

INSTRUCTIONS FOR SCHEDULE L OF W-1040R

GENERAL INFORMATION

The purpose of Schedule L is to help compute Walker income tax for the part-year resident who earned income both as a Walker resident and as a nonresident working in Walker. Certain kinds of income are taxed differently to residents of Walker and nonresidents working inside Walker.

Schedule L must be filed with a Walker Resident Individual Tax Return (W-1040R). Instructions for the resident individual return apply to income earned while a resident. Instructions for the Nonresident Individual Return (W-1040NR) apply to income earned in Walker while a nonresident. The instructions for both returns should be read before attempting to fill out Schedule L.

Page 2 of the resident return must be filled out where required and the totals carried over to the appropriate lines on Schedule L. All supporting schedules must be attached.

Complete lines 1 through 4 with information from the top section of W-1040R.

COMPUTATION OF TAXABLE INCOME

Lines 5 through 9d of Schedule L describe the kinds of income subject to tax. Column 1 is for income earned while a resident of Walker. Column 2 is for income earned while a nonresident. Shaded areas in column 1 or column 2 indicate income as a nonresident is not taxable or indicate the line is not applicable to the particular column.

The following instructions for specific kinds of income must be used together with the instructions for the Walker resident and nonresident returns.

LINE 5 - WAGES, SALARIES, COMMISSIONS, TIPS, SICK PAY, ETC.

All wages earned while a resident must be reported in column 1 regardless of where earned. To determine resident wages use a check stub close to the date of the move as a guide. Nonresident wages for an employer equal box 1 of the W-2 form, total wages, less resident wages reported in column 1. Taxable nonresident wages earned in Walker are calculated for each employer as follows:

1. Compute the number of actual days worked in Walker as a nonresident for the employer.
2. Compute the total number of days worked while a nonresident for the employer.
3. Divide the days worked in Walker by the total days worked as a nonresident to compute the percentage of nonresident wages earned in Walker.
4. Multiply the wages as a nonresident by the percentage earned in Walker (number 3 above) to calculate nonresident wages earned in Walker.
5. Enter the nonresident wages earned in Walker in column 2 for each employer.

LINE 7 - INTEREST INCOME

Interest received while a resident (minus interest from government obligations) is taxable regardless of origin and must be entered in column 1. Interest received while a nonresident is not taxable.

LINE 8 - DIVIDEND INCOME

Dividends received while a resident are taxable and must be entered in column 1. Dividends received while a nonresident are not taxable.

LINE 9a - BUSINESS, PROFESSIONAL AND FARM INCOME

Business, professional and farm income earned while a resident of Walker is taxable regardless of where the business or profession is conducted. Nonresident business, professional and farm income earned in Walker is taxable. See the instructions for the nonresident return to determine the amount of this income to report.

The KEOGH, SEP or SIMPLE retirement deduction is subtracted from business, professional and farm income prior to the income being entered on line 9a. This deduction must be allocated between resident and nonresident status in the same manner as income. ATTACH SUPPORTING SCHEDULES DETAILING COMPUTATION OF THIS DEDUCTION.

LINE 9b - GAIN OR LOSS FROM THE SALE OR EXCHANGE OF PROPERTY

Residency status on the date the sale or exchange of property took place determines whether the sale or exchange is considered a transaction by a resident or a nonresident.

SALES OR EXCHANGES WHILE A RESIDENT - All gains or losses from the sale of both tangible and intangible property are taxable to residents regardless of where the property is located. The Walker Income Tax Ordinance follows the Internal Revenue Code except for gains on the sales of obligations of the United States (and subordinate units of government) and gains from sales or exchanges of property purchased prior to January 1, 1988.

SALES OR EXCHANGES WHILE A NONRESIDENT - Only that portion of a gain or loss from the sale of tangible property located in Walker which occurred after January 1, 1988, is taxable to a nonresident. The gain or loss from the sale of intangible property is not taxable to a nonresident.

LINE 9c - INCOME (OR LOSS) FROM RENTAL REAL ESTATE, ROYALTIES, PARTNERSHIPS, TRUSTS, ETC.

RENTAL AND ROYALTY INCOME earned while a resident must be reported regardless of the location of the property. Nonresidents must report only that portion of rental income derived from the rental of real and tangible personal property located in Walker. (See the instructions to the Nonresident Return.)

PARTNERSHIP, TRUST, ETC. INCOME (OR LOSS) of a resident must be reported regardless of where the partnership, trust, etc. is located or does business (attach copy of federal Schedule K-1). Nonresidents must report only that portion of partnership income (or loss) allocated to the City on the partnership's Walker Partnership Return (W-1065). If there is no partnership return on file the processing of the individual return will be delayed until a partnership return is filed. Income from trusts etc. is not taxable to a nonresident.

LINE 9d - OTHER INCOME

Other income of a resident is taxable. See resident return instructions. Other income of a nonresident earned in Walker is taxable. See nonresident return instructions for taxability of a nonresident's other income.

LINE 11 - DEDUCTIONS

With the exception of the KEOGH, SEP and SIMPLE retirement deduction, residents and nonresidents are limited to the deductions listed on line 11. The KEOGH, SEP or SIMPLE retirement deduction must be included on line 9a. (See instructions for line 9a.) Nonresidents must allocate deductions in the same manner they allocate their income. (See the instructions to the nonresident return.)

LINE 13 - PERSONAL EXEMPTIONS

Complete the exemption section of the resident return (Schedule 1) and enter the total number of exemptions on line 13a of Schedule L. Multiply number of exemptions by \$750 and enter total on line 13a, column 1. If line 13a exceeds resident income on line 12, column 1, enter the excess on line 13b, column 2.

COMPUTATION OF TAX

Computation A is for tax years 1988 through the current year. Computation B is reserved for future use.

Use a separate Schedule L for each tax year requiring a Schedule L. Transfer the tax on line 15c of Computation A to page 1, line 7 of the resident return. Insert the words "Schedule L" to the left of the tax amount to indicate the tax was transferred from a Schedule L.

NEGATIVE TAX

If taxpayer is a resident at tax year end and line 12, column 1, is a loss, multiply the loss by the tax rate for line 15a (resident rate) of computation (A or B) you are using and enter this amount on line 15a. If taxpayer is a nonresident at tax year end and line 12, column 1 is a loss, multiply the loss by the tax rate for line 15b (nonresident rate) of the computation (A or B) you are using and enter this amount on line 15a. If line 12, column 2, is a loss, multiply the loss by the tax rate for line 15b (nonresident rate) of computation (A or B) and enter this amount on line 15b. Indicate negative totals by putting them in parenthesis ().

If combining lines 15a and 15b results in tax due the tax due must be entered on line 15c Schedule L, and line 7 of the resident return. However, if combining lines 15a and 15b results in a negative tax, enter zero on line 15c of Schedule L and on line 7 of the resident return.

COMPLETION OF RESIDENT RETURN W-1040R

Schedule L is not a return. It must be attached to a resident return. After entering your tax on line 7 of the resident return, follow the resident return instructions to complete the remainder of the return.