2025 BIG RAPIDS INDIVIDUAL INCOME TAX INSTRUCTIONS

For use by individual residents, part-year residents and nonresidents

City of Big Rapids
Income Tax Office
226 N Michigan Ave
Big Rapids, MI 49307

ALL PERSONS HAVING BIG RAPIDS TAXABLE INCOME IN 2025 MUST FILE A RETURN. RETURNS ARE DUE APRIL 30, 2026

MAILING ADDRESS

Mail returns and payments to:

City of Big Rapids Income Tax Office
226 N Michigan Ave
Big Rapids, MI 49307

TAX RATES AND EXEMPTIONS

Resident: 1%
Nonresident: 0.5%
Exemption value: $600

PAYMENT OF TAX DUE

Tax due, if one dollar ($1.00) or more, must be paid when filing your return. **NOTE:** If you are paying $100.00 or more with your 2025 return, you may need to make estimated income tax payments for 2026 to avoid penalty and interest. See page 2 of instructions.
Make check or money order payable to: **CITY OF BIG RAPIDS**
OR pay online at www.cityofbr.org

FILING YOUR RETURN

We accept paper and electronically filed returns. Only preparers using city approved software can file electronic returns. Forms and instructions can be found on our website, www.cityofbr.org. **Tax returns are due April 30, 2026.**

CONTACT US

For assistance find us online at www.cityofbr.org or call(231)592-4012. The Big Rapids Income Tax Office is located at: City Hall, 226 N Michigan Ave, Big Rapids, MI 49307.
Office Hours are 8am to 5pm Monday through Friday.

Attach all W2's, 1099's, a copy of page 1 of Federal 1040 along with all other appropriate Federal schedules. Failure to attach documentation or attaching incorrect or incomplete documentation will delay processing of the return or result in corrections being made to the return.

WHO MUST FILE A RETURN
If you had Big Rapids taxable income, you must file a return - even if you did not file a Federal return. See Exemptions Schedule for more information on your allowable exemptions. **You are required to file a tax return and pay tax even if your employer did not withhold Big Rapids tax from your paycheck.**

ESTIMATED TAX PAYMENTS
When your total income tax is greater than the amount of tax withheld plus other credits, by $100.00 or more, you may be required to make quarterly estimated tax payments. File Form BR-1040ES (available on the Big Rapids website) by April 30 of the tax year and pay at least one-fourth (¼) of the estimated tax. The remaining estimated tax is due in three equal payments on June 30 and September 30 of the tax year and January 31 of the following year. Adjust the remaining quarterly payments if your income increases or decreases during the year. **Failure to make required estimated tax payments or underpayment of estimated tax will result in assessment of penalty and interest.** If you have made estimated tax payments and do not owe more tax for the year, you still must file a tax return.

DUE DATE AND EXTENSIONS
Returns are due **on or before April 30, 2026.** The due date of the annual income tax return may be extended for a period not to exceed six months. To apply for an extension, use the Application for Extension of Time to File a Big Rapids Income Tax Return and attach a copy of Federal Form 4868 or 7004. Applying for a federal extension does not satisfy the requirement for filing a Big Rapids extension. **Application for an extension must be made and the tentative tax due must be paid by the original due date of the return (MCL 141.664).** Filing an extension with payment is not a substitute for making estimated tax payments. **An extension does not extend the time for paying the tax due.**

AMENDED RETURNS
File amended returns using the Amended Income Tax Form. If a change on your federal return affects Big Rapids taxable income, you must file an amended return within 90 days of the change and pay the tax due. All schedules supporting the changes should accompany the filing.
Every change must be explained. Mail amended returns to the address listed on the front page of the instructions.

CHARGES FOR LATE PAYMENTS
All tax payments remaining unpaid after they are due are liable to a penalty of 1% per month, not to exceed a total penalty of 25%, and bear interest at the rate of 1% above the prime rate on an annual basis. The minimum combined charge for interest and penalty is $2.00.

DISCLAIMER
These instructions are interpretations of the Uniform City Income Tax Ordinance, MCLA 141.601 et seq. The Big Rapids Income Tax Ordinance will prevail in any disagreement between these instructions and the Ordinance.

COMPLETING YOUR RETURN
NAME, ADDRESS, SOCIAL SECURITY NUMBER

- Always write your social security number(s) on the return. Your social security number must agree with the SSN on the Form(s) W-2 attached to your return.
- Enter your name and, if a joint return, your spouse's name.
- If the taxpayer or spouse is deceased: attach a copy of federal Form 1310 or a copy of the death certificate; write deceased in the signature area; and enter the date of death in the box on the signature line of the return.
- Enter your current address under present home address. If using a PO Box, or an address that is not your legal residence, **you must add an attachment that states your actual residence.**
- Mark the box to indicate your filing status.

RESIDENCY STATUS
Indicate your residency status by marking (X) in the proper box.

Resident: a person whose domicile (principle residence) was in the City of Big Rapids all year.

Nonresident: a person whose domicile (principle (principle residence) was outside the City of Big Rapids all year.

Part-Year Resident: a person who changed their domicile (primary residence) during the year from inside Big Rapids to outside Big Rapids, or vice versa. If you were a resident for only part of 2025, use form BR-1040TC to calculate the tax and attach it to the BR-1040.

RESIDENCY STATUS (continued)
Married with Different Residency Status. If you were married in 2025 and had a different residency status from that of your spouse, file separate returns or file a resident return using Form BR-1040TC to compute the tax.

FILING STATUS
Indicate filing status by marking (X) in the proper box. If married filing separately, enter spouse's Social Security number in the spouse's SSN box and enter the spouse's full name in the filing status box.

INCOME EXEMPT FROM BIG RAPIDS INCOME TAX
Big Rapids does not tax the following types of income:

1. Social Security, pensions and annuities (including disability pensions), Individual Retirement Account (IRA) distributions received after reacing 59 1/2. **Premature withdrawals are taxable both to resident and non-resident.**
2. Proceeds of insurance where the taxpayer paid policy premiums. (Payments from a health and accident policy paid by an employer are taxed the same as under the Internal Revenue Code).
3. Unemployment compensation, supplemental unemployment benefits, welfare relief payments, workmen's compensation.
4. Interest from obligations of the United States, such as Savings Bonds and Treasury Notes, obligations of the states, or subordinate units of government of states.
5. Military pay of members of the armed forces of the United States, including Reserve and National Guard pay.
6. Michigan Lottery prizes won on or before December 30, 1988. (Michigan lottery prizes won after December 3, 1988 are taxable).

ITEMS NOT DEDUCTIBLE ON THE CITY RETURN
Big Rapids does not allow deductions for items such as taxes, interest, medical expenses, charitable contributions, casualty and theft losses, etc. In addition, the following federal adjustments are not deductible on the Big Rapids return: student loan interest, Archer MSA deduction, self-employed health insurance deduction, one-half or self employment tax, and penalty for early withdrawal of savings.

The Standard Federal Deduction is not applicable to Big Rapids and cannot be subtracted from taxable income.

FORM BR-1040, PAGE 1, INSTRUCTIONS

EXEMPTIONS SCHEDULE

Complete the Exemptions schedule to report and claim the total exemptions amount allowed. Everyone who files a Big Rapids return gets a personal exemption of $600 for 2025. You may **not** claim an exemption if someone else claims you as a dependent on their Big Rapids return.

Lines 1a - 1c – You and Spouse. Enter your date of birth and mark (X) in the exemption boxes that apply to you. If filing jointly, complete line 1b for spouse. Mark (X) in the boxes that apply, and enter on line 1d the total number of exemption boxes marked.

Lines 1e – Dependents. Determine dependents using the same rules as on the federal return. If you cannot claim a dependent on the federal return, you cannot claim them on a Big Rapids return. Enter the names of your dependent children that live with you, then the names of other dependents and their relationship to you. Enter totals on 1f and 1g.

Lines 1f – Total Exemptions. Add lines 1d and 1e then enter the total exemptions on line 1f and on page 1, line 16a.

TOTAL INCOME AND TAX COMPUTATION

Round all figures to the nearest dollar.

Lines 1 – 11, INCOME

The tax form has 3 columns. **Column A** should have all income as reported on your federal tax return. **Column B** is where income NOT taxable to Big Rapids will be reported, such as excludable non-resident wages (see non-resident instructions). **Column C** should contain only the income taxable to Big Rapids.

Line 17 is where your total taxable income after subtracting applicable deductions and exemptions will be reported. This amount will be multiplied by either the resident rate (.01) or the non-resident rate (.005) depending on your filing status on **Line 18**. If you were a part-year resident, the tax amount will be carried to Line 18 from the Sch TC (part-year resident schedule).

Line 19 On Line 19, you will report Big Rapids tax withheld by your employer(s) in Box 19a - **ATTACH ALL W-2 FORMS.** Estimated tax paid, tax paid with extension and credits from the previous tax year are reported in Box 19b. Credit for tax paid to another city is claimed in Box 19c - **ATTACH PAGE 1 OF THE OTHER CITY'S TAX FORM.** Failure to attach W-2 forms and other city tax forms may result in a delay in processing your tax return.

Revised 01/12/2026

Line 21 (TAX DUE) If Line 19d (or 20c) is LESS than Line 18b, Subtract line 21b from line 20. If line 21b is greater, enter zero.

Line 22 (OVERPAYMENT) If Line 19d (or 2c) is MORE than Line 18b, you are due a refund and will report the amount on Line 22. If you would like the full amount to be refunded, put the amount on **Line 25**. Options for donating all or part of your refund are on **Line 23,** 23A being a donation toward the Community Pool and 23B a donation to the Community Library. If you would like your refund to be issued as a direct deposit, please fill out the bank account information at the bottom of the form. Please allow 45 days before contacting our office to inquire about a refund status.

Line 24 If you would like all or part of your refund to be credited to the next year, put the amount on Line 24.

FORM BR-1040 PAGE 2 INSTRUCTIONS

SCHEDULE A - OTHER INCOME
All items in Sch A are taxable to residents. Alimony, S-Corp and Gambling income are not taxable to non-residents. See specific non-resident instructions.

EXCLUDED WAGES AND TAX WITHHELD SCHEDULE
(Attach W-2 Forms even if completing this schedule). All wages of RESIDENTS are taxable - even if earned outside of the Big Rapids city limits. For NON-RESIDENTS, wages earned outside of the Big Rapids city limits are not taxable, however **documentation from the employer will be required if Big Rapids tax was withheld on the excluded wages.** Additional information can be found with the non-resident instructions.

DEDUCTIONS SCHEDULE
All deductions are limited to the extent they apply to income earned in Big Rapids, however must be pro-rated if you were a non-resident or part-year resident. Allowable deductions include the following line number items:
Line 1 – Individual Retirement Account (IRA) Contributions Contributions to an IRA are deductible to the same extent deductible under the Internal Revenue Code. Attach Schedule 1 of Federal 1040 and evidence of contribution, which includes, but is not limited to, one of the following: a copy of receipt for IRA contribution, a copy of a canceled check that clearly indicates it is for an IRA contribution. ROTH IRA contributions are not deductible.
Line 2 – Self-Employed SEP, SIMPLE and Qualified Plans
Self-employed SEP, SIMPLE and qualified retirement plan deductions may be entered on page 2, Deductions schedule, line 2.
Line 3 – Employee Business Expenses
Employee business expenses are deductible only when incurred in the performance of service for an employer and only to the extent not reimbursed by the employer. Meal expenses are not subject to the reductions and limitations of the Internal Revenue Code. Under the Big Rapids Income Tax Ordinance meals must be incurred while away from home overnight on business.

BUSINESS EXPENSES ARE LIMITED TO THE FOLLOWING:

- Expenses of transportation, but not to and from work.
- Expenses of travel, meals and lodging while away from home overnight on business for an employer.
- Expenses incurred as an “outside salesperson” away from the employer's place of business. This does not include driver-salesperson whose primary duty is service and delivery.
- Expenses reimbursed by employer from an expense account or other arrangement if included in gross earnings.

NOTE: Business expenses claimed on line 4 of fed. Form 2106 are not allowed unless taxpayer qualifies as an outside salesperson. Attach a copy of federal Form 2106 and a list of your employee business expenses.

Line 4 – Moving Expenses
For tax years after 2017, only members of the military are eligible to claim moving expense. If applicable, attach federal Form 3903.

Line 5 – Alimony Paid (CHILD SUPPORT IS NOT DEDUCTIBLE)
Attach Schedule 1 of Federal 1040

Line 6 – Total Deductions
Add lines 1 through 5. Enter the total on line 6 and on page 1, line 19.

ADDRESS SCHEDULE (Taxpayer, Spouse or Both). Please complete this section with all home addresses for the tax year.

THIRD PARTY DESIGNEE If you would like to authorize another person to discuss the tax return, check the box for YES and provide their information. If you are a parent preparing the return for a dependent, this will need to be completed before information about the return can be shared.

SIGN AND DATE THE RETURN

Line 1 – Wages, Salaries, Tips, Etc.

Report on line 1, column A, the amount of wages, salaries, tips, etc. from your federal tax return.
Pages 1 & 2 of the federal tax return must be attached to all Big Rapids tax returns. All W-2 forms must be attached to page 1 of the return.

A resident is taxed on **ALL** earnings, including salary, bonus, separation, and incentive payments, tips, commissions and other compensation for services rendered—**no matter where earned.**

If your employer did not withhold Big Rapids tax from your paycheck, you are still required to file and pay tax on those wages at the resident tax rate. You may also be required to make estimated tax payments if your employer does not withhold Big Rapids tax for you in 2025.

Report on line 1, column B, the total excluded wages. All nontaxable wages must be documented on the Wages, Excludible Wages, and City Tax Withheld schedule **and** listed by employer on the Excluded Wages schedule on Form 1040, page 2. A resident's wages are generally not excludible. An example of excludible (nontaxable) resident wages is military pay.

Line 2 and 3 – Interest & Dividends

All Interest and Dividend income is taxable unless the source was from a federal government obligation (U.S. Bonds Treasury Bills and notes, etc.).

Line 4 – Business Income

All self-employment income is taxable regardless of where the business is located. **Attach a complete copy of Federal Schedule C**

Line 5 – Capital Gain or (Loss)

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 Big Rapids 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 Big Rapids 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 Big Rapids 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

Flow through income or loss from an S corporation reported on federal Sch. D is taxable. Attach copies of federal Sch. K-1 (Form 1120S).

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 Big Rapids 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.

Flow through income or loss from an S corporation reported on federal Form 4797 of a resident is taxable. Attach copies of federal Schedule K-1 (Form 1120S).

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 - Attach 1099-R Form(s)

IRA distributions qualifying as retirement benefits are not taxable to Big Rapids. Excludible IRA distributions are typically designated with Distribution Code 7 in Box 7 of the 1099-R form, are received after age 59 1/2 or described by Section 72(t)(2)(A)(iv) of the IRC.

Premature IRA distributions - typically designated with Distribution Code 1 in Box 7 of the 1099-R form and received prior to age 59 1/2 - are taxable to Big Rapids.

Line 8 – Pension and Annuities

Pension and retirement benefits **NOT** taxable (typically designated by Distribution Code 7 in Box 7 of the 1099-R form) to Big Rapids 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 qualifies 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 Big Rapids 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 IRS 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 . If you received a distribution as the surviving spouse of the decedent, the income is not taxable to Big Rapids. The income is taxable to all other recipients.

Line 9 - Rental Real Estate, Royalties, S Corporations, Partnerships, Trust, Etc.

Except for royalty income upon which Michigan severance tax was paid, all income reported on federal Schedule E is taxable. A resident's share of an S corporation's flow through income is taxable to the same extent that and on the same basis the income is taxable under the Internal Revenue Code. Royalty income upon which Michigan severance tax was paid is to be reported in column B (income excludible to Big Rapids)

Line 19, Box C - Credit to tax paid to another city

If you worked in another taxing city (such as Grand Rapids) you can claim the other city tax credit. 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 Big Rapids for which there is not a specific line is reported here. For residents, this includes alimony, gambling winnings.

PART-YEAR RESIDENT INSTRUCTIONS

PART-YEAR RESIDENTS: COMPLETE THE SCH TC AND ATTACH IT TO PAGE 1 OF THE BR-1040. CHECK BOX 18A ON PAGE 1 OF THE BR-1040. BOTH FORMS MUST BE FILED - DO NOT SEND THE SCH TC BY ITSELF.

ATTACH PROOF OF RESIDENCY, SUCH AS A COPY OF PAGE 1 OF YOUR LEASE AGREEMENT OR DEED.

Part-Year Resident - a person who changed their domicile (primary residence) during the year from one inside Big Rapids to one outside Big Rapids or vice versa. If you were a resident for only part of 2025, use form BR-1040TC to calculate the tax and attach it to the BR-1040. If you had income taxable as a resident and as a nonresident during the year, you must file as a part-year resident.

General instructions for completing the Sch TC are below. If specific detail is needed, such as what income is taxable, please refer to the instructions attached to the Resident/Nonresident form.

COLUMN A. Report all income in Column A as it is shown on your Federal tax return.

COLUMN B. Income not taxable to Big Rapids is to be reported in Column B. This includes income earned outside of the city limits while you were a non-resident. Only income (wages, business and rental income, etc.) earned inside of the Big Rapids city limits is taxable to non-residents. PLEASE NOTE: If you are excluding wages which had Big Rapids tax withheld upon, you must attach the WAGES AND EXCLUDIBLE WAGES SCHEDULE and provide the location(s) where work duties were actually performed. For a detailed list of taxable income to non-residents, please refer to the non-resident portion of these instructions.

COLUMN C. Report the income earned while living in the Big Rapids city limits. **ALL** income of Big Rapids residents is taxable - even if earned outside of the Big Rapids city limits.

COLUMN D. Any income you earned in the city limits of Big Rapids while a non-resident is to be reported in Column D.

Once you have completed all applicable columns of the Sch TC, copy the amount from Line 24c to Line 18b on page 1.

NONRESIDENT INSTRUCTIONS

If you lived outside of the Big Rapids city limits for the entire year but had income earned inside of the Big Rapids city limits, you will file a non-resident tax return. If you moved during the year and lived both inside and outside of the Big Rapids city limits, you will fie 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 Big Rapids city limits which includes, but is not limited to, the following: bonuses, commissions, fees, tips, incentive payments, vacation pay, severance pay, sick pay and profit sharing plans.
2. Net profits from the operation of an unincorporated business, profession or other activity attributable to business activity conducted in Big Rapids, whether or not such business is located in Big Rapids. This includes business interest income from business activity in Big Rapids.
3. Gains or losses from the sale or exchange of real or tangible personal property located in the Big Rapids city limits.
4. Net profits from rental of real and tangible personal property located in Big Rapids.
5. Premature distributions from an Individual Retirement Account (IRA) where a deduction was claimed on a current or previous year's Big Rapids income tax return.
6. Premature distributions from a pension plan attributable to work performed in Big Rapids.
7. Deferred compensation earned in Big Rapids.

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 Big Rapids 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 Big Rapids. 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 Big Rapids 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 is you exclude 100% of your wages from an employer that withheld tax for Big Rapids, you will be asked to provide a statement from the employer that no work duties were done in the Big Rapids city limits. Big Rapids tax should not be withheld on wages earned outside of the Big Rapids city limits by non-residents. You may need to file an updated W-4 form with your payroll department to indicate that you do not live or work in the Big Rapids city limits. A statement from your employer may also be requested if you indicate any excluded wages when tax was withheld. This same verification from the employer will be requested if you exclude wages earned while working from home.

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 and Box 18 is the correct taxable amount, you are still required to fill out EXCLUDED WAGES AND TAX WITHHELD SCHEDULE.

NONRESIDENT INSTRUCTIONS

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 Big Rapids city limits and receive income (such as interest paid on a land contract) the interest is taxable.

Line 3 – Dividends Not taxable unless attributed to a Big Rapids source.

Line 4 – Business income (or loss) - PLEASE ATTACH FEDERAL SCH C. Any business income earned in the Big Rapids 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 Big Rapids 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 Big Rapids. Capital losses from property located in Big Rapids 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 Big Rapids 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 Big Rapids are taxable in the year recognized on the taxpayer's federal income tax return. Flow through income or loss from a tax option corporation (S corporation, etc.) reported on a nonresident's federal Schedule D is excluded on the Exclusions and Adjustments to Capital Gains or (Losses) schedule 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 Big Rapids. Deferred other gains and losses from installment sales and like-kind exchanges of property located in Big Rapids 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. Flow through income or loss from a tax option corporation (S corporation, etc.) reported on federal Form 4797 is excluded on the Exclusions and Adjustments to Other Gains and (Losses) schedule unless conducted in Big Rapids. 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 Big Rapids 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 59½ or described by Section 72(t)(2)(A)(iv) of the IRC are not taxable.

Line 8 – Taxable Pension Distributions
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 Big Rapids 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 as 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, S Corporations, Estates, Trusts, etc.
PLEASE ATTACH FEDERAL SCHEDULE E

All income reported on the federal Schedule E that comes from business activity in Big Rapids or property located in Big Rapids is taxable to nonresidents. When an estate or trust has taxable income in Big Rapids, 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 Big Rapids including royalty income upon which Michigan severance tax was paid; S corporation flow through income or loss reported on Schedule E; and income from estates and trusts.

OTHER INCOME (Page 2, Schedule A)

Alimony, S-corp and gambling income is not taxable to nonresidents. Any other income earned in the Big Rapids 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 Big Rapids income to the extent the profit or loss results from work done, services rendered or other activities conducted in Big Rapids. The portion of the profit or loss reported on the Big rapids 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 Big Rapids business activity and subjects the farm to Big Rapids income tax.

DEDUCTIONS SCHEDULE: a nonresident's deductions are limited by the extent they relate to income taxable under the Big Rapids Income Tax Ordinance. Nonresidents must allocate deductions the same way related income is allocated.