RESIDENTS

PLEASE READ INSTRUCTIONS CAREFULLY FOR WALKER-SPECIFIC INSTRUCTIONS

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

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

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

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

Line 5 – Capital Gain or (Losses)
The Uniform City Income Tax Ordinance follows the Internal Revenue Code regarding capital gains. **All capital gains realized while a resident are taxable regardless of where the property is located, with the following exceptions**:

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

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

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

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

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

Line 6 – Other Gains (or Losses)

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

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

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

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

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

IRA distributions qualifying as retirement benefits are not taxable to Walker. Excludible IRA distributions are typically designated with Distribution Code 7 in Box 7 of the 1099-R form, are received after age 59½ or described by Section 72(t) (2)(A)(iv) of the IRC.

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

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

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

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

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

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

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

Line 9 and Line 10 – Rental real estate, royalties, partnerships, S Corporations, trusts, etc. – PLEASE ATTACH FEDERAL SCH E and K-1s.

Cash or property distributions from S corporations from line 16, code D of Federal Schedule K-1 are taxable to a Resident. The Walker City Income Tax Ordinance does not recognize Subchapter S status. Distributions from an S corporation are taxable as if paid by a regular corporation as dividends.

If you are a shareholder in a corporation that has elected to file under Subchapter S of the Internal Revenue Code, you are not required to report any distributed income from Federal Schedule K-1 lines 1 through 11, nor may you deduct your share of any loss or other deductions distributed by the corporation.

Attach copies of Federal Schedule K-1 for all S corporations listed on page two of your Federal Schedule E regardless of whether or not the S corporation made distributions.

Income from estates and/or trusts.

All income from estates and/or trusts reported on your Federal Schedule E, page two should be reported. Income from an estate or trust is taxable to a Walker resident regardless of the location of the estate or trust, or the location of property it may own.

Attach a copy of Federal Schedule E, page two.

Line 19, Box C – Credit for tax paid to another city. If you worked in another taxing city (such as Grand Rapids) you can claim the other city tax credit. A credit will be allowed for wages earned as a Walker resident for the time physically worked in the other city**. PLEASE ATTACH PAGE 1 OF THE OTHER CITY'S RETURN TO SUPPORT THE AMOUNT CLAIMED**. Failure to attach page 1 of the other city's tax return will result in a denial of the credit.

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

Residents will claim any S-corporation distributions on line 2 as S-corporations are treated as C-corporations.

See GENERAL INSTRUCTIONS FOR ALL FILIERS for mailing addresses.