

City Tax Law

Taxing Cities

- 24 Michigan cities have an individual income tax, including:
 - Albion, Battle Creek, Benton Harbor, Big Rapids, **Detroit**, East Lansing, Flint, Grand Rapids, Grayling, **Hamtramck**, **Highland Park**, Hudson, Ionia, Jackson, Lansing, Lapeer, Muskegon, Muskegon Heights, **Pontiac**, Port Huron, Portland, Saginaw, Springfield, and Walker.
- Returns are typically due April 30 of each tax year.

Common Form 1040

- All except Detroit and Flint use Common Form 1040 (CF-1040)
 - Can be completed in TaxSlayer
- **Return must be paper filed** – print two copies (one to mail and one for the client's records)
 - Print extra copy of federal forms that must be attached to the return
 - Federal 1040, page 1, Sch 1 and Schedules B, C, D, E
 - Other city returns (credit for taxes paid to other city)
 - Attach W-2's & 1099-R's (if taxable)
 - Instruct the client that they must sign and mail in the return with their payment (if owed)

City of Flint and State of Michigan Tax Agreement

- Starting January 1, 2027, the Michigan Department of Treasury will process City of Flint income tax returns electronically.
- 2027 Filing Season: File 2026 City of Flint tax return with state return
- Flint becomes the second city in Michigan to partner with the state (after Detroit).
- Detroit's partnership (since 2015) resulted in a 54% increase in tax revenue.

Common Form 1040 Example

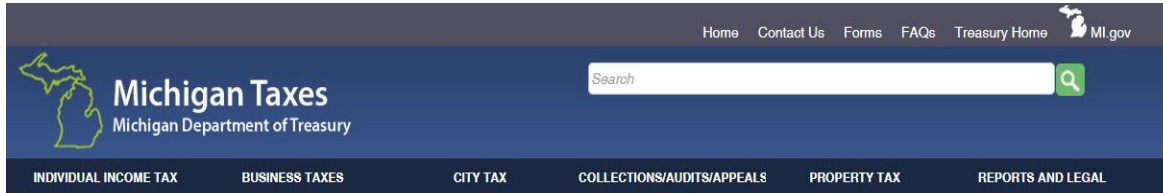
Example: David

- David is a **Highland Park resident**
- He earned wages in **Highland Park and Detroit**
- He **owes \$120** in Highland Park tax
- He also paid tax to **Detroit**, so he's claiming a **credit** for taxes paid to another city

✓ Filing Process for David:

1. **Completes the CF-1040** (Common Form 1040 for all cities except Detroit) in **TaxSlayer**
Prints 2 copies of the return:
 - One to **mail**
 - One for his **own records**
2. **Attaches required federal forms:**
 - **Federal 1040 (Page 1)**
 - **Schedule 1**
 - **Schedule B** (If applicable)
 - **Schedule C** (If applicable)
3. **Includes copies of W-2s and 1099-Rs** (If applicable)
4. **Claims a tax credit** on the return for the amount paid to **Detroit** city
5. **Signs the return by hand**, encloses a **check for \$120**, and **mails** it to the Highland Park income tax office

Michigan City Income Tax



TAXES

City Income Tax Forms

City of Albion
City of Battle Creek
City of Benton Harbor
City of Big Rapids
City of Detroit
 ◦ 2014 and Previous Years
 ◦ 2015 to Present
City of East Lansing
City of Flint
City of Grand Rapids
City of Grayling
City of Hamtramck
City of Highland Park
City of Hudson
City of Ionia
City of Jackson
City of Lansing
City of Lapeer
City of Muskegon
City of Muskegon Heights
City of Pontiac
City of Port Huron
City of Portland
City of Saginaw
City of Springfield
City of Walker

- Alternatively, city-specific tax forms are available on the Michigan.gov tax website at [Michigan City Income Tax Forms Website](#).
 - You can prepare each city return manually using their specific instructions.
- **Hudson** can now be prepared in Taxslayer.

City Tax Rates

The following Michigan cities levy an income tax of 1% for Residents and 0.5% for Nonresidents:

Albion	Battle Creek	Benton Harbor	Big Rapids	East Lansing
Flint	Grayling	Hamtramck	Hudson	Ionia
Jackson	Lansing	Lapeer	Muskegon	Muskegon Heights
Pontiac	Port Huron	Portland	Springfield	Walker

The following cities levy an income tax at different tax rates:

- **Detroit:** 2.4% for Residents, 1.2% for Nonresidents
- **Highland Park:** 2% for Residents, 1% for Nonresidents
- **Grand Rapids and Saginaw:** 1.5% for Residents, 0.75% for Nonresidents

Who Must File?

- Who **Must** File
 - Persons who owe tax or are due a refund
 - Residents whose AGI exceeds the personal exemption
 - Nonresidents and part-year residents whose city wages exceed the personal exemption
 - Each city can be different so consult their instructions for filing requirements.
- Residents who file a Federal Return (EVEN IF NO CITY TAX IS OWED) **should** file.
 - File a City of Detroit return for all Detroit residents, regardless of income amounts.

Who Must File?

Example:

- Tasha **lives in Highland Park** all year
- She earned **\$12,000** from a part-time job
- She filed a **federal tax return**
- The **personal exemption** is **\$600**

✓ Does Tasha Need to File a Highland Park Return?

→ **Yes**

Even if her income is low:

1. She's a **resident**
2. She **filed a federal return**
3. Her income **exceeds the exemption** ($\$12,000 > \600)

📊 Tax Calculation:

- **Taxable income** = $\$12,000 - \$600 = \$11,400$
- **City tax owed** = $\$11,400 \times 2\% = \228

➡ Tasha must file **Form HP-1040** and pay **\$228** in Highland Park income tax.

Filing Status

- Like Michigan, there are only three filing statuses:
 - Single
 - Married Filing Jointly
 - Married Filing Separately
- TaxSlayer defaults Head of Household and Qualifying Surviving Spouse filers to Single on the city return.

Filing Status

Example:

- Angela is **Head of Household** on her **federal return**
- She lives in **Highland Park** and earned \$28,000 in 2025
- She notices that her **Highland Park city return says “Single”**

Why?

Because for **Michigan city taxes**, including Highland Park:

Only three filing statuses are allowed (Listed on previous slide)

So, even though Angela is **Head of Household federally**, **TaxSlayer defaults her city filing status to “Single”**, which is **correct** under city rules.



What Should Angela Do

- **Do not change** the “Single” status on her city return, it’s correct for city tax purposes
- Just **make sure her income and exemptions** are entered properly
- **Paper file** the return as required (since locality returns can’t be e-filed)

Exemptions

- Most **exemptions** carry over directly from the federal and state returns, so double check the city tax return to make sure all exemptions flowed through.
- Exemptions on city returns include:
 - Personal Exemption
 - An additional exemption if 65 or older
 - An additional exemption for the taxpayer or spouse if blind, deaf, or totally and permanently disabled (if under age 66)
 - There are no special exemptions for dependents
 - Number of dependent children and other dependents
- Not all cities allow all of these exemptions.

Exemptions by City: Common Cities

City	Exemption Amount	Exemption Type					
		Personal	65 and Older	Blind	Deaf	Permanently Disabled	Dependents
Detroit	\$600	YES	YES	YES	YES	YES	YES
Hamtramck	\$600	YES	YES	YES	YES	YES	YES
Highland Park	\$600	YES	YES	YES	YES	YES	YES
Pontiac	\$600	YES	YES	YES	NO	NO	YES

*Highland Park and Hamtramck also allow a taxpayer to claim an exemption even if someone else claims them as a dependent on their return.

Exemptions by City

City	Exemption Amount	Exemption Type					
		Personal	65 and Older	Blind	Deaf	Permanently Disabled	Dependents
Albion	\$600	YES	YES	NO	NO	NO	YES
Battle Creek	\$750	YES	YES	YES	YES	YES	YES
Benton Harbor	\$750	YES	YES	YES	NO	NO	YES
Big Rapids	\$600	YES	NO	NO	NO	NO	YES
East Lansing	\$600	YES	YES	YES	YES	YES	YES

Exemptions by City

City	Exemption Amount	Exemption Type					
		Personal	65 and Older	Blind	Deaf	Permanently Disabled	Dependents
Flint	\$600	YES	YES	YES	NO	NO	YES
Grand Rapids	\$600	YES	YES	YES	NO	NO	YES
Grayling	\$3,000	YES	YES	YES	NO	NO	YES
Hudson	\$1,000	YES	YES	YES	NO	NO	YES
Ionia	\$700	YES	YES	YES	NO	NO	YES

Exemptions by City

City	Exemption Amount	Exemption Type					
		Personal	65 and Older	Blind	Deaf	Permanently Disabled	Dependents
Jackson	\$600	YES	YES	YES	NO	PARAPEGIC	YES
Lansing	\$600	YES	YES	YES	YES	YES	YES
Lapeer	\$600	YES	YES	YES	NO	YES	YES
Muskegon	\$600	YES	YES	YES	YES	YES	YES
Muskegon Heights	\$600	YES	YES	YES	NO	NO	YES

Exemptions by City

City	Exemption Amount	Exemption Type					
		Personal	65 and Older	Blind	Deaf	Permanently Disabled	Dependents
Port Huron	\$600	YES	YES	YES	YES	YES	YES
Portland	\$1,000	YES	YES	YES	YES	YES	YES
Saginaw	\$750	YES	YES	YES	NO	NO	YES
Springfield	\$750	YES	YES	YES	YES	YES	YES
Walker	\$600	YES	YES	YES	NO	NO	YES

Exemptions – Detroit Return Example

Example:

Mark (70 years old) and Ann (62 years old and disabled) are filing a joint return. They have one disabled son (40 years old). Their total exemptions would be five, as shown here.

City of Detroit Resident Income Tax Return, lines 8 and 14

8. EXEMPTIONS. 8a-8c apply to you and your spouse only.		
Personal Exemption	a.	2
65 and over.....	b.	1
Deaf, Disabled or Blind.....	c.	1
Number of dependent children	d.	
Number of other dependents.....	e.	1
TOTAL EXEMPTIONS. Add lines 8a through 8e.	f.	5

14. **Exemption allowance. Multiply line 8f by \$600** 14. **3,000**

Income

Each city has their own laws regarding what income is and isn't taxable.

- Consult the instructions of other cities to determine what is taxable and not taxable.

Taxable Income: Frequently Seen Cities

The following items are **not** exempt from the listed cities income tax:

City of Detroit

Residents

- Wages, bonuses, etc.
- Business and Rental Income
- Gambling winnings, including the Lottery
- Early retirement distributions
- Interest, Dividends, and Capital Gains

Non-Residents

The following sources of income are taxable to non-residents:

- Taxable income to nonresidents:
 - Wages, bonuses, etc. which are earned in the city
 - Business and Rental Income from the city
- If part of the work is done outside the city, then the income is apportioned.
 - For example, if John works in Detroit, but 10% of his days are spent at an office in Roseville, then he only needs to show 90% of the amount from his W-2 on the Detroit Nonresident return

Non-Taxable Income: Frequently Seen Cities

The following items are exempt from the listed cities income tax:

City of Detroit

- Gifts, inheritances and bequests.
- Pensions and annuities, including disability pensions. (Pre-retirement distributions are taxable.)
- Proceeds from insurance (except 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, Welfare relief payments, supplemental unemployment benefits (sub-pay).

Non-Taxable Income: Frequently Seen Cities

The following items are exempt from the listed cities income tax:

Hamtramck and Highland Park

- Social security, pensions and annuities (including disability pensions), Individual Retirement Account (IRA) distributions received after reaching age 59½.
- 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).
- Welfare relief, unemployment compensation and supplemental unemployment benefits.
- 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.
- Military pay of members of the armed forces of the United States, including Reserve and National Guard pay.
- Michigan Lottery prizes won on or before December 30, 1988. (Michigan lottery prizes won after December 30, 1988 are taxable.)
- City, state and federal refunds

Non-Taxable Income: Frequently Seen Cities

The following items are exempt from the listed cities income tax:

Pontiac

- Gifts, inheritances and bequests
- Pensions (including disability pensions), Social Security benefits, Railroad Retirement Act benefits, annuities, IRA and 401k distributions after age 59 ½, and rollover of amounts from IRAs to ROTH IRAs.
- 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, supplemental unemployment benefits, welfare relief payments.
- Workers' compensation or similar payments for death, injury or illness arising out of and in the course of an employee's job.
- 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.
- Military pay of members of the National Guard and the Armed Forces of the United States including reserve pay. Attach a copy of your military W-2.

City of Detroit Subtractions

Some common **subtractions from income** for residents of the City of Detroit include:

- IRA, pensions and other retirement benefits (early distributions are taxable)
- Taxable Social Security benefits
- State and local income tax refunds if included in AGI
- Unemployment compensation

Most of these carry forward from the federal return with the exception of the subtraction for retirement benefits.

City of Detroit Subtractions

See Form 1099-R Distribution code:

Code 1 — Early distribution no known exception - Do not subtract on the Detroit return; **always taxable**

Code 2 — Early distribution, not eligible for subtraction on Detroit return.

Code 3 — Disability – Always eligible for subtraction, even if reported as wages.

Code 4 — Death – eligible for subtraction **for surviving spouse only** and if the decedent would have also qualified for a normal distribution under Distribution Code 7 at the time of death. No for all other beneficiaries. No, if paid as a death benefit payment made by an employer but not made as part of a pension, profit sharing, or retirement plan.

Code 7 — Always eligible for subtraction.

Normal distribution

- Distribution from a traditional IRA, if the participant is at least 59½,
- Roth conversion if the participant is at least age 59½,
- Distribution from a life insurance, annuity, or endowment contract must be 65 and part of a series of mainly equal periodic payments made for the life of the employee or the joint lives of the employee and their beneficiary.

Exception: You may not subtract distributions from a plan that:

- Allows the employee to set the amount of compensation to be deferred does not prescribe the retirement age or years of service

Taxes Withheld

- As long as the locality name is entered correctly into TaxSlayer, the withholdings will carry forward to the locality return.
 - How they should be entered into TaxSlayer locality boxes is shown below.
- City of Detroit Tax Withheld-
 - Any amount the client paid to the city will carry to Schedule W.
 - Schedule W is a summary of the taxes withheld from each paycheck.

Michigan Locality Name Codes (Name - **CODE**) :

Albion - **ALBION** | Battle Creek - **BC** | Benton Harbor - **BH** | Big Rapids - **BR** | Detroit - **DETROIT** | East Lansing - **EL** | Flint - **FLINT** | Grand Rapids - **GR** | Grayling - **GRAYLING** | Hamtramck - **HAMTRAMCK** | Highland Park - **HP** | Ionia - **IONIA** | Jackson - **JACKSON** | Lansing - **LANSING** | Lapeer - **LAPEER** | Muskegon - **MUSKEGON** | Muskegon Heights - **MH** | Pontiac - **PONTIAC** | Port Huron - **PH** | Portland - **PORTLAND** | Saginaw - **SAGINAW** | Springfield - **SF** | Walker - **WALKER**

Taxes Withheld

Example:

Mina works in **Detroit** and lives in a different city in Michigan. On her W-2, Box 19 shows **\$850 withheld** for **City of Detroit** tax, and Box 20 lists “**Detroit**” as the locality.

While entering her W-2 in **TaxSlayer**, the preparer correctly types “**Detroit**” in the **Locality Name** field. Because the city name is entered correctly, the **\$850 withholding automatically carries over to Schedule W**, which summarizes all local taxes withheld from her paychecks.

Later, when preparing Amina’s **City of Detroit return**, the \$850 withholding is already applied, reducing the amount she owes to the city.

Credits and Payments

City Estimated Tax

- Some taxpayers must pay quarterly estimated tax payments if they are self-employed or their employer does not withhold enough from their paychecks.
- Clients that owe each year may be sent estimated payment vouchers to avoid owing.
- If a taxpayer owes more than \$100, they will be charged extra penalties if they do not file estimated payments.
 - This penalty comes after they file.

Taxes paid to Another City

- If a taxpayer lived in one taxing city but worked in another taxing city, earnings are taxed by both.
 - A credit can be added to the resident city return to account for the taxes paid to the non-resident taxing city.

Credits and Payments

Example on City Estimated Tax:

Jason is a **self-employed graphic designer** who lives in **Detroit**. Since he doesn't have an employer to withhold city tax from his income, he's supposed to make **quarterly estimated payments** to the **City of Detroit**.

For the past two years, Jason has **owed over \$500** to the city at tax time but **never made estimated payments** during the year.

In 2025, he again **owes \$650** when filing his Detroit city return. Because he **didn't make estimated payments** and **owed more than \$100**, the city assesses a **penalty** after he files his return.

To avoid future penalties, Jason is now sent **estimated payment vouchers** and advised to pay quarterly based on his expected income.

Credit for Taxes Paid to Another City

- If a taxpayer lived in one taxing city but worked in another taxing city, earnings are taxed by both.
- The resident city will give credit for taxes paid to the nonresident city.
- The credit is the lesser of:
 - The taxes levied by the non-resident city
 - What the comparable non-resident taxes would have been in the resident city. (rates and exemptions may differ).

Credit for Taxes Paid to Another City

To calculate this credit:

1. Complete a non-resident city tax return for the city the taxpayer **worked in, but did not live in**. Notate the amount of tax that has been computed.
2. Complete a non-resident city tax return for the city the taxpayer **lived in, but did not work in**. Notate the amount of tax that has been computed, then **DELETE THIS RETURN (TIP: If there is a work allocation on the non-resident return, be sure to do the allocation on this return as well)**.
3. The lesser of the **tax amounts*** computed in Step 1 and Step 2 is the amount to be entered in on the taxpayer's resident return as the credit for tax paid to other cities.
4. Print an extra copy of the non-resident return to attach to the resident return.

Tax amounts = tax obligation NOT withholding!!!

Credits and Payments

Example on Taxes paid to Another City:

Emily lives in **Highland Park** (a city in Michigan that has an income tax) but works in **Detroit**, which also has a city income tax. Her employer withholds **Detroit city tax** from her paychecks.

When filing her **Highland Park resident return**, Emily must report all her income, including what she earned in Detroit. However, because she already **paid city tax to Detroit**, she can **claim a credit** on her Highland Park return for the taxes paid to Detroit.

This prevents her from being **double-taxed** on the same income by two cities.

Credit for Taxes Paid to Another City

John lives in **Hamtramck** (which taxes residents at **1%**) and works in **Detroit** (which taxes nonresidents at **1.2%**). His employer withholds **Detroit tax** from his paycheck.

At tax time, John must file:

- A **Hamtramck resident return**, reporting all his income
- A **Detroit nonresident return**, showing what was earned in Detroit and the **\$1,200 in tax** he paid

Since John already paid city tax to Detroit, **Hamtramck gives him a credit** to avoid double taxation. But because **Hamtramck resident tax rate (1%) is lower than Detroit's nonresident rate (1.2%)**, the **credit is limited**.

Here's how it works:

- He earned \$100,000.
- Detroit charged **\$1,200** (1.2%)
- Hamtramck would charge **\$1,000** (1%)
- So Hamtramck allows a **credit of \$1,000** (the lesser amount)
- John **does not owe Hamtramck** any more tax, but **he can't claim the extra \$200** from Detroit

Establishing Where a Client Worked

- When asking a client what city they worked in, always follow up by asking if they worked from home.
- Many nonresident taxpayers (those who live outside the city where they normally work) fail to mention hybrid or remote work if they usually associate their job with the city. This is important because clients may overpay local income taxes if hybrid/remote work isn't identified.

Example:

A client's W-2 shows Detroit withholdings. She works in the cultural heritage division of Ilitch Holdings. When first asked, she says she works in Detroit. However, after follow-up, she explains that she usually works from home and only goes into Detroit about once a week or for special exhibits. By reviewing her records, she can determine the exact number of days she physically worked in Detroit. This significantly reduces the Detroit income tax she owes.

City Refund / Tax Due

- All refunds will be sent to the taxpayer via a paper check, as there is not a direct deposit option.
- If there is tax due, a voucher will be printed with the tax return.
 - Advise the taxpayer to send payment via check or money order in the pre-addressed envelope before the last filing date of the season.
- If the taxpayer owes more than \$100, they should be advised to ask their employer to withhold more through a form W-4, or to make quarterly estimated tax payments for the next tax year.

City Returns in TaxSlayer

- Need to know client's residency status:
 - Full year resident, part year resident, or non-resident
- Need to determine what amount of income is taxable as a resident or non-resident
- If part year resident, need to know dates of residency
 - Also need to prorate exemptions based on those dates
- If client paid taxes to another taxing city, need to complete non-resident taxing city return first

Entering CF-1040 into TaxSlayer

- W-2s will carry forward from federal, however:
 - You do have to enter details to allocate wages for nonresidents and part-year residents.
 - For any local income tax withholding, the locality name must be entered correctly on the W-2 page in TaxSlayer, or the withholding will not appear on the CF-1040.
 - Nonresidents will need to add the dates they worked in each location and the address of their workstation (NOT the employer's address).
- For pensions, you must enter all 1099-Rs exempt from tax.
 - The EIN and federal dollar amount must match EXACTLY or the income won't be correctly excluded.
 - If the 1099-R was not excluded, check for typos and rounding errors in local 1099-R input.
- For self-employment income, enter the exact Net Profit from Schedule C before completing the business allocation formula.

Practice Scenario

Which Michigan city uses its own tax form instead of the Common Form CF-1040?

- A. Hamtramck
- B. Grand Rapids
- C. Detroit
- D. Highland Park

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Practice Scenario

A resident of Highland Park works in Detroit. How should the taxpayer claim a credit for tax paid to another city?

- A. Claim the full amount paid to Detroit
- B. Multiply Detroit tax by Highland Park's tax rate
- C. Claim the **lesser** of the tax amounts computed in each city return
- D. Claim the greater of the two city taxes

Practice Scenario

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Practice Scenario

In city returns, what filing status should be selected for someone filing as Head of Household federally?

- A. Head of Household
- B. Married Filing Jointly
- C. Single
- D. It depends on the city

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Practice Scenario

Which of the following forms must be attached when mailing a city return?

- A. Federal 1040 page 1, W-2s, and applicable Schedules
- B. State return and Federal 1040
- C. Federal Schedule A and EITC worksheet
- D. Only W-2s

Practice Scenario

Which of the following forms must be attached when mailing a city return?

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Practice Scenario

Which of the following sources of income is taxable for Detroit residents?

- A. Early retirement distributions
- B. Social Security
- C. Pensions
- D. Unemployment compensation

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Practice Scenario

When must a taxpayer begin making city estimated payments?

- A. When they file late
- B. When their employer requests it
- C. When they owe more than \$100 and don't have enough withholding
- D. When they receive a refund over \$100

Practice Scenario

When must a taxpayer begin making city estimated payments?

- A. When they file late
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- C. When they owe more than \$100 and don't have enough withholding
- D. When they receive a refund over \$100

Practice Scenario

What happens if a taxpayer owes more than \$100 on their city return and did not make estimated payments?

- A. Their refund is delayed
- B. They must submit an affidavit
- C. They will be charged a penalty
- D. They must refile their federal return

Practice Scenario

What happens if a taxpayer owes more than \$100 on their city return and did not make estimated payments?

- A. Their refund is delayed
- B. They must submit an affidavit
- C. They will be charged a penalty**
- D. They must refile their federal return

*Explanation: clients will receive a letter in the mail after we electronically file
Notifying them of the penalty amount they owe.*

Practice Scenario

How many cities in Michigan levy a local income tax?

- A. 22
- B. 24
- C. 26
- D. 30

Practice Scenario

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A. 22

B. 24

C. 26

D. 30

Practice Scenario

How must the CF-1040 return be filed?

- A) Electronically through TaxSlayer
- B) Submitted by fax
- C) Paper filed and mailed
- D) Submitted in person only

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Practice Scenario

If a taxpayer lives in one taxing city and works in another taxing city, how are their earnings taxed?

- A) Only by the city where they live
- B) Only by the city where they work
- C) By both the city they live in and the city they work in
- D) By the state, but not the cities

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City Practice Scenarios

We prepared [short walkthroughs](#) of practice problems on how to enter different scenarios into TaxSlayer to give you some insight into how to handle them.

End of City Tax Law

Take a few moments with your table and discuss any questions you may have regarding this topic.