

MICHIGAN 1040
2001

John Engler, Governor
Douglas B. Roberts, State Treasurer



Individual Income Tax

Forms and Instructions

WHAT'S INSIDE

(See complete Index on page 47.)

How to Contact Us	4, 7
Electronic Filing	2
Information for All Filers	8
Important News for 2001	5-6
Line-by-Line Instructions	12-23
Special Situations	9
Use Tax	3, 11

Tax Forms

MI-1040	25-28
MI-1040 Schedule 1	29-32
MI-1040CR.....	33-36
Schedule NR.....	37-38
Schedule CT	39-40

Filing Deadline
April 15, 2002

Do You Owe Use Tax?
See Pages 3 and 11.

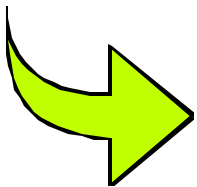
Tax Amnesty Available
in Spring 2002. See
Page 24.

Visit Our Web Site at
www.treasury.state.mi.us



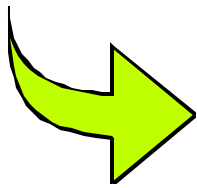
Choose e-file.

Here's Why . . .



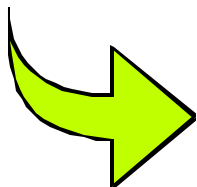
It's Fast

Choose e-file and receive your Michigan refund in 7 days.



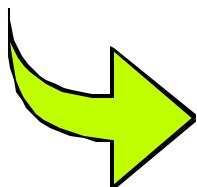
It's Easy

Simply ask your tax preparer to e-file both your Michigan and Federal returns. Visit our Web site to find an authorized e-file provider near you!



It's Convenient

You can e-file 24 hours a day, 7 days a week via the Internet, using a personal computer. For more information and a list of resources offering this service, visit our Web site.



It's Free

You may be eligible to e-file for free. Visit our Web site for information on this free service.

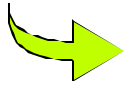
Remember to Use Direct Deposit

Your refund is deposited safely into your bank account and is immediately available. Direct Deposit goes to the bank so you don't have to! See page 15.

Visit Our Web Site: www.efile.state.mi.us

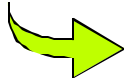
E-file your 2001 Michigan income tax return beginning January 11, 2002 through October 15, 2002. See our Web site for more information.

Internet, Mail Order and Out-of-State Purchases



What Is Michigan's Use Tax?

Every state with a sales tax has a companion tax for purchases made outside that state or 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. As a general rule, you owe use tax if you purchased merchandise and did not pay sales tax of 6 percent. Typically this happens when you purchase an item (for example, clothing, books, furniture, computers) by telephone, catalog, Internet, or in person from out-of-state businesses that do not add sales tax to your bill. While the use tax has been on the books since the 1930s, many Michigan residents are not fully aware of their obligation to pay it.



Do You Owe Use Tax?

With more and more Michigan taxpayers traveling, ordering from catalogs, and shopping on the Internet, many Michigan taxpayers are discovering they owe use tax on their purchases. Last year over 80,000 taxpayers met their obligation and paid use tax on their income tax form. To determine if you owe use (remote sales) tax, see page 11. The examples below may also be helpful.

You owe use tax if: (1) You bought a computer through a mail order company and were not charged sales or use tax. You owe 6 percent Michigan use tax on the purchase (including shipping and handling charges). (2) You bought a painting while traveling in Canada and paid the Canadian value-added tax. There is no credit given for tax paid to a foreign country. You owe 6 percent Michigan use tax on the purchase. (3) While visiting North Carolina, you purchased a sofa to be delivered and paid no North Carolina sales tax. You owe 6 percent Michigan use tax on the purchase.

You do not owe use tax if: (1) You bought a sweatshirt at SixFlags in Kentucky and paid Kentucky sales tax. (2) You ordered gourmet food from a cooking magazine. Since food for home consumption is not subject to Michigan sales or use tax, you do not owe Michigan use tax on the purchase.

The following are examples of companies that collect the tax for you and companies that leave the burden of compliance with you. They are intended as helpful guidelines and are **not all-inclusive**.

These companies collect Michigan tax. If you order from these companies your responsibility is met.

Amway Corporation
Borders Online, Inc.
Gateway Companies, Inc.
Eddie Bauer, Inc.
JC Penney Company, Inc.
QVC Network Inc.
Walt Disney Catalog Inc.

...and many more

These companies do not collect Michigan tax. If you order from these companies you need to file and pay tax. Save your receipts!

Amazon.com, Inc.
DAMARK International, Inc.
Dell Catalog Sales, L.P.
Fingerhut Companies, Inc.
L.L. Bean, Inc.
Lands' End, Inc.
Spiegel.com

...and many more



Who Benefits From Michigan's Use Tax?

Michigan Schools: The direct beneficiary of nearly three-quarters of all sales tax and a third of all use (remote sales) tax is the state's K-12 school system.

Local and State Services: Local and state government services such as libraries, fire departments, road improvements, higher education, and public protection services are supported by sales and use taxes.

Michigan Retailers: Collection of this tax will ensure a level playing field for Michigan businesses. Without collection of this tax, out-of-state retailers enjoy a 6 percent competitive price advantage.

For more information, see page 11 or visit our Web site at www.treasury.state.mi.us

Need Help With Your Taxes?

We're Ready to Answer Your Questions



Visit Our Treasury Web Site at
www.treasury.state.mi.us

or

Call Our Tele-Help Numbers Below



Need Help With a Specific Tax Topic?

Call 1-800-827-4000

Tele-Help is an automated system of informative recordings about income tax and property tax credit topics. This service is available 24 hours a day, seven days a week. See page 7 for Tele-Help code numbers and topics.



Need to Check on Your Refund?

Call 1-800-827-4000

Allow at least eight weeks for the processing of your 2001 refund before calling the Computerized Return Information System (CRIS). You must have the primary filer's Social Security number and adjusted gross income or household income to get refund information. CRIS will allow you to check on your refund once every seven days. If your return is selected for review, CRIS will tell you to allow an additional eight weeks for the processing of your refund.



Need to Speak With a Department Representative?

Call 1-800-487-7000

Call this number to speak with a department representative. Staff is available from 8 a.m. to 5 p.m., Monday-Friday. During tax processing season (February-April), staff is available from 7 a.m. to 7 p.m., Monday-Friday. Staff will be available for extended hours during April. Individuals answering these toll-free lines will answer specific questions on the preparation of the income tax forms and credit forms. **Refund information is not available at this number.** Deaf, hearing or speech impaired persons using a Text Telephone for the Deaf (TTY) can call 517-373-9419 for assistance. Have copies of your return and schedules available when you call; you may need to refer to them.

Important News for 2001

Tax Amnesty Available in 2002

See page 24 for details.

Increase in Special Exemption Allowances

The special exemption allowance is \$1,900 for 2001. A special exemption allowance can be claimed for you, your spouse (if filing jointly), and your dependents. However, if a dependent of the taxpayer files an income tax return, the taxpayer and the dependent cannot both claim the special exemption for the dependent. See page 12 for more information.

Increase in Pension and Interest Deduction

For tax year 2001, pension benefits included in adjusted gross income (AGI) from a private pension system or an IRA are deductible to a maximum of \$36,090 for a single filer, or \$72,180 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 2001, the deduction is limited to a maximum of \$8,048 for single filers and \$16,095 for joint filers.

New Qualified Adoption Credit

A new tax credit is available for adoptive parents beginning in 2001. To claim this credit, a taxpayer must be eligible for and claim the federal adoption credit. The maximum Michigan credit is \$1,200 per child. For more information, request Form MI-8839, Qualified Adoption Expenses (see page 6).

New Charitable Distribution Subtraction

Beginning with tax year 2001, a taxpayer may deduct 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. The deduction is limited to the amount of the charitable contribution included in federal adjusted gross income reduced by: (1) any deduction taken for pension or retirement benefits, and (2) two times the total amount of credits claimed for a public contribution credit, homeless shelter/foodbank credit, and the community foundation credit.

Michigan Education Savings Program (MESP)

Taxpayers may deduct, to the extent not deducted in determining adjusted gross income, the following:

- The total of all contributions during 2001 by the taxpayer to accounts established through the MESP. The deduction may not exceed \$5,000 for single filers or \$10,000 for joint filers per tax year. A deduction is not allowed for contributions to an MESP account if a withdrawal has been made from that account in any tax year.
- The amount of a distribution from individual retirement accounts that qualify under section 408 of the internal revenue code if the distribution is used to pay qualified higher education expenses as defined in the MESP Act.

Now Even Easier to Use Direct Deposit

Direct Deposit your Michigan income tax refund by completing the account information on page 2 of the Michigan MI-1040 Income Tax Return. Your refund is deposited safely into your bank account and is immediately available. Direct Deposit goes to the bank so you don't have to! See page 15.

Property Tax Credits/Refunds

A reminder from the IRS

Michigan homestead property tax credit and homestead exemption refunds received in 2001 may be taxable on your 2001 U.S. 1040. If you claimed an itemized deduction for property taxes on your 2000 U.S. 1040 and then received a refund in 2001 from the state or your local unit of government for a portion of those taxes, you must include that refund as income on your 2001 U.S. 1040. If you have questions about the taxability (for federal tax purposes) of the refunds call the IRS at 1-800-829-1040.

Use Tax

You may pay use tax that you owe for the 2001 tax year on your 2001 MI-1040, line 28. See pages 3 and 11 for more information on use tax.

A Note About Debts

Michigan law requires that any money owed to the state and other agencies be deducted from your refund or credit before it is issued. This includes money owed for past-due taxes, school 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 a computer generated Income Allocation to Non-Obligated Spouse (Form 743, formerly C-4297) after the return is filed. Completing and filing this form may limit the portion of the refund that can be applied to a liability. If Treasury applies all or part of your refund to any of these debts, you will receive a letter of explanation.

Where to Get Forms

- **Internet:** Forms are available on our Web site at: www.treasury.state.mi.us
- **Fax:** Dial 517-241-8730 from a fax phone to have 2001 Michigan tax forms sent to your fax machine 24 hours a day.
- **Phone:** Call 1-800-FORM-2-ME (367-6263). This toll-free line is available 24 hours a day.
- **Public Offices:** Forms are available at all Treasury offices listed on page 7. Commonly used forms are also available at most Michigan Secretary of State offices, post offices, and libraries.

When You Have Finished Sign your return

Review your return and, if applicable, attached credit forms. Make sure that your name(s), Social Security number(s) and address are on the form.

Your tax preparer must include the name and address of the firm he or she represents, and preparer tax identification or federal employer identification number. Check the box to indicate if Treasury may discuss your claim with your preparer.

Attachments

Assemble your returns and attachments and staple in the upper left corner. A sequence number is printed in the upper right corner of the following forms to help you assemble them in the correct order behind your MI-1040 form.

- MI-1040 Schedule 1
- Nonresident and part-year resident (Schedule NR)
- Farmland credit (MI-1040CR-5)
- Schedule CR-5
- Property tax credit (MI-1040CR or MI-1040CR-2)
- College tuition credit (Schedule CT)
- Federal schedules (see Table 1, page 8)
- Schedule of Apportionment (MI-1040H)
- Qualified Adoption Expenses (MI-8839)
- Direct Deposit of Refund (3174)

If you are also filing a home heating credit (MI-1040CR-7) or prescription drug credit (MI-1040CR-9) **do not** staple it to your return; fold it and leave it loose in the envelope.

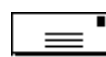
Mailing Labels

Review the label on the back cover of this book. If your name and address are correct, place the label on the top of page 1 of your tax return. If the information on your label is not correct, do not use the label. Enter the correct information on your return.

If you do not need a tax booklet next year, check the box near the top of your 2001 Michigan Income Tax Return (Form MI-1040).

Where to Mail Your Return

Mail refund, credit, or zero due returns to:



Michigan Department of Treasury
Lansing, MI 48956

To receive your 2001 refund faster, mail your 2001 return in a separate envelope. If you mail your 2001 return in the same envelope with a return for years prior to 2001, your 2001 refund will be delayed.

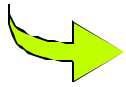
If you owe tax, mail your return to:



Michigan Department of Treasury
Lansing, MI 48929

Make checks payable to “State of Michigan” and print your Social Security number and the words “2001 income tax” on the front of your check. **Do not** staple your check to your return.

Michigan Tele-Help System



Tax Information at Your Fingertips!

Dial 1-800-827-4000

Tele-Help is an automated system of informative recordings about income tax and tax credit topics. Call 1-800-827-4000 anytime and listen for the Tele-Help instructions. This number operates 24 hours every day.

Tele-Help code numbers and topics

General Income Tax Information

- 151 Deceased taxpayers
- 192 Direct deposit
- 171 Electronic filing
- 181 Home electronic filing
- 131 Refund offsets
- 161 Repayments of income reported in a prior year (Claim of Right)
- 121 Requesting a copy of your return
- 151 Requirements for dependents, minors and students
- 151 Residency
- 111 Where to go for help
- 141 Who must file an income tax return and how to file

MI-1040

- 231 Additions and subtractions from income
- 211 Amended returns - Form MI-1040X
- 241 Capital gains and losses
- 242 Charitable Distribution Subtraction
- 292 College Tuition and Fees Credit
- 261 Community Foundations Credit
- 271 Deferred compensation
- 221 Estimated tax payments
- 271 Extensions
- 262 Historic Preservation Tax Credit
- 281 Homeless Shelter/Foodbank Credit
- 271 IRA Contributions and Distributions
- 232 Michigan Education Savings Program
- 212 Prior year returns
- 251 Public Contributions Credit
- 252 Qualified Adoption Expenses
- 293 Renaissance Zones
- 271 Tax status of U.S. obligations
- 201 Use tax

Credit Information

- 351 Difference between household income and adjusted gross income
- 361 Farmland Preservation Credit
- 331 Home Heating Credit
- 311 Homestead Property Tax Credit
- 341 Senior Citizen Prescription Drug Credit
- 321 Special situations for property tax credits

Miscellaneous Information

- 411 Homestead Exemption Affidavits

Treasury Offices

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

Main Office

LANSING, 48922
Treasury Building
430 W. Allegan St.
1-800-827-4000 (refunds)
1-800-487-7000 (information)

Deaf, hearing or speech impaired persons may call 517-373-9419 (TTY)

Other Offices

Detroit Office will be moving. We anticipate this move to be effective in May 2002. After April 2002, please call 1-800-487-7000 to verify the location prior to visiting the office.

Effective January - April 2002

DETROIT, 48226
State of Michigan Plaza Building
1200 6th St., 2nd Floor, N. Tower

Effective May 2002

DETROIT, 48202-6060
Cadillac Place, Suite 2-200
3060 W. Grand Blvd.

ESCANABA, 49829
State Office Building, Room 7
305 Ludington St.
(open 8 - 12 only)

FLINT, 48502
State Office Building, 7th Floor
125 E. Union St.

GRAND RAPIDS, 49503
State Office Building, 3rd Floor
350 Ottawa St., NW

MARQUETTE, 49855
1055 W. Baraga
(open for forms only)

SAGINAW, 48607
State Office Building, 1st Floor
411-I E. Genesee St.
(open for forms only)

STERLING HEIGHTS, 48314
41300 Dequindre, Suite 200

TRAVERSE CITY, 49684
701 S. Elmwood Ave., Box 14
(open 8 - 12 only)

Information for All Income Tax Filers

This booklet is intended as a guide to help you complete your return; it does not take the place of the law.

The index for this booklet is inside the backcover.

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. Keep a copy of your return and all supporting schedules for six years.

Adjusted Gross Income (AGI)

Throughout this book, we refer to adjusted gross income as AGI. Copy your AGI directly from your U.S. 1040 line 33, or U.S. 1040A line 19.

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 married filing jointly, you do not need to file a return unless you are claiming a refund of withholding. If single or married filing separately and your AGI is over \$1,500; or if married filing jointly and your AGI is over \$3,000, you must file a return. See instructions on page 12.

Important: If your income subject to tax (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.

Note: File as “single” only if you are not married, widowed, divorced or separated under court order.

Tax Credits

A tax credit may reduce your tax or increase your refund. Be sure to claim all the credits for which you qualify. You may be able to claim credits for the following:

- City income tax (page 13)
- Contributions made to some public institutions (page 13)
- Contributions made to certified community foundations (page 13)
- Cash contributions to homeless shelters/foodbanks (pages 13-14)
- Income tax paid to government units outside Michigan (page 14)
- Historic Preservation Tax Credit (page 14)
- College tuition and fees (page 14)
- Homestead property taxes and/or rent paid (pages 18-21)
- Farmland preservation (use Forms MI-1040CR-5 and Schedule CR-5)
- Qualified Adoption Expenses (page 14)

Rounding Dollar Amounts

Round down amounts less than 50 cents. Round up amounts of 50 through 99 cents. Do not enter cents.

When to File Your Return

Your return must be postmarked no later than April 15, 2002. Payment must be included with your return.

Make your check payable to “State of Michigan” and be sure to write your Social Security number(s) and the words “2001 income tax” on the front of the check. You will be charged penalty and interest on tax not paid by April 15, 2002.

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 9.

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 every month until you file and pay. Maximum late penalty is 50 percent of the balance of tax due. Minimum late penalty is \$10 for the first month. If you pay late, you must add penalty and interest to the amount due. The interest rate through June 30, 2002 is 8.0 percent. For interest rates after June 30, 2002, call 1-800-487-7000.

TABLE 1 - FEDERAL SCHEDULES

Taxpayers who file any of the following schedules or forms with their federal return must attach a copy to their Michigan income tax return:

Schedule B	Interest and Dividend Income (if over \$5,000)
Schedule C or C-EZ	Profit or Loss From Business
Schedules D & 4797	Capital and Ordinary Gains and Losses
Schedule E	Supplemental Income and Loss
Schedule F	Farm Income and Expenses
Form 2555	Foreign Earned Income
Form 3903 or 3903-F	Moving Expenses
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
Schedule R or 1040A, Schedule 3	Credit for the Elderly or Totally and Permanently Disabled
Form 4868	Application for Automatic Extension of Time to File U.S. Individual Income Tax Returns

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.

Information About 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. 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 34 the amount of tax you paid with your extension request. Attach a copy of your federal or state extension to your return.

2002 Estimate Payments

Usually, you must make estimate income tax payments if you expect to owe more than \$500 when you file your 2002 MI-1040. This is after crediting your property tax and farmland preservation credits and amounts you paid through withholding.

Common income sources which make estimate 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)
- Rental income.

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

Estimate payments are due April 15, 2002; June 17, 2002; September 16, 2002 and January 15, 2003.

If you are a fiscal-year filer, the due dates are the same as your federal estimate payment due dates.

If you filed estimates for 2001, Treasury will send you personalized forms for 2002. Otherwise, request Form MI-1040ES (see page 6).

Exceptions: If you owe more than \$500, you may not have to make estimate payments if you expect your 2002 withholding and credits to be at least:

- 90 percent of your total 2002 tax, **OR**
- 100 percent of your total 2001 tax.

Total 2001 tax is the amount on 2001 Form MI-1040, line 27, less the amount on lines 30, 31, 32, and 33.

Note: 2002 estimates for taxpayers with incomes of \$150,000 or more for joint or single filers (\$75,000 or more married filing separate), must equal 90 percent of the current year's liability or 112 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 2002 quarterly installment (with Form MI-1040ES) until as late as January 15, 2003 and pay the entire amount of your 2002 estimated tax due, **OR**
- File your 2002 MI-1040 return and pay the entire amount of tax due on or before March 3, 2003.

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 you meet the criteria for wages that cannot be withheld for taxes in Title 46, Shipping, USC, Sec. 11108.

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 (See "Reciprocal States" on page 10) state 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 line 23 and the example on page 14.

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 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 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 information on page 20.

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 page 10).
- 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.

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 Michigan Nonresident and Part-Year Resident Schedule (Schedule NR).

Deceased Taxpayers

The estate of a taxpayer who died in 2001 (or 2002 before filing a 2001 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 2001 MI-1040 or MI-1040EZ.

The surviving spouse may file a joint return for 2001. Write your name and the deceased's name and both Social Security numbers on the MI-1040. Write "deceased" or "DECD" after the deceased's name. You must report the deceased's income. Sign the

return. In the deceased signature block, write "Filing as surviving spouse." Enter the deceased's date of death in the "Deceased Taxpayers" box directly above the signature block on the bottom of page 2.

If, as a personal representative, you are claiming a refund for the deceased, you must attach a *Statement of Person Claiming a Refund Due a Deceased Taxpayer* (U.S. 1310) or Michigan Claim for Refund Due a Deceased Taxpayer (MI-1310). Enter the deceased's name on line 1 of the return and your name as follows:

John Brown, Est. of
Jane Brown, Rep.

Use the deceased's Social Security number and your address. Enter the date of death in the "Deceased Taxpayers" box directly above the signature block on the bottom of page 2.

See the "Deceased Claimant" instructions (on page 20) for information about filing a credit claim.

Amended Returns

If you made a mistake on your return, correct it by filing Form MI-1040X, Amended Michigan Individual Income Tax Return. 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 an MI-1040X within 120 days of the change. Include payment of any tax and interest due.

You can amend a homestead property tax credit or farmland preservation credit claim by filing a revised claim form clearly marked "amended." Attach a completed MI-1040X to the front of the amended credit form.

Net Operating Losses

The computation of a Michigan net operating loss (MNOL) and a Michigan net operating loss deduction (MNOLD) was revised in 1999. The deduction for a carryback or carryforward of a net operating loss

is no longer limited to federal modified taxable income (FMTI).

The FMTI limitation for household income, however, is still in effect.

If you have a federal net operating loss deduction, you must add back the federal deduction on your MI-1040 Schedule 1, line 6, to the extent included in federal adjusted gross income. Compute your MNOL and MNOLD by completing Form MI-1045, Application for Michigan Net Operating Loss Refund. File an MI-1045 to claim a refund for a carryback deduction. Returns for tax years affected by carryforward deductions must have Form 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 2001 which you claimed as income in a previous year (e.g., unemployment benefits), you may be entitled to a credit on your 2001 return for the tax paid in an earlier year.

If the subtraction of repayment was included 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. 1040, line 65, a credit will be allowed on the Michigan return.

To compute your Michigan credit, multiply the amount you repaid in 2001 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 your MI-1040, line 33. Write the words "Claim of Right/Repayment" next to line 33.

Attach a schedule showing the computation of the Michigan credit, proof of the repayment, and the portion of your federal return showing the deduction or credit claimed.

Use Tax

If you have paid the tax for your out-of-state purchases, check Box “a” on your 2001 MI-1040, line 28. If you are unsure, read the following.

Every state that has a sales tax has a companion tax for purchases made outside that state or 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 sales made remotely (i.e., outside of Michigan). While the use tax has been on the books since the 1930s, many Michigan residents are not fully aware of their obligation to pay it.

You owe this tax on purchases for “storage, use or consumption in Michigan of tangible personal property” from companies that do not collect Michigan sales or use tax. This includes mail order and Internet purchases as well as purchases while traveling in foreign countries and other states. You do not have to pay Michigan use (remote sales) tax if:

- Michigan sales or use tax was paid to the seller, or
- The seller charged another state’s sales tax (including local sales taxes) of at least 6 percent on purchases, or
- Purchases made outside Michigan in a calendar month did not exceed \$10. If total purchases for the month exceed \$10, then all purchases are subject to tax.

Use tax must be paid on the total price (including shipping and handling charges) of all taxable items purchased from out-of-state retailers who do not collect Michigan tax.

Examples of Taxable Items

The following are examples of purchases subject to use (remote sales) tax, only if you have not already paid a tax of at least 6 percent:

- Out-of-state catalog, Internet or mail order purchases
- Purchases made outside of Michigan

- Vacation/travel purchases made in another state

Note: There is no credit given for tax paid on purchases made in a foreign country. Use tax is owed when the item is brought into Michigan.

Businesses That Collect Use Tax

An out-of-state business that does not have a store, warehouse or employees in Michigan does not have to register and collect Michigan use tax. However, many out-of-state businesses voluntarily collect use tax for their customers. Michigan tax must be itemized separately on the out-of-state seller’s invoice.

How to Pay Use Tax

You may pay use tax on your MI-1040. Use Worksheet 1 to calculate your tax. Check the box on line 28 that applies to your situation and enter the amount of tax due, if any, on line 28.

Worksheet Calculation

Line 1: For purchases under \$1,000, if you know the amount multiply your total purchases times 6 percent (.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 the Use Tax Table to estimate your taxes. (See the example.)

Line 1 should contain a number unless you made no purchases under \$1,000 subject to the use tax.

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

Line 3: Total Use Tax due (total of Line 1 and Line 2).

WORKSHEET 1 - USE TAX

Line 1: Itemized purchases under \$1,000 x 6 percent (.06) **OR**
Use Tax Table amount: \$_____

Line 2: Single purchases each over \$1,000 x 6 percent (.06): \$_____

Line 3:
Total Use Tax Due: \$_____
(Total of Line 1 and Line 2)

Enter amount from Line 3 above on your 2001 MI-1040, line 28, and check **Box “b.”**

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 adjusted gross income (AGI) is \$46,500. Kurt would complete Worksheet 1 as follows:

Line 1: Kurt selects \$23 from the table based on his AGI \$23.00

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

Line 3: Total use tax due \$109.25

Kurt would enter \$109 (no cents) on his 2001 MI-1040, line 28, and check **Box “b.”**

For more information see our Web site at: www.treasury.state.mi.us/faqs/faque.htm

Using the Use Tax Table to estimate your taxes does not preclude the Michigan Department of Treasury from auditing your account. If it is determined that additional tax is due, you may receive an assessment for the amount of the tax owed, plus applicable penalty and interest.

TABLE 2 - USE TAX

“Remote Sales”

Adjusted Gross Income*	Tax
\$0-\$10,000	\$3
\$10,001-\$20,000	\$8
\$20,001-\$30,000	\$13
\$30,001-\$40,000	\$18
\$40,001-\$50,000	\$23
\$50,001-\$75,000	\$31
\$75,001-\$100,000	\$44
Above \$100,000	Multiply AGI by 0.05% (.0005)

* Adjusted Gross Income from MI-1040, line 10, or MI-1040EZ, line 7

Line-by-Line Instructions for Form MI-1040

Lines not listed are explained on the form.

Line 1: Only married filers may file joint returns.

Lines 2 & 3: Write your Social Security number(s) here even if you are using a label.

Check the box below your address if someone else prepares your return and you DO NOT need a book mailed to you next year.

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 (see page 9 for estimate filing information).

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. 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.

Line 8: Residency. Check the box that describes your Michigan residency for 2001. 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. If you were a part-year resident, list the dates you were a Michigan resident and complete Schedule NR. (For definition of residency, see page 9.)

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

a and b) If your parents (or someone else) can claim you as a dependent on their return, check the box and complete Worksheet 2.

c) See Worksheet 2 below.

d) Enter the number of exemptions you claimed on your U.S. 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 \$2,900 and enter that amount in the box.

Special exemptions. Complete the lines that apply to you, your spouse or dependents as of December 31, 2001. If your dependent files an annual return, you and your dependent may not both claim the special exemption.

e) 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.

f) Deaf. You qualify for this exemption if the primary way you receive messages is through a sense other than hearing, for example, lip reading or sign language.

Disabled or blind. You qualify for this exemption if you are blind,

hemiplegic, paraplegic, quadriplegic or totally and permanently disabled. 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.

g) Child 18 and Under. Deduct \$600 for each child 18 and under as of December 31, 2001 whom you claim as a dependent.

h) Unemployment compensation. Check this box if 50 percent or more of your combined AGI (MI-1040, line 10) is from unemployment compensation. If you checked the box, enter \$1,900 in the space provided.

Line 10: Adjusted Gross Income (AGI). Enter your AGI from your federal return. This is the amount from your U.S. 1040, line 33; U.S. 1040A, line 19. You must attach copies of federal schedules that apply to you (see Table 1 on page 8). For Michigan adjustments to AGI see Form MI-1040 Schedule 1, page 29. Instructions for completing Schedule 1 begin on page 15.

Line 17: Tax. Multiply the amount on line 16 by 4.2 percent (.042). Enter here and on line 18.

WORKSHEET 2

FILER ELIGIBLE TO BE CLAIMED AS A DEPENDENT

Is your adjusted gross income (the amount on line 10) over \$1,500 if single or married filing separately, or over \$3,000 if married filing jointly?

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

YES. If married and both you and your spouse can be claimed as dependents, enter "0" on line 9d and \$3,000 on line 9c.

YES. If married and only one of you can be claimed as a dependent, enter "1" on line 9d, \$2,900 on line 9d, and \$1,500 on line 9c.

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

YES. Enter "0" on lines 9 and 27, and complete line 10 and lines 28 through 39 of this form.

NO. You do not need to file this return.

Line 19: City Income Tax Credit.

Everyone who pays Michigan income tax is allowed partial credit for income tax paid to Michigan cities. Use Worksheet 3 to compute the credit. Net city income tax paid in 2001 is the total of:

- City income tax withheld from wages in 2001 reported on your W-2;
- Amount of tax paid with a Michigan city income tax return filed in 2001 (do not include penalty and interest);
- Estimated city income tax payments paid in 2001;
- Less any city income tax refund received in 2001.

19a: Enter your net city income tax paid in 2001.

19b: Enter your city income tax credit. Use Worksheet 3 to compute the credit.

Note: Treasury may request receipts for credits claimed on lines 20, 21 and 22. Cancelled checks will not be accepted in place of receipts.

Line 20: 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 fundraising organizations
- The Michigan Colleges Foundation
- The State Art in Public Places Fund
- The Michigan Historical Center
- Michigan public libraries
- Michigan public broadcasting stations
- A Michigan municipality or a nonprofit corporation affiliated with a Michigan municipality and an art institute in that municipality 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.

20a: Enter the total amount of public contributions.

20b: Enter the credit which is the **smaller** of:

- 50 percent of the contribution reported on line 20a, or
- \$100 (\$200 for a joint return).

Line 21: Community Foundations Credit.

A partial income tax credit is allowed when you donate to an endowment fund of one of the certified community foundations or component funds listed on page 44. Enter the code number in the box on line 21. You must enter the proper code to receive credit.

21a: Enter the total contribution amount.

21b: Enter the credit which is the **smaller** of:

- 50 percent of the contribution reported on line 21a, or
- \$100 (\$200 for a joint return).

Line 22: Homeless Shelter/Food Bank Credit.

A partial income tax credit is allowed 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. Donations to organizations such as secondhand stores and churches which provide other services or shelter and food as a secondary purpose do not qualify for this credit.

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

- Cash or check;
- 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 Internal Revenue Code (IRC).

22a: Enter the total cash contributions.

WORKSHEET 3 - CITY INCOME TAX CREDIT			
To Determine Net City Income Tax			
Step 1	Add:		
	• City income tax withheld from wages in 2001 (as shown in box 19 on your W-2s)00
	• Amount of tax paid with a Michigan city income tax return filed in 2001 (do <u>not</u> include penalty and interest)	+	.00
	• Estimated city income tax payments paid in 2001	+	.00
	Subtotal		.00
Subtract:			
• Any city income tax refunds received in 2001	-	.00	
Total net city income tax paid. Carry to line 19a	=	.00	
To Determine Your City Income Tax Credit			
If Your Total Net City Income Tax Paid (MI-1040, line 19a) 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.....
	.00	.00	.00
	x .20	Subtract..... - \$100.00	Subtract..... - \$150.00
	CREDIT. Carry to line 19b.....	.00	.00
	.00	Multiply..... x .10	Multiply..... x .05
		.00	.00
	Add..... + 20.00	Add..... + 25.00	
	.00	.00	
	CREDIT. Carry to line 19b.....	CREDIT. Carry to line 19b.....	CREDIT. Carry to line 19b.....
	than \$10,000.00	.00	.00

22b: Enter the credit which is the **smaller** of:

- 50 percent of the contribution reported on line 22a, or
- \$100 (\$200 for a joint return).

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 your MI-1040 (see page 44).

Line 23: Credit for Income Tax Imposed by Government Units Outside Michigan. Include the amount of income tax paid to:

- A nonreciprocal state (see page 10)
- 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 8-18 of MI-1040 Schedule 1 (i.e., rental or business income from another state, part-year resident wages, etc.). If you claim credit for Canadian provincial tax, you must file a *Resident Credit for Tax Imposed by a Canadian Province* (Form C-4402RC). Attach copies of your *Canadian Federal Individual Tax Return* (Form T-1), Canadian Form T-4, *Foreign Tax Credit* (U.S. 1116) and U.S. 1040. Your credit is limited to the portion of your Canadian provincial tax not used as a credit on your U.S. 1040.

23a: 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.

23b: 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 23b. Figure your allowable credit as follows:

- Divide your non-Michigan income subject to tax by both states by your total income subject to Michigan tax (line 14); then:

- Multiply the amount of tax shown on line 17 by the result.

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 example.

EXAMPLE: Computing Michigan resident's credit for tax imposed by a government unit outside Michigan.

Michigan wage	\$18,000.00
Wages earned outside Michigan	12,000.00
U.S. Government bond interest	+ 1,000.00
Adjusted gross income (MI-1040, line 10)	31,000.00
U.S. Government bond interest	- 1,000.00
Total income subject to tax (MI-1040, line 14)	30,000.00
Percent of non-Michigan income to total (\$12,000/\$30,000)	40%
Taxpayer has 2 exemptions (2 x \$2,900.00)	5,800.00
Taxable Income (MI-1040, line 16)	24,200.00
Tax 4.2% (.042) (MI-1040, line 17)	1,016.00
Tax imposed by a government unit outside Michigan.	
Enter this amount on your MI-1040, line 23a	700.00
Credit limit is 40% of 1,016.00.	
Enter this amount on your MI-1040, line 23b	\$ 406.00

Line 24: 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 2001 Historic Preservation Tax Credit, Form 3581.

24a: Enter the amount from your 2001 Form 3581, line 10.

24b: Enter the amount from your 2001 Form 3581, line 11e.

Line 25: Enter the college tuition and fees credit from Schedule CT, line 4.

Line 28: Use Tax. Check the box that applies to you and enter the appropriate amount on line 28. See use tax information on page 11.

Line 30: Property tax credit information begins on page 18.

Line 31: Farmland preservation credit applies to farmers only.

Line 32. Qualified Adoption Expenses. Enter the amount from your Michigan Qualified Adoption Expenses, Form MI-8839, line 10. Attach a completed U.S. 8839, *Qualified Adoption Expenses*, and a completed MI-8839.

Line 33: Enter the total **Michigan** tax withheld from all of your W-2s. If applicable, include any credit for repayments under the “Claim of Right.” See “Repayments of Income Reported in a Prior Year” on page 10.

Line 34: Enter the total estimated tax paid with your 2001 Michigan Estimated Individual Income Tax Vouchers, Form MI-1040ES, the amount paid with an Application for Extension of Time to File Michigan Tax Returns, Form 4, and the amount of your 2000 overpayment applied to this year’s tax (from 2000 MI-1040, line 37).

Line 36: Tax Due. If line 35 is less than line 29, 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 at 5 percent per month up to a maximum of 50 percent (i.e., penalty on a \$500 tax due will be \$250 if the tax is unpaid for 10 months). See “Penalty and Interest Added for Filing or Paying Late” on page 8. Add penalty and interest to your tax due and enter the total on line 36. If you owe more than \$500 and are required to make estimate payments, see **special note** below. 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 form.

Special note for people required to file estimates. You may owe penalty and interest for underpayment, late payment or for failing to pay estimates.

Use the Underpayment of Estimated Income Tax (Form 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 an MI-2210. If you file Form MI-2210, check the box on line 36a and enter the penalty and interest amounts on the lines provided.

Richard and Cindy Jones
123 Main Street
Anytown, MI 49111

SAMPLE

Date: _____

1800

\$ _____

Dollars

ANYTOWN BANK
Anytown, MI 49111

Routing Number Account Number
|: 270000065 |: 3000000915 " • 01800

Do not include check number

Line 39: 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 your MI-1040 form.

Direct Deposit

Check with your financial institution to make sure they will accept direct deposit, and to get the correct Routing Number (RTN) and Account Number. Some financial institutions do not allow a joint refund to be deposited into an individual account. Check with your financial institution.

a. Routing Number (RTN). Enter the nine-digit routing number. The routing number is usually found between the symbols |: and |: on the bottom of your check (see check sample). The first two digits must be

01 through 12 or 21 through 32. If an incorrect number is entered, the direct deposit will be rejected and a check sent instead.

b. Account Type. 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 routing number on the bottom of your check (see check sample). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave unused boxes blank. Do not include the check number.

Sign Your Return

Each spouse must sign a joint return. If the preparer is someone other than the

taxpayer, he or she must include the name and address of the firm he or she represents and preparer tax identification or federal employer identification number. Check the box to indicate if Treasury may discuss your return with your preparer.

Attach all your credit claims and required Michigan and federal schedules (see Table 1, page 8). If you owe tax, enclose your payment, but do not staple it to the return. Checks stapled under the W-2 or to the back of the return may not be seen and may result in improper processing.

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."

Line-by-Line Instructions for MI-1040 Schedule 1

Part-year and nonresidents, complete Schedule NR (see page 37) 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 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 Form **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 subject to allocation provisions.

If you reported gains on U.S. 4797 on property acquired before October 1,

1967, adjust the gain on Michigan Form **MI-4797**.

Enter gains from the Michigan column of your MI-1040D, line 17, or MI-4797, line 18b. 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. Attach a Schedule of Apportionment (Form MI-1040H).

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

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

- Add to the extent not included in adjusted gross income the amount of money withdrawn in the tax year from a Michigan Education Savings Program (MESP) account if the withdrawal was not a qualified withdrawal as provided in the MESP Act.
- Amount of net operating loss deduction (NOL carryforward) used to reduce AGI (see page 10).
- Net loss included in AGI from Michigan gas and oil royalty interest or working interest.
- 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 2001 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. If you financed your MET contract with a MET-secured loan, deducted the cost of that contract and then defaulted on the loan, enter the amount paid in 2001 by MET to repay the portion of your defaulted loan.

Subtractions From Income

Note: Part-year and nonresidents subtract only the amounts included in income attributable to Michigan (column B of Schedule NR) on all lines except line 11.

Line 8: Enter income from U.S. government obligations (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 of these holdings to their shareholders.

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

Capital gains from the sale of U.S. government obligations must be adjusted on Michigan Form 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 Michigan Forms **MI-1040D, line 17, and MI-4797, line 18b.** See instructions for MI-1040 Schedule 1, line 3.

Line 11: Income Attributable to Another State. Nonresidents and part-year residents, complete Schedule NR. See instructions on page 38. Attach federal schedules.

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

Capital gains from the sale of real property located outside of Michigan must be adjusted on Michigan Form 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 tax imposed by governmental units outside Michigan (see page 14).

Residents may subtract:

- Business income earned in other states and included in AGI, and
- Net rents and royalties from real 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) 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 59 1/2 or described by Section 72(t)(2)(A)(iv) of the IRC.
- 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).
- Benefits from any of the previous received as a surviving spouse.

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
- \$36,090 if you are a single filer, \$72,180 if you are married, 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 listed above (\$36,090 single filer or \$72,180 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 \$36,090. If you are married filing jointly, deduct the amount in step 1 from \$72,180.

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. See Example A on the back of Schedule 1 on page 30.

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 Section 457 and distributed under Section 401(k) of the Internal Revenue Code.
- 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 \$8,048 on a single return or \$16,095 on a joint return. However, the maximum must be reduced by the pension subtraction. See Example B on the back of Schedule 1 on page 30.

Line 14: Enter only the taxable portion of Social Security and Tier 1 railroad benefits included on your U.S. 1040, line 20b, or your U.S. 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 at your local level.

- Must not be delinquent for any state or local taxes abated by the Renaissance Zone Act.
- Must file an MI-1040 each year.
- Have gross income of not more than \$1 million.

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 2001, 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 your MI-1040. (See “Special Note” on the back of Schedule NR, page 38.)

For additional information regarding qualifications for the renaissance zone deduction, call the Michigan Economic Development Corporation at 517-373-6206.

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 tax refund and homestead property tax credit exceeds the business portion of your homestead property tax credit.

Line 17: You may deduct to the extent not deducted in calculating adjusted gross income, the following:

- The total of all contributions made during 2001 by the taxpayer in the tax year to accounts established through the Michigan Education Savings Program. The deduction may not exceed \$5,000 for a single return or \$10,000 for a joint return per tax year. A deduction is not allowed for contributions to an education savings account if a withdrawal has been made from that account in any tax year.
- The amount of a distribution from individual retirement accounts that qualify under section 408 of the Internal Revenue Code if the distribution is

used to pay qualified higher education expenses (tuition, books, fees, etc.) at a postsecondary educational institution.

Line 18: Miscellaneous subtractions include:

- Contributions to national or Michigan political parties or candidates. The maximum deduction is \$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. *Work Opportunity Credit* (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 Michigan Form MI-1040D, line 18, or MI-4797, line 18b.
- Amount used to determine the credit for elderly or totally and permanently disabled from U.S. *Schedule R*, line 19, or U.S. *1040A Schedule 3*, line 19.
- Michigan net operating loss deduction. Attach MI-1045. See page 10.
- Net income included in AGI from Michigan gas and oil royalty interest or working interest.
- If you purchased a Michigan Education Trust (MET) contract during 2001, you may deduct the total contract price (including the enrollment fee).
- If you purchased a MET payroll deduction or monthly purchase contract, you may deduct the amount paid on that contract during 2001 (not including fees for late payments or insufficient funds). You should receive an annual statement from MET specifying this amount.
- If you purchased a MET contract between 1988 and 1990 with a MET-secured loan and have not deducted the

total contract price, you may deduct the principal amount paid on the secured loan during 2001.

- Taxable benefits the **purchaser** received and included in AGI during 2001 because the MET contract was terminated.
- Any part of a qualified withdrawal from a Michigan Education Savings Program account included in AGI.
- Holocaust victim payments.
- 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.

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.)

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 the Michigan Department of 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 filing(s).

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 2001.
- 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 you plan to return to 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 23.

Which Form to File

Most filers should use Form MI-1040CR in this book.

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 Form MI-1040CR-2 and complete a MI-1040CR and a MI-1040CR-2. **Use the form that gives you a larger credit.** If you are blind and rent your homestead, you cannot use the MI-1040CR-2. Claim your credit on Form MI-1040CR and check the appropriate box on line 6.

When to File

If you are not required to file a Michigan income tax return (Form MI-1040), you may file your credit

claim as soon as you know your 2001 household income and property taxes levied in 2001. If you file a Michigan income tax return, your credit claim should be attached to your MI-1040 return which is due April 15, 2002.

Amending Your Credit Claim

Use the MI-1040X form and attach a copy of your corrected credit 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

Some 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 about delaying payment of your property taxes.

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. See instructions beginning on page 21.

Household income does **NOT** include:

- Payments received under 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 Family Independence Agency may pay your rent directly to the landowner.)

- Money received from a government unit to repair or improve your homestead.
- Surplus food.
- State and local income tax refunds and homestead property tax credits.
- Chore service payments. (These payments are income to the provider but not the person receiving the service.)
- The first \$300 from gambling, bingo, lottery, awards or prizes.
- The first \$300 in cash or expenses paid on your behalf by a family member or friend.
- Loan proceeds.
- Inheritance **from a spouse**.
- Life insurance benefits **from a spouse**.
- Amounts deducted from Social Security or railroad retirement benefits for Medicare premiums.
- Life, health and accident insurance premiums paid by your employer. However, if you pay medical insurance or health maintenance organization (HMO) premiums for you or your family, you may deduct the cost from household income.

Property Taxes That Can Be Claimed for Credit

Ad valorem property taxes that were levied on your homestead in 2001, including collection fees up to 1 percent of the taxes, can be claimed no matter when you pay them. You may add to your 2001 taxes the amount of property taxes billed in 2001 from a corrected or supplemental tax bill. You must deduct from your 2001 property taxes any refund of property taxes received in 2001 that was a result of a corrected tax bill from a previous year.

Do not include:

- Delinquent property taxes (e.g., 2000 property taxes paid in 2001).

- Penalty and interest on late payments of property tax.
- Delinquent water or sewer bills.
- Property taxes on cottages or second homes.
- Special assessments (for drains, sewers, etc.) that are not based on taxable value or are not applied to the entire taxing jurisdiction.

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.

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

For 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. The calculations are as follows:

Step 1: $\$395 \times 12 = \$4,740$ annual rent
 $\$4,740 \times .20 = \948 taxes attributable to the apartment
 $\$2,150$ total taxes - $\$948 =$
 $\$1,202$ taxes attributable to owner's homestead

Step 2: $\$2,150$ total taxes - $\$858$ taxes claimed as a business deduction = $\$1,292$ taxes attributable to homestead

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

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 10 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 10 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 2001 on line 18 or include it in net farm income on line 16.

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

Rent That Can Be Claimed 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 live in housing on which **service fees** are paid instead of taxes, 10 percent of your rent can be claimed for credit. If the landlord says your tax share is less than 10 percent, use the amount the landlord gives you.

- 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.

- **Mobile home park residents**, claim the \$3 per month specific tax on

line 8, plus 20 percent of the balance of rent paid on line 9.

- 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**, the landlord should be able to exclude the board portion of your payment and tell you the amount that goes toward your room. You may claim 20 percent of your room rent as taxes.

You may also determine your tax that can be claimed for credit based on square footage. For 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.

Step 1: $600/62,000 = .0097$

Step 2: $\$54,000 \times .0097 = \524 taxes you can claim for credit.

If You Moved in 2001

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 9 and domicile on page 18.)

If you bought or sold your home, you must prorate your taxes. Complete Form MI-1040CR, lines 36-42, to determine the taxes that can be claimed for credit. Use only the taxes levied in 2001 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 29). Complete MI-1040CR, lines 36-42, to determine the taxes to claim 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. If you would rather figure it yourself, divide the amount of property tax levied on the facility in 2001 by the number of residents the facility is licensed for. 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 2001 (or 2002 before filing a claim) may be entitled to a credit for 2001. The surviving spouse or personal representative can claim this credit.

The surviving spouse may file a joint claim with the deceased. Enter both names and Social Security numbers on the form, and write "deceased" or "DECD" after the deceased's name.

Sign the return and write "Filing as a surviving spouse" in the deceased's signature block. Enter the date of death in the "Deceased Taxpayers" box directly above the signature block on the bottom of page 2. Include the deceased's income in household income.

The personal representative must prorate taxes to the date of death. Complete lines 38-42 of the MI-1040CR, to help prorate the property taxes. Annualize household income. See instructions for lines 30 and 35 on page 23. Attach a copy of the tax bills or rent receipts. Also submit a copy of U.S. 1310 or an MI-1310.

On line 1, enter the names of the deceased and personal representative in the following order:

Joe Lane, Est.of
Mary Jones, Rep.

Use the deceased's Social Security number and the personal representative's address. Enter the date of death in the "Deceased Taxpayers" box directly above the signature block on the bottom of page 2.

Married During 2001

If you married during 2001, combine each spouse's share of taxes or rent for the period of time he or she lived in separate homesteads. Then add the 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 30.

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 2001

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 example, Bob and Susan separated on October 2, 2001. 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 your MI-1040CR, line 41, column A.

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

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

Single Adults Sharing a Home

When two or more single people share a home, each may file a credit claim if each has contracted to pay rent or owns a share of the home. Each 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 Form MI-1040CR

Lines not listed are explained on the form.

Identification

Lines 1, 2 and 3: If you are filing this form with an income tax return (MI-1040), you do not need to enter your address on this form, but you must enter your name(s) 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: If you and your spouse had a different residency status, check the box that applies to each spouse.

Line 6: Check the box(es) that apply to you or your spouse.

a) Age 65 or older. You are a senior citizen if you were 65 by December 31, 2001.

b) Unremarried surviving spouse. Check this box if you are the unremarried spouse of a person who was 65 or older at the time of death. You are considered 65 the day before your 65th birthday.

c) Paraplegic, quadriplegic, or hemiplegic. Check this box if you or your spouse was paraplegic, quadriplegic or hemiplegic as of December 31, 2001.

d) Totally and permanently disabled. Check this box if you or your spouse were totally and permanently disabled as of December 31, 2001 (as defined under Social Security Guidelines 42 USC 416).

e) Blind/Deaf. Check this box if you or your spouse are blind or deaf (see page 12, line 9f instructions).

Property Tax and Household Income

Include all taxable and nontaxable income you and your spouse received in 2001. 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" and "Property Taxes That Can Be Claimed for Credit" on pages 18-19.)

Line 7: If you own your homestead, enter the 2001 taxable value from your 2001 property tax statement. 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 8: Read "Property Taxes That Can Be Claimed for Credit" on page 19 before you complete this line.

Line 12: Enter all compensation received as an employee. Include strike pay, supplemental unemployment benefits (SUB pay), deferred compensation received, sick pay or long-term disability benefits, including income protection insurance.

Line 14: Enter the total of the amounts from the following U.S. forms: *Schedule C* (business income or loss); *4797* (other gain or loss); and *Schedule E* (rents, royalties, partnerships, S corporations, estates and trusts). Include amounts from sources outside Michigan. **Attach these schedules to your claim.**

Line 15: Enter all annuity, pension and IRA benefits and the name of the payer. This should be the taxable amount shown on your U.S. *1099-R*. If no taxable amount is shown on your U.S. *1099-R*, use the amount required to be included in AGI. Enter zero if all of your distribution is from your contributions made with income previously included in adjusted gross income. The amount you are reporting should 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. *4972*.

Line 16: Enter the amount from U.S. *Schedule F* (farm income or loss). Attach *Schedule F*.

Line 17: Enter all capital gains. This is the total of short- and long-term gains, less short- and long-term losses from your U.S. *Schedule 1040D*, line 17 (for gains) or line 18 (for losses). 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 18: Enter alimony and other taxable income received. Describe other taxable income.

This includes:

- Awards, prizes, lottery, bingo and other gambling winnings over \$300.
- Farmland preservation tax credits, if not included in farm income on line 16.

Line 19: Enter your Social Security, Supplemental Security Income (SSI) and 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. Do **not** include the amount deducted for Medicare.

Line 20: Enter child support and all payments received as a foster parent. **Note:** If you received a *2001 Child Support Annual Statement* 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 24.

Line 22: 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 (exclude 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;
- Amounts paid directly to you as a scholarship, stipend, grant or GI bill benefits; and
- Reimbursement from dependent care and/or medical care spending accounts.

Also include payments made on your behalf except government payments made directly to an educational institution or subsidized housing project.

Line 23: Enter workers' compensation benefits, service-connected disability compensation and pension benefits from the Veterans Administration. Veterans receiving retirement benefits should enter their benefits on line 15.

Line 24: Enter the total payments made to your household by the Family Independence Agency (FIA) and all other public assistance payments. Your *2001 Child Support Annual Statement(s)* mailed by FIA in January 2002 will show your total FIA payments. Your statement(s) may include the following: Family Independence Program assistance (FIP), State Disability Assistance (SDA), Refugee Assistance, Repatriate Assistance and vendor payments for shelter, heat and utilities. **Note:** If you received a *2001 Annual Statement*, subtract the amount of child support payments entered on line 20 from the total FIA payments and enter the difference here.

Line 26: Enter total adjustments from your U.S. *1040*, line 32, or U.S. *1040A*, line 18. Identify adjustments to income.

These adjustments reduce household income:

- Payments to an individual retirement account (IRA), Keogh (HR 10), SEP, or SIMPLE plans
- Student loan interest deduction
- Medical savings account deduction
- Moving expenses
- Deduction for self-employment tax
- Self-employed health insurance deduction
- Forfeited interest penalty for premature withdrawal
- Alimony paid

Also enter the amount of a net operating loss (NOL) deduction. **Note:** A deduction for a carryback or carryforward of an NOL cannot exceed federal modified taxable income. Attach your Application for Net Operating Loss Refund (Form MI-1045).

Line 27: Enter medical insurance or HMO premiums you paid for yourself and your family (NOT MEDICARE). Include medical insurance premiums paid through payroll deduction. Include the portion of auto insurance paid for medical coverage. Do **not** include insurance premiums deducted on line 26 or amounts paid for income protection insurance.

Property Tax Credit

Line 30: Multiply line 29 by 3.5 percent (.035) or the percentage from Table 3. **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 on this page. Then use the actual household income to compute the credit. See instructions for annualizing on this page.

Line 35: Taxpayers with household income over \$82,650 (line 29) 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 2001.

Step 2: Multiply the answer from step 1 by the claimant's household income (line 29). The result is annualized income.

Renters

See "Rent That Can Be Claimed for Credit" on page 19.

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 2001. If you need more space, attach an additional sheet. Do

not include more than 12 months' rent. 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.

Credit Proration

If you received Family Independence Program (FIP) assistance or other FIA benefits in 2001, your credit must be prorated to reflect the ratio of income from other sources to total household income.

Alternate Property Tax Credit for Renters Age 65 or Older

Line 55: Enter the rent paid from line 44 or, if you live in service fee housing, line 46. If you moved from one rental homestead to another during the last two years, enter here the smaller of:

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

TABLE 3: PERCENT OF TAXES NOT REFUNDABLE

	<u>Income</u>	<u>% of Income</u>
All General Claimants	\$0 - \$82,650	3.5%
Other Claimants*	\$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.

Tax Amnesty

Tax Amnesty Defined

On November 26, 2001, Public Act 168 was signed into law authorizing the Revenue Commissioner to waive all criminal and civil penalties provided by law for:

- Failing or refusing to file a return, or
- Failing to pay a tax, or
- Making an excessive claim for a refund of a tax administered under the Revenue Commissioner of the Department of Treasury, or
- Nonpayment of tax previously determined to be due.

To qualify for Amnesty a taxpayer must:

- Make a written request for a waiver, and
- File a return or an amended return, and
- Make full payment in either a lump sum or installments of the tax and interest due for any prior tax year.

The Commissioner will not waive criminal and civil penalties if any of the following circumstances apply:

- The tax is attributable to income derived from a criminal act,
- The taxpayer is under criminal investigation or involved in a civil action or criminal prosecution for that tax, or
- The taxpayer has been convicted of a felony under the Revenue Act or the Internal Revenue Code of 1986.

Qualifying Taxes and Tax Years

Amnesty is available for taxes due before June 1, 2001. Taxes include individual income, estate inheritance, intangibles, sales, use, withholding, single business, aviation fuel, diesel, gasoline, liquified petroleum gas, marine fuel, motor carrier diesel, cigarette, other tobacco products, public utility property and severance.

Filing Period for Amnesty

The State Treasurer has designated May 15, 2002 through July 1, 2002 as the filing period for tax amnesty.

Installment Payments

An individual taxpayer owing more than \$10,000, or a non-individual taxpayer owing more than \$100,000, may pay tax and interest due in installments if the taxpayer meets one of the following:

- The taxpayer is an individual and submits the greater of \$10,000 or 50 percent of the tax and interest due with the request for waiver and pays the remaining tax and interest due in two equal installments, the first installment due no later than August 15, 2002 and the second installment due no later than September 16, 2002. Taxpayers owing less than \$10,000 do not qualify for installment payments.
- The taxpayer is a non-individual and submits the greater of \$100,000 or 50 percent of the tax and interest due with the request for waiver and pays the remaining tax and interest due in two equal installments, the first installment due no later than August 15, 2002 and the second installment due no later than September 16, 2002. Non-individual taxpayers owing less than \$100,000 do not qualify for installment payments.

Additional Penalty for Failure to File During Amnesty Filing Period

A taxpayer who is eligible for amnesty and who does not apply for amnesty during the amnesty filing period is liable for an additional penalty equal to 25 percent of tax due. This penalty is in addition to any other interest or penalty due.

Voluntary Disclosure

If the taxpayer is eligible to enter into a voluntary disclosure agreement, an amnesty request will be treated as a voluntary disclosure request. Visit our Web site for more information on voluntary disclosure.

**For more information,
visit our Web site at
www.treasury.state.mi.us
or call our toll-free number
1-866-410-0002.**

EXAMPLE A: Computing Pension Deduction

John and Karen Jones file jointly and received the following income during 2001:

Michigan Public School Retirement System.....	\$12,000
Military Retirement Pay	\$ 8,000
General Motors Retirement Program	\$20,000
IRA Distribution	\$ 4,000

John and Karen are allowed to deduct the entire amount of pension income they receive from public/military retirement systems in determining Michigan taxable income. However, the maximum allowable private pension deduction must be reduced by the amount of public/military pension income claimed as a deduction.

Determining the private pension deduction:

Step 1: Add all public and military retirement benefits together. \$12,000 + \$8,000 = \$20,000

Step 2: Deduct the amount calculated in Step 1 from \$72,180 (use \$36,090 if a single filer). \$72,180 - \$20,000 = \$52,180

Step 3: Combine the total amount of private pension income including IRAs. \$20,000 + \$4,000 = \$24,000

Step 4: Determine which is smaller: the amount computed in Step 2 or Step 3. The \$24,000 from Step 3 is smaller and is the allowable private pension deduction.

Step 5: Determine the total pension deduction by adding the amounts computed in step 1 and step 4.

Total public and military pension income	\$20,000
Total allowable private pension deduction	<u>24,000</u>
Total 2001 pension deduction. Enter on MI-1040 Schedule 1, line 12	\$44,000

EXAMPLE B: Senior Citizen Interest, Dividend and Capital Gains Deduction

Joe and Susan are both 67 and file jointly. They received the following income during 2001:

Capital Gains	\$10,000
Pension	\$ 2,000
Social Security	\$ 4,800
Dividends	\$ 500
Interest	\$ 2,000

They may deduct the \$2,000 pension on their MI-1040 and the senior citizen interest, dividend and capital gains income as shown in Steps 1 through 3 below.

Determining the interest, dividend and capital gains deduction:

Step 1: Add all capital gains, dividends and interest income:

Capital Gains	\$10,000
Dividends	500
Interest	<u>2,000</u>
Total	\$12,500

Step 2: Subtract pension from the maximum capital gains, dividends and interest deduction of \$16,095 for joint filers (\$8,048 for single filers).

Maximum Deduction Amount	\$ 16,095
Less Pension Subtraction	<u>(2,000)</u>
Total	\$ 14,095

Step 3: Total interest, dividend and capital gains deduction is the smaller of the calculation from Step 1 or Step 2; \$12,500 is the allowable deduction. Enter this amount on MI-1040 Schedule 1, line 13.

When to File a Single Business Tax Return

Single Business Tax (SBT) is a tax on business activity conducted in Michigan. You (individuals) are required to file a single business tax return **IF** you have business activity in Michigan and your adjusted gross receipts are \$250,000 or greater for the 2001 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 a *W-2* form.

If you are required to file an SBT return and need an instruction booklet, visit our Web site at **www.treasury.state.mi.us**, or call 1-800-FORM-2-ME (367-6263) and we will mail a booklet to you.

If you have general questions about SBT, call the Customer Contact Division, Single Business Tax Section, at 517-373-8030, or visit Treasury's Web site at **www.treasury.state.mi.us**

Unclaimed Property

The Michigan Department of Treasury is holding millions of dollars in abandoned and unclaimed property belonging to Michigan residents. To check if the Treasury Department is holding funds for you or your family, visit our Web site at **www.treasury.state.mi.us**

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 2001.

- | | |
|-----------------------------------------------------|------------------------------------------------------|
| 01 Albion Community Foundation | Ionia County Community Foundation |
| 51 Alger Regional Community Foundation | Sparta Community Foundation |
| 56 Allegan County Community Foundation | Wyoming Community Foundation |
| 63 Anchor Bay Community Foundation | 46 Grand Traverse Regional Community Foundation |
| 02 Ann Arbor Area Community Foundation | Otsego Community Foundation |
| 49 Baraga County Community Foundation | 48 Gratiot County Community Foundation |
| 58 Barry Community Foundation | 18 Greater Frankenmuth Area Community Foundation |
| 17 Battle Creek Community Foundation | 37 Greenville Area Community Foundation |
| Athens Area Community Foundation | Montcalm Panhandle Community Fund |
| Homer Area Community Foundation | 43 Hillsdale County Community Foundation |
| Springfield Community Foundation | 60 Huron County Community Foundation |
| 03 Bay Area Community Foundation | 21 Jackson County Community Foundation |
| Arenac County Fund | 22 Kalamazoo Community Foundation |
| 04 Berrien Community Foundation | South Haven Community Foundation |
| 45 Branch County Community Foundation | 67 Keweenaw Community Foundation |
| Colon Community Foundation Fund | 23 Leelanau Township Community Foundation |
| 36 Cadillac Area Community Foundation | 62 Lenawee Community Foundation |
| Missaukee County Community Foundation | 55 Livonia Community Foundation |
| 64 Canton Community Foundation | 25 M & M Area Community Foundation |
| 06 Capital Region Community Foundation | 65 Mackinac Island Community Foundation |
| Eaton County Community Foundation | 24 Manistee County Community Foundation |
| 66 Central Montcalm Community Foundation | 39 Marquette Community Foundation |
| 44 Charlevoix County Community Foundation | Greater Ishpeming Area Community Foundation |
| 41 Community Foundation for Delta County | Negaunee Area Community Foundation |
| 28 Community Foundation for Muskegon County | 26 Marshall Community Foundation |
| Mason County Foundation | 05 Michigan Gateway Community Foundation |
| Oceana County Community Foundation | 27 Midland Area Community Foundation |
| 29 Community Foundation for Northeast Michigan | 42 Mt. Pleasant Area Community Foundation |
| North Central Michigan Community Foundation | Clare County Community Fund |
| Straits Area Community Foundation | Shepard Community Foundation |
| Iosco County Community Foundation | 68 Northville Community Foundation |
| 09 Community Foundation for Southeastern Michigan | 47 Petoskey-Harbor Springs Area Community Foundation |
| Community Foundation for Livingston County | 30 Saginaw Community Foundation |
| Chelsea Community Foundation | 61 Sanilac County Community Foundation |
| 10 Community Foundation of Greater Flint | 70 Sault Area Community Foundation |
| Clio Area Community Fund | 71 Shelby Community Foundation |
| Fenton Community Fund | 31 Shiawassee Community Foundation |
| Flushing Community Foundation | 57 Southfield Community Foundation |
| Grand Blanc Community Foundation | 74 Sterling Heights Community Foundation |
| Lapeer County Community Fund | 40 Sturgis Area Community Foundation |
| 19 Community Foundation of Greater Rochester | Constantine Area Community Fund |
| 11 Community Foundation of Monroe County | White Pigeon Community Foundation |
| The Bedford Foundation | 62 Tecumseh Community Fund Foundation |
| 35 Community Foundation of St. Clair County | 32 Three Rivers Area Foundation |
| 20 Community Foundation of the Holland/Zeeland Area | 72 Troy Community Foundation |
| 50 Dickinson County Area Community Foundation | 73 Tuscola County Community Foundation |
| Norway Affiliate Fund | 54 Upper Peninsula Community Foundation Alliance |
| 69 Farmington Hills Community Foundation | Bois Blanc Island Community Foundation |
| 13 Four County Community Foundation | Forest Park Area Community Fund |
| 14 Fremont Area Foundation | Gogebic County Area Community Foundation |
| Lake County Community Foundation | Les Chenaux Area Community Fund |
| Mecosta County Community Foundation | Paradise Area Community Fund |
| Osceola County Community Foundation | St. Ignace Area Community Foundation |
| 15 Grand Haven Area Community Foundation | Schoolcraft County Community Foundation |
| Allendale Community Foundation | Taquamenon Falls Area Community Foundation |
| Coopersville Area Foundation | Watersmeet Area Community Fund |
| 16 Grand Rapids Community Foundation | West Iron County Area Community Fund |
| Hudsonville Community Foundation | |

School District Code List (See MI-1040, MI-1040CR or MI-1040EZ, 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 city name in parentheses helps you choose the right district.

Residents, choose the code for the district where you lived on December 31, 2001. Call your local assessor or treasurer if you do not know your school district name.

Nonresidents, enter "10000" in the code box.

31020	Adams Twp.	29040	Breckenridge	33040	Dansville	26040	Gladwin
46020	Addison	22030	Breitung Twp.	25140	Davison	45010	Glen Lake
46010	Adrian	73180	Bridgeport-Spaulding	82030	Dearborn	80110	Gobles
58020	Airport	11340	Bridgman	82040	Dearborn Heights (7)	41120	Godfrey Lee
79010	Akron Fairgrove	47010	Brighton	80050	Decatur	41020	Godwin Heights
05010	Alba	17140	Brimley	76090	Deckerville	25050	Goodrich
13010	Albion	46050	Britton Macon	46070	Deerfield	25030	Grand Blanc
01010	Alcona	12020	Bronson	08010	Delton-Kellogg	70010	Grand Haven
74030	Algonac	76060	Brown City	17050	Detour	23060	Grand Ledge
03030	Allegan	11310	Buchanan	82010	Detroit	41010	Grand Rapids
82020	Allen Park	28035	Buckley	19010	DeWitt	41130	Grandville
70040	Allendale	73080	Buena Vista	81050	Dexter	62050	Grant
29010	Alma	56020	Bullock Creek	31100	Dollar Bay-Tamarack City	42030	Grant Twp.
44020	Almont	75020	Burr Oak	14020	Dowagiac Union	38050	Grass Lake
04010	Alpena	02020	Burt Twp.	44050	Dryden	59070	Greenville
50040	Anchor Bay	78020	Byron	58050	Dundee	82300	Grosse Ile Twp.
81010	Ann Arbor	41040	Byron Center	78030	Durand	82055	Grosse Pointe
06010	Arenac Eastern					39065	Gull Lake
50050	Armada	83010	Cadillac	74050	East China	52040	Gwinn
07010	Arvon Twp.	41050	Caledonia	50020	East Detroit		
29020	Ashley	31030	Calumet	41090	East Grand Rapids	11670	Hagar Twp. (6)
13050	Athens	30010	Camden Frontier	38090	East Jackson	35020	Hale
25130	Atherton	74040	Capac	15060	East Jordan	03100	Hamilton
60010	Atlanta	25080	Carman-Ainsworth	33010	East Lansing	82060	Hamtramck
06020	Au Gres Sims	55010	Carney Nadeau	34340	Easton Twp. (6)	31010	Hancock
02010	AuTrain-Onota	79020	Caro	23050	Eaton Rapids	38100	Hanover Horton
63070	Avondale	73030	Carrollton	11250	Eau Claire	32060	Harbor Beach
		59020	Carson City Crystal	82250	Ecorse	24020	Harbor Springs
32010	Bad Axe	76070	Carsonville-Pt. Sanilac	14030	Edwardsburg	13070	Harper Creek
43040	Baldwin	32030	Caseville	05060	Elk Rapids	82320	Harper Woods
80020	Bangor	79030	Cass City	05065	Ellsworth	18060	Harrison
80240	Bangor Twp. (8) (Bangor)	14010	Cassopolis	31070	Elm River Twp.	64040	Hart
09030	Bangor Twp. (Bay City)	41070	Cedar Springs	49055	Engadine	80120	Hartford
07020	Baraga Twp.	50010	Centerline	21010	Escanaba	47060	Hartland
21090	Bark River Harris	05035	Central Lake	09050	Essexville Hampton	33060	Haslett
19100	Bath	59125	Central Montcalm	67020	Ewart	08030	Hastings
13020	Battle Creek	75030	Centreville	66045	Ewen-Trout Creek	63130	Hazel Park
09010	Bay City	15050	Charlevoix	40060	Excelsior (1)	73210	Hemlock
37040	Beal City	23030	Charlotte			62060	Hesperia
51020	Bear Lake	31050	Chassell Twp.	68030	Fairview	82070	Highland Park
15010	Beaver Island	16015	Cheboygan	63200	Farmington	60020	Hillman
26010	Beaverton	81040	Chelsea	18020	Farwell	30020	Hillsdale
58030	Bedford	73110	Chesaning Union	03050	Fennville	70020	Holland
25240	Beecher	54025	Chippewa Hills	25100	Fenton	63210	Holly Area
34080	Belding	50080	Chippewa Valley	63020	Ferndale	33070	Holt
05040	Bellaire	32040	Church	50090	Fitzgerald	61120	Holton
23010	Bellevue	18010	Clare	82180	Flat Rock	13080	Homer
25060	Bendle	63090	Clarenceville	25010	Flint	03070	Hopkins
25230	Bentley	63190	Clarkston	25120	Flushing	72020	Houghton Lake
11010	Benton Harbor	63270	Clawson	40020	Forest Area	31110	Houghton-Portage
10015	Benzie County Central	39020	Climax Scotts	41110	Forest Hills	47070	Howell
63050	Berkley	46060	Clinton	36015	Forest Park	46080	Hudson
34140	Berlin Twp. (3)	50070	Clintondale	19070	Fowler	70190	Hudsonville
11240	Berrien Springs	25150	Clio	47030	Fowlerville	82340	Huron
27010	Bessemer City	12010	Coldwater	73190	Frankenmuth	63220	Huron Valley
21065	Big Bay De Noc	56030	Coleman	10025	Frankfort-Elberta		
62470	Big Jackson	32260	Colfax Twp. (1F)	50100	Fraser	58070	Ida
54010	Big Rapids	11330	Coloma	73200	Freeland	44060	Imlay City
73170	Birch Run	75040	Colon	53030	Freesoil	82080	Inkster
63010	Birmingham	38040	Columbia	62040	Fremont	16050	Inland Lakes
46040	Blissfield	39030	Comstock	61080	Fruitport	34010	Ionia
63080	Bloomfield Hills	41080	Comstock Park	29050	Fulton	34360	Ionia Twp. (2)
32250	Bloomfield Twp. (7F) (Huron Co.)	38080	Concord			22010	Iron Mountain
80090	Bloomingdale	75050	Constantine	39050	Galesburg Augusta	27020	Ironwood
49020	Bois Blanc Pines	70120	Coopersville	11160	Galien Twp.	52180	Ishpeming
15020	Boyne City	78100	Corunna	03440	Ganges (4)	29060	Ithaca
15030	Boyne Falls	80040	Covert	82050	Garden City		
63180	Brandon	20015	Crawford AuSable	69020	Gaylord	38170	Jackson
11210	Brandywine	82230	Crestwood	25070	Genesee	58080	Jefferson Schools-Monroe Co.
		76080	Croswell Lexington	72010	Gerrish Higgins	70175	Jenison
				82290	Gibraltar	69030	Johannesburg-Lewiston
				21025	Gladstone	30030	Jonesville

39010	Kalamazoo	21135	Mid Peninsula	34110	Portland	32170	Ubly
51045	Kaleva Norman-Dickson	56010	Midland	71060	Posen	13135	Union City
40040	Kalkaska	81100	Milan	23090	Potterville	79145	Unionville Sebewaing
25110	Kearsley	79100	Millington	52100	Powell Twp.	50210	Utica
41140	Kelloggsville	68010	Mio Au Sable				
41145	Kenowa Hills	61060	Mona Shores	12040	Quincy	82430	Van Buren
41150	Kent City	58010	Monroe			50220	Van Dyke
41160	Kentwood	59045	Montabella	21060	Rapid River	69040	Vanderbilt
28090	Kingsley	61180	Montague	61210	Ravenna	38020	Vandercook Lake
79080	Kingston	25260	Montrose	30070	Reading	79150	Vassar
		49070	Moran Twp.	82110	Redford Union	32650	Verona Twp. (1F)
		46100	Morenci	67060	Reed City	59150	Vestaburg
50140	L'Anse Creuse	54040	Morley Stanwood	79110	Reese	39170	Vicksburg
07040	L'Anse Area	78060	Morrice	61220	Reeths Puffer		
78040	Lainburg	50160	Mt. Clemens	52110	Republic Michigamme	27070	Wakefield Twp.
57020	Lake City	25040	Mt. Morris	50180	Richmond	30080	Waldron
25200	Lake Fenton	37010	Mt. Pleasant	82120	River Rouge	64090	Walkerville
31130	Lake Linden Hubbell	02070	Munising	11033	River Valley	63290	Walled Lake
63230	Lake Orion	61010	Muskegon	82400	Riverview	50230	Warren
32050	Laker Schools	61020	Muskegon Heights	63260	Rochester	50240	Warren Woods
50120	Lakeshore (St. Clair Shores)			41210	Rockford	63300	Waterford
11030	Lakeshore (Stevensville, Berrien Co.)	38130	Napoleon	71080	Rogers City Area	27080	Watersmeet Twp.
59090	Lakeview (Lakeview)	52090	Negaunee	50190	Romeo	11320	Watervliet
13090	Lakeview (Battle Creek)	11200	New Buffalo	82130	Romulus	33215	Waverly
50130	Lakeview (St. Clair Shores)	50170	New Haven	50030	Roseville	03040	Wayland Union
25280	Lakeville	78070	New Lothrop	23590	Roxand Twp. (12)	82160	Wayne-Westland
34090	Lakewood	62070	Newaygo	63040	Royal Oak	33220	Webberville
63280	Lamphere	52015	Nice (Ishpeming) N.I.C.E.	17110	Rudyard	52160	Wells Twp.
33020	Lansing	11300	Niles			63160	West Bloomfield
44010	Lapeer	30050	North Adams - Jerome	73010	Saginaw City	65045	West Branch-Rose City
80130	Lawrence	44090	North Branch	73040	Saginaw Twp.	36025	West Iron County
80140	Lawton	55115	North Central	81120	Saline	70070	West Ottawa
45020	Leland	22045	North Dickinson Co.	46130	Sand Creek	38010	Western
49040	Les Cheneaux	32080	North Huron	76210	Sandusky	82240	Westwood
33100	Leslie	61230	North Muskegon	34120	Saranac	25210	Westwood Heights
81070	Lincoln	45040	Northport	03080	Saugatuck	62090	White Cloud
82090	Lincoln Park	41025	Northview	17010	Sault Ste. Marie	75070	White Pigeon
25250	Linden	82390	Northville	39160	Schoolcraft (Kalamazoo Co.)	66070	White Pine
30040	Litchfield	38140	Northwest			17160	Whitefish
24030	Littlefield	22025	Norway Vulcan	64080	Shelby	58110	Whiteford
82095	Livonia	75100	Nottawa	37060	Shepherd	61240	Whitehall
41170	Lowell	63100	Novi	32610	Sigel Twp.-Adams (3) (Bad Axe)	81140	Whitmore Lake
53040	Ludington			32620	Sigel Twp. (4)	35040	Whittemore Prescott
		63250	Oak Park	32630	Sigel Twp. (6)	33230	Williamston
49110	Mackinac Island	33170	Oakridge	11830	Sodus Twp. (5)	81150	Willow Run
16070	Mackinaw City	23080	Olivet	80010	South Haven	16100	Wolverine
46090	Madison (Adrian)	71050	Onaway	50200	South Lake	82365	Woodhaven
63140	Madison (Madison Hts.)	23490	Oneida Twp. (3)	63240	South Lyon	82170	Wyandotte
05070	Mancelona	51060	Onkama	82140	South Redford	41026	Wyoming
81080	Manchester	46110	Onsted	63060	Southfield		
51070	Manistee	66050	Ontonagon	82405	Southgate	74130	Yale
77010	Manistique	61190	Orchard View	41240	Sparta	81020	Ypsilanti
83060	Manton	35010	Oscoda	70300	Spring Lake		
23065	Maple Valley	03020	Otsego	38150	Springport	70350	Zeeland
14050	Marcellus	19120	Ovid Elsie	73240	St. Charles		
27060	Marenisco	32090	Owendale Gagetown	49010	St. Ignace City		
67050	Marion	78110	Owosso	19140	St. Johns		
13095	Mar Lee	63110	Oxford	11020	St. Joseph		
76140	Marlette			29100	St. Louis		
52170	Marquette City	34040	Palo	06050	Standish - Sterling		
13110	Marshall	39130	Parchment	31140	Stanton Twp.		
03060	Martin	80160	Paw Paw	55120	Stephenson		
74100	Marysville	76180	Peck	33200	Stockbridge		
33130	Mason	24040	Pellston	75010	Sturgis		
58090	Mason (Erie)	13120	Pennfield	58100	Summerfield		
53010	Mason County Central (Scottville)	64070	Pentwater	02080	Superior Central		
53020	Mason County Eastern (Custer)	78080	Perry	45050	Suttons Bay		
80150	Mattawan	24070	Petoskey	73255	Swan Valley		
79090	Mayville	19125	Pewamo-Westphalia	25180	Swartz Creek		
57030	McBain	17090	Pickford				
82045	Melvindale Allen Park	47080	Pinckney	48040	Tahquamenon		
74120	Memphis	09090	Pinconning	35030	Tawas		
75060	Mendon	67055	Pine River	82150	Taylor		
55100	Menominee	30060	Pittsford	46140	Tecumseh		
56050	Meridian	03010	Plainwell	13130	Tekonsha		
73230	Merrill	82100	Plymouth Canton	08050	Thornapple-Kellogg		
83070	Mesick	63030	Pontiac	75080	Three Rivers		
38120	Michigan Center	32130	Port Hope	28010	Traverse City		
		74010	Port Huron	82155	Trenton		
		39140	Portage	59080	Tri County (Howard City)		
				63150	Troy		

INDEX

Income Tax

	<u>Page</u>
Additions to income	15-16
Adoption credit	5, 8, 14
Age, exemption	12
Amending	10
Amnesty	24
Assistance	4, 7
Blind, exemption	12
Canadian provincial tax credit	14
Charitable distribution subtraction	5, 18
City income tax credit	13
College tuition and fees credit	14, 39
Community foundation codes	44
Community foundations credit	13
Deaf, exemption	12
Deceased taxpayers	10
Direct deposit of refund	2, 5, 15
Disabled, defined	12
Due date	8
Electronic filing	2
Estimate payments	9
Exemptions	12
Extensions	9
Federal schedules needed	8
Filing requirements	8
Foodbank credit	13-14
Historic preservation tax credit	14
Homeless shelter credit	13-14
Homestead property tax credit	18-21
Important news for 2001	5
Interest	8
Line-by-line instructions	12-18
Mailing label	6, 48
Michigan Education Savings Program	5, 16-17
Michigan Education Trust	16-18
Net operating losses	10, 16-17
Nonresidents, income allocation	9-10, 37-38
Out-of-state income, tax credit	14
Part-year residents, income allocation	9, 37-38
Penalty	8
Pensions	5, 16-17
Public contribution credit	13
Qualified adoption expenses	5, 8, 14
Reciprocal states	10
Renaissance zone deduction	17
Repayments of income reported in a prior year	10
Residency	9-10, 12
Retirement	16-17
Rounding numbers	8
School district code list	45-46
Special exemptions	5, 12
State campaign fund	12
Subtractions from income	16-17
Tax credits available	8
Tele-Help service	4, 7

Other Taxes

Single Business	43
Use	3, 5, 11

Homestead Property Tax Credit

	<u>Page</u>
Alternate credit for senior citizens	23
Amending	10, 18
Assistance	4, 7
Bought or sold a home	20
Cooperative housing	20
Deceased claimant	20
Delay paying property tax.....	18
Disabled, defined (line 6 instructions)	21
Divorced, credit calculation	21
Due date	18
Duplexes	19
Farmers	19
Home used for business	19
Household income defined	18-19
Household income limits	18
Income property	19
Line-by-line instructions	21-23
Married, filing separately	20
Married in 2001	20
Mobile homes	19-20
Moving	20
Nursing homes	20
Owner-occupied income property	19
Part-year residents	20
Property taxes that can be claimed	19
Qualifying for a property tax credit	18
Rent	19-20, 23
Room and board	20
School district code list	45-46
Senior citizens, defined (line 6 instructions)	21
Separated, credit calculation	21
Service fee housing	19
Shared housing	21
Subsidized housing	19
Tax-exempt housing	19
Tele-Help service	4, 7

Forms, Worksheets and Tables

Forms

MI-1040	25-28
MI-1040, Schedule 1.....	29-32
MI-1040CR	33-36
Schedule NR	37-38
Schedule CT	39-40

Worksheets

Use Tax.....	11
Filer Eligible to be Claimed as a Dependent	12
City Income Tax Credit	13

Tables

Federal Schedules	8
Use Tax.....	11
Percent of Taxes Not Refundable	23

Miscellaneous

Tax Amnesty	24
Treasury Offices	7

Review this label. If the information is correct, 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 book to your 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 2000

This information is intended to give you 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, 2000.

State Revenues and Financing Sources

(Millions of Dollars)

<u>Financing Source</u>	<u>Amount</u>	<u>%</u>
Sales and Use Taxes	\$7,632.9	30.3%
Income Tax	7,144.2	28.3%
Other Revenue & Taxes	3,301.1	13.1%
Single Business & Insur. Taxes	2,516.8	10.0%
Motor Vehicle & Fuel Taxes	1,875.1	7.4%
State Education Tax	1,381.4	5.5%
Tobacco & Liquor Taxes	736.9	2.9%
Lottery Profits	<u>626.5</u>	<u>2.5%</u>
Total	<u>\$25,214.9</u>	<u>100.0%</u>

State Expenditures and Financing Uses

(Millions of Dollars)

<u>Financing Use</u>	<u>Amount</u>	<u>%</u>
Education	\$12,524.2	49.7%
Health	2,489.7	9.9%
Transportation	1,978.4	7.9%
Law Enforcement & Public Safety	1,899.2	7.5%
Revenue Sharing to Local Governments	1,494.0	5.9%
Other	1,423.7	5.6%
Human Services	1,302.5	5.2%
General Government	1,114.2	4.4%
Economic Dev. & Environmental Reg.	<u>989.0</u>	<u>3.9%</u>
Total	<u>\$25,214.9</u>	<u>100.0%</u>



Electronic Filing

Easy, Convenient and Free

See page 2 for details.



Direct Deposit

Convenient, Safe and Reliable

See page 15 for details.



Use Tax on Internet, Mail Order and Out-of-State Purchases

Do You Owe Use Tax?

See page 3 and 11 for more information.