NONRESIDENTS

If you lived outside of the Walker city limits for the entire year but had income earned inside of the Walker city limits, you will file a non-resident tax return. 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.

For non-residents, only income earned in the city limits is taxable. Alimony received and gambling winnings are not taxable to non-residents.

NONRESIDENT INCOME SUBJECT TO TAX:

1. Compensation for work done or services performed in the Walker city limits which includes, but is not limited to, the following: bonuses, commissions, fees, tips, incentive payments, severance pay, vacation pay and sick pay.
2. Net profits from the operation of an unincorporated business, profession or other activity attributable to business activity conducted in Walker, whether or not such business is located in Walker. This includes business interest income from business activity in Walker.
3. Gains or losses from the sale or exchange of real or tangible personal property located in the Walker city limits.
4. Net profits from the rental of real or tangible personal property located in Walker.
5. Premature distributions from an Individual Retirement Account (IRA) where a deduction was claimed on a current or previous year's Walker income tax return.
6. Premature distributions from a pension plan attributable to work performed in Walker.
7. Deferred compensation earned in Walker.

Wages received while on vacation, holiday and sick pay are taxable at the same percentage as your taxable wages, as is third party sick pay. Severance pay is also taxable at the same percentage as your wages had been taxable. If you allocated wages prior to receiving severance pay, a 3 to 5 year average should be used. This income cannot be excluded merely because it was paid to you after you stopped physically working in the Walker city limits.

Wage Allocations on Commissions, etc. A nonresident salesperson paid on a commission basis or other results achieved should allocate wages based on commissions received or other results achieved attributable to efforts expended in Walker. A nonresident insurance salesperson paid sales commissions and renewal commissions should allocate compensation on the following basis: Allocate commissions from life, health, accident and vehicle (auto) insurance based on the location (residence) of the purchaser. Allocate commissions from group insurance based on the location of the group. Allocate commissions from fire and casualty insurance based on the location of the risk insured.

Line 1 – Taxable wages. In Column A, you will report 100% of your wages as shown on the federal return. In Column B, you will report wages earned outside of the Walker city limits. If excluding wages in Column B, you will need to complete the EXCLUDED WAGES AND TAX WITHHELD SCHEDULE on Page 2.

Please note that if you exclude 100% of your wages from an employer that withheld tax for Walker, you will be asked to provide a statement from the employer that no work duties were done in the Walker city limits. If you will not be working in the city limits for the employer, we also ask for the date that they stopped withholding tax for Walker. Walker tax should not be withheld on wages earned outside of the Walker city limits by non-residents. You may need to file an updated W-4 Form with your payroll department to indicate you do not live or work in the Walker city limits. Employer verification may also be requested if you indicate a large percentage of your time was spent working outside of the Walker city limits.

Wages earned while working from home. The same verification from the employer will be requested if you exclude wages earned while working at home when Walker tax was withheld. If you are permanently working remotely and will not be returning to a Walker work location, withholding for Walker should be ceased by your employer. Starting with tax year 2022, the CF-COV Covid work allocation worksheet will not be accepted as mandatory government stay home orders were no longer in place.

Wages are only to be taken from Box 1 of the W-2 form**. Wages are not to be taken from Box 18**. If you are allocating wages, you are required to fill out EXCLUDED WAGES AND TAX WITHHELD SCHEDULE.

Line 2 – Taxable interest. In general, interest income is not taxable to non-residents unless related to business income. For example, if you own commercial property in the Walker city limits and receive income (such as interest paid on land contract) the interest is taxable.

Line 3 – **Dividends.** Not taxable unless attributable to a Walker source

Line 4 – Business income (or loss) – PLEASE ATTACH FEDERAL SCH C. Any business income earned in the Walker city limits is taxable to non-residents. If you are claiming a loss, please be sure the actual address of the business is provided so we may verify it was in the Walker city limits or the loss may be disallowed.

Line 5 – Capital Gains (or Losses). Capital gains or losses of a nonresident are included in taxable income to the extent the gains or losses are from property located in Walker. Capital losses from property located in Walker are allowed to the same extent they are allowed under the Internal Revenue Code. Unused 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 exchange of property located in Walker are taxable in the year recognized on the taxpayer's federal income tax return. Attach copies of federal Schedule K-1 (Form 1120S). Use the Exclusions and Adjustments to Capital Gains or (Losses) schedule to compute exclusions and adjustments to capital gains. NOTE: A common error on a nonresident return is failure to complete the Exclusions and Adjustments schedule to exclude the capital loss carryover reported on the taxpayer's federal income tax return.

Line 6 – Other Gains (or Losses). A nonresident's other gains and losses are included in taxable income to the extent the gains or losses are from property located in Walker. Deferred other gains and losses from installment sales and like-kind exchanges of property located in Walker are taxable in the year recognized on the taxpayer's federal income tax return. Deferred other gains must be supported by attaching a copy of federal Form 6252 and/or Form 8824. Attach copies of federal Schedule K-1 (Form 1120S). Nonresidents reporting other gains and losses must attach a copy of federal Form 4797. Use the Exclusions and Adjustments to Other Gains and Losses schedule to compute exclusions and adjustments to other gains and losses reported on the federal income tax return. On line 4 of the schedule enter the total excluded other gains or losses and also enter this total on page 1, line 8, column B.

Line 7 – IRA Distributions. That portion of a premature IRA distribution that was deducted from Walker taxable income in the current or a prior tax year (reported on Form 1099-R, box 7, distribution code 1) are taxable to a nonresident. IRA distributions received after age 59 ½ or described by Section 72(t)(2)(A)(iv) of the IRC are not taxable.

NONRESIDENTS (Continued)

Line 8- Taxable Pensions and Annuities. Premature pension plan distributions (those received by a nonresident prior to qualifying for retirement) are taxable to the same extent the normal wages from the employer are taxable. A nonresident remaining employed by the particular employer in Walker may not exclude 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 Sections 401(k), 457 and 403(b) of the Internal Revenue Code (IRC): Amounts received before the recipient could retire under the plan provisions, including amounts paid on separation, withdrawal or discontinuance of the plan. Amounts received as early retirement incentives unless the incentives were paid from a pension trust. Form 1099-R, box 7, code 8, Excess contributions or excess deferrals taxable in current tax year are taxable to a nonresident to the same extent and on the same basis as the normal earning from the specific employer are taxable. Note: Form 1099-R, box 7, code P, reports excess contributions or excess deferrals taxable in the prior tax year and may require a nonresident to file an amended return for the prior tax year. See Line 10 under "Residents" for additional information on nontaxable pension and retirement benefits.

Line 9 – Rental real estate, royalties, partnerships, trusts, etc. – PLEASE ATTACH FEDERAL SCHEDULE E. All income reported on the federal Schedule E that comes from business activity in Walker or property located in Walker is taxable to nonresidents. When an estate or trust has taxable income in Walker, the estate or trust must file a return and pay tax on distributions to nonresidents and on undistributed taxable income. The following income reported on federal Schedule E is excludable: income from business activity or property outside Walker including royalty income upon which Michigan severance tax was paid; Explain all exclusions on the Exclusions and Adjustments to Income from Rental Real Estate, Royalties, Partnerships, Trusts, Etc. schedule. On line 6 of this schedule enter the total exclusions and adjustments; enter also on page 1, line 11, column C.

OTHER INCOME (Page 2, Schedule A)

Alimony, S-Corp and gambling income is not taxable to non-residents. Any other income earned in the Walker city limits for which there is not a specific line is reported here.

Line 3 – Farm Income (or Loss). A nonresident's profit or loss from a farm are included in Walker income to the extent the profit or loss results from work done, services rendered or other activities conducted in Walker. The portion of the profit or loss reported on the Walker return is determined by use of the three factor Farm Allocation Percentage formula. Sales of crops at the produce market, any of the farmer's markets or a produce stand located in the city is Walker business activity and subjects the farm to Walker income tax.

DEDUCTIONS SCHEDULE. A nonresident's deductions are limited by the extent they relate to income taxable under the Walker Income Tax Ordinance. Nonresidents must allocate deductions the same way related income is allocated. For example, if you contributed to an Individual Retirement Account (IRA) but only 50% of your wages are taxable to Walker, only 50% of the IRA deduction can be claimed.

See GENERAL INSTRUCTIONS FOR ALL FILERS for mailing addresses