



BENTON HARBOR

Port of Opportunities

CITY OF BENTON HARBOR CITY INCOME TAX **Frequently Asked Questions**

1) Am I a City of Benton Harbor resident subject to the tax? Click [here](#) to view the City of Benton Harbor Street Directory for resident addresses.

2) Who needs to file a City of Benton Harbor Resident income tax return?

Every resident or part-year resident of the City of Benton Harbor, including renters, who had taxable income in a tax year must file a return by April 30 of the following tax year. See Taxable Income—Residents paragraph below.

Married persons may file either a joint return or separate returns. The following examples may be used to assist you in determining if a return is required:

- Filing as a single person--if your income is \$750 or more you must file a return.
- Married, filing jointly--if your income is \$1,500 or more you must file a return.
- Filing as a single person and you are age 65 or older--if your income is \$1,500 or more you must file a return.
- Married, filing jointly and both you and your spouse are age 65 or older--if your income is \$3,000 or more you must file a return.

Taxable Income--Residents

City of Benton Harbor residents are required to report the same kinds of taxable income on their city return as they report on their federal return, with the following exceptions:

- Gifts, inheritances and bequests are not taxable income.
- Pensions (including disability pensions), social security, annuities, IRA distributions after age 59 ½, and rollover of amounts from IRA's to ROTH IRA's are not taxable income.
- Proceeds of insurance (except that payments from a health and accident policy paid for by your employer are taxable to the same extent as provided by the Internal Revenue Code).
- Unemployment compensation and supplemental unemployment benefits are not taxable income.
- Interest from obligations of the United States, the states, or subordinate units of government of the states, and gains or losses on the sales of obligations of the United States are not taxable income.
- Military pay of members of the National Guard and the Armed Forces of the United States including Reserve pay is not taxable income.

- Michigan State Lottery prizes won before January 1, 1988 are not taxable income. Michigan State Lottery prizes won after December 31, 1987 are taxable income.

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. Distributions from an S corporation are taxable as if paid by a regular corporation as dividends.

3) Who needs to file a City of Benton Harbor Non-Resident income tax return?

Every nonresident who had income subject to the City of Benton Harbor City income tax in a tax year must file a return by April 30 of the following tax year. See Taxable Income—Non-Residents paragraph below.

- Married persons may file either a joint return or separate returns. The following examples may be used to assist you in determining if a return is required:
 - Filing as a single person--if your income is \$750 or more you must file a return.
 - Married, filing jointly--if your income is \$1,500 or more you must file a return.
 - Filing as a single person and you are age 65 or older--if your income is \$1,500 or more you must file a return.
 - Married, filing jointly and both you and your spouse are age 65 or older--if your income is \$3,000 or more you must file a return.

Taxable Income—Non-Residents

The following income is subject to tax:

- Compensation received for work done or services performed within the City of Benton Harbor city limits —compensation includes, but is not limited to; salary, bonus, wages, commissions, vacation pay, holiday pay, sick pay, incentive pay to leave employment, incentive pay for “early retirement”, lump sum distribution of vacation pay, lump sum distribution of sick pay, employee savings plans, retirement stock purchase plans and profit sharing plans. (Please note that these examples do not cover every possible filing situation. If you have any questions, please contact the City of Benton Harbor Income Tax Department at 269- 927-8420).
- The net profits from the operation of a business or profession attributable to business activity conducted in within the City of Benton Harbor city limits whether or not such business is located in the City of Benton Harbor.
- Net profits from the rental of real and tangible property located within the City of Benton Harbor city limits. Gain from the sale or exchange of real and tangible personal property located within the City of Benton Harbor city limits.
- Premature distribution of an Individual Retirement Account (IRA) when a deduction(s) has been taken on a City of Benton Harbor income tax return in previous year(s).

4) My employer is not located in City of Benton Harbor and will not withhold City of Benton Harbor income tax. What do I need to do to avoid penalty and interest?

If you expect that your City of Benton Harbor income not subject to withholding will be more than \$10,000 for a resident after deductions or \$20,000 for a non-resident after deductions (\$100 in tax) in any calendar year, you must file quarterly estimated tax payments using form CF-1040ES. For tax year 2020, payments are due at the end of April, June, and September of 2020 and January of 2021. CF-1040ES forms for tax year 2020 can be found by clicking [here](#).

Failure to file form CF-1040ES and make the required payments will result in the assessment of penalty and interest for the late payment of tax. To avoid penalty and interest charges, you must pay in through withholdings and/or quarterly estimated payments at least 70% of your current year or prior year liability, whichever is lower.

If at any time during the year your income increases to such a level that one hundred dollars tax or more will be due at the end of the year, form CF-1040ES must be filed with the appropriate payment. Please contact the Income Tax Department at 269-927-8420 if you need help calculating safe estimates.

5) I only lived in the City of Benton Harbor for part of the year--how do I file?

If you lived in the City of Benton Harbor for part of the year and did not work in the City of Benton Harbor as a non-resident, you need to file a City of Benton Harbor resident return (Form CF-1040). Report on this form only your taxable income while a resident, regardless of the source of the income. Check the part-year resident box under the name and address block on the form and fill in your dates of residency.

6) How do I know if I live in City of Benton Harbor?

Click [here](#) to view the City of Benton Harbor Street Directory.

8) I can't pay my City of Benton Harbor income tax on time. What interest rate do you charge?

By law, we charge both penalty and interest on the unpaid balance of tax. Penalty is calculated at the rate of 1% per month up to a maximum of 25%.

The interest rate is set by the State of Michigan and changes every six months. It is currently 5.63% per year. It is calculated on a daily basis, which is .0001538.

9) I received a distribution from a pension plan and/or an IRA that was reported to me on Form 1099-R. How do I know if it is taxable?

Click [here](#) for a PDF document containing the pension and retirement benefit taxability rules.

10) How do I obtain a City of Benton Harbor withholding booklet?

Forms must be printed from our web [site by clicking here](#).

11) What are the withholding rates?

The Withholding Tax Guide contains instructions for withholding the City of Benton Harbor income tax from employee's pay. It includes withholding tables at 1% (resident rate) and 1/2% (non-resident rate). The personal exemption rate for individuals subject to the City of Benton Harbor income tax is \$750 per exemption. The Withholding Tax Guide can be downloaded [by clicking here](#).

12) I made a deductible IRA contribution for federal purposes. How do I calculate my City of Benton Harbor IRA deduction? Click [here](#) for an Excel spreadsheet that will help with this calculation.

13) What mailing address should I send my completed City of Benton Harbor income tax return to?

All City of Benton Harbor individual, corporate, partnership, and employer withholding income tax returns should be mailed to:

City of Benton Harbor
Attn: Income Tax Department
PO Box 597
Benton Harbor, MI 49023

14) I am a non-resident who worked for a City of Benton Harbor employer in 2020. Does the COVID-related stay at home order have an impact on my 2020 City of Benton Harbor tax return?

You may be able to allocate wages for work performed remotely outside of City of Benton Harbor for your City of Benton Harbor employer during the stay-at-home order. Click [here](#) for the CF-COV form that will help you calculate what dates may be excluded from City of Benton Harbor tax. You **may** allocate wages for days on which you worked remotely outside of City of Benton Harbor for hours approximating your regular shift. You **may not** allocate wages for vacation days, holidays, days for which you collected unemployment and days on which you were not in City of Benton Harbor but only answered occasional work-related emails or phone calls. Unemployment compensation is not taxable to City of Benton Harbor. Examples of wage allocation for the CF-COV can be found [here](#).

You must attach a signed copy of form CF-COV to your 2020 CF-1040 if you are allocating wages for COVID-related wage allocation. You must also attach a letter from your employer that is on company letterhead, confirms the dates you worked remotely outside of the City of Benton Harbor and is signed by your supervisor or Human Resources Department.