2025 INSTRUCTIONS FOR FORM PH-1040
CITY OF PORT HURON INDIVIDUAL INCOME TAX RETURN
ALL FILERS

WHO MUST FILE A RETURN

Everyone who has income that is subject to City tax must file a PH-1040 return. You do not have to file a return if your total income subject to tax is less than your exemption credit ($600 per person). You must file a City return even if you do not file a Federal return. To claim a refund, you must file a return.

Married persons may file either a joint or separate returns. Joint returns must include the names, social security numbers, and signatures of both parties.

ROUNDING

Round all amounts that you report on your return to the nearest dollar**.** Do not enter cents on your City return. If you have to add two or more amounts to get the amount to enter on a line, add the cents and round off the total. Round down all amounts less than 50 cents. Increase amounts from 50 cents through 99 cents to the next dollar.

ESTIMATED TAX PAYMENTS

Generally, you must make estimated tax payments when your total City tax will exceed the amount withheld from your pay (plus other credits) by $100, or more. To make estimated payments, use form PH-1040ES, Declaration of Estimated Tax. File the form by April 30 of the year and pay at least one-fourth (¼) of the estimated tax. The rest will be due in three equal payments, due on June 30, September 30, and January 31. You may amend your estimate when you make a payment. **We assess both penalty and interest if you fail to make estimated tax payments when required.** You must file an annual return even if there is no change in the declared tax liability or more tax due.

DATE DUE AND EXTENSIONS

Returns are due on or before April 30, 2026. To get an extension, use form PH-4868, Application for Extension of Time to File a City Income Tax Return. File the form on or before the due date of your return. **An extension does not extend the time for paying the tax due**. To get the extension, you must pay the total expected tax due with the form. We will charge you penalty and interest if you underestimate or fail to pay the estimated tax due. You do not need to file an extension if you will be claiming a refund.

CHARGES FOR LATE PAYMENTS

We assess both penalty and interest on all late payments. The penalty is 1% of the balance due for each month your payment is late. The maximum penalty is 25% of the balance due. We assess interest at 1/12 of the annual rate (a variable rate that changes twice a year) for each month the payment is late. The State of Michigan computes the interest rate based on the prime rate. The minimum charge for penalty and interest is $2.00.

ASSISTANCE

If you have questions or need help, call **(810) 984-9741**, email **incometax@porthuron.org,** or visit our office in Room 112 of the Municipal Office Center, 100 McMorran Boulevard, Port Huron, Michigan 48060.

HEADING INFORMATION

● **Always write your social security number(s) on the return.** The mailing label does not show your social security number(s). Your social security numbers must agree with your W-2's.

● Show your name, and if a joint return, your spouse's name, in the proper boxes.

● Show your current address in the proper boxes. If you use a P.O. Box or an address that is not your legal residence, you must attach a statement that states your actual residence.

● If the name(s), address and filing status this year is the same as last year, check the proper box. If there is a change, please give a brief explanation in the space provided.

● Show the name of your present employer. Please be specific, name your actual work location.

RESIDENCY STATUS

● **RESIDENT** - is a person who domiciled in the City of Port Huron during the tax year.

File as a resident if:

1) You were a resident the entire year, or

2) You were a resident for only part of the year **and** had no income subject to City tax while you were a nonresident. Exclude amounts that are not subject to City tax in Column II.

● **NONRESIDENT** - is a person who did not domicile in the City of Port Huron during the year.

File as a nonresident if:

1) You were a nonresident the entire year, or

2) You were a nonresident for only part of the year but had no income while you were a resident.

● **PARTIAL RESIDENT** - is a person who had income subject to City tax as a resident and as a nonresident. Partial residents must compute the amount of their tax on Schedule L (Multiple Tax Rate Schedule). You can get a copy of Schedule L by calling our office at (810) 984-9741 or by visiting our website, www.porthuron.org.

EXEMPTIONS

Everyone who files a City return gets a personal exemption of $600. **You get an exemption even if someone else claims you as a dependent on their return** (this may differ from Federal and State rules). You get an extra exemption if you are age sixty-five or older, blind, deaf or permanently disabled as defined by the ordinance.

Determine dependents using the same rules that apply to your Federal return. If you cannot claim a dependent on your Federal return, you **cannot** claim the person on your City return.

INCOME EXEMPT FROM CITY TAX

We do not tax the following types of income:

● Gifts and bequests.

● Social security benefits, Railroad Retirement Act benefits.

● Pensions and annuities, including disability pensions are not taxable. Qualified IRA distributions are not taxable. **Refer to Pension and Retirement codes under FAQs at www.porthuron.org.**

● Exclude proceeds of insurance and amounts received for personal injuries, sickness, or disability **to the extent provided by the Federal Internal Revenue Code**.

● Welfare relief, unemployment benefits including supplemental unemployment benefits (S.U.B. pay), and worker's compensation or similar payments.

● Interest from obligations of the United States, the states, or subordinate units of government of the states.

● Pay received for service in the armed forces of the United States, including Reserve and National Guard pay.

DEDUCTIONS FROM INCOME

We do **not** allow deductions for items such as taxes, interest, medical expenses, charitable contributions, casualty and theft losses, etc. You can only deduct amounts that directly relate to income that is taxable by the City. You must prorate amounts where necessary. The only deductions are as follows:

(A) Unreimbursed Employee Business Expenses - we allow these expenses only to the extent your employer does not pay them. The expenses are strictly limited to the following:

1. Expenses of travel, meals and lodging while away from home.
2. Expenses of an outside salesperson, who works away from their employer's place of business. This does not include a salesperson whose primary duty is service and delivery.
3. Expenses of transportation, but not commuting to and from work.
4. Expenses reimbursed (under an expense account or other arrangement with your employer) where your employer included the amount in your gross earnings.

Note: **You must attach a schedule detailing the amounts you are claiming as unreimbursed employee business expenses on your City return.** Deductions are strictly limited to the items noted above.

(B) A self-employed person may deduct payments to a qualified retirement plan (a Keogh plan).

(C) You may deduct contributions to an **Individual Retirement Account** to the extent your earnings are subject to City tax. The deduction is limited to the amount you can deduct on your Federal return. You must prorate IRA deductions with respect to each person. Prorate the deduction based on the percentage of the persons' income

that is subject to City tax. YOU MUST ATTACH **PROOF OF YOUR PAYMENT** (such as a receipt or canceled check clearly showing an IRA purchase).

(D) You may deduct **moving expenses** if you are a member of the Armed Forces on active duty and you move into the taxing area because of a permanent change of station. The deduction is limited to the amount deductible on your Federal return. Prorate the deduction based on the portion of your earnings that are subject to City tax after the move. **Attach a copy of your Federal form 3903 to your return.**

(E) You may deduct **alimony**, separate maintenance payments and principal sums payable in installments, to the extent deductible on your Federal return. For divorce decrees signed after December 31, 2018 that require alimony payments, the payer will not be allowed a deduction for payments made. YOU CANNOT DEDUCT CHILD SUPPORT. Nonresidents must prorate the deduction. Prorate the deduction based on the percentage of your income that is taxable by the City as it relates to your Federal Adjusted Gross Income.

IMPORTANT: All deductions are limited to the extent they apply to income that is taxable by the City. Items (B) through (E) above are limited to the amount deductible on your Federal return. **You must attach a copy of the proper Federal schedule supporting the amount of any deduction.**

TAX COMPUTATION

● **TOTAL INCOME (line 9)** - Enter the total of all taxable income, column III, lines 1 through 8.

● **EXEMPTION CREDIT (line 10)** - Multiply the number of exemptions claimed on your return by $600.00. This is your exemption credit.

● **TAXABLE INCOME (line 11)** - Subtract line 10 from line 9. If line 10 is greater than line 9, enter zero. This is your taxable income.

● **AMOUNT OF TAX (line 12)** - Multiply line 11 by 1% (.01) if you were a resident and by ½ of 1% (.005) if you were a nonresident. The result is the amount of your tax. Partial residents will compute the amount of tax on Schedule L.

PAYMENTS AND TAX CREDITS

● **PORT HURON TAX WITHHELD (line 13)** - Enter the total amount of Port Huron income tax withheld from your pay. The W-2 (Wage and Tax Statement) you received from your employer(s) shows the tax withheld. **You must attach a copy of the W-2 form(s) showing the ENTIRE AMOUNT of City tax withheld.** We will not allow the credit without these forms. We will accept photocopies.

● **ESTIMATED TAX PAYMENTS (line 14)** - Enter the total of estimated tax payments you made to the City of Port Huron for the tax year. Include in the total any credit carried forward from last year and payments you made with a request for extension.

● **CREDIT FOR INCOME TAX PAID TO ANOTHER CITY (line 16)** - If while a resident, you had income subject to tax in another City, we will allow you a credit on your return. The credit IS NOT NECESSARILY the tax paid to the other City. The credit is the tax a nonresident would pay on the same income, or the tax paid to the other City, whichever is less. Generally, (because no city has a lower tax rate) the credit will be ½ of 1% (.005) of: income earned in the other City subject to dual tax less Port Huron exemptions. **To get the credit, you MUST attach a copy of the return filed with the other City to your Port Huron return.**

TAX DUE OR REFUND

● **BALANCE DUE (line 18)** - If line 12 exceeds line 17, enter the difference on line 18. This is your balance due. YOU MUST PAY THE BALANCE DUE WHEN YOU FILE THE RETURN. Make your check or money order payable to: City of Port Huron. Mail both the return and your payment to: Income Tax Division, 100 McMorran Boulevard, Port Huron, Michigan 48060. If you are paying in person, please pay at the City Treasurer's office. You may also pay online by visiting the Income Tax Department page at www.porthuron.org.

● **OVERPAYMENT (line 19)** - If line 17 exceeds line 12, enter the difference on line 19. This is the amount you overpaid. Show on line 20 whether you want your overpayment refunded or credited to next year's estimated taxes. Mail the return to: Income Tax Division, 100 McMorran Boulevard, Port Huron, Michigan 48060. We will send your refund as quickly as possible. PLEASE ALLOW 45 DAYS before making an inquiry.

● You must file the return even if there is no tax due or overpayment.

SPECIFIC INSTRUCTIONS FOR PARTIAL RESIDENTS

If you had income taxable as a resident and as a nonresident during the year, you must file as a partial resident. Partial residents compute the amount of their tax on Schedule L (Multiple Tax Rate Schedule). Complete the form using the instructions found on Schedule L. To decide the taxability of items while a resident, refer to the "Specific Instructions for Residents" section of these instructions. To decide the taxability of items while a nonresident, refer to the "Specific Instructions for Nonresidents" section.

This booklet does not include Schedule L. You can get a Schedule L by calling us at **(810) 984-9741.** Schedule L is also available online at the city's web site: www.porthuron.org

SPECIFIC INSTRUCTIONS FOR RESIDENTS

● **WAGES, SALARIES, TIPS, ETC. (line 1)** - All amounts earned by City residents are taxable (including salary, wages, bonuses, tips, commissions, sick pay, and other compensation). It does not matter where you worked. If you are a resident, the same tax rate applies to amounts earned both inside and outside the City. We do not tax pay you received for service in the armed forces of the United States (including Reserve and National Guard pay).

If you were a resident for only part of the year, exclude in Column II amounts you earned outside the City while a **non**resident.

If you worked for an employer outside the City while you were a resident and a nonresident during the year, you must prorate your income from that employer. Prorate the income based on the time you were a resident while working for the employer in relation to the total time you worked for the employer during the year. Note: If you worked for an employer inside the City while you were a nonresident you cannot file as a resident. See the Residency Status section of the instructions.

Be sure to attach copies of all W-2's to your return. We will accept photocopies. You MUST attach a copy of any W-2 showing Port Huron tax withheld. **We will not allow you a credit without these forms.** If you worked for an employer **who did not withhold the tax**, and you do not have an extra W-2, list the information on the back of the return.

● **INTEREST INCOME (line 2)** - The interest income of City residents is taxable. We do not tax interest from federal, state or municipal government obligations. Exclude nontaxable amounts in Column II and show why you excluded it.

● **DIVIDEND INCOME (line 3)** - The dividend income of residents is taxable. Determine dividend income using the same rules that apply to your Federal return. The City taxes property distributions from an S Corporation as dividends (see supplemental income).

● **BUSINESS INCOME (line 4)** - All self-employment income of City residents is taxable. The location of your business or profession does not matter. **Attach a copy of your Federal Schedule C to the return.**

● **CAPITAL GAINS (line 5)** - All long and short term capital gains are taxable. **Attach a copy of your Federal Schedule D and form 4797 to your return.** Exclude any portion of a gain or loss occurring before January 1, 1969. Compute the exclusion by using one of the following methods:

1) The difference between the purchase price and the fair market value of the asset on 1/1/69.
2) Prorate the amount based on the number of months since 1/1/69 in relation to the total number of months held.

● **SUPPLEMENTAL INCOME (line 6)** - Supplemental income as defined for Federal tax purposes is taxable. Except, the UNDISTRIBUTED share of Sub Chapter S corporation earnings is not taxable. Include in dividend income any distribution you received from an S Corporation. **Be sure to attach a copy of your Federal Schedule E (pages 1 & 2) to your return.**

● **OTHER INCOME (line 7)** - Enter any other income you reported on your Federal return. Exclude amounts that are not taxable in Column II. On the back of the return, show what the exclusions are. State and local refunds are not taxable. Unemployment and social security benefits are not taxable. Please review the "Income Exempt from City Tax" section of the instructions.

● **ADJUSTMENTS (line 8)** - Enter your total adjustments and deductions on this line. On the back of the return identify all parts of the total. Please read the "Deductions from Income" section of the instructions. You must attach copies of the proper Federal schedules or other support to your return. Failure to attach the proper schedules or support will delay the processing of your return. If you do not provide the information that we have requested, we will not allow the deduction. **You must attach a receipt for any IRA deduction.**

SPECIFIC INSTRUCTIONS FOR NONRESIDENTS

● **WAGES, SALARIES, TIPS, ETC. (line 1)** - We tax the earnings of nonresidents related to work done or services rendered in the City of Port Huron. We do not tax amounts earned by a nonresident for work outside Port Huron.

If you worked for the same employer both inside and outside the City, use Schedule A to compute your excludable wages. Complete a separate Schedule A for each employer that paid you (or your spouse) wages for work both inside and outside the City. You must exclude vacation and sick time from the calculation. Pay for vacation, sick time, bonuses, etc., is taxable in the same ratio as other earnings. Other methods used to calculate the exclusion (such as hours worked, commission dollars, etc.) are generally acceptable.

Be sure to attach copies of all your W-2's to the return. We will accept photocopies. You MUST attach a copy of any W-2 showing Port Huron tax withheld. **We will not allow you a credit without these forms.**

● **INTEREST AND DIVIDENDS (lines 2 & 3)** - The interest and dividend income of nonresidents is NOT TAXABLE. Exclude all interest and dividends.

● **BUSINESS INCOME (line 4)** - We tax nonresidents on business activity conducted within the City of Port Huron. If you conducted a business activity both inside and outside the City, use the Business Allocation Formula, Schedule B. Complete the schedule according to the captions. When computing the average percentage, exclude a factor only when the factor does not exist. In such cases, divide the sum of the percentages by the number of factors used. A separate calculation must be done for each business activity. Exclude any business activity conducted entirely outside the City in Column II. **Attach a copy of your Federal Schedule C to your City return.**

● **CAPITAL GAINS (line 5)** - We tax nonresidents on gains and losses arising from the sale or exchange of property located in the City of Port Huron. **Attach a copy of your Federal Schedule D and form 4797 to your return.** Exclude any portion of a gain or loss occurring before January 1, 1969. Compute the exclusion using one of the following methods:

1) The difference between the purchase price and the fair market value of the asset on 1/1/69.
2) Prorate the amount based on the number of months since 1/1/69 in relation to the total number of months held.

● **SUPPLEMENTAL INCOME (line 6)** - We tax nonresidents on rental income from property in the City. Nonresidents are also taxed on their share of profits from partnerships doing business in the City. Exclude any such income generated outside the City. We allow passive losses to the same extent as your Federal return. **Be sure to attach a copy of your Federal Schedule E (pages 1 & 2) to your return.**

● **OTHER INCOME (line 7)** - Enter any other income you reported on your Federal return on this line. Exclude amounts that are not taxable in Column II. On the back of the return, show what the exclusions are. State and Federal refunds are not taxable. Unemployment and social security benefits are not taxable. Please review the "Income Exempt from City Tax" section of the instructions.

● **ADJUSTMENTS (line 8)** - Enter your total adjustments and deductions on this line. On the back of the return identify all parts of the total. Please review the "Deductions from Income" section of the instructions. YOU MUST PRORATE DEDUCTIONS BASED ON THE INCOME SUBJECT TO CITY TAX. You must attach copies of the proper Federal schedules or other support to your return. Failure to attach the schedules or support will delay the processing of your return. If you do not provide the information that we have requested, we will not allow the deduction.

You must attach a receipt for any IRA deduction.