



Walker, Michigan

WITHHOLDING TAX GUIDE

THE PERSONAL EXEMPTION RATE FOR INDIVIDUALS SUBJECT TO THE
WALKER INCOME TAX IS \$600 PER EXEMPTION

Website address to download forms:
www.ci.walker.mi.us/incometaxforms

City of Walker Street Directory Link:
www.ci.walker.mi.us/streetdirectory

This booklet contains:

1. Instructions for withholding the Walker income tax from employee's pay.
2. Withholding tables at 1% and ½%.

**WALKER CITY INCOME TAX DEPARTMENT
P.O. BOX 153
GRAND RAPIDS, MI 49501-0153**

WALKER, MICHIGAN

WITHHOLDING TAX GUIDE

WHO MUST WITHHOLD

Every employer is required to withhold who:

- 1) has a location in the city, or
- 2) who is doing business in the city even though the employer has no location in the city.

An employer is "any individual, partnership, association, corporation, nonprofit agency, or any other entity...that employs one or more persons on a salary, bonus, wage, commission or other basis, whether or not the employer is in a business."

Example: A construction firm from Ohio is doing work in the City of Walker. Even though it has no City of Walker business location, the firm is required to withhold.

An employer who has locations both in and out of the city must withhold from all employees working in the city, and from all City of Walker residents working outside the city.

A nonprofit organization in the city is required to withhold from its employees (even though it is not engaging in business activity in the usual sense).

WHO MUST REGISTER

Every employer must register by filing its Federal Employer Identification Number with the city. The city will use the Federal number for employer identification.

Also required are:

- 1) complete name of employer;
- 2) address to which reporting forms should be mailed;
- 3) approximate number of employees;
- 4) date the employer started business or first became subject to the City of Walker income tax withholding.

A new employer must immediately submit this information to the City of Walker Income Tax Department by letter, telephone, or by filing Form WSS-4, Employer's Withholding Registration.

If a new employer has not received a Federal number, the city will assign a temporary number. This number will be used until the Federal number is assigned, at which time the employer must immediately advise the city.

WITHHOLDING RATES

There are two withholding rates:

- one percent (1%)
- half of one percent (.5%)

Use the 1% rate for:

- 1) City of Walker residents working in the City of Walker;
- 2) City of Walker residents working outside of the city who are not subject to withholding for the city where they work.

Use the .5% rate for:

- 1) Nonresidents of the City of Walker working in the City of Walker;
- 2) City of Walker residents working outside the city who are also subject to .5% or more withholding tax for the city where they work.

The withholding rates are applied after allowing for the exemptions claimed by the employees.

FROM WHOM TO WITHHOLD

Employers are required to withhold from the following employees:

- 1) All residents of the City of Walker whether or not they work inside the city;
- 2) All nonresidents of the City of Walker who have the City of Walker as their predominant place of employment.

An employee is anyone from whom an employer withholds for either Federal income tax or social security tax.

PREDOMINANT PLACE OF EMPLOYMENT

Nonresidents of the City of Walker are subject to withholding only if the City of Walker is their predominant place of employment.

The Ordinance defines predominant place of employment as "that city imposing a tax under a uniform city income tax ordinance other than the city of residence, in which the employee estimates he will earn the greatest percentage of his compensation, which percentage is 25% or more."

Therefore, the City of Walker is a nonresident's predominant place of employment if:

- 1) the nonresident earns a greater percentage of his compensation in the City of Walker than any other

Michigan city with an income tax, except his city of residence.

- 2) This greater percentage constitutes 25% or more of his total compensation from you.

An employee can have only one predominant place of employment.

Example No. 1: An employee resides in a Michigan city that levies an income tax. The employee works 60% of the time in his home city and 40% in the City of Walker. The City of Walker is his predominant place of employment because it is the taxing city, other than his city of residence, in which he earns the greatest percentage of his compensation.

Example No. 2: An employee resides in a city that does not levy an income tax and performs 60% of her services in the City of Walker and 40% in the City of Lansing (both of which levy an income tax). The City of Walker would be the predominant place of employment. You would not be required to withhold for Lansing.

Example No. 3: An employee resides in the City of Walker and performs 60% of his services in City A and 40% in City B. All three are Michigan cities which have an income tax. The employer is required to withhold for the City of Walker (the city of residence) and for City A (the predominant place of employment), but not for City B.

WW-4 FORMS REQUIRED

To determine each employee's place of residence and predominant place of employment, you must have each employee fill out an Employee's Withholding Certificate, Form WW-4. Only one Form WW-4 is required for each employee, even though the employee may be subject to withholding for two cities.

When properly filled out, the Form WW-4 will give the employee's city of residence and the two cities or communities in which the employee earns the greatest percentage of his compensation from you. Most employees will only have one city of employment and will circle 100% as the percentage of compensation earned in that city.

The Form WW-4 is also the employee's statement of the number of exemptions claimed for self, spouse and dependents. Employers withholding for the City of Walker may obtain any quantity they require free of charge from the city.

Employers requiring quantities too large for mailing will be requested to pick them up at Walker City Hall.

Do not mail WW-4 cards to the city; these are for the employer's use and must be retained by the employer.

FROM WHAT PAY TO WITHHOLD

The Ordinance requires that the City of Walker income tax be withheld from all compensation (salaries, wages, commissions, bonuses, etc.) for services rendered or work performed by City of Walker residents, regardless of whether such services or work are performed in or out of the city, and from all compensation for services rendered or work performed in the city by nonresidents for whom the City of Walker is the predominant place of employment.

Vacation, holiday, sickness and bonus pay to nonresidents who perform part but not all of their work in the City of Walker is taxable in the same ratio as their normal activities.

Example: A nonresident employee who is subject to withholding on 60% of his/her earnings, because 60% of his/her work is performed in the City of Walker, is also subject to withholding on 60% of his/her vacation, holiday, bonus and salary or wage payments during periods of sickness.

PAYMENTS NOT SUBJECT TO WITHHOLDING

Withholding does not apply to:

- 1) Wages paid domestic help;
- 2) Fees paid independent contractors who are not employees of the payer;
- 3) Payments to a nonresident employee for work or services performed in the City of Walker, if the predominant place of employment is not Walker;
- 4) Payment to a nonresident employee for work or services performed outside the city;
- 5) Pensions and annuities, workmen's compensation and similar benefits;
- 6) Amounts paid for sickness, personal injuries or disability (so called excludable sick pay) to the same extent that these amounts are exempt from the federal income tax, but the employer must withhold from such payments if federal tax is withheld.
- 7) Amounts paid to an employee as reimbursement for expenses incurred in performing services.

While individuals with income as described in items 1, 2 and 3 above are not subject to withholding on such income, such individuals are nevertheless required to file an annual return and report such income if they are City of Walker residents, or are nonresidents earning such income in the City of Walker.

EXEMPTIONS

Exemptions of \$600 per year are allowed for the employee and spouse. Additional exemptions are allowed if either the employee or spouse is 65 or over, or blind (this is different from the federal rule). Individuals who may be claimed as an exemption on the individual return of another may still have a personal exemption for themselves (this is different from the federal rule). Exemptions for dependents other than the ones referred to above are governed by the applicable federal rules.

The withholding may be determined by either a direct percentage computation or by referring to the tables included in this booklet. The employee must first advise you of exemptions by filling out an Employee's Withholding Certificate, Form WW-4. Employees should be instructed to claim their actual and true number of exemptions. (Note: Some employees claim fewer exemptions than the true number to either pre-pay additional federal tax which will be owed or to create a claim for a refund). If an employee fails or refuses to file a form WW-4 with you, the Ordinance requires the employer to withhold one percent from the employee's total compensation without benefit of exemptions.

In making a direct percentage computation use the following amounts per exemption:

Weekly	\$11.54
Bi-weekly	\$23.08
Semi-monthly	\$25.00
Monthly	\$50.00
Per diem	\$1.64

After computing the tax, ignore all fractions less than $\frac{1}{2}$ cent, and raise all fractions of $\frac{1}{2}$ cent and over to the next cent.

The tables in this booklet include weekly, bi-weekly, semi-monthly, monthly and per diem periods. Additional copies of these tables may be obtained on request, and permission is granted to reproduce these tables in any quantity desired.

WITHHOLDING REQUIRED ON RESIDENTS

Note: Not all cities have the same tax and exemption rates. Be sure you know the correct tax and exemption rates for cities other than the City of Walker. (When the tax or exemption rates differ from the City of Walker, appropriate substitutions must be made in the following examples.)

In the following examples, the employer is assumed to have a location or be doing business in each of the cities mentioned.

The withholding rate for the City of Walker residents not subject to withholding in any other city is one percent (1%). This is applied

to the total compensation after allowance for exemptions.

The withholding rate for the City of Walker residents whose predominant place of employment is another Michigan city with an income tax and a one half of one percent (.5%) nonresident rate, is one half of one percent (.5%). In addition to withholding one half of one percent for the City of Walker you must withhold one half of one percent for the other taxing city in Michigan.

If a City of Walker resident works for you in two other cities that have an income tax, you must withhold:

- 1) one half of one percent for the City of Walker, the city of residence;
- 2) one half of one percent for whichever of the two cities is the predominant place of employment;
- 3) nothing for third city

In no case are you required to withhold for more than two cities, the city of residence and the city of predominant employment.

Example No. 1: A City of Walker resident works at your out of town location, in a city that has no income tax. The resident's earnings are \$110 per week, and three exemptions are claimed. The withholding would be \$.75 per week.

- 1) Allow \$11.54 for each dependent. Three times \$11.54 is \$34.62
- 2) Subtracting \$34.62 from \$110 leaves \$75.38 as subject to withholding
- 3) Multiplying \$75.38 by 1% (.01) gives a City of Walker withholding of \$.75

Example No. 2: A City of Walker resident performs 30% of his/her services for you in City A, 60% in City B, and 10% in the City of Walker. All three cities have an income tax. The resident's earnings are \$110 per week and three exemptions are claimed.

The City of Walker withholding on this employee is one half of one percent on the salary of \$110, after exemptions.

- 1) Subtract \$34.62 (three exemptions at \$11.54 each) from \$110, leaving \$75.38 as subject to withholding.
- 2) Multiply this by 1% (.005) to get the City of Walker withholding of \$.38.

City B's withholding is computed on 60% of the salary and all three of the exemptions are allowed.

- 1) Multiply \$110 by 60% to get \$66, the amount of compensation earned in City B.
- 2) Subtract \$34.62 in exemptions, leaving \$31.38 as the amount subject to withholding.

- 3) Multiply \$31.38 by 1/2% (.005) to get City B's withholding of \$.16.

City A collects no withholding from the employee.

Example No. 3: A City of Walker resident performs 60% of his/her services for you in the City of Walker and 40% in City A. Both have an income tax. Earnings are \$150 a week and there are three exemptions.

To determine the City of Walker withholding:

- 1) Subtract \$34.62 (\$11.54 for three exemptions) from \$150, leaving \$115.38 subject to withholding.
- 2) Multiply \$115.38 by 1/2% (.005) to get the City of Walker withholding of \$.58.

To determine City A's withholding:

- 1) Multiply the \$150 salary by 40% to determine the amount earned in City A; it is \$60.
- 2) Subtract the \$34.62 in exemptions from \$60 to get \$25.38, the amount subject to withholding.
- 3) Multiply \$25.38 by 1/2% (.005) to get the City A withholding of \$.13.

WITHHOLDING REQUIRED ON NONRESIDENTS

The withholding rate is 1/2% (multiply by .005) on nonresidents of the City of Walker who have the City of Walker as their predominant place of employment.

If an employee lives in a city which also has an income tax, you may be required to also withhold for his city of residence.

Example No. 1: An employee who resides in a non-taxing city and works full time in the City of Walker has earnings of \$110 per week and claims three exemptions. The nonresident's withholding is \$.38 per week.

- 1) Multiplying \$11.54 by three exemptions gives \$34.62 total exemption.
- 2) Subtracting \$34.62 from \$110 leaves \$75.38 subject to withholding.
- 3) Multiplying \$75.38 by 1/2% (.005) gives the City of Walker withholding of \$.38.

Example No. 2: A nonresident employee lives in City A, performs 80% of his work in the City of Walker, earns \$110 weekly, and claims three exemptions. The City of Walker withholding is \$.27 and if you do business in City A you will also be required to withhold \$.38 for that city (assuming City A has a 1% resident tax rate).

To determine the City of Walker withholding:

- 1) Multiply \$110 by 80% which gives \$88 as the amount earned in the City of Walker;
- 2) Subtract \$34.62 (three exemptions) from \$88, which leaves \$53.38 as the amount subject to withholding;
- 3) Multiply \$53.38 by 1/2% (.005). This gives \$.27 as the withholding for the City of Walker.

To determine City A withholding:

- 1) Subtract \$34.62 in exemptions from \$110 and multiply the result (\$75.38) by 1/2% (.005). This gives \$.38 as withholding for City A.

REPORTING AND PAYING AMOUNTS WITHHELD

The Ordinance requires all employers withholding more than \$100.00 per month to make monthly payments to the Walker City Treasurer, and all others to make quarterly payments.

All employers must file Form W-941, Employer's Quarterly Return, City of Walker Income Tax Withheld, for each quarter of the calendar year. If an employer has not withheld during the quarter, the employer must nevertheless file a return with the notation "None". Form W-941 is due on or before the last day of the month following the close of each calendar quarter (by April 30, July 31, October 31 and January 31).

However, if an employer has withheld more than \$100.00 in any month (except the last month of a calendar quarter), the Ordinance requires that the employer deposit the amount with Form W-501, Employers Monthly Deposit, City of Walker Income Tax Withheld, on or before the last day of the next month. The last month of a quarter is due with the quarterly return, Form W-941. Employers required to file monthly returns should claim credit on the Form W-941 for monthly deposits made on Form W-501. Employers will not be sent receipts for monthly deposits and no receipts are required to be submitted when filing and paying the quarterly return.

Forms and instruction booklets can be printed from the City of Walker website at: www.ci.walker.mi.us. Do not use the preprinted forms of one employer to make payments for a different employer. If it is necessary to make a deposit without a preprinted form, furnish the employer's name, identification number, address, month and type of tax.

Make all remittances payable to "Walker City Treasurer" and mail with form W-941 or W-501 to Walker City Income Tax Dept., P.O. Box 153, Grand Rapids, MI 49501-0153.

CORRECTION OF ERRORS

Correction of over and under withholding due to an employer's errors should be corrected as follows:

- 1) If the error is discovered in the same quarter in which it was made, the employer shall make the necessary adjustment on a subsequent payment. Only the corrected amount should be included in the quarterly return to the city;
- 2) If the error is discovered in a subsequent quarter of the same calendar year, the employer shall make the necessary adjustment on a subsequent payment and report it as an adjustment on the next quarterly return;
- 3) If the error is discovered in the following calendar year, the employer shall notify the Walker City Income Tax Department of the error.

If an error is discovered in the withholding of a former employee, notify the Walker City Income Tax Department.

ANNUAL REPORTS

All annual reports must be made on federal form W-2, or City of Walker form WW-2 for each employee subject to City of Walker income tax whether the tax was withheld or not. The W-2 must give the following information:

- 1) The name, address, and federal identification number of the withholding employer;
- 2) The name, home address and social security number of the employee;
- 3) The total gross wages paid the employee for the year even if the total wages did not have City of Walker tax withheld;
- 4) The total City of Walker tax withheld for the year. The amount of tax withheld must be clearly labeled as being City of Walker tax withheld, and the label must be in the appropriate box on the withholding statement. Failure to properly and clearly label the City of Walker tax withheld makes the form unacceptable. Improperly labeled forms do not satisfy the withholding tax reporting requirements of the City of Walker Income Tax Ordinance, and will not be accepted as the basis for a refund when attached to an individual city income tax return.

The City of Walker will furnish WW-2 forms. They may be obtained from the City of Walker Income Tax Department. The WW-2 is a four-part form comparable to the federal W-2 form. Employers wishing to purchase one of the commercially available W-2 forms in order to

combine the city, state and federal reporting in one operation are permitted to do so, providing one copy is submitted to the City of Walker by the employer, and one is submitted by the employee with the employee's annual City of Walker income tax return.

An annual reconciliation, form WW-3, must accompany the W-2 or WW-2 forms when they are filed with the City of Walker. These are included in the withholding forms and instruction booklet mailed annually to registered employers.

If an employer wishes to submit a listing to the City of Walker, in lieu of W-2s or WW-2s, prior permission must be obtained from the City of Walker Income Tax Department.

Any employer who goes out of business or permanently ceases to be an employer must file WW-2s and a WW-3 by the date his final withholding payment is due.

ANY FURTHER QUESTIONS

The City Commission has adopted Rules and Regulations which supplement the Income Tax Ordinance. Copies of the Ordinance and the Rules and Regulations may be obtained on request. In case of variance between this booklet and the Ordinance, the Ordinance prevails.

All returns and remittances are to be mailed to Walker City Income Tax Department, P.O. Box 153, Grand Rapids, MI 49401-0153.

Questions and requests for forms should be addressed to Walker City Income Tax Department, P.O. Box 153, Grand Rapids, MI 49501-0153. The telephone number is (616) 791-6880. The City of Walker website address is www.ci.walker.mi.us.