

City of Albion
Income Tax Division
112 West Cass St
Albion, MI 49224-0900

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2008 CITY OF ALBION

Income Tax Returns

(Resident and Nonresident)

This booklet contains the following forms and instructions:

AL-1040
2008 City of Albion
Individual Income Tax
Return

AL-1040ES
City of Albion 2009
Estimated Individual
Income Tax Voucher

AL-4267
Application for
Extension of Time to file
City of Albion Tax
Returns

For the 2008 tax year - The due date for filing your *City of Albion Individual Income Tax Return* (AL-1040) is April 30, 2009.

Important information for Albion Taxpayers:

>Your check or money order for payment of Albion income tax must be made payable to the "**City of Albion**"

>Additional forms are available online at www.ci.albion.mi.us, at City Hall or by calling 517-629-7865.

>If you owe more than \$100 on 2008 AL-1040, you must make estimated income tax payments for 2009. *City of Albion Estimated Individual Income Tax Vouchers* (AL-1040ES) for 2009 are included in this booklet.

We look forward to serving the Albion community this coming year.

Sincerely

Joseph Domingo
Mayor of Albion

Revised 11/2008

| | | | | | | | |
|---|--|--|--|---|--|--------------------------------|--|
| 2009 THIRD INSTALLMENT | | Due Date: September 30, 2009 | | CITY OF ALBION ESTIMATED INDIVIDUAL INCOME TAX VOUCHER | | 2009 AL- 1040ES | |
| <i>Issued under authority of P.A. 284 of 1964. Filing is mandatory</i> | | | | Your Social Security No. | | Spouse's Social Security No. | |
| Name(s) | | | | | | | |
| Street Address | | | | THIS SPACE FOR OFFICE USE | | | |
| City State Zip Code | | | | | | | |
| | | | | | | | |
| Mail to: City of Albion Income Tax Division 112 West Cass Street Albion, MI 49224-0900 | | Make Check Payable to the City of Albion WRITE PAYMENT AMOUNT HERE: \$ | | | | | |
| 2009 SECOND INSTALLMENT | | Due Date: June 30, 2009 | | CITY OF ALBION ESTIMATED INDIVIDUAL INCOME TAX VOUCHER | | 2009 AL- 1040ES | |
| <i>Issued under authority of P.A. 284 of 1964. Filing is mandatory</i> | | | | Your Social Security No. | | Spouse's Social Security No. | |
| Name(s) | | | | | | | |
| Street Address | | | | THIS SPACE FOR OFFICE USE | | | |
| City State Zip Code | | | | | | | |
| | | | | | | | |
| Mail to: City of Albion Income Tax Division 112 West Cass Street Albion, MI 49224-0900 | | Make Check Payable to the City of Albion WRITE PAYMENT AMOUNT HERE: \$ | | | | | |
| 2009 FIRST INSTALLMENT | | Due Date: April 30, 2009 | | CITY OF ALBION ESTIMATED INDIVIDUAL INCOME TAX VOUCHER | | 2009 AL- 1040ES | |
| <i>Issued under authority of P.A. 284 of 1964. Filing is mandatory</i> | | | | Your Social Security No. | | Spouse's Social Security No. | |
| Name(s) | | | | | | | |
| Street Address | | | | THIS SPACE FOR OFFICE USE | | | |
| City State Zip Code | | | | | | | |
| | | | | | | | |
| Mail to: City of Albion Income Tax Division 112 West Cass Street Albion, MI 49224-0900 | | Make Check Payable to the City of Albion WRITE PAYMENT AMOUNT HERE: \$ | | | | | |

City of Albion Estimated Individual Income Tax Voucher AL-1040ES General Information

WHO MUST FILE ESTIMATED TAX PAYMENTS

You must make estimated income tax payments throughout the year if you expect to owe more than \$100 when you file your 2009 AL-1040 return. Estimated Tax Computation Worksheet may be used to calculate estimated tax payment amounts.

DUE DATES OF PAYMENTS

You may pay in full with the first estimate voucher, due April 30, 2009. You may also pay in equal installments due on or before April 30, 2009; June 30, 2009; September 30, 2009 and January 31, 2010.

Fiscal year filers. Adjust dates to correspond with your fiscal year. The first installment payment is due on the last day of the fourth month after your fiscal year ends. (Example: If your year ends March 31, your first payment is due July 31.)

If your income changes during the year. If you are already making estimated payments you may change your estimated payment on the next installment. If you are not already making payments and change occurs between April 1 and May 31 pay on before June 30, 2009; if the change occurs between June 1 and August 31 pay on or before September 30, 2009; if the change occurs between September 1 and December 31 pay on or before January 31, 2010.

Return your AL-1040ES voucher along with a check or money order payable to "City of Albion". Do not staple your check to the voucher. Write the last four digits of your Social Security number and the words "2009 Estimated Tax" on your check.

MAIL VOUCHER AND PAYMENT TO: City of Albion
Income Tax Department
112 W Cass St
Albion, MI 49224

Note: You will not receive reminder notices; save these forms for all your 2009 payments.

LATE PAYMENTS OR UNDERPAYMENT OF ESTIMATES

If you fail to make required estimated payments, pay late or pay less than 70 percent of the final tax due, penalty and interest may be charged.

TYPES OF INCOME THAT MAKE ESTIMATED TAX PAYMENTS NECESSARY

Residents. All salaries, wages, bonuses, commissions and other compensation (usually earned from employers located outside of Albion city limits who do not withhold Albion Income Tax); net profits from business or profession; net rental income; capital gains less capital losses; dividends; interest; income from estates and trusts, lottery winnings and other income.

Nonresidents. Salaries, wages, bonuses, commissions or other compensation for services rendered or work performed in Albion; net rental income from property in Albion; net profits from a business; profession or other activity to the extent that it is from work done; services rendered or activity conducted in Albion; and capital gains less capital losses from the sale of real or tangible personal property located in Albion.

HOW TO FILE

Your annual return for the preceding year may be used as the basis for computing your estimated tax for the current year. You may use the same figures used for estimating your federal income tax adjusted to exclude any income or deductions not taxable or permissible under the City of Albion Tax Ordinance. Use worksheet on the next page to calculate estimated payments for City of Albion

| | | | |
|---|--|---|--------------------------------|
| 2009 FOURTH INSTALLMENT | Due Date: January 31, 2010 | CITY OF ALBION ESTIMATED INDIVIDUAL INCOME TAX VOUCHER | 2009 AL- 1040ES |
| <i>Issued under authority of P.A. 284 of 1964. Filing is mandatory</i> | | Your Social Security No. | Spouse's Social Security No. |
| Name(s) | | THIS SPACE FOR OFFICE USE | |
| Street Address | | | |
| City | State | | |
| Mail to: City of Albion Income Tax Division 112 West Cass Street Albion, MI 49224-0900 | Make Check Payable to the City of Albion WRITE PAYMENT AMOUNT HERE: \$ | | |

ESTIMATED TAX COMPUTATION WORKSHEET

Keep for your records - Do not file

| | | | |
|--|----|----|----------|
| 1. Estimated 2009 income subject to tax..... | | 1. | \$ _____ |
| 2. Exemption allowance amount (\$600 for each exemption)..... | | 2. | \$ _____ |
| 3. Taxable income. Subtract line 2 from line 1..... | | 3. | \$ _____ |
| 4. Estimated City of Albion Tax. Residents - multiply line 3 by 1 percent (.01) Nonresidents - multiply line 3 by 1/2 percent (.005)..... | | 4. | \$ _____ |
| 5. Tax you expect to be withheld from your earnings | 5. | | \$ _____ |
| 6. All estimated credits..... | 6. | | \$ _____ |
| 7. Total withholding & estimated credits. Add lines 5 and 6..... | | 7. | \$ _____ |
| 8. Estimated tax due. Subtract line 7 from line 4. (If line 8 is \$100 or less, you are not required to make estimated tax payments.)..... | | 8. | \$ _____ |
| 9. Estimated payment due. Divide the amount on line 8 by 4, or by the number of estimated vouchers to be filed. Enter here and on each voucher..... | | 9. | \$ _____ |

PAYMENT RECORD

| | 1st Installment | 2nd Installment | 3rd Installment | 4th Installment |
|-----------|-----------------|-----------------|-----------------|-----------------|
| Tax Paid | | | | |
| Date | | | | |
| Check No. | | | | |

Make your check or money order payable to the "City of Albion"

LINE – BY – LINE INSTRUCTIONS FOR WORKSHEET

Line 1: Estimate your 2009 income subject to tax (see note at bottom of page).

Resident: A resident is subject to tax on all items included in total federal income. Taxable income includes:

- a. Salaries, bonuses, wages, commissions, fees, vacation pay, profit sharing plan income and other compensation regardless of where earned.
- b. Fair market value of merchandise or services received as compensation.
- c. Net profit from operation of a business or profession or other activity regardless of where earned.
- d. Income from a partnership, estate or trust, interest from bank accounts, credit unions, savings and loan associations and other income regardless of where earned.
- e. Rental income, capital gains, and dividends.
- f. Lottery winnings won after December 30, 1988

Nonresident. A nonresident is subject to tax on all items included in total federal income which are derived from or connected with Albion sources. Taxable income includes:

- a. Salaries, bonuses, wages, commissions, fees, vacation pay, profit sharing plan income and other compensation for services rendered as an employee in Albion.
- b. Fair market value of merchandise or services received as compensation.
- c. Net profits from the operation of a business or profession or other activity conducted in Albion. (See Schedule 2 on the back of form AL-1040 for business allocation.)
- d. Net profits from rental of real and tangible property located in Albion.
- e. Net profits from sale or exchange of personal property located in Albion.

Line 3: This is your estimated City of Albion taxable income.

Line 5: Albion City Income Tax you expect your employer to withhold.

Line 6: Enter the sum of:

- a. Any credit forward from your 2008 AL-1040.
- b. Estimated credit for tax paid to another city. If you are a resident of the City of Albion and pay income tax to another city in Michigan on income earned outside the City of Albion, you may take credit for the tax paid to the other city. Reduce wages earned in the other city with income tax by your Albion exemption amount claimed on line 12 of your Albion return. Multiply the resulting figure by .5 percent (.005). This is your estimated credit amount.
- c. Estimated credit for partnership income tax paid. If you are a member of a partnership which elects to file a return and pay the tax on behalf of its partners, you may take the amount of tax expected to be paid by the partnership as a credit.
- d. **Line 8.** This is the total estimated tax due after exemptions, estimated withholding & credits.

NOTE: No penalty & interest will be assessed if estimated payments for 2009 are equal to 70% of final tax due for 2009 *or* 70% of final tax due for 2008 (provided estimated payments are made in a timely manner).

Important Information for All Income Tax Filers

This booklet contains the forms and instructions needed to file your 2008 City of Albion Individual Income Tax Return (AL-1040) and your 2009 City of Albion Estimated Individual Income Tax Vouchers (AL-1040ES). Read the instructions carefully before completing your return. You will need to complete your U.S. 1040 before you prepare your AL-1040.

WHO MUST FILE A RETURN

Every resident and nonresident with gross income of \$600 or more (\$1200 for a taxpayer age 65 or over as of December 31, 2008) from sources listed under "Taxable Income" must complete and file a return.

To claim a refund because the tax withheld or paid is more than the tax due, you must file a return.

If you filed form AL-1040ES for 2008 you must file an annual return even if there is no change in tax liability.

Each partner in a partnership is required to file an AL-1040. If the partnership elects to pay tax on behalf of the partners, the partners are not required to file a return as long as they have no other income subject to tax. Partners who file may take credit on line 19 for tax paid on their behalf by the partnership.

MARRIED PERSONS- JOINT OR SEPARATE RETURNS

A husband and wife may file either a joint return or separate returns.

Residents filing jointly must include total income of both spouses.

Nonresidents filing jointly must include total income earned in Albion of both spouses.

If you file separately, dependents can only be claimed by the spouse who is entitled to claim those dependents under the Internal Revenue Code (IRC).

RESIDENCY

Resident. You are an Albion resident if you reside within the city limits and Albion is your permanent home. Your permanent home is the place you intend to return to whenever you go away. A temporary absence from Albion, such as spending the winter in a southern state, does not make you a part year resident.

Part-year resident. You are a part-year resident if you moved your permanent home into or out of the city limits of Albion during the year.

Non resident. You are a nonresident if you maintain a permanent home outside the city limits of Albion.

Change of Residence. If your residency status changed from either a resident to a non resident or a nonresident to a resident, complete Schedule 3 on page 2 of form AL-1040.

TAXABLE INCOME

Resident. A resident is subject to tax on all items included in total federal income.

Taxable income includes:

1. Salaries, bonuses, wages, commissions, fees, vacation pay, profit sharing plan income and other compensation regardless of where earned.
2. Fair market value of merchandise or services received as compensation.
3. Net profit from the operation of a business or profession or other activity regardless of where earned.
4. Income from a partnership, estate or trust, interest from bank accounts, credit unions, savings and loan associations and other income regardless of where earned.
5. Rental income, capital gains, and dividends.
6. Lottery winnings won after December 30, 1988.
7. Distributions received from an S Corporation; S Corporations must file and pay tax as Corporations, distributions to owners are reported on the AL-1040 and are taxable for city income tax.

Nonresident. A nonresident is subject to tax on all items included in total federal income which are derived from or connected with Albion sources. Taxable income includes:

1. Salaries, bonuses, wages, commissions, fees, vacation pay, profit sharing plans and other compensation for services rendered as an employee in Albion.
2. Fair market value of merchandise or services received as compensation.
3. Net profits from the operation of a business or profession or other activity conducted in Albion. (See Schedule 2 on the back of form AL-1040 for business allocation).

4. Net profits from rental of real and tangible property located in Albion
5. Net profits from sale or exchange of real or personal property located in Albion.

NONTAXABLE INCOME

Residents and Nonresidents. The following types of income are nontaxable to both residents and nonresidents and, to the extent that they are included on line 7 of form AL-1040, they may be listed as subtractions (**Attach federal schedules as needed**).

1. Gifts, inheritances, bequests and distributions of principal from estates and trusts.
2. Proceeds from insurance, qualifying IRA distributions, pensions, annuities and retirement benefits (including social security) even if taxable under the IRC (internal revenue code of the IRS).
3. Amounts received for personal injuries, sickness and disability are excluded only to the extent provided by the IRC.
4. Unemployment compensation, supplemental unemployment benefits, welfare relief payments and worker's compensation.
5. Interest and dividends from U. S. obligations such as Savings Bonds and Treasury Notes, obligations of the states, or subordinate units of government of states.
6. Dividends on an insurance policy.
7. Compensation received for service in the U.S. armed forces, including reserve components.

Nonresidents Only. The following items are not taxable to nonresidents:

1. Interest, dividends and royalty income.
2. Income from trusts and estates.

DUE DATE

Your Albion return is due on or before April 30, 2009, or within four months after the end of your fiscal year accepted by the Internal Revenue Service (IRS).

ROUNDING DOLLAR AMOUNTS

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

EXTENSIONS

To request more time to file your Albion tax return, send a payment of your estimated annual liability to the City of Albion, with a completed *Application for Extension of Time to file City of Albion Tax Returns (AL-4267)* on or before the original due date of your return. Albion will extend the due date only if a payment is made. You may request an extension by writing to the City of Albion, Income Tax Division, 112 West Cass Street, Albion, MI 49224-0900. Albion 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 underestimate the tax due and do not pay enough with your extension request, an assessment for penalty and interest will be sent to you.

When you file your AL-1040 return, include on line 18 the amount of tax you paid with your extension request. Attach a copy of the extension to your return.

PENALTY AND INTEREST FOR FILING AND PAYING LATE

Your return must be postmarked no later than April 30, 2009. If you file and pay late, penalty is due at the rate of 1 percent per month to a maximum of 25 percent of the tax due. Interest is also due at the annual

rate of 1 percent above the current prime rate. (The interest rate is adjusted on January 1 and July 1 of each year.) If the computed penalty and interest amount is less than \$2, the minimum late charge is \$2. Include penalty and interest amounts on line 21.

2009 ESTIMATED PAYMENTS

You must make estimated income tax payments throughout the year if you expect to owe more than \$100 when you file your 2009 AL-1040 return. You must pay at least one-fourth (1/4) of the estimated tax with your first voucher which is due April 30, 2009. The remaining balance will be due in three equal payments to be made on June 30, 2009, September 30, 2009 and January 31, 2010.

If you file estimated tax payments, you must still file an annual return. You may adjust your estimate when making any quarterly payment. Failure to file estimated tax payments when required will result in penalty and interest charges.

DECEASED TAXPAYERS

The estate of a taxpayer who died in 2008 (or 2009 before filing a 2008 return) must file a return if the taxpayer owes tax or is due a refund. The surviving spouse or the

personal representative may file the return.

The surviving spouse may file a joint return for 2008. Write your name and the deceased's name and both Social Security numbers on the AL-1040. Write "deceased" after the decedent's name. You must report the decedent's income. Sign the return. In the decedent's signature block, write "Filing as surviving spouse" and the decedent's date of death. **The personal representative** should enter on line 1 the names of the decedent and personal representative in the following order:

John Brown, Estate of
Jane Green, Rep.

Representative's Address

Use the decedent's Social Security number and the personal representative's address. Enter the date of death in the signature block.

AMENDED RETURNS

If you made an error on a return previously filed, correct it by filing an *Amended Albion Individual Income Tax Return (AL-1040X)*. If your amended return claims a refund, you must file it within four years of the due date of your original return.

If a change on your federal return affects Albion taxable income, you must file an AL-1040X with Albion within 90 days of the change. Include payment of any tax and interest due. If you have overpaid, use this form to request a refund.

Line-by-Line Instructions for Form AL-1040

Lines not listed are explained on the form.

Line 1: Only married taxpayers may file joint returns.

Line 2-3: Write your Social Security number(s) here.

Line 4: Residency. Check the box that describes your Albion residency in 2008. If you or your spouse had a different residency status during the year, check a box for each of you. Part year residents enter from/to dates.

Line 5: Exemptions. Check all boxes that apply. List dependents in the space provided. Only dependents qualifying under Internal Revenue Code (IRC) may be claimed. Attach an additional sheet if necessary.

Line 7: Total Income

Residents. Enter the total income from your 2008 W-2 forms, 1099's, and/or federal schedules. If you have no additions or subtractions, carry this amount to line 11. **Attach copies of W-2s, 1099s and federal schedules.** If you use your adjusted gross income from your Federal 1040 attach a copy of page 1.

Nonresidents. If you worked 100 percent of the time in Albion, enter your total self-

employment income or the full amount of gross wages from your W-2. If you are self-employed, include U.S. Schedule C and any other supporting schedules. If you are an employee with W-2 income and performed services both inside and outside of Albion, you must determine the portion of income taxable to Albion by completing Schedule 1 on page 2 of form AL-1040. **You must also include a statement from your employer indicating both the total number of hours worked and the number worked in Albion.**

Line 8: Additions (attach schedules and explanations).

Residents. Enter losses before January 1, 1972 on sales and exchanges of property which have been deducted in arriving at adjusted gross income.

Nonresidents. Enter net profit or loss from rental property or net profit or loss from sales of property located in Albion. Losses including carryovers are computed and used to offset gains in the same manner as in the Internal Revenue Code. Only gains or losses incurred after January 1, 1972 on property in Albion are

taxable. This may be determined by (1) difference between the fair market value on January 1, 1972 and sales price, or (2) multiplying the federal income tax gain or loss by the ratio of number of months held after January 1, 1972 to total months held.

Schedule 2 – Self employed

Nonresidents. Complete schedule 2 if your business earned income both inside and outside the City of Albion, **attach worksheet and copy of federal schedule C.** Enter any other items earned in Albion which are taxable to a nonresident (see "Taxable Income").

Line 10: Subtractions (attach schedules and explanations).

Note: Not all deductions allowed by the IRS are allowed for city income tax. For example the deductions for Self Employment Tax, Self-Employed Health Insurance, student loan interest, educator expenses, tuition and fees are not allowed as deductions on your Albion return. Deductions are not allowed for personal expenses such as taxes on your home, interest on loans, ect.

Residents. Enter portion of gain on sale of property before January 1, 1972. The amount of gain or loss occurring before January 1, 1972 can be determined either by (1) computing the difference between the cost and fair market value at January 1, 1972, or (2) multiplying the federal income tax gain or loss by the ratio of number of months held before January 1, 1972 to total months held. Also enter any nontaxable income (see "Nontaxable Income") if the income was reported on line 7 or line 8, explain deduction.

Resident and Nonresidents. Enter the amount of the following expenses you incurred as an employee in the City of Albion.

1. Travel, meals and lodging while away from home.
2. Expenses as an outside salesperson who works away from his/her employer's place of business (does not include driver/salesperson whose primary duty is service and delivery).
3. Transportation (but not transportation to and from work).
4. Expenses reimbursed under an expense account or other arrangement with your employer, **only if the reimbursement was included in gross income.**

For nonresidents, the adjustments are limited to the amount shown on your U.S. 2106 multiplied by the percentage on AL-1040, Schedule 1, line 3. If you did not complete Schedule 1, use 100% of your U.S. 2106 amount.

All filers deducting employee business expenses must attach a copy of their U.S. 2106 to their AL-1040.

Other allowable subtractions are:

1. Alimony paid. You may deduct alimony, separate maintenance payments and principal sums payable in installments, to the extent deductible under the IRC. Nonresidents must prorate the deduction based on the percentage of income taxable by the city as it relates to total federal adjusted gross income. CHILD SUPPORT IS NOT DEDUCTIBLE.
2. IRA contributions are deductible to the extent deductible under the IRC, attach proof of payment. Nonresidents must prorate if there is earned income not taxable for the City of Albion.
3. Sick pay which would be excludable under the IRC and which was included in gross income on AL-1040 line 7.

Nonresidents & part year residents please note: If you completed AL-1040, Schedule 1, 2 or 3 and are also claiming

any of these subtractions, your subtraction(s) must be prorated.

Line 13: Taxable Income Subtract line 12 from line 11. If line 12 is larger than line 11 enter zero (0).

Payments and Credits

Line 15: Albion Residents Only. Credit for tax paid to another city. Enter the amount of income taxed by other Michigan cities **after exemptions and deductions taken on other city form.**

\$ _____
To calculate the credit, multiply above amount by ½ percent (.005); compare to the **actual tax paid** to the other city (from other city return), enter the lower of the two amounts on line 15. **The amount of credit may not exceed the amount of tax actually paid, the credit is not necessarily the amount of withholding. You must attach copies of income tax returns filed with other cities to claim this credit. This is a nonrefundable credit.**

Line 18: Enter the total estimated tax paid with your 2008 *City of Albion Estimated Tax Declaration Voucher* (AL-140ES), the amount paid with an extension request, and the amount of your 2007 overpayment applied to this year's tax (from 2007 AL-1040, line 23).

Line 19: Enter the amount of any tax paid on your behalf by a partnership. Enter the federal employer number of the partnership in the space provided.

Line 21: Tax Due. If line 20 is less than line 16, enter the difference. This is the tax you owe with your return. If the balance due is less than \$1, no payment is required, but you must still file your return. See "Mail to" address on bottom of page 2 of return.

Line 22: Overpayment. If line 20 is greater than line 16 enter the amount overpaid. You may elect to have the whole overpayment or a portion of it credited to 2009 estimated tax (Line 23), donated to operational expenses of Albion (Line 24) and/or refunded (Line 25).

Line 25. Your Refund The city does not refund amounts less than \$1, but you must still file your return. See "Mail to" address on bottom of page 2 of return.

Schedule 3 (Part-Year Residents Only)

Complete Schedule 3 if you earned part of your income while a resident and you earned income subject to City of Albion tax while a nonresident.

Income earned while a resident is listed in column A; income earned in or related to Albion while a non resident is listed in column B. Income unrelated to work or activity in Albion while a nonresident is not reported on schedule 3.

Line 1: Gross Wages.

Col. A: Part-year residents enter gross income earned while a City of Albion resident.

Col. B: Enter gross income subject to City of Albion tax that was earned while a nonresident, if applicable.

Line 2: Additions (attach schedules and explanations).

Col A: Part-year residents enter any additions to income received while a City of Albion resident.

Col B: Enter additions to income received while a nonresident, if applicable (See AL-1040, line 8 instructions.)

Line 3: Subtractions (attach schedules and explanations).

Col. A: Part-year residents enter any subtractions to income while a city of Albion resident. **NOTE:** Moving expenses are an allowable subtraction if you are moving into Albion.

Col. B: Enter subtractions to income earned while a nonresident, if applicable. Attach schedules and explanation. (See AL-1040, line 10 instructions.)

Line 4: Total Income. Add lines 1 and 2, then subtract line 3. Enter the total for each column.

Line 5: Exemptions. Multiply the number of exemptions you entered on AL-1040 line 5G by \$600 and enter in column A. If the total exemption amount is more than the income in column A, line 4, enter the difference in column B, if applicable.

Line 6: Taxable Income. Subtract line 5 from line 4. If taxable income is reported in column A, it may be reduced by a loss in column B. If column A is \$0, column B cannot be less than \$0.

WHEN YOU HAVE FINISHED

Sign your return. Each spouse must sign a joint return. If someone else prepares your return, the preparer must sign the return and enter the business name and address. Check a box to indicate if we may discuss your return with your preparer.

You must attach all required schedules. 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, than add "by (your name), parent (or guardian) for minor child."

Before mailing, review the checklist and mailing instructions on next page.



For Help or Forms Call 1-517-629-7865

Checklist

- Attach required copies of federal schedules for income, losses, subtractions and expenses.
- Attach W-2s.
- If claiming a credit for tax paid to another city a copy of page 1 of your return to the other city must be attached to your Albion return (credit **will not** be allowed if this is not submitted).
- Check for legibility.
- Double check social security numbers for accuracy.
- Include any estimated payments or credit forwards in the payments section of your return.
- Are all figures on correct lines?
- Check math calculations for accuracy.
- Make your check or money order payable to "City of Albion"
- Round to nearest dollar; under 50 cents round down, 50 cents or more round up.

Where to Mail Your 2008 Return

Your returns are due on April 30, 2009. Make your check payable to "City of Albion" and write the last four digits of your Social Security number and the words "2008 income tax" on the front of your check or money order. Do not staple your check or money order to the return.

Mail your AL-1040 to:

**City of Albion
Income Tax Division
112 W. Cass St.
Albion, MI 49224-0900**

Please allow 6-8 weeks for processing of your returns.

SCHEDULE 1 – COMPUTATION OF WAGES EARNED IN ALBION (NONRESIDENTS ONLY)

When both spouses have income subject to allocation, figure them separately. Also, a separate computation must be made for each W-2.

NOTE: This schedule is for use only when a nonresident works both in the city and out of the city for the same employer.

- 1. a. Number of days paid (5 days /week x 52 weeks = 260 days) 1. a. _____
 (If other than 260 days attach an explanation.)
- b. Vacation, holidays, sick, and other days not worked 1. b. _____
- c. Actual number of days worked everywhere (1.a. minus 1.b.)..... 1. c. _____ days
- 2. Actual number of days worked in Albion..... 2. _____ days
 (You must include a statement from your employer in order to receive credit.)
- 3. Percentage of days worked in Albion (line 2 divided by line 1.c.)..... 3. _____ %
- 4. Total wages shown on W-2..... 4. _____
- 5. Wages earned in Albion (line 4 X percentage on line 3). (Enter here and on AL-1040, line 7.)..... 5. _____

SCHEDULE 2 –BUSINESS ALLOCATION (NONRESIDENTS ONLY)

If you are self-employed and have income earned from your business both inside and outside the city, you must complete this schedule. This schedule must be accompanied by a copy of your U.S. 1040, Schedule C and worksheet (included in booklet) used to show allocation.

- 1. Net income from business or profession..... 1. _____ .00
- 2. Percent earned in Albion. (Attach Schedule C and worksheet.) 2. _____ %
- 3. Business income subject to Albion income tax (line 1 X percentage on line 2.)
 (Enter here and on AL-1040, line 8) 3. _____ .00

SCHEDULE 3 - COMPUTATION OF WAGES FOR PART-YEAR RESIDENTS

This schedule applies only if you had income during the year as a resident and nonresident. (See instructions.)

- 1. Gross wages. (Attach W-2) >1.
- 2. Additions (See instructions) >2.
- 3. Subtractions (See instructions) >3.
- 4. Total income >4.
- 5. Less exemptions. (\$600 for each exemption claimed.)
 (The sum of lines 5A and 5B may not exceed amount on AL-1040, line 12.) >5.
- 6. Taxable income. Subtract line 5 from line 4 >6.
- 7. Tax. Resident income: Multiply line 6, Column A by 1% (.01) >7.
- 8. Tax Nonresident income: Multiply line 6, Column B by 1/2% (.005) >8.
- 9. Total tax. Add lines 7 and 8. Enter here and on AL-1040, line 14 >9.
- 10. Resident of City of Albion; enter dates of Albion residency below.

| | Column A | Column B |
|-----|--|--|
| | All Income While a City of Albion Resident | Portion of Income Subject to City of Albion Tax Earned While a Nonresident |
| >1. | .00 | .00 |
| >2. | .00 | .00 |
| >3. | (.00) | (.00) |
| >4. | .00 | .00 |
| >5. | (.00) | (.00) |
| >6. | .00 | .00 |
| >7. | | .00 |
| >8. | | .00 |
| >9. | | .00 |

Previous Address in 2008

From: _____ To: _____

I declare, under penalty of perjury, that the information in this return and attachments is true and complete to the best of my knowledge.

- I authorize Albion to discuss my return and attachments with my preparer.
- Do not discuss my return with my preparer.

| | |
|--------------------|------|
| Filer's Signature | Date |
| Spouse's Signature | Date |

I declare, under penalty of perjury, that this return is based on all information of which I have knowledge.
 Preparer's Signature, Address, Phone and ID No.

SCHEDULE 1 – COMPUTATION OF WAGES EARNED IN ALBION (NONRESIDENTS ONLY)

When both spouses have income subject to allocation, figure them separately. Also, a separate computation must be made for each W-2.

NOTE: This schedule is for use only when a nonresident works both in the city and out of the city for the same employer.

- 1. a. Number of days paid (5 days /week x 52 weeks = 260 days) 1.a. _____
(If other than 260 days attach an explanation.)
- b. Vacation, holidays, sick, and other days not worked 1. b. _____
- c. Actual number of days worked everywhere (1.a. minus 1.b.).....1.c. _____ days
- 2. Actual number of days worked in Albion.....2. _____ days
(You must include a statement from your employer in order to receive credit.)
- 3. Percentage of days worked in Albion (line 2 divided by line 1.c.).....3. _____ %
- 4. Total wages shown on W-2.....4. _____
- 5. Wages earned in Albion (line 4 X percentage on line 3). (Enter here and on AL-1040, line 7.).....5. _____

SCHEDULE 2 –BUSINESS ALLOCATION (NONRESIDENTS ONLY)

If you are self-employed and have income earned from your business both inside and outside the city, you must complete this schedule. This schedule must be accompanied by a copy of your U.S. 1040, Schedule C and your worksheet (included in booklet) used to show allocation.

- 1. Net income from business or profession.....1. _____ .00
- 2. Percent earned in Albion. (Attach Schedule C and worksheet.) 2. _____ %
- 3. Business income subject to Albion income tax (line 1 X percentage on line 2.)
(Enter here and on AL-1040, line 8) 3. _____ .00

SCHEDULE 3 - COMPUTATION OF WAGES FOR PART-YEAR RESIDENTS

This schedule applies only if you had income during the year as a resident and nonresident. (See instructions.)

| | | Column A | Column B |
|--|-----|--|--|
| | | All Income While a City of Albion Resident | Portion of Income Subject to City of Albion Tax Earned While a Nonresident |
| 1. Gross wages. (Attach W-2) | >1. | .00 | .00 |
| 2. Additions (See instructions) | >2. | .00 | .00 |
| 3. Subtractions (See instructions) | >3. | (.00) | (.00) |
| 4. Total income | >4. | .00 | .00 |
| 5. Less exemptions. (\$600 for each exemption claimed.) (The sum of lines 5A and 5B may not exceed amount on AL-1040, line 12.) | >5. | (.00) | (.00) |
| 6. Taxable income. Subtract line 5 from line 4 | >6. | .00 | .00 |
| 7. Tax. Resident income: Multiply line 6, Column A by 1% (.01) | >7. | | .00 |
| 8. Tax Nonresident income: Multiply line 6, Column B by 1/2% (.005) | >8. | | .00 |
| 9. Total tax. Add lines 7 and 8. Enter here and on AL-1040, line 14 | >9. | | .00 |
| 10. Resident of City of Albion; enter dates of Albion residency below. From: _____ To: _____ | | Previous Address in 2008 | |

I declare, under penalty of perjury, that the information in this return and attachments is true and complete to the best of my knowledge.

- I authorize Albion to discuss my return and attachments with my preparer. Do not discuss my return with my preparer.

| | |
|--------------------|------|
| Filer's Signature | Date |
| Spouse's Signature | Date |

I declare, under penalty of perjury, that this return is based on all information of which I have knowledge.
Preparer's Signature, Address, Phone and ID No.

Name: _____

Social Security #: _____

Business Allocation (Nonresidents Only)

If you are self-employed and have income earned from your business both inside and outside the city, you must complete the worksheet below and Schedule 2 on page 2 of the AL-1040. Attach this worksheet to your return.

Schedule 2 Worksheet – Business Allocation Formula

| | | Located Everywhere A | Located in Albion B | Percentage Divide B by A |
|------------------------|---|----------------------------|------------------------|-----------------------------|
| Property Factor | | | | |
| 1. | Average net book value of real and tangible personal property.... | \$ | \$ | |
| | a. Gross annual rentals of real property multiplied by 8..... | | | |
| | b. Total (Add lines 1 and 1a)..... | | | % |
| Payroll Factor | | | | |
| 2. | Total wages, salaries, commissions and other compensation of all employees..... | | | % |
| Sales Factor | | | | |
| 3. | Gross receipts from sales made or services rendered..... | | | % |
| 4. | Total Percentages - add the three percentages computed for lines 1b, 2 and 3 which you entered in the last column (you must compute a percentage for each of lines 1b, 2 and 3) | | | % |
| 5. | Average percentage. Divide column 4 by "3" or by the number of factors actually used. Carry this percentage to Schedule 2, line 2..... | | | % |

Note: In determining the average percentage (line 5), a factor shall be excluded from the computation only when such factor does not exist anywhere in the taxpayer's business operation, and in such cases, the sum of the percentages on line 4 shall be divided by the number of factors actually used.

Attach this completed form to your AL-1040

Complete Worksheet 2 only if there is business activity both within and without the City of Albion.

Line 1. Enter in column B the average net book value of the real and tangible personal property located in the City of Albion. Determine average net book value by adding the net book values on Jan 1, 2008 (or fiscal year if applicable) and the net book values at the end of the year and dividing the sum by two. Any other method which accurately reflects the average net book value for the period is also permitted.

Enter in column A the average net book value of all real and tangible personal property owned by the business, regardless of location.

Line 1a. Add the gross rentals from Jan. 1, 2008 through Dec. 31, 2008 (or fiscal year if applicable) for rented property located within the City of Albion. Multiply the sum by 8 and enter the result in column B.

Add the gross rentals from Jan 1, 2008 through Dec. 31, 2008 (or fiscal year if applicable) for all rented property, regardless of location. Multiply the sum by 8 and enter the result in column A.

Gross rentals are for real property rented or leased during the taxable period, and includes the actual sums of money or other consideration paid, directly or indirectly, by the corporation for the use or possession of such property.

Line 1b. Add lines 1 and 1a.

Line 2. Enter in Column B the compensation paid to employees for work or services performed within the City of Albion during the period Jan. 1, 2008 thru Dec. 31, 2008 (or fiscal year if applicable).

Enter in column A the total compensation paid to all employees during the same period.

Line 3. Enter in column B the revenue derived from sales made or services rendered in the City of Albion during the period Jan. 1, 2008 through Dec. 31, 2008 (or fiscal year if applicable).

Enter in column A the total gross revenue from all sales or services rendered during the same period.

Column C. Divide amounts in column B by amount in column A, enter percentage in column C for lines 1b, 2 and 3.

Line 4. Add percentages computed for lines 1b, 2 and 3.

Line 5. Average percentage, divide line 4 by number of factors (usually 3, unless a factor does not exist, in which case divide by number of factors used. Carry percentage to line 2 of schedule 2.

Name: _____

AL-1040 2008

Social Security #: _____

Additions and Subtractions Worksheet

This optional worksheet may be used to itemize additions and subtractions to/from income (lines 8 and 10 of AL-1040); this is **not** a substitute for copies of federal forms and schedules which must still be attached.

Additions to Income

| | |
|---|-----------|
| Interest Income | \$ |
| Dividend Income | |
| Capital Gains (federal schedule D) | |
| Business Income (federal schedule C) | |
| Supplemental Income (federal schedule E) | |
| Sale of business property (federal form 4797) | |
| Alimony received (NOT child support) | |
| Non-qualified/ early retirement/IRA distributions | |
| Farm Income (federal schedule F) | |
| 1099 Income not included on line 7 or schedule C | |
| Other (list types and amounts): | |
| _____ | |
| _____ | |
| _____ | |
| <u>Total Additions to Income</u> | \$ |

Subtractions from Income

| | |
|---|-----------|
| Interest or Dividend Income from Government Obligations | \$ |
| Capital Loss (federal Schedule D) | |
| Business Loss (federal schedule C) | |
| Supplemental Loss (federal schedule E) | |
| IRA Contributions (attach proof of payment and copy of page 1 of Federal 1040; federal rules apply; ROTH contributions not deductible) | |
| Sale of business property (federal form 4797) | |
| Alimony paid (NOT child support) | |
| Moving Expenses (only for moving into Albion) | |
| Farm Loss (federal schedule F) | |
| NOL; attach statement showing calculations and years | |
| Portion of capital gain for property acquired prior to 1972, see instructions | |
| Employee Business expense, see instructions | |
| Other (list types and amounts): | |
| _____ | |
| _____ | |
| _____ | |
| <u>Total Subtractions from Income</u> | \$ |

Note: not all deductions allowed on federal 1040 are allowed for city income tax including: mortgage interest, other taxes, 1/2 self employment tax, charitable contributions, tuition, student loan interest, self employed health insurance, reservist expenses (military pay is not taxable for the city therefore related expenses are not deductible), moving expenses (if moving out of the city).

City of Albion

Tax Year _____

Application for Extension of Time to File

AL-4267

An extension of time to file is not an extension of time to pay. DO NOT file this form if you will show a refund on your return.

PART 1: IDENTIFICATION. Please print or type. (See instructions on back).

| | |
|---|--|
| <p>1. Check ONLY ONE box. File a separate request for each tax.</p> <p><input type="checkbox"/> Individual Tax Return <input type="checkbox"/> Corporate Tax Return</p> <p><input type="checkbox"/> Fiduciary Return <input type="checkbox"/> Partnership Tax Ret.</p> | <p>2. Federal Employer ID No or TR No, if unknown complete line 3</p> |
| | |
| <p>3. Enter your Social Security No. If filing jointly, spouses #</p> | <p>3. Enter your Social Security No. If filing jointly, spouses #</p> |
| <p>4. Name</p> <p>Address</p> <p>City State Zip</p> | <p>5. Taxpayer's name and address if different from item 4</p> |

PART 2: COMPUTATION AND PAYMENT OF TAX DUE

- | | |
|--|-----------|
| 6. Total annual tax liability for the year..... | 6. _____ |
| 7. Payments made to date (include estimated tax payments, amounts carried forward and if an individual taxpayer, include withholding.....) | 7. _____ |
| 8. Credits (if any) | 8. _____ |
| 9. Add lines 7 and 8..... | 9. _____ |
| 10. Estimated balance due. Subtract line 9 from line 6..... | 10. _____ |
| 11. Amount paid with this request..... | 11. _____ |

Make your check or money order payable to the "City of Albion."

PART 3: EXTENSION REQUEST

| | | | |
|-----------------------|--|-------------------------|--|
| 12. Tax year ends on: | | Extension date ends on: | |
|-----------------------|--|-------------------------|--|

13. Check this box if you attached a copy of your federal extension.

14. Reason for extension:

15. If an extension for this tax year was filed previously, attach a copy of the approved extension and check box

- Make your check or money order payable to "City of Albion"
- Write the type of tax and FEIN or Social Security number on the payment.
- Mail to: City of Albion, Income Tax Department, 112 W. Cass St, Albion, Mi 49224

| | | | |
|---|--|---|--|
| I declare under penalty of perjury that the information in this application and attachments is true and complete to the best of my knowledge. | | I declare under penalty of perjury that this application is based on all information of which I have any knowledge. | |
| I authorize Albion to discuss my application and attachments with my preparer <input type="checkbox"/> | Do not discuss with my preparer <input type="checkbox"/> | Preparer Signature, Address, Phone and ID No. | |
| Filer's Signature _____ Date _____ | | | |
| Spouse's Signature _____ Date _____ | | | |

Instructions for Filing Your City of Albion Application for Extension (AL-4267)

This information is issued under P.A. 284 of 1964.

An extension of time to file the federal return automatically extends the due date of the city return the same length of time. **An extension of time to file is not an extension of time to pay.** If at the time the extension is filed, you determine additional city income tax is due, pay the amount due on this form or on a copy of the federal extension. If no tax is due, it is not necessary to send an extension form to the city of Albion by April 30th (the copy of the federal extension attached to your return will be sufficient). Attach a copy of all federal and city extensions to the AL-1040, AL-1041, AL-1065 or AL-1120 when it is filed.

PART 1: Identification

Lines not listed are explained on the form.

Line 1. File a separate application for each tax type. Check the box next to the tax this application is for.

Lines 2 and 3. Corporation, partnership and fiduciary filers must enter their federal employer identification number (FEIN) on line 2. Individual income tax filers must enter their Social Security number on line 3.

Line 4. Print or type your mailing address.

Line 5. Enter taxpayer's name and address only if it is different from the mailing address listed on line 4.

PART 2: Computation and Payment of Tax Due

You must estimate your tax liability for the year and pay any unpaid portion of the estimated tax due with your application for extension. The application and payment must be postmarked on or before the original due date of your return.

If you underestimate your tax due and do not pay enough with your application for extension, you must pay interest on the unpaid amount. Compute interest from the due date of the annual return. The interest rate is 1 percent above the prime rate and is adjusted on January 1 and July 1. Interest is charged from April 30th (or the due date of the return) to the date you pay the rest of the tax.

Penalty of 1 percent per month to a maximum of 25 percent of the unpaid tax for failure to pay may also be applied.

Line 7. Payments made to date include quarterly payments, a credit forward from the previous tax year and any other payments previously made for this tax year. Individual income tax filers should include any city withholding.

PART 3: Extension Request

Line 13. If the extension will extend the filing period of the city return beyond the federal extension, attach a copy of the approved federal extension.

Line 15. Check the box if Albion has already granted you an extension for this tax year. If you need more time, submit a new application with a copy of the original application before the original extension expires.

Use this form only to request an extension of time to file an Albion tax return.
Follow the payment and mailing instruction on the front of the form.