additional 5 percent per month, or fraction thereof, after the second month, up to a maximum of 25 percent of the tax due (e.g. penalty on a \$500 tax due will be \$125 if the tax is unpaid for six months). See "Penalty and Interest Added for Filing and Paying Late" on page 4. Add penalty and interest to your tax due and enter the total on line 37. Generally, if you owe more than \$500, you are required to make estimated payments. See **special note** below and information about estimated payments on page 6. If the balance due is less than \$1, no payment is required, but you must still file your return. See "Pay" address on page 2 of your MI-1040.

Special note for people required to file estimates. You may owe penalty and interest for underpayment, late payment, or for failing to make estimated tax payments. Use the *Underpayment of Estimated Income Tax* (MI-2210) to compute penalty and interest. If you do not file an MI-2210, Treasury will compute your penalty and interest and send you a bill. If you annualize your income, you must complete and attach MI-2210. Enter the penalty and interest amounts on the lines provided.

Line 40: Your Refund. This includes any tax you overpaid and any credits due you. The State does not refund amounts less than \$1. Mail your return to the "Refund, credit, or zero returns" address on page 2 of MI-1040.

Direct Deposit

First check with your financial institution to (1) make sure it will accept direct deposit, (2) obtain the correct Routing Transit Number (RTN) and account number, and (3) if applicable, verify that your financial institution will allow a joint refund to be deposited into an individual account.

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

a. RTN. Enter the nine-digit RTN. The RTN is usually found between the symbols |: and |: on the bottom of your check. The first two digits must

be “01” through “12” or “21” through “32”.

b. Type of Account. Check the box for checking or savings.

c. Account Number. Enter your bank account number up to 17 characters (both numbers and letters). The account number is usually found immediately to the right of the RTN on the bottom of your check. Include hyphens but omit spaces and special symbols. Enter the number from left to right. Do **not** include the check number.

When You Are Finished

Sign Your Return. Each spouse must sign a joint return. If the tax preparer is someone other than the taxpayer, he or she must include the name and address of the firm he or she represents and tax preparer tax identification or federal employer identification number. Check the box to indicate if Treasury may discuss your return with your preparer.

Signing a child’s return. If a return is prepared for a child who is too young to sign it, a parent or guardian should sign the child’s name, then add “by (your name) parent (or guardian) for minor child.”

Attachments. Attach all your credit claims and required Michigan and federal schedules (see Table 2 on page 47).

If you owe tax. Make check payable to “**State of Michigan**” and **print your Social Security number** and “**2009 income tax**” on the front of your check. Enclose your payment but do **not** staple it to the return. Checks stapled to the back of the return may not be seen and may result in improper processing.

The **filing deadline to receive a refund** for tax year 2009 is April 15, 2014.

Line-by-Line Instructions for Schedule 1

Part-year and nonresidents, complete Schedule NR (see page 39) before proceeding.

Additions to Income

Line 1: Enter gross interest, dividends, and income from obligations or securities of states and their political subdivisions other than Michigan. Add this income even if it comes to you through a partnership, S corporation, estate, or trust. You may reduce this income by related expenses not allowed as a deduction by Section 265(a)(1) of the Internal Revenue Code (IRC).

Line 2: Enter the deduction taken for **self-employment tax** on your federal return and for other taxes on or measured by income, such as your share of city income tax paid by partnerships or S corporations, or your share of the taxes paid by an estate or trust.

Line 3: Use *Michigan Adjustments of Capital Gains and Losses* (MI-1040D) **only** if you have capital gains or losses attributable to: (1) an election to use Section 271 treatment for

property acquired before October 1, 1967; (2) the sale or exchange of U.S. obligations which cannot be taxed by Michigan; or (3) the sale or exchange of property located in other states.

If you reported gains on U.S. Form 4797 on property acquired before October 1, 1967, or located in other states, adjust the gain on the *Michigan Adjustments of Gains and Losses From Sales of Business Property* (MI-4797).

Enter gains from the Michigan column of MI-1040D, line 14, and MI-4797, line 18b(2). Instructions are with each form.

Line 4: Enter losses from a business or property located in another state which you own as a sole proprietor, a partner in a partnership, a shareholder in an S corporation, or as a member of a pass-through entity. If your business is taxed by both Michigan and another state, the loss must be apportioned. You must attach a *Michigan Schedule of Apportionment* (MI-1040H).

Line 5: Enter the net loss from the federal column of your MI-1040D, line 15, or MI-4797, line 18b(1).

Line 6: Enter the total of the following (attach a schedule if necessary):

- Add, to the extent not included in AGI, the amount of money withdrawn in the tax year from a Michigan Education Savings Program (MESP) account, including the MI 529 Advisor Plan, if the withdrawal was not a qualified withdrawal as provided in the MESP Act. You may first exclude any amount that represents a return of contributions for which no deduction was claimed in any prior tax year.
- Amount of NOL deduction (NOL carryforward) used to reduce AGI (see page 7).
- Refund received from a Michigan Education Trust (MET) contract. If you deducted the cost of a MET contract in previous years and received a refund from MET during 2009 because the MET contract was terminated, then enter the smaller of: (1) the refund you received **or** (2) the amount of the original MET contract price (including the application and processing fees) which you deducted in previous years.

Subtractions From Income

Note: Part-year and nonresidents, subtract only income attributable to Michigan (Schedule NR, column B) that is not included on line 11.

Line 8: Enter income from U.S. government obligation (e.g., Series EE bonds, Treasury notes, etc.), including income from U.S. government obligations received through a partnership, S corporation, or other pass-through entity. This subtraction must be reduced by related expenses used to arrive at AGI.

Investment companies that invest in U.S. obligations are permitted to pass the tax-free exemption to their shareholders.

If income from U.S. government obligations exceeds \$5,000, attach a copy of your U.S. *Schedule B* or *Schedule I* listing the amounts received and the issuing agency.

Capital gains from the sale of U.S. government obligations must be adjusted on MI-1040D.

Line 9: Enter compensation received for active duty in the U.S. Armed Forces included in AGI. Include military retirement on line 12.

Note: Compensation from the U.S. Public Health Service is **not** considered military pay.

Line 10: Enter the gains from the federal column of your MI-1040D, line 14, and MI-4797, line 18b(2). See instructions for Michigan Schedule 1, line 3.

Line 11: Income Attributable to Another State. Nonresidents and part-year residents, complete Schedule NR. See instructions on page 40. Attach federal schedules.

Business income that is taxed by Michigan and another state must be apportioned. You must complete and attach MI-1040H.

Capital gains from the sale of real property or tangible personal property located outside of Michigan must be adjusted on MI-1040D.

Michigan residents cannot subtract salaries and wages or other compensation earned outside Michigan. However, they may be entitled to a tax credit for income tax

imposed by government units outside Michigan (see page 16).

Residents may subtract:

- Business income earned in other states and included in AGI, and
- Net rents and royalties from real property or tangible personal property located or used in another state.

Line 12: Qualifying retirement and pension benefits included in your AGI may be subtracted from income. The amount you may subtract depends on the source of the benefit. Qualifying benefits include:

- Pension plans that define eligibility for retirement and set contribution and benefit amounts in advance
- Qualified retirement plans for the self-employed
- 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
- IRA distributions received after age 59½ or described by Section 72(t)(2)(A)(iv) of the IRC (series of equal periodic payments made for life)
- Benefits from any of the previous plans received due to a disability, or as a surviving spouse if the decedent qualified for the subtraction at the time of death
- Benefits paid to a senior citizen (age 65 or older) from a retirement annuity policy that are paid for life (as opposed to a specified number of years).

You may subtract **all** pension benefits included in AGI and received from the following public sources:

- The State of Michigan
- Michigan local governmental units (e.g., Michigan counties, cities, and school districts)
- Tier 2 railroad retirement
- Federal civil service
- Military retirement from the U.S. Armed Forces.

If all retirement and pension benefits were received from public sources, enter the total of all benefits on line 12. **If all retirement and pension benefits were received from private sources**, enter the smaller of:

- The total of all private pensions included in AGI, or
- \$45,120 if you are a single filer, \$90,240 if you are married and filing jointly.

If you received a combination of public and private retirement and pension benefits, follow these steps to compute your deduction:

Step 1: Add all public retirement benefits included in AGI.

Note: If your public retirement benefits are greater than the maximum amounts (\$45,120 single filer or \$90,240 married, filing jointly) you are not entitled to claim a subtraction for private pensions.

Step 2: If you are a single filer, deduct the amount in step 1 from \$45,120. If you are married filing jointly, deduct the amount in step 1 from \$90,240.

Step 3: Add all private pensions included in AGI.

Step 4: Determine which is smaller, the amount computed in step 2 or the amount computed in step 3.

Step 5: Add the amount computed in step 1 to the amount determined in step 4 and enter the total on line 12.

For help in calculating this subtraction, see “Information for Senior Citizens and Retirees” on Treasury’s Web site at www.michigan.gov/incometax.

You may not subtract:

- Amounts received from a deferred compensation plan that lets the employee set the amount to be put aside and does 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 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.

Line 13: Senior citizens (age 65 or older) may subtract interest, dividends, and capital gains included in AGI. This subtraction is limited

to a maximum of \$10,058 on a single return or \$20,115 on a joint return. However, the maximum must be reduced by the retirement pension subtraction claimed on line 12. For help in calculating this subtraction, see "Information for Senior Citizens and Retirees" on Treasury's Web site at www.michigan.gov/incometax.

Line 14: Enter only the taxable portion of Social Security and Tier 1 railroad benefits included on your U.S. Form 1040, line 20b, or your U.S. Form 1040A, line 14b. Do not include your total Social Security benefits.

Line 15: Renaissance Zone deduction. To be eligible you must meet all the following requirements:

- Be a permanent resident of a Renaissance Zone for at least 183 consecutive days.
- Be approved by your local assessor's office.
- Must not be delinquent for any State or local taxes abated by the Renaissance Zone Act.
- Must file MI-1040 each year.
- Have gross income of \$1 million or less.

If you were a full-year resident of a Renaissance Zone, you may subtract all income earned or received. Unearned income such as capital gains may have to be prorated. If you lived in the Zone at least 183 consecutive days during 2009, you may subtract the portion of income earned while a resident of the Zone. If you are a part-year resident of a Zone, you must complete and attach a Schedule NR to MI-1040. (See "Special Note" on the back of Schedule NR, page 40.)

Certain Renaissance Zones began to phase out in 2006. The tax exemption is reduced in increments of 25 percent during the Zone's final three years of existence. If you are a resident of a Zone that is phasing out (check with your local unit of government), you must reduce your deduction as follows:

- 25 percent for the tax year that is two years before the final year of designation as a Renaissance Zone
- 50 percent for the tax year immediately preceding the final year of the designation as a Renaissance Zone

- 75 percent for the tax year that is the final year of the designation as a Renaissance Zone.

For additional information regarding qualifications for the Renaissance Zone deduction, call the Michigan Economic Development Corporation at (517) 373-9808.

You may also call the Michigan Tele-Help System (1-800-827-4000) and listen to topic 293.

Line 16: You may subtract Michigan state and city income tax refunds and homestead property tax credit refunds that were included in AGI.

Note to farmers: You may subtract (to the extent included in AGI) the amount that your State or city income tax refund and homestead property tax credit exceeds the business portion of your homestead property tax credit.

Line 17: Michigan Education Savings Program. You may deduct, to the extent not deducted in calculating AGI, the total of all contributions less qualified withdrawals (compute the contributions and withdrawals separately for each account) made during 2009 by the taxpayer in the tax year to accounts established through the MESP, including the MI 529 Advisor Plan. The deduction may not exceed \$5,000 for a single return or \$10,000 for a joint return per tax year. There are numerous education savings accounts available from other states and investment companies, but Michigan only allows a tax deduction for contributions to accounts established through MESP.

Line 18: Michigan Education Trust. You may deduct the following:

- If you purchased a MET contract during 2009, you may deduct the total contract price (including the processing fee).
- If you purchased a MET payroll deduction or monthly purchase contract, you may deduct the amount paid on that contract during 2009 (not including fees for late payments or insufficient funds). You should receive an annual statement from MET specifying this amount.
- If you have terminated a MET contract, you may deduct the amount included in AGI as income to the purchaser.

Line 19: Venture Capital Deduction. No companies certified for this deduction in 2009. The Venture Capital Deduction cannot be claimed.

Line 20: Miscellaneous subtractions include:

- Any part of a qualified withdrawal from an MESP account, including the MI 529 Advisor Plan, included in AGI.
- Contributions to national or Michigan political parties or candidates. The maximum deductions are \$50 on a single return and \$100 on a joint return.
- Benefits from a discriminatory self-insured medical expense reimbursement plan, to the extent these reimbursements are included in AGI.
- Proceeds and prizes included in AGI won in State of Michigan-regulated bingo, raffle, or charity games.
- Amount of salary and wage expense that cannot be deducted on your federal return because you are claiming a work opportunity credit, clinical testing (orphan drug) credit, or research credit. Attach a copy of U.S. Form 5884, *Credit for Increasing Research Activities* (Form 6765), or *Orphan Drug Credit* (Form 8820) to substantiate this subtraction.
- Losses from the disposal of property reported in the Michigan column of MI-1040D, line 15, or MI-4797, line 18b(1).
- Amount used to determine the credit for elderly or totally and permanently disabled from U.S. Form 1040A or U.S. Form 1040 Schedule R, line 19.
- Michigan NOL deduction. Attach MI-1045. See page 7.
- Gross income included in AGI from Michigan gas and oil royalty interest or working interest.
- The amount of a distribution from individual retirement accounts that qualify under IRC section 408 if the distribution is used to pay qualified higher education expenses (tuition, books, fees, etc.) at a postsecondary educational institution.
- Holocaust victim payments.
- To the extent included in AGI, a distribution from a pension or retirement plan that is contributed to a qualifying charitable organization.

To qualify, you must make the payment to the charity within 60 days of receiving the distribution, and reduce the amount of the contribution by any pension subtraction taken and two times the total amount of credits claimed for a public contribution credit, homeless shelter/food bank credit, and the community foundation credit.

You may not subtract:

- Itemized deductions from U.S. Schedule A.

- Sick pay, disability benefits, and wage continuation benefits paid to you by your employer or by an insurance company under contract with your employer.

- Unemployment benefits included in AGI, except railroad unemployment benefits.

- Distributions from a deferred compensation plan received while a resident of Michigan.

- Lottery winnings. (Exception: installment payments from prizes won on or before December 30, 1988, may be subtracted.)

Note: Include installment gross winnings as reported on your Form W-2G, box 1, and show on your Schedule W, Table 1, in the appropriate box.

Line-by-Line Instructions for Schedule 2

Line 1: City Income Tax Credit.

Everyone who pays Michigan income tax is allowed **partial** credit for income tax paid to Michigan cities. Use Worksheet 4 below to estimate the credit. For help estimating the income tax credit, see “Information for Senior Citizens and Retirees” on Treasury’s Web site at www.michigan.gov/incometax.

1a: Enter your net city income tax paid in 2009 from Worksheet 4 below.

1b: Enter your city income tax credit. Use Worksheet 4 below to compute the credit or use the online estimator at www.michigan.gov/taxes and select City Income Tax Credit Estimator from the Quick List, Services dropdown menu.

Line 2: Public Contribution Credit.

A **partial** income tax credit can be claimed for donations to a qualifying Michigan public institution. The credit is based on cash or the value of the item(s) donated. Values claimed must be supported by written appraisals, trade journals, etc., or by an itemized receipt.

Gifts qualify for credit if given to:

- Michigan colleges or universities and their fund-raising organizations
- The Michigan Colleges Foundation
- The State Art in Public Places Fund
- The Michigan Historical Museum
- Michigan public libraries
- Michigan public broadcasting stations

- A Michigan municipality, or a nonprofit corporation affiliated with a Michigan municipality, for an art institute in that municipality or to benefit the art institute (art institutes are those whose primary function is the displaying and teaching of visual arts)

- The State of Michigan for the preservation of State archives.

Artwork created by the taxpayer also qualifies for credit if given to:

- The State of Michigan for display in a public place
- A Michigan municipality for public display.

Artwork is an original visual creation of quality in any size or shape, in any media, using any materials. Its fair market value must be determined by an independent appraiser when donated.

2a: Enter the total amount of public contributions.

2b: Enter the credit which is the smaller of:

- 50 percent of the contribution reported on line 2a, or
- \$100 (\$200 for a joint return).

Line 3: Community Foundations Credit.

A **partial** income tax credit can be claimed when you donate to an endowment fund of one of the certified community foundations or component funds listed on page 48. Enter the code number in the box on line 3. For individuals who contributed to more than one community foundation, enter the number of one foundation and attach a list indicating the others. You must enter a valid code to receive credit.

WORKSHEET 4 - CITY INCOME TAX CREDIT			
To Determine Net City Income Tax			
Step 1	A. City income tax withheld from wages in 2009 (from your W-2, box 19, or Schedule W, Table 1, Column F)	+	_____ .00
	B. Amount of tax paid with a Michigan city income tax return filed in 2009 (do not include penalty and interest)	+	_____ .00
	C. Estimated city income tax payments paid in 2009	+	_____ .00
	D. <i>Subtotal.</i> Add lines A through C	=	_____ .00
	E. City income tax refund(s) received in 2009	-	_____ .00
	F. Total Net City Income Tax Paid Subtract line E from line D. Carry to line 1a	=	_____ .00
To Determine Your City Income Tax Credit If Your Total Net City Income Tax Paid (Michigan Schedule 2, line 1a) is:			
	\$100 or less	\$101 through \$150	\$151 or more
Step 2	Net city income tax paid	Net city income tax paid	Net city income tax paid
	Multiply	Subtract	Subtract
	CREDIT. Carry to line 1b	<i>Subtotal</i>	<i>Subtotal</i>
	Round all amounts to the nearest dollar.	Multiply	Multiply
	Credit cannot be more than \$10,000	<i>Subtotal</i>	<i>Subtotal</i>
		Add	Add
		CREDIT. Carry to line 1b	CREDIT. Carry to line 1b

3a: Enter the total of all contributions.

3b: Enter the credit which is the smaller of:

- 50 percent of the contribution reported on line 3a, **or**
- \$100 (\$200 for a joint return).

Line 4: Homeless Shelter/Food Bank Credit. A **partial** income tax credit can be claimed when a **donation** is made by cash or check 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. A partial 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. Donations to organizations such as secondhand stores and churches that provide other services or shelter and food as a secondary purpose do **not** qualify for this credit.

Note: Contributions designated for a “qualifying organization” (community foundation, homeless shelter, or food bank) and made through United Way also qualify for this credit. If the credit is for a community foundation, be sure to enter the appropriate two-digit code number on Schedule 2, line 3.

Contributions qualifying for this credit must be all of the following:

- Cash, check, or gifts of food donated in conjunction with a matching contribution made by a food retailer or vendor;
- Made to organizations located in **Michigan** whose **primary** purpose is to provide food and/or shelter to indigent persons; **and**
- Deductible as a charitable contribution under the IRC.

4a: Enter the total cash contributions and qualifying donated food value.

4b: Enter the credit which is the smaller of:

- 50 percent of the contribution reported on line 4a, **or**
- \$100 (\$200 for a joint return).

Note: Treasury may request receipts for credits claimed on lines 2, 3, and 4. Cancelled checks will **not** be accepted in place of receipts.

Line 5: Credit for Income Tax Imposed by Government Units Outside Michigan. Include the amount of income tax paid to:

- A nonreciprocal state (see page 7)
- A local government unit outside Michigan, including tax paid to local units located in reciprocal states
- The District of Columbia
- A Canadian province.

Include only income tax paid to another government unit(s) on income earned while you were a Michigan resident and taxed by Michigan.

Attach a copy of the return filed with the other government unit(s) to your MI-1040.

Do **not** include taxes paid on income you subtracted on lines 8 through 20 of Michigan Schedule 1 (e.g., rental or business income from another state, part-year resident wages, etc.). If you claim credit for Canadian provincial tax, you must file a *Michigan Resident Credit for Tax Imposed by a Canadian Province* (Form 777). Attach copies of your *Canadian Federal Individual Tax Return* (Form T-1), Canadian Form T-4, U.S. Form *1116*, and U.S. Form *1040*. Your credit is limited to the portion of your Canadian provincial tax not used as a credit on your U.S. Form *1040*.

5a: Enter the total income tax paid to other government units. If you paid tax to more than one unit, attach a schedule showing the tax paid to each government unit.

5b: Credit amount. If more than one government unit is involved, compute the credit amount for each government unit separately. Then add the individual credit amounts and

enter the total on line 5b. Compute your allowable credit as follows:

- Divide your non-Michigan income subject to tax by both states by your total income subject to Michigan tax (MI-1040, line 14); then
- Multiply the amount of tax shown on MI-1040, line 17, by the resulting percentage.

Your credit cannot exceed the smaller of: (1) the amount of tax imposed by another government; or (2) the amount of Michigan tax due on salaries, wages, and other personal compensation earned in another state. See the Example below.

Line 6: Michigan Historic Preservation Tax Credit. To claim this credit you must submit **all** of the supporting documentation. For a list of required forms see the instructions on the back of the 2009 *Historic Preservation Tax Credit* (Form 3581).

6a: Enter the amount from your 2009 Form 3581, line 9.

6b: Enter the amount from your 2009 Form 3581, line 14.

Line 7: College Tuition and Fees Credit. Enter the college tuition and fees credit from Schedule CT, line 4e.

Line 8: Vehicle Donation Credit. Taxpayers who donate automobiles to certain charities may claim a nonrefundable Michigan tax credit if the automobile is transferred by the charity to an individual for employment purposes. Donors must receive a *Donor Tax Credit Certificate for Donated Vehicle* (Form 4284) from a certified charitable organization to be able to claim the credit. Treasury may request copies of Form 4284 for verification. Retain a copy of the form in your records.

EXAMPLE: Computing MI resident’s credit for tax imposed by another state.

Tom is a Michigan resident and has Michigan wages of \$22,000 and \$8,000 of wages earned in another state. Tom’s federal AGI is \$32,000. He has no Michigan adjustments (additions or subtractions) to AGI. After subtracting his \$3,600 exemption from \$32,000 income subject to tax, Tom’s taxable income is \$28,400 (MI-1040, line 16). The other state imposed \$600 tax on the \$8,000 Tom earned in that state. To compute the credit, determine the following:

Tom’s Michigan income tax: \$28,400 x 4.35% (MI-1040, line 17)	\$1,235
Percentage of non-Michigan income to total income subject to tax (\$8,000/\$32,000) ..25%	
Michigan tax x 25%	\$309
Tax imposed by the other state (enter on Schedule 2, line 5a)	\$600
Credit allowed is \$309, the lesser of \$309 and \$600 (enter on Schedule 2, line 5b).	

8a: Enter Value of Donated Vehicle from Form 4284.

8b: Enter the smaller amount of 50 percent of line 8a or a maximum of \$50 for a single return or \$100 for joint return.

Line 9: Individual or Family Development Account Credit. Taxpayers eligible for this credit will have received a certificate from the Michigan State Housing Development Authority (MSHDA) listing the

eligible contribution amount and tax credit. The certificate must be attached to the taxpayer's return.

Line 9a: Enter contribution amount from certificate issued by MSHDA.

Line 9b: Enter the income tax credit amount from the certificate.

Line 10: Energy Cost Recovery Surcharge Credit. Credit is based on an itemized surcharge (maximum \$3 per month) that appears on residential

electric bills as "cost recovery" charges. Those who qualify for the credit must have a gross income equal to or less than \$65,000 for single/married filing separate and \$130,000 for joint filers.

Line 10a: Enter your total monthly surcharges from all eligible 2009 electric bills.

Line 10b: Multiply line 10a by 0.25 (25%).

General Information - Homestead Property Tax Credit (MI-1040CR)

The request for your Social Security number is authorized under USC Section 42. Social Security numbers are used by Treasury to conduct matches against benefit income provided by the Social Security Administration and other sources to verify the accuracy of the home heating credit and property tax credit claims filed and to deter fraudulent filings.

Who May Claim a Property Tax Credit

You may claim a property tax credit if all of the following apply:

- Your homestead is located in Michigan.
- You were a Michigan resident at least six months of 2009.
- You pay property taxes or rent on your Michigan homestead.

You can have only one **homestead** at a time, and you must be the occupant as well as the owner or renter. Your homestead can be a rented apartment or a mobile home on a lot in a mobile home park. A vacation home or income property is **not** considered your homestead.

Your homestead is in your state of **domicile**. Domicile is the place where you have your permanent home. It is the place to which you plan to return whenever you go away. Even if you spend the winter in a southern state, your domicile is still Michigan. College students and others whose permanent homes are not in Michigan are **not** Michigan residents. Domicile continues until you establish a new permanent home.

Property tax credit claims may **not** be submitted on behalf of minor children.

You may not claim a property tax credit if your household income is over \$82,650. The computed credit is reduced by 10 percent for every \$1,000 (or part of \$1,000) that household income exceeds \$73,650. If filing a part-year return, you must annualize household income to determine if the income limitation applies. See instructions for annualizing on page 22.

Which Form to File

Most filers should use MI-1040CR in this booklet.

If you are blind and own your homestead, are in the active military, are an eligible veteran, or an eligible veteran's surviving spouse, request MI-1040CR-2 and complete MI-1040CR and MI-1040CR-2. **Use the form that gives you a larger credit.** If you are blind and rent your homestead, you cannot use MI-1040CR-2. Claim your credit on MI-1040CR and check the appropriate box on line 5.

When to File

If you are not required to file an MI-1040, you may file your credit claim as soon as you know your 2009 household income and property taxes levied in 2009. If you file a Michigan income tax return, your credit claim should be attached to your MI-1040 return and filed by April 15, 2010, to be considered timely. To avoid penalty and interest, if you owe tax, postmark no later than April 15, 2010. The filing deadline to receive a 2009 property tax credit is April 15, 2014.

Amending Your Credit Claim

File a new claim form and write "Amended" across the top of the form. You must do this within four years of the date set for filing your original income tax return.

Delaying Payment of Your Property Taxes

Senior citizens, disabled people, veterans, surviving spouses of veterans, and farmers may be able to delay paying property taxes. Contact your local or county treasurer for more information.

Household Income

Household income is the total income (taxable and nontaxable) of both spouses or of a single person maintaining a household. It is your AGI, plus all income exempt or excluded from AGI. Include gains realized on the sale of your residence regardless of your age or whether or not these gains are exempt from federal income tax. (See instructions beginning on page 20.) All unemployment (taxable and nontaxable) and forgiveness of debt must be included.

Household income does NOT include:

- Economic recovery payments from the Social Security Administration or the Department of Veterans Affairs
- Recovery rebate credits claimed on 2008 federal tax return
- Payments received by participants in the foster grandparent or senior companion program
- Energy assistance grants
- Government payments to a third party (e.g., a doctor)

Note: If payment is made from money withheld from your benefit, the payment is part of household income. (For example, the DHS may pay your rent directly to the landlord.)

- Money received from a government unit to repair or improve your homestead
- Surplus food or food assistance program benefits
- State and city income tax refunds and homestead property tax credits
- Chore service payments (these payments are income to the provider of the service)
- The first \$300 from gambling, bingo, lottery, awards, or prizes
- The first \$300 in gifts, cash, or expenses paid on your behalf by a family member or friend
- Amounts deducted from Social Security or Railroad Retirement benefits for Medicare premiums
- Life, health, and accident insurance premiums paid by your employer.
- Loan proceeds
- Inheritance **from a spouse**
- Life insurance benefits **from a spouse**
- Payments from a long-term care policy made to a nursing home or other care facility.

Property Taxes That Can Be Claimed for Credit

Ad valorem property taxes that were levied on your homestead in 2009, including collection fees up to 1 percent of the taxes, can be claimed no matter when you pay them. You may add to your 2009 taxes the amount of property taxes billed in 2009 from a corrected or supplemental tax bill. You must **deduct** from your 2009 property taxes any refund of property taxes received in 2009 that was a result of a corrected tax bill from a previous year.

Do not include:

- Delinquent property taxes (e.g., 2008 property taxes paid in 2009)
- Penalty and interest on late payments of property tax
- Delinquent water or sewer bills
- Property taxes on cottages or second homes
- Association dues on your property
- Most special assessments for drains, sewers, and roads do not meet

specific tests and may not be included. You may include special assessments only if they are levied using a uniform millage rate, are based on taxable value, and are either levied in the entire taxing jurisdiction or they are used to provide police, fire, or advanced life support services and are levied township-wide, except for all or a portion of a village.

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

Home used for business. If you use part of your home for business, you may claim the property taxes on the living area of your homestead, but **not** the property taxes on the portion used for business.

Owner-occupied duplexes. When both units are equal, you 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 and duplex 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 claimed for credit. Second, reduce the tax claimed for credit by the amount of tax claimed as rental expense on your U.S. Form 1040.

Example: Your home has an upstairs apartment that is rented to a tenant for \$395 a month. Total property taxes on your home are \$2,150. Of this amount, \$858 is claimed as rental expense. The calculations are as follows:

Step 1:

$\$395 \times 12 = \$4,740$ annual rent

$\$4,740 \times .20 = \948 taxes attributable to the apartment

$\$2,150$ eligible 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

Step 3:

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

Farmers. Include farmland taxes in your property tax credit claim if any of the following conditions apply:

- If your gross receipts from farming are greater than your household income, you may claim all of your farmland taxes including taxes on unoccupied farmland. Do **not** include taxes on farmland that is not adjacent or contiguous to your home and that you rent or lease to another person.
- If gross receipts from farming are less than your household income and you have lived in your home **more** than ten years, you may claim the taxes on your home and the farmland adjacent and contiguous to your home.
- If gross receipts from farming are less than your household income and you have lived in your home **less** than ten years, you may claim the taxes on your home and five acres of farmland adjacent and contiguous to your home.

You may **not** claim **rent paid** for vacant farmland when computing your property tax credit claim.

Include any farmland preservation tax credit in your household income. Enter the amount of credit you received in 2009 on line 17 or include it in net farm income on line 15.

Homestead property tax credits are **not** included in household income. If you included this amount in your taxable farm income, subtract it from household income.

Rent That Can Be Claimed for Credit

You must be under a lease or rental contract to claim rent for credit. In most cases, 20 percent of rent paid is considered property tax that can be claimed for credit. The following are exceptions:

- If you rent or lease housing that is subject to a **service charge or fees paid** instead of property taxes, you may claim a credit based upon 10 percent of the gross rent paid. Use the amount the landlord gives you and enter on MI-1040CR, line 47, and follow instructions.

- If your housing is **exempt** from property tax and no service fee is paid, you are **not** eligible for credit. This includes university- or college-owned housing.

- If your **housing costs are subsidized**, base your claim on the amount you pay. Do not include the federal subsidy amount.

- **If you are a mobile home park resident**, claim the \$3 per month specific tax on line 7, and the balance of rent paid on line 8.

- If you are a **cooperative housing corporation resident member**, claim your share of the property taxes on the building. If you live in a cooperative where residents pay rent on the land under the building, you may also claim 20 percent of that land rent. (Do **not** take 20 percent of your total monthly payment.)

- When you pay **room and board in one fee**, you must also determine your tax that can be claimed for credit based on square footage.

Example: You pay \$750 a month for room and board. You occupy 600 square feet of a 62,000 square foot apartment building. The landlord pays \$54,000 in taxes per year. If you pay room and board in separate billings, you must base your property tax credit on rent.

Step 1: $600/62,000 = 0.0097$

Step 2: $\$54,000 \times 0.0097 = \524
taxes you can claim for credit

If You Moved in 2009

Residents who temporarily lived outside Michigan may qualify for a credit if Michigan remained their state of domicile. Personal belongings and furnishings must have remained in the Michigan homestead **and** the homestead must **not** have been rented or sublet during the temporary absence. (See the definitions of resident on page 6 and domicile on page 17.)

If you bought or sold your home or moved during 2009, you must prorate your taxes. Complete MI-1040CR, lines 36 through 42, to determine the taxes that can be claimed for credit. Use only the taxes levied in 2009 on each Michigan homestead, then prorate taxes based on days of occupancy. Do **not** include taxes on out-of-state property.

Part-year Residents

If you lived in Michigan at least six months during the year, you may be entitled to a partial credit. If you are a part-year resident, you must include all income received as a Michigan resident in household income (line 28). Complete MI-1040CR, lines 36 through 42, to determine the taxes eligible to be claimed for credit on your Michigan homestead.

Residents of Nursing Homes and Other Adult Care Homes

If you are a resident of a nursing home, adult foster care home, or home for the aged, that facility is considered your homestead. If the facility pays local property taxes (many do not), you may claim your portion of those taxes for credit. You may **not** claim rent. Ask the manager what your share is or, to determine it yourself, divide the amount of property tax levied on the facility in 2009 by the number of residents for which the facility is licensed. This is your share. If both you and your spouse live in the facility, add your shares together. If you lived in the facility only part of the year, multiply this amount by the portion of the year you lived at the facility.

Exception: Credit is not allowed if your facility care charges are paid directly to the facility by a government agency.

If you maintain a homestead and your spouse lives in an adult care home, you may file a joint credit claim. Combine the tax for your homestead and your spouse's share of the facility's property tax to compute your claim.

If you are single and maintain a homestead (that is **not** rented) while living in an adult care home, you may claim either your homestead or your share of the facility's property tax, but not both. Use the one that gives you the larger credit.

Deceased Claimant's Credit

The estate of a taxpayer who died in 2009 (or 2010 before filing a claim) may be entitled to a credit for 2009. The surviving spouse, other authorized claimant, or personal representative can claim this

credit. Use the deceased's Social Security number and the personal representative's address. If taxpayer died after December 31, 2008, enter the date of death in the "Deceased Taxpayers" box on the bottom of page 2.

The **surviving spouse** may file a joint claim with the deceased. Enter both names and Social Security numbers on the form, and write "DECD" after the deceased's name. Sign the return and write "filing as surviving spouse" in the deceased's signature block. Enter the date of death in the "Deceased Taxpayers" box on the bottom of page 2. Include the deceased's income in household income.

If filing as a **personal representative** or **claimant** to the refund of a single deceased taxpayer(s), you must attach U.S. Form 1310 or *Michigan Claim for Refund Due a Deceased Taxpayer* (MI-1310). Enter the deceased's name in the Filer's Name fields and the representative's or claimant's name and title in the Spouse's Name fields. See the "Deceased Taxpayer Chart of Examples" on page 47. A **claimant** must prorate to the date of death as noted in the following paragraph.

The **personal representative** or **claimant** claiming a credit for a single deceased person or on a jointly filed credit if both filers became deceased during the 2009 tax year, must prorate taxes to the date of death. Complete lines 38 through 42 to prorate the property taxes. Annualize household income. (See the instructions for lines 29 and 34 on page 22.) Attach a copy of the tax bills or rent receipts. If filing as a **personal representative** or **claimant** of a deceased taxpayer(s) for a **jointly** filed return, you must attach a U.S. Form 1310 or MI-1310. Enter the names of the deceased persons in the Filer's and Spouse's Name fields and the representative's or claimant's name, title, and address in the Home Address field. See "Deceased Taxpayer Chart of Examples" on page 47.

If you are a personal representative or claimant filing a joint return, see "Deceased Taxpayers" on page 7.

Married During 2009

If you married during 2009, combine each spouse's share of taxes or rent

for the period of time he or she lived in separate homesteads. Then add the prorated share of taxes or rent for the time you lived together in your marital home. This only applies to homes located in Michigan.

Married Filing Separately

Spouses who file separate Michigan income tax returns and share a household are entitled to one property tax credit. Complete your property tax credit claim jointly and include income from both spouses in household income. Divide the credit as you wish. If each spouse claims a portion of the credit, attach a copy of the claim showing each spouse's share of the credit to each income tax return. Enter only your portion of the credit on MI-1040, line 27.

Separated and Filing a Joint Return With Your Spouse

Your claim must be based on the tax or rent for 12 months on only one home. The household income must be the combined income of both you and your spouse for the entire year.

Filing Separate Federal and State Returns and Maintaining Separate Homesteads

You may each claim a credit. Each credit is based on the individual taxes or rent and individual income for each person.

Separated or Divorced in 2009

Figure your credit based on the taxes you paid together before your separation plus the taxes you paid individually after your separation. Attach a schedule showing your computation. For more information or to help you calculate a prorated share of taxes, see *Michigan Homestead Property Tax Credits for Separated or Divorced Taxpayers* (Form 2105).

Example: Bob and Susan separated on October 2, 2009. The annual taxes on the home they owned were \$1,860. Susan continued to live in the home and Bob moved to an apartment on October 2 and paid \$350 per month rent for the rest of the year. Susan earned \$20,000 and Bob earned \$25,000. They lived together for 274 days.

Step 1: Calculate the prorated income for each spouse for the 274 days they lived together. Divide each spouse's total income by 365 days, then multiply that figure by 274.

Susan $(\$20,000/365) \times 274 = \$15,014$
Bob $(\$25,000/365) \times 274 = \$18,767$

Step 2: Add both prorated incomes together to determine the total income for the time they lived together.

$\$15,014 + \$18,767 = \$33,781$

Step 3: Divide each individual's prorated share of income by the total

income from Step 2 to determine the percentage of income attributable to each.

Susan $\$15,014/\$33,781 = 44\%$
Bob $\$18,767/\$33,781 = 56\%$

Step 4: Calculate the prorated taxes eligible for credit for the time they lived together. Divide the \$1,860 by 365 days, then multiply by 274 days.

$(\$1,860/365) \times 274 = \$1,396$

Step 5: Calculate each individual's share of the prorated taxes. Multiply the \$1,396 by the percentages determined in Step 3.

Susan $\$1,396 \times 44\% = \614
Bob $\$1,396 \times 56\% = \782

Enter these amounts on MI-1040CR, line 41, column A.

Susan uses lines 38 through 41, column B, to compute her share of taxes for the remaining 91 days.

Bob uses lines 43 through 44 to compute his share of rent. Each completes the remaining lines of MI-1040CR according to the form instructions.

Single Adults Sharing a Home

When two or more single adults share a home, each may file a credit claim if each has contracted to pay rent or owns a share of the home. Each adult should file an individual claim based on his or her household income and prorated share of taxes or rent paid.

Line-by-Line Instructions for MI-1040CR

Lines not listed are explained on the form.

Lines 1, 2, and 3: Enter your name(s), address, and Social Security number(s). If you are married, filing separate claims, enter both Social Security numbers, but do **not** enter your spouse's name.

Line 5: Check the box(es) that applies to you or your spouse as of December 31, 2009:

a) Age 65 or older.

Unremarried surviving spouse of a person who was 65 or older at the time of death. You are considered 65 the day before your 65th birthday.

b) Deaf, blind (see page 10, 9c instructions), hemiplegic, paraplegic,

quadriplegic, or totally and permanently disabled (as defined under Social Security Guidelines 42 USC 416).

Property Tax and Household Income

Include all taxable and nontaxable income you and your spouse received in 2009. If your family lived in Michigan and one spouse earned wages outside Michigan, include the income earned out of state in your household income. (See "Household Income" on page 17 and "Property Taxes That Can Be Claimed for Credit" on page 18.)

Line 6: If you own your homestead, enter the 2009 taxable value from

your 2009 property tax statement or assessment notice. If you do not know your taxable value, ask your local treasurer. Farmers should include the taxable value on all land that qualifies for this credit.

Line 7: Read "Property Taxes That Can Be Claimed for Credit" on page 18 before you complete this line.

Line 11: Enter all compensation received as an employee. Include strike pay, supplemental unemployment benefits (SUB pay), sick pay, or long-term disability benefits, including income protection insurance, and any other amounts reported to you on Form W-2.

Line 13: Enter the total of the amounts from your U.S. *Schedule C* (business income or loss), U.S. Form 4797 (other gain or loss), and U.S. *Schedule E* (rents, royalties, partnerships, S corporations, estates, and trusts). Include amounts from sources outside Michigan. **Attach these schedules to your claim.**

Line 14: Enter all annuity, retirement pension, and IRA benefits and the name of the payer. This should be the taxable amount shown on your U.S. Form 1099-R. If no taxable amount is shown on your U.S. Form 1099-R, use the amount required to be included in AGI. Enter "0" if all of your distribution is from your contributions made with income previously included in AGI. Include reimbursement payments such as an increase in a pension to pay for Medicare charges. Also include the total amount of any lump sum distribution including amounts reported on your U.S. Form 4972. Do **not** include recoveries of after-tax contributions or amounts rolled over into another plan (amounts rolled over into a Roth IRA must be included to the extent included in AGI).

You must include any part of a distribution from a Roth IRA that exceeds your total contributions to the Roth IRA regardless of whether this amount is included in AGI. Assume that all contributions to the Roth IRA are withdrawn first. **Note:** Losses from Roth IRAs cannot be deducted.

Line 15: Enter the amount from U.S. *Schedule F* (farm income or loss). Attach *Schedule F*.

Line 16: Enter net capital gains and losses. This is the total of short- and long-term gains, less short- and long-term losses from your U.S. *Schedule 1040D*, line 16 (gains) or line 21 (losses cannot exceed \$3,000). Include gains realized on the sale of your residence regardless of your age or whether or not these gains are exempt from federal income tax.

Line 17: Enter alimony received and other taxable income. Describe other taxable income. This includes: awards, prizes, lottery, bingo, and other gambling winnings over \$300; farmland preservation tax credits if not included in net farm income on line 15; and forgiveness of debt to the

extent included in federal AGI (e.g., mortgage foreclosure).

Line 18: Enter your Social Security, Supplemental Security Income (SSI), and/or Railroad Retirement benefits. Include death benefits and amounts received for minor children or other dependent adults who live with you. Report the amount actually received. Medicare premiums reported on your Social Security or Railroad Retirement statement should be deducted.

Line 19: Enter child support and all payments received as a foster parent. **Note:** If you received a 2009 *Custodial Party End of Year Statement* (FEN-851) showing child support payments paid to the Friend of the Court, enter the child support portion here and attach a copy of the statement. See line 23.

Line 20: Enter all unemployment compensation received during 2009, including benefits exempt from federal and Michigan income tax.

Line 21: Enter other nontaxable income. This includes:

- Compensation for damages to character or for personal injury or sickness
- An inheritance (except an inheritance from your spouse)
- Proceeds of a life insurance policy paid on the death of the insured (**except benefits from a policy on your spouse**)
- Death benefits paid by or on behalf of an employer
- The value over \$300 in gifts of cash, merchandise, or expenses paid on your behalf (rent, taxes, utilities, food, medical care, etc.) from parents, relatives, or friends
- Minister's housing allowance
- Scholarship, stipend, grant, or GI bill benefits and payments made directly to an educational institution
- Forgiveness of debt to the extent not included in AGI (e.g. mortgage foreclosure, etc.)
- Reimbursement from dependent care and/or medical care spending accounts.

Line 22: Enter service-connected disability compensation and pension benefits from the Veterans Administration and workers' compensation benefits. Veterans receiving retirement benefits should enter the benefits on line 14.

Line 23: Enter the total payments made to your household by the DHS and all other public assistance payments. Your 2009 *Client Annual Statement* (DHS-1241) mailed by DHS in January 2010 will show your total DHS payments. Your statement(s) may include the following: Family Independence Program (FIP) assistance, State Disability Assistance (SDA), Refugee Assistance, Repatriate Assistance, and vendor payments for shelter, heat, and utilities. **Note:** If you received a 2009 FEN-851, subtract the amount of child support payments entered on line 19 from the total DHS payments and enter the difference here.

Line 25: Enter total adjustments from your U.S. Form 1040, line 36, or U.S. Form 1040A, line 20. Describe adjustments to income. These adjustments reduce household income and include some of the following:

- Payments to IRAs, SEP, SIMPLE, or qualified plans
- Student loan interest deduction
- Moving expenses **into** or **within** Michigan can be included in Other adjustments (MI-1040CR, line 25) to reduce household income. Moving expenses when moving **out** of Michigan cannot be included in Other adjustments to reduce household income.
- Deduction for self-employment tax
- Self-employed health insurance deduction
- Penalty on early withdrawal of savings
- Alimony paid
- Jury duty pay you gave to your employer
- Archer Medical Savings Account (MSA) deduction
- Any other adjustments to gross income included on line 36 of your 2009 U.S. Form 1040.

Also enter the amount of an NOL deduction. **Note:** A deduction for a carryback or carryforward of an NOL cannot exceed federal modified taxable income. Attach a copy of your MI-1045 (or U.S. Form 1045 if you did not file an MI-1045).

Line 26: Enter health insurance premiums, Health Maintenance Organization (HMO) premiums or other insurance premiums paid for

yourself and your family. Include the following: medical insurance premiums, dental insurance premiums, vision insurance premiums, prescription drug plan premiums, and automobile insurance premiums (medical care portion only).

Do **not** include any insurance premiums deducted on lines 18 or 25, amounts paid for income protection insurance (long term disability), long-term care insurance, or amounts paid by an employer with pre-tax payroll contributions.

Property Tax Credit

Line 29: Multiply line 28 by 3.5 percent (0.035) or the percentage from Table 3 below. **This is the amount that will not be refunded.** The personal representative claiming a credit for a deceased taxpayer with household income of \$6,000 or less must annualize the deceased's income and use the annualized figure to determine the nonrefundable percentage from Table 3 below. 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 claimant was a Michigan resident in 2009.

Step 2: Multiply the answer from step 1 by the claimant'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 address, number of months rented, rent paid per month, and total rent paid. Do this for each Michigan homestead rented during 2009 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 2009, 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 43.

Line 47: Multiply line 46 by 10 percent (0.10) (see pages 18 and 19).

Credit Proration

If you received FIP assistance or other DHS benefits in 2009, 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 2009" 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 3 - PERCENT OF TAXES NOT REFUNDABLE	
ALL GENERAL CLAIMANTS	
<i>Income</i>	<i>% of Income</i>
\$0 - \$82,650	3.5%
OTHER CLAIMANTS*	
<i>Income</i>	<i>% of Income</i>
\$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

A. Enter amount from line 23 (FIP and other DHS benefits)..... _____

B. Enter amount from line 28 (Household Income)..... _____

C. Subtract line A from line B (if amount is a negative value, enter "0")..... _____

D. Divide line C by line B and enter percentage here..... _____

E. 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)..... _____

F. 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

A. Enter amount from line 30 or from Worksheet 5, line F, above..... _____

B. Enter rent paid from line 44 or line 46..... _____

C. Multiply amount on line 28 by 40% (0.40) and enter here..... _____

D. Subtract line C from line B. If line C is more than line B, enter "0"..... _____

E. Enter the larger of line A or line D here and carry amount to your MI-1040CR, line 32..... _____

Forms contained in this booklet (pages 23 - 46) are **posted separately**. Select and print the form you need from the list.

<u>Forms</u>	<u>Page No.</u>
MI-1040, Individual Income Tax Return	23-26
Schedule W, Withholding Tax Schedule	27-30
Schedule 1, Additions and Subtractions.....	31&33
Schedule 2, Nonrefundable Credits	32&34
MI-1040CR, Homestead Property Tax Credit Claim.....	35-38
Schedule NR, Nonresident and Part-year Resident Schedule.....	39-40
Schedule CT, College Tuition and Fees Credit.....	41-42
4642, Voluntary Contributions Schedule	43&44
4764, Energy Efficient Qualified Home Improvement Credit	45&46

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Book continued on next page.

TABLE 2 - FEDERAL SCHEDULES

If you file any of the following schedules or forms with your federal return you must attach a copy to your Michigan income tax return:

Schedule B or 1040A Schedule 1.....	Interest and Dividend Income (if over \$5,000)
Schedule C or C-EZ.....	Profit or Loss From Business
Schedules D and 4797.....	Capital and Ordinary Gains and Losses
Schedule E.....	Supplemental Income and Loss
Schedule F.....	Farm Income and Expenses
Schedule R or 1040A Schedule 3.....	Credit for the Elderly or Disabled
Form 1040NR.....	Nonresident Alien Income Tax Return
Form 2555.....	Foreign Earned Income
Form 3903 or 3903-F.....	Moving Expenses
Form 4868.....	Application for Automatic Extension of Time to File U.S. Individual Income Tax Returns
Form 6198.....	Computation of Deductible Loss From Activity Described in IRC Section 465(c)
Form 8829.....	Expenses for Business Use of Your Home
Form 8839.....	Qualified Adoption Expenses

The above schedules and forms must report the location of the business activity or the location of any real property involved. Schedules showing rental of personal property must report where the property is being used. If you do not attach these schedules, processing of your return may be delayed or your credit/subtraction may be denied.

Deceased Taxpayer Chart of Examples (see instructions, pages 7 and 19.)

A. Joint Filers with Surviving Spouse

1. Filer's First Name John	M.I. A	Last Name Brown	DECD
If a Joint Return, Spouse's First Name Jane	M.I. C	Last Name Brown	

B. Single Filer with Personal Representative

1. Filer's First Name John	M.I. A	Last Name Brown	EST OF
If a Joint Return, Spouse's First Name Sam	M.I. W	Last Name Jones	REP

C. Single Filer with Claimant

1. Filer's First Name John	M.I. A	Last Name Brown	DECD
If a Joint Return, Spouse's First Name John	M.I. P	Last Name Jones	CLAIMANT

D. Joint Filers with Personal Representative

1. Filer's First Name John	M.I. A	Last Name Brown	EST OF
If a Joint Return, Spouse's First Name Jane	M.I. C	Last Name Brown	EST OF
Home Address (No., Street, P.O. Box or Rural Route)			
John H. Jones		REP	123 Main St.

E. Joint Filers with Claimant

1. Filer's First Name John	M.I. A	Last Name Brown	DECD
If a Joint Return, Spouse's First Name Jane	M.I. C	Last Name Brown	DECD
Home Address (No., Street, P.O. Box or Rural Route)			
John H. Jones		CLAIMANT	123 Main St.

WORKSHEET 7 - EXEMPTION ALLOWANCE FOR SCHEDULE NR

When One Spouse Is a Part-year Resident or Nonresident

Computing Amount of Exemption for Part-year or Nonresident Income

1. Michigan Taxable Income of spouse who is NOT a full year resident.....	1.	_____
2. Total Taxable Income of spouse who is NOT a full year resident.....	2.	_____
3. Divide line 1 by line 2 and enter percentage here.....	3.	_____ %
4. Michigan personal exemption allowance.....	4.	\$3,600
5. Number of spouse's special exemptions from MI-1040, line 9 _____ x \$2,300.....	5.	_____
6. Spouse's qualified disabled veteran exemption _____ x \$300 from MI-1040, line 9e.....	6.	_____
7. Add lines 4, 5, and 6.....	7.	_____
8. Multiply line 7 by the percentage on line 3.....	8.	_____

Computing Amount of Prorated Exemption Amount for Dependents

9. Michigan AGI for both spouses from Schedule NR, line 14b.....	9.	_____
10. Total AGI from Schedule NR, line 14a.....	10.	_____
11. Divide line 9 by line 10 and enter percentage here.....	11.	_____ %
12. Multiply line 11 by exemption allowance of \$3,600.....	12.	_____
13. Multiply line 12 by the number of dependents claimed.....	13.	_____
14. Multiply line 11 by the number of dependents claimed who are qualified disabled veterans (from MI-1040, line 9e) _____ x \$300 x % from line 11.....	14.	_____
15. Multiply number of dependents claimed w/special exemptions (blind, deaf, etc.) _____ x \$2,300 x % from line 11.....	15.	_____

Computing Amount of Exemption for Resident Spouse

16. Michigan resident spouse's personal exemption allowance.....	16.	\$3,600
17. Number of Michigan resident spouse's special exemptions from MI-1040, line 9 _____ x \$2,300.....	17.	_____
18. Michigan resident spouse's qualified disabled veteran _____ x \$300 from MI-1040, line 9e.....	18.	_____
19. Add lines 16, 17, and 18.....	19.	_____
20. Add lines 8, 13, 14, 15, and 19 and carry to Schedule NR, line 19.....	20.	_____

Certified Community Foundations and Component Funds

A component fund serves donors and nonprofit organizations in a specific geographic area as a restricted fund of a neighboring community foundation. The following are certified for the Community Foundations Credit for 2009.

- 01 Albion Community Foundation
- 56 Allegan County Community Foundation
 - Saugatuck/Douglas Area Community Fund
- 63 Anchor Bay Community Foundation
- 02 Ann Arbor Area Community Foundation
 - Community Foundation of Plymouth
 - Ypsilanti Area Community Fund
- 49 Baraga County Community Foundation
- 58 Barry Community Foundation
 - Thornapple Area Enrichment Fund
- 17 Battle Creek Community Foundation
 - Athens Area Community Foundation
 - Homer Area Community Foundation
 - Springfield Community Foundation
- 03 Bay Area Community Foundation
 - Arenac County Fund
- 04 Berrien Community Foundation
- 45 Branch County Community Foundation
- 36 Cadillac Area Community Foundation
 - Missaukee Area Community Foundation
 - Missaukee Youth Fund
- 64 Canton Community Foundation
- 06 Capital Region Community Foundation
 - City of East Lansing Fund
 - DeWitt Area Community Fund
 - Eaton County Community Foundation
 - Lansing Fund
 - Leslie Community Fund
 - Meridian Township Fund
 - Ovid-Elsie Community Fund
 - Williamston Area Beautification Fund
- 66 Central Montcalm Community Foundation
- 44 Charlevoix County Community Foundation
- 70 Chippewa County Community Foundation
- 28 Community Foundation for Muskegon County
 - Community Foundation for Mason County
 - Community Foundation for Oceana County
 - Manistee County Community Foundation
- 29 Community Foundation for Northeast Michigan
 - Iosco County Community Foundation
 - North Central Michigan Community Foundation
 - Straits Area Community Foundation
- 09 Community Foundation for Southeast Michigan
 - Chelsea Community Foundation
 - Community Foundation for Livingston County
- 10 Community Foundation of Greater Flint
 - Clio Area Community Fund
 - Fenton Community Fund
 - Flushing Community Fund
 - Grand Blanc Community Fund
 - Davison Community Fund
- 19 Community Foundation of Greater Rochester
- 11 Community Foundation of Monroe County
 - Bedford Kellogg Youth Fund
 - Greater Milan Area Community Foundation
- 35 Community Foundation of St. Clair County
- 20 Community Foundation of the Holland/Zeeland Area
- 54 Community Foundation of the Upper Peninsula
 - Alger Regional Community Foundation
 - Community Foundation for Delta County
 - Gogebic-Ontonagon Community Foundation
 - Les Cheneaux Area Community Foundation
 - Schoolcraft County Community Foundation
 - St. Ignace Area Community Foundation
 - Tahquamenon Area Community Foundation
 - West Iron County Area Community Foundation
- 50 Dickinson County Area Community Foundation
 - Crystal Falls Area Community Fund
 - Norway Area Community Fund
- 13 Four County Community Foundation
- 18 Frankenmuth Community Foundation
- 14 Fremont Area Community Foundation
 - Lake County Community Foundation
 - Mecosta County Community Foundation
 - Osceola County Community Foundation
- 15 Grand Haven Area Community Foundation
 - Allendale Area Community Foundation
 - Coopersville Area Community Foundation
- 16 Grand Rapids Community Foundation
 - Cascade Community Foundation
 - East Grand Rapids Community Foundation Fund
 - Ionia County Community Foundation
 - Lowell Area Community Fund
 - Southeast Ottawa Community Foundation
 - Sparta Community Foundation
 - Wyoming Community Foundation
- 46 Grand Traverse Regional Community Foundation
- 37 Greenville Area Community Foundation
 - Lakeview Area Community Fund
 - Montcalm Panhandle Community Fund
- 43 Hillsdale County Community Foundation
- 60 Huron County Community Foundation
- 21 Jackson County Community Foundation
- 22 Kalamazoo Community Foundation
 - Covert Township Community Foundation Fund
- 67 Keweenaw Community Foundation
- 77 Lapeer County Community Foundation
- 23 Leelanau Township Community Foundation
- 62 Lenawee Community Foundation
- 55 Livonia Community Foundation
- 25 M & M Area Community Foundation
- 65 Mackinac Island Community Foundation
- 39 Marquette Community Foundation
 - Greater Ishpeming Area Community Fund
 - Gwinn Area Community Fund
 - Negaunee Area Community Fund
- 26 Marshall Community Foundation
- 05 Michigan Gateway Community Foundation
- 27 Midland Area Community Foundation
 - Clare County Community Foundation
 - Gladwin County Endowment Fund
- 42 Mt. Pleasant Area Community Foundation
- 72 North Woodward Community Foundation
- 68 Northville Community Foundation
- 75 Otsego County Community Foundation
- 47 Petoskey-Harbor Springs Area Community Foundation
- 76 Roscommon County Community Foundation
- 30 Saginaw Community Foundation
 - Chesaning Area Community Foundation Fund
- 61 Sanilac County Community Foundation
- 71 Shelby Community Foundation
- 31 Shiawassee Community Foundation
- 57 Southfield Community Foundation
- 74 Sterling Heights Community Foundation
- 40 Sturgis Area Community Foundation
 - Constantine Area Community Foundation
 - White Pigeon Area Community Foundation
- 32 Three Rivers Area Community Foundation
- 73 Tuscola County Community Foundation
 - Cass City Booster's Club
 - Greater Millington Area Fund

School District Code List (See MI-1040 or MI-1040CR, line 4.)

Michigan public school districts are listed alphabetically with code numbers to the **left** of the names. When more than one district has the same name, the county or city name in parentheses helps you choose the right district. **Residents**, choose the code for the district where you lived on December 31, 2009. Call your local assessor or treasurer if you do not know your school district name. **Nonresidents**, enter "10000" in the school district code box.

31020	Adams Twp.	22030	Breitung Twp.	82030	Dearborn	80110	Gobles
46020	Addison	73180	Bridgeport-Spaulding	82040	Dearborn Heights	41120	Godfrey-Lee
46010	Adrian	11340	Bridgman	80050	Decatur	41020	Godwin Heights
58020	Airport	47010	Brighton	76090	Deckererville	25050	Goodrich
79010	Akron-Fairgrove	17140	Brimley	46070	Deerfield	25030	Grand Blanc
24030	Alanson	46050	Britton-Macon	08010	Delton-Kellogg	70010	Grand Haven
05010	Alba	12020	Bronson	17050	DeTour	23060	Grand Ledge
13010	Albion	76060	Brown City	82010	Detroit	41010	Grand Rapids
01010	Alcona	11310	Buchanan	19010	DeWitt	41130	Grandville
74030	Algonac	28035	Buckley	81050	Dexter	62050	Grant
03030	Allegan	73080	Buena Vista	31100	Dollar Bay-Tamarack City	42030	Grant Twp.
82020	Allen Park	56020	Bullock Creek	14020	Dowagiac Union	38050	Grass Lake
70040	Allendale	75020	Burr Oak	44050	Dryden	59070	Greenville
29010	Alma	02020	Burt Twp.	58050	Dundee	82300	Grosse Ile Twp.
44020	Almont	78020	Byron	78030	Durand	82055	Grosse Pointe
04010	Alpena	41040	Byron Center			39065	Gull Lake
50040	Anchor Bay	83010	Cadillac	74050	East China	52040	Gwinn
81010	Ann Arbor	41050	Caledonia	50020	East Detroit		
06010	Arenac Eastern	31030	Calumet	41090	East Grand Rapids	11670	Hagar Twp.
50050	Armada	30010	Camden-Frontier	38090	East Jackson	35020	Hale
07010	Arvon Twp.	74040	Capac	15060	East Jordan	03100	Hamilton
29020	Ashley	25080	Carman-Ainsworth	33010	East Lansing	82060	Hamtramck
13050	Athens	55010	Carney-Nadeau	34340	Easton Twp.	31010	Hancock
25130	Atherton	79020	Caro	23050	Eaton Rapids	38100	Hanover-Horton
60010	Atlanta	73030	Carrollton	11250	Eau Claire	32060	Harbor Beach
06020	Au Gres-Sims	59020	Carson City-Crystal	82250	Ecorse	24020	Harbor Springs
02010	AuTrain-Onota	76070	Carsonville-Pt. Sanilac	14030	Edwardsburg	13070	Harper Creek
63070	Avondale	32030	Caseville	05060	Elk Rapids	82320	Harper Woods
		79030	Cass City	32050	Elkton-Pigeon-Bay Port Laker	18060	Harrison
32010	Bad Axe	14010	Cassopolis	05065	Ellsworth	64040	Hart
43040	Baldwin	41070	Cedar Springs	31070	Elm River Twp.	80120	Hartford
80020	Bangor (Van Buren)	50010	Center Line	49055	Engadine	47060	Hartland
80240	Bangor Twp.	05035	Central Lake	21010	Escanaba	33060	Haslett
09030	Bangor Twp. (Bay)	59125	Central Montcalm	09050	Essexville-Hampton	08030	Hastings
07020	Baraga	75030	Centreville	67020	Ewart	63130	Hazel Park
21090	Bark River-Harris	15050	Charlevoix	66045	Ewen-Trout Creek	73210	Hemlock
19100	Bath	23030	Charlotte	40060	Excelsior	62060	Hesperia
13020	Battle Creek	31050	Chassell Twp.	68030	Fairview	82070	Highland Park
09010	Bay City	16015	Cheboygan	63200	Farmington	60020	Hillman
37040	Beal City	81040	Chelsea	18020	Farwell	30020	Hillsdale
51020	Bear Lake	73110	Chesaning Union	03050	Fennville	70020	Holland
15010	Beaver Island	54025	Chippewa Hills	25100	Fenton	63210	Holly
26010	Beaverton	50080	Chippewa Valley	63020	Ferndale	33070	Holt
58030	Bedford	32040	Church	50090	Fitzgerald	61120	Holton
25240	Beecher	18010	Clare	82180	Flat Rock	13080	Homer
34080	Belding	63090	Clarenceville	25010	Flint	03070	Hopkins
05040	Bellaire	63190	Clarkston	25120	Flushing	72020	Houghton Lake
23010	Bellevue	63270	Clawson	40020	Forest Area	31110	Houghton-Portage
25060	Bendle	39020	Climax-Scotts	41110	Forest Hills	47070	Howell
25230	Bentley	46060	Clinton	36015	Forest Park	46080	Hudson
11010	Benton Harbor	50070	Clintondale	19070	Fowler	70190	Hudsonville
10015	Benzie County Central	25150	Clio	47030	Fowlerville	82340	Huron
63050	Berkley	12010	Coldwater	73190	Frankenmuth	63220	Huron Valley
34140	Berlin Twp.	56030	Coleman	10025	Frankfort-Elberta	58070	Ida
11240	Berrien Springs	32260	Colfax Twp.	50100	Fraser	44060	Imlay City
27010	Bessemer	11330	Coloma	53030	Free Soil	82080	Inkster
21065	Big Bay De Noc	75040	Colon	73200	Freeland	16050	Inland Lakes
62470	Big Jackson	38040	Columbia	62040	Fremont	34010	Ionia
54010	Big Rapids	39030	Comstock	61080	Fruitport	34360	Ionia Twp.
73170	Birch Run	41080	Comstock Park	29050	Fulton	22010	Iron Mountain
63010	Birmingham	38080	Concord	39050	Galesburg-Augusta	27020	Ironwood
46040	Blissfield	75050	Constantine	11160	Galien Twp.	52180	Ishpeming
63080	Bloomfield Hills	70120	Coopersville	82050	Garden City	29060	Ithaca
32250	Bloomfield Twp.	78100	Corunna	69020	Gaylord	38170	Jackson
80090	Bloomington	80040	Covert	25070	Genesee	58080	Jefferson (Monroe)
49020	Bois Blanc Pines	20015	Crawford AuSable	82290	Gibraltar	70175	Jenison
15020	Boyne City	82230	Crestwood	21025	Gladstone	69030	Johannesburg-Lewiston
15030	Boyne Falls	76080	Croswell-Lexington	26040	Gladwin	30030	Jonesville
63180	Brandon			45010	Glen Lake		
11210	Brandywine	33040	Dansville	03440	Glenn		
29040	Breckenridge	25140	Davison				

39010 Kalamazoo
51045 Kaleva Norman Dickson
40040 Kalkaska
25110 Kearsley
41140 Kelloggsville
41145 Kenowa Hills
41150 Kent City
41160 Kentwood
28090 Kingsley
79080 Kingston

07040 L'Anse
50140 L'Anse Creuse
78040 Laingsburg
57020 Lake City
25200 Lake Fenton
31130 Lake Linden-Hubbell
63230 Lake Orion
50120 Lake Shore (Macomb)
11030 Lakeshore (Berrien)
13090 Lakeview (Calhoun)
50130 Lakeview (Macomb)
59090 Lakeview (Montcalm)
25280 Lakeville
34090 Lakewood
63280 Lamphere
33020 Lansing
44010 Lapeer
80130 Lawrence
80140 Lawton
45020 Leland
49040 Les Cheneaux
33100 Leslie
81070 Lincoln
82090 Lincoln Park
25250 Linden
30040 Litchfield
82095 Livonia
41170 Lowell
53040 Ludington

49110 Mackinac Island
16070 Mackinaw City
46090 Madison (Lenawee)
63140 Madison (Oakland)
05070 Mancelona
81080 Manchester
51070 Manistee
77010 Manistique
83060 Manton
23065 Maple Valley
13095 Mar Lee
14050 Marcellus
67050 Marion
76140 Marlette
52170 Marquette
13110 Marshall
03060 Martin
74100 Marysville
33130 Mason (Ingham)
58090 Mason (Monroe)
53010 Mason County Central
53020 Mason County Eastern
80150 Mattawan
79090 Mayville
57030 McBain
82045 Melvindale-North Allen Park
74120 Memphis
75060 Mendon
55100 Menominee
56050 Meridian
73230 Merrill
83070 Mesick
38120 Michigan Center
21135 Mid Peninsula
56010 Midland
81100 Milan
79100 Millington
68010 Mio-AuSable
61060 Mona Shores

58010 Monroe
59045 Montabella
61180 Montague
25260 Montrose
49070 Moran Twp.
46100 Morenci
54040 Morley Stanwood
78060 Morrice
50160 Mt. Clemens
25040 Mt. Morris
37010 Mt. Pleasant
02070 Munising
61010 Muskegon
61020 Muskegon Heights

38130 Napoleon
52090 Negaunee
11200 New Buffalo
50170 New Haven
78070 New Lothrop
62070 Newaygo
52015 N.I.C.E. (Ishpeming)
11300 Niles
30050 North Adams-Jerome
44090 North Branch
55115 North Central
22045 North Dickinson
32080 North Huron
61230 North Muskegon
45040 Northport
41025 Northview
82390 Northville
38140 Northwest
22025 Norway-Vulcan
75100 Nottawa
63100 Novi

63250 Oak Park
61065 Oakridge
33170 Okemos
23080 Olivet
71050 Onaway
23490 Oneida Twp.
51060 Onekama
46110 Onsted
66050 Ontonagon
61190 Orchard View
35010 Oscoda
03020 Otsego
19120 Ovid-Elsie
32090 Owendale-Gagetown
78110 Owosso
63110 Oxford

34040 Palo
39130 Parchment
80160 Paw Paw
76180 Peck
24040 Pellston
13120 Pennfield
64070 Pentwater
78080 Perry
24070 Petoskey
19125 Pewamo-Westphalia
17090 Pickford
47080 Pinckney
09090 Pinconning
67055 Pine River
30060 Pittsford
03010 Plainwell
82100 Plymouth-Canton
63030 Pontiac
32130 Port Hope
74010 Port Huron
39140 Portage
34110 Portland
71060 Posen
23090 Pottsville
52100 Powell Twp.
12040 Quincy

21060 Rapid River
61210 Ravenna
30070 Reading
82110 Redford Union
67060 Reed City
79110 Reese
61220 Reeths-Puffer
52110 Republic-Michigamme
50180 Richmond
82120 River Rouge
11033 River Valley
82400 Riverview
63260 Rochester
41210 Rockford
71080 Rogers City
50190 Romeo
82130 Romulus
72010 Roscommon
50030 Roseville
63040 Royal Oak
17110 Rudyard

73010 Saginaw City
73040 Saginaw Twp.
81120 Saline
46130 Sand Creek
76210 Sandusky
34120 Saranac
03080 Saugatuck
17010 Sault Ste. Marie
39160 Schoolcraft
64080 Shelby
37060 Shepherd
32610 Sigel Twp. 3 (Adams)
32620 Sigel Twp. 4 (Eccles)
32630 Sigel Twp. 6 (Kipper)
11830 Sodus Twp.
80010 South Haven
50200 South Lake
63240 South Lyon
82140 South Redford
63060 Southfield
82405 Southgate
41240 Sparta
70300 Spring Lake
38150 Springport
73240 St. Charles
49010 St. Ignace
19140 St. Johns
11020 St. Joseph
29100 St. Louis
06050 Standish-Sterling
31140 Stanton Twp.
55120 Stephenson
33200 Stockbridge
75010 Sturgis
58100 Summerfield
02080 Superior Central
45050 Suttons Bay
73255 Swan Valley
25180 Swartz Creek

48040 Tahquamenon
35030 Tawas
82150 Taylor
46140 Tecumseh
13130 Tekonsha
08050 Thornapple Kellogg
75080 Three Rivers
28010 Traverse City
82155 Trenton
59080 Tri County
63150 Troy

32170 Ubly
13135 Union City
79145 Unionville-Sebewaing
50210 Utica

82430 Van Buren
50220 Van Dyke

69040 Vanderbilt
38020 Vandercook Lake
79150 Vassar
32650 Verona Twp.
59150 Vestaburg
39170 Vicksburg

27070 Wakefield-Marenisco
30080 Waldron
64090 Walkerville
63290 Walled Lake
50230 Warren
50240 Warren Woods
63300 Waterford
27080 Watersmeet Twp.
11320 Watervliet
33215 Waverly
03040 Wayland Union
82160 Wayne-Westland
33220 Webberville
52160 Wells Twp.
63160 West Bloomfield
65045 West Branch-Rose City
36025 West Iron County
70070 West Ottawa
38010 Western
82240 Westwood
25210 Westwood Heights
62090 White Cloud
75070 White Pigeon
17160 Whitefish
58110 Whiteford
61240 Whitehall
81140 Whitmore Lake
35040 Whittemore Prescott
33230 Williamston
81150 Willow Run
16100 Wolverine
82365 Woodhaven-Brownstown
82170 Wyandotte
41026 Wyoming

74130 Yale
81020 Ypsilanti
70350 Zeeland

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INDEX

Income Tax	Page
Additions to income.....	12
Adoption credit.....	11
Age, exemption.....	10
Amending.....	7
Appeals.....	4
Blind, exemption.....	10
Canadian provincial tax credit.....	16
Charitable distribution subtraction.....	15
Children’s Trust Fund.....	11
Children of Veterans Tuition Grant Program.....	11
City income tax credit.....	15
College tuition and fees credit.....	16, 41
Community foundation codes.....	48
Community foundations credit.....	15
Deaf, exemption.....	10
Deceased taxpayers.....	7, 19, 47
Direct deposit of refund.....	12
Disabled, defined.....	10
Due date.....	4
Earned income tax credit.....	3, 11
Electronic filing.....	1, 4
Estimated payments.....	6
Exemptions.....	3, 10
Extensions.....	6
Federal schedules needed.....	47
Filing requirements.....	4
Food bank credit.....	16
Historic preservation tax credit.....	16
Homeless shelter credit.....	16
Homestead property tax credit.....	11, 17
Interest.....	4
Line-by-Line instructions.....	10
Mailing label.....	5, 52
Michigan Education Savings Program.....	14
Michigan Education Trust.....	12, 14
Military Family Relief Fund.....	11
Military pay/personnel.....	3, 13
Net operating losses.....	7, 12, 14
Non-residents, income allocation.....	6, 13, 39, 47
Out-of-state income tax credit.....	16
Part-year residents, income allocation.....	6, 39
Penalty.....	4
Pensions.....	3, 13
Public contribution credit.....	15
Qualified Disabled Veterans exemption.....	3, 10
Reciprocal states.....	7
Renaissance zone deduction.....	4, 14
Repayments of income reported in a prior year.....	7
Residency.....	6, 10
Retirement.....	13
Rounding numbers.....	5
School district code list.....	49
Special exemptions.....	10
State campaign fund.....	10
Stillbirth Credit.....	11
Subtractions from income.....	13
Tax credits available.....	8
Unemployment compensation.....	10
Vehicle Donation Credit.....	16
Venture Capital Investment Deduction.....	14
Voluntary Contributions Schedule.....	3, 11
Homestead Property Tax Credit	
Alternate credit for senior citizens.....	22
Amending.....	7, 17
Bought or sold a home.....	19
Cooperative housing.....	19
Deceased claimant.....	19
Delay paying property tax.....	17
Disabled, defined (line 5 instructions).....	20
Divorced, credit calculation.....	20
Due date.....	17
Duplexes.....	18
Farmers.....	18
Home used for business.....	18
Homestead, defined.....	17
Household income defined.....	17
Household income limits.....	17
Income property.....	18
Line-by-Line instructions.....	20
Married filing separately.....	20
Married in 2009.....	19
Mobile homes.....	19
Moving.....	19
Nursing homes.....	19
Part-year residents.....	19
Property taxes that can be claimed.....	18
Qualifying for a property tax credit.....	17
Rent.....	18, 22
Room and board.....	19
School district code list.....	49
Senior citizens, defined (line 5 instructions).....	20
Separated, credit calculation.....	20
Service fee housing.....	18
Shared housing.....	20
Subsidized housing.....	19
Tax-exempt housing.....	19
Forms, Worksheets and Tables	
<u>Forms</u>	
4642.....	43-44
4764.....	45
MI-1040.....	23-26
MI-1040CR.....	35-38
Schedule 1 & Schedule 2.....	31-34
Schedule CT.....	41-42
Schedule NR.....	39-40
Schedule W.....	27-30
<u>Worksheets</u>	
Alternate Property Tax Credit for Renters 65 and Older.....	22
City Income Tax Credit.....	15
Exemption Allowance for Schedule NR.....	47
Filer Eligible to Be Claimed as a Dependent.....	10
FIP/DHS Benefits.....	22
Stillbirth Credit.....	11
Use Tax.....	9
<u>Tables</u>	
Federal Schedules.....	47
Percent of Taxes Not Refundable.....	22
Use Tax.....	9
Miscellaneous	
Customer Self Service.....	2
Tele-Help Service.....	2
Treasury Offices.....	52
Where to Get Forms.....	2, 52
Other Taxes	
Michigan Business.....	52
Use.....	3, 9, 11

Review this label. If the information is correct and your filing status is the same as last year (single, married filing jointly, or married filing separately), place the label on the address block of your tax return. **If any information is incorrect, do not use this label.** Write the correct information on the return. If you use a tax preparer, take this booklet to your tax preparer and ask him or her to use this label. Using this label will help shorten the processing time of your return.

Financial Information for Fiscal Year 2008

This information is intended to provide an overview and broad perspective of the State's financial operations. These figures were derived from the latest *Michigan Comprehensive Annual Financial Report* for the fiscal year ended September 30, 2008.

State Revenues and Financing Sources (Millions of Dollars)

Financing Source	Amount	%
Sales and Use Taxes	\$8,150.4	28.2%
Income Tax	7,226.0	25.0%
Other Revenue & Taxes	4,824.1	16.7%
Mich. Business, SBT & Ins. Taxes	2,705.2	9.3%
State Education Tax	2,079.7	7.2%
Motor Vehicle & Fuel Taxes	1,952.1	6.7%
Tobacco & Liquor Taxes	1,235.8	4.3%
Lottery Profits	752.4	2.6%
Total	\$28,925.7	100.0%

State Expenditures and Financing Uses (Millions of Dollars)

Financing Use	Amount	%
Education	\$13,585.7	47.0%
Health	4,822.9	16.7%
Law Enforcement & Public Safety	2,461.8	8.5%
Transportation	2,303.7	7.9%
General Government	1,554.4	5.4%
Human Services	1,452.7	5.0%
Revenue Sharing to Local Governments	1,076.4	3.7%
Economic Dev. & Environmental Reg.	886.9	3.1%
Other	781.2	2.7%
Total	\$28,925.7	100.0%

Unclaimed Property

The Michigan Department of Treasury is holding millions of dollars in abandoned and unclaimed property belonging to Michigan residents. To search for unclaimed property, visit www.michigan.gov/unclaimedproperty

Treasury Offices

Forms are available at Treasury offices listed below.
Treasury office staff do not prepare tax returns.

DETROIT

Cadillac Place, Suite 2-200
3060 W. Grand Blvd.

DIMONDALE *

7285 Parsons Drive
(*NOT a mailing address)

ESCANABA

State Office Building, Room 7
305 Ludington Street
(open 8 - 12 only)

FLINT

State Office Building, 7th Floor
125 E. Union Street

GRAND RAPIDS

State Office Building, 2nd Floor
350 Ottawa Avenue, NW - Unit 17

STERLING HEIGHTS

41300 Dequindre Road, Suite 200

TRAVERSE CITY

701 S. Elmwood Avenue, 4th Floor
(open 8 - 12 only)

Michigan Business Tax

Michigan Business Tax (MBT) is a tax on business activity conducted in Michigan. Individuals are required to file an MBT return if they have business activity in Michigan and their apportioned or allocated receipts are \$350,000 or greater for the 2009 tax year. Business activity is indicated if:

- You are self-employed and/or have to pay self-employment tax with your federal income tax return, **or**
- You file a U.S. *Schedule C*, **or**
- You include rental property on a U.S. *Schedule E*, **or**
- Your earnings are reported to you on Form *1099-MISC* rather than Form *W-2*.

Effective January 1, 2010, for the 2009 tax year, software developers producing MBT tax preparation software **must** support e-file for all eligible MBT forms that are included in their tax preparation software. All eligible MBT returns prepared using software **must** be e-filed. Visit www.MIfastfile.org for more information.