GRAND RAPIDS, MICHIGAN
WITHHOLDING TAX GUIDE

PLEASE NOTE CHANGES EFFECTIVE JULY 1, 2010:
THE TAX RATE CHANGES TO 1.5% FOR RESIDENTS AND 0.75% FOR NONRESIDENTS.
THE PERSONAL AND DEPENDENCY EXEMPTION ALLOWANCE CHANGES TO $600.
THE INSTRUCTIONS AND EXAMPLES BELOW INCORPORATE THE CHANGES.

WHO MUST WITHHOLD
An employer who: has a location in the city; or is “doing business” in the city, even though the employer has no location in the city; is required to withhold Grand Rapids income tax from wages paid to employees.

An employer is any “individual, partnership, association, corporation, nonprofit organization, governmental body or unit or 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 Grand Rapids. Even though it has no Grand Rapids 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 Grand Rapids 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).

WITHHOLDING AS A CONVENIENCE TO EMPLOYEE
Grand Rapids encourages employers who are not required to withhold Grand Rapids income tax to register and withhold for the convenience of their Grand Rapids resident employees. Convenience withholders must comply with the registration and filing requirements of the Grand Rapids Income Tax Ordinance.

REGISTRATION
Every employer required to withhold Grand Rapids income tax must register by filing Form GRSS-4, Employer’s Withholding Registration.

The completed registration form may be filed via e-mail, FAX or U.S. Mail. The e-mail address is: incometax@grcity.us. The FAX number is: (616) 456-4540. The mailing address is:
Grand Rapids Income Tax Department
PO Box 347
Grand Rapids, MI 49501-0347

FROM WHOM TO WITHHOLD
Employers are required to withhold from the following employees:
1) All residents of Grand Rapids whether or not they work inside Grand Rapids; and
2) All nonresidents of Grand Rapids who have Grand Rapids as their predominant place of employment (see below).

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

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

When properly filled out, Form GRW-4 provides the employee’s city of residence and the two cities or communities in which the employee earns the greatest percentage of compensation from the employer. Most employees will only have one city of employment and will circle 100% as the percentage of compensation earned in that city. Form GRW-4 is also the employee’s statement of the number of dependency exemptions claimed. Form GRW-4 is available on the City’s website at www.grcity.us/incometax.

If an employee fails or refuses to complete Form GRW-4 upon the request of the employer, tax shall be withheld from the employee’s compensation at the resident tax rate.

Do not mail GRW-4 forms to the city; these are for the employer’s use and must be retained in the employer’s files.
FROM WHAT COMPENSATION TO WITHHOLD

The Grand Rapids Income Tax Ordinance requires that Grand Rapids income tax be withheld from:

1) All compensation (salaries, wages, commissions, severance pay, bonuses, etc.) of a Grand Rapids resident for services rendered or work performed regardless of whether such services or work are performed in or out of the city; and
2) All compensation of a nonresident for services rendered or work performed in Grand Rapids where Grand Rapids is the predominant place of employment.

Vacation, holiday, sick, severance and bonus pay to nonresidents who perform part but not all of their work or services in Grand Rapids are taxable in the same ratio as their normal activities.

Example: A nonresident employee who is subject to withholding on 60% of their earnings, because 60% of their work is performed in Grand Rapids, is also subject to withholding on 60% of their vacation, holiday, sick pay, severance pay, bonus pay 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;
3) Payment to a nonresident employee for work or services performed in Grand Rapids, if the predominant place of employment is not Grand Rapids;
4) Payment to a nonresident employee for work or services rendered outside of Grand Rapids;
5) Pensions and annuities, worker’s compensation and similar benefits;
6) Amounts paid for sickness, personal injury or disability (so called excludable sick pay) to the same extent that these amounts are exempt from 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.

An individual with income described in items 1, 2 and 3 above is not subject to withholding on such income. The individual is nevertheless required to file an annual return and report such income if the individual is a Grand Rapids resident, or is a nonresident earning such income in Grand Rapids.

INCOME TAX RATES

The Grand Rapids income tax rate for residents is 1.5% (multiply by .015).

The Grand Rapids income tax rate for nonresidents is 0.75% (multiply by .0075).

CALCULATING THE AMOUNT TO WITHHOLD

The Grand Rapids City Income Tax is a straight percentage on compensation after an adjustment for personal and dependency exemptions. Each exemption is valued at $600.00 per year. For the various pay periods the exemption translates to the amounts in the table below.

<table>
<thead>
<tr>
<th>Pay Period</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly</td>
<td>$11.54</td>
</tr>
<tr>
<td>Bi-weekly</td>
<td>$23.08</td>
</tr>
<tr>
<td>Semi-monthly</td>
<td>$25.00</td>
</tr>
<tr>
<td>Monthly</td>
<td>$50.00</td>
</tr>
<tr>
<td>Per diem</td>
<td>$1.64</td>
</tr>
</tbody>
</table>

Exemptions are allowed for the employee and spouse. Additional exemptions are allowed if either the employee or spouse is 65 years of age or older, 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 claim 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 applicable federal rules.

The amounts in the preceding table are used to adjust gross pay for payroll withholding. The adjustment is the number of exemptions on Form GRW-4 multiplied by the exemption value. On a weekly payroll for a wage earner with three (3) exemptions, the adjustment is 3 times $11.54, or $34.62.

EXAMPLE: Gross pay is $200.00 per week and the wage earner lives in Grand Rapids and has 3 exemptions. The amount taxed is $200.00 minus $34.62, or $165.38. Apply the 1.5% resident rate (.015 times $165.38), and withhold $2.48 from the employee for the week.

The above method is applicable to all City of Grand Rapids withholding for regular payrolls. Withholding tax tables follow these instructions.

For bonuses or other taxable earnings paid in addition to regular payroll, do not adjust for exemptions. Withhold the correct tax percentage from the entire bonus or other taxable earnings amount.

COMPUTER PREPARATION OF PAYROLL

Since hardware and software used to compute income tax withholding varies, it is impossible to give an actual program with which to compute Grand Rapids withholding. The following is a description of the most commonly used method to compute income tax withholding.

1) Multiply gross earnings by the percent earned in Grand Rapids for nonresidents or use gross earnings for residents.
2) Multiply number of exemptions by the appropriate exemption value:
   - Weekly: $11.54
   - Bi-Weekly: $23.08
   - Semi-Monthly: $25.00
   - Monthly: $50.00
   - Per diem: $1.64
3) Subtract the result of Step 2 from the result of Step 1.
4) Multiply the result from Step 3 by:
   - a. 1.5% for residents; or
   - b. 0.75% for nonresidents.

RESIDENT – JOB IN OTHER CITY LEVYING A TAX

When a resident works at a job in a city other than Grand Rapids and the other city levies an income tax, the employer must withhold separately for both Grand Rapids and the other city. The rate of income tax to be withheld for Grand Rapids depends on the tax rate of the other city.

If the nonresident tax rate of the other city is less than 0.75%, compute the Grand Rapids withholding rate by subtracting the other city’s nonresident tax rate from 1.5%. If the other city’s nonresident tax rate is 0.75% or higher, withhold Grand Rapids tax at the rate of 0.75%.

NONRESIDENT – JOB PARTLY IN GRAND RAPIDS

If a nonresident of Grand Rapids works less than 100% of the time within the City of Grand Rapids for an employer, the amount withheld should be based only on wages earned in Grand Rapids. If gross pay is $200.00 and only 60% of the employee’s work is in Grand Rapids, the gross pay for Grand Rapids tax purposes is 60% of $200.00 or $120.00. In this example, compute the amount to be withheld for Grand Rapids as if the employee earned $120.00 gross pay.

NONRESIDENT – PREDOMINANT PLACE OF EMPLOYMENT

Nonresidents of Grand Rapids are subject to withholding only if Grand Rapids 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 from the employer, which percentage is 25% or more.”

Grand Rapids is a nonresident’s predominant place of employment if:

1) The nonresident employee earns a greater percentage of compensation in Grand Rapids than any other Michigan city with an income tax, except the employee’s city of residence; and
2) This greater percentage constitutes 25% or more of the nonresident employee’s total compensation from the employer.
PAYMENT OF TAX WITHHELD
Monthly or quarterly payment of the tax withheld may be made in the following ways:
1. Via U.S mail or courier with the filing of a monthly or quarterly withholding tax return form;
2. Electronically via ACH debit using the City’s Withholding Tax Tool; and
3. Electronically through your bank via ACH credit with an addendum file.

Monthly and quarterly payment forms are available on the City’s website at [http://www.grcity.us/incometax](http://www.grcity.us/incometax), menu item Tax Forms, Employer Withholding Tax Forms and Information, Withholding Tax.

The City does not mail forms to employers. If preprinted withholding tax forms are needed, contact the Withholding Tax Section via phone at (616) 456-4084.

ACH direct debit payment instructions are available on the City’s website at [http://www.grcity.us/incometax](http://www.grcity.us/incometax), menu item E-Filing, On Line Withholding Tax Filing and Payment.

ACH credit payment requires registration and a set up by the Income Tax Division. Please contact the Withholding Tax Section via e-mail at incometax@grcity.us or via telephone at (616) 456-4084.

Credit card payment is available through the use of the Official Payments website using jurisdiction code 10048.

FORM GR-501 - EMPLOYER’S MONTHLY DEPOSIT
A monthly deposit is required for each month in which the tax withheld exceeds $100.00. Employers who remit monthly must use Form GR-501, Employer’s Monthly Deposit, for the first and second month of each calendar quarter. Use Form GR-941, Employer’s Quarterly Return of Income Tax Withheld, for the third month of a quarter.

FORM GR-941 - EMPLOYER’S QUARTERLY RETURN
Every employer must file a Form GR-941, Employer's Quarterly Return of Income Tax Withheld, for each calendar quarter. Form GR-941 must be filed even if no tax was withheld during a quarter or when all tax withheld was previously paid on Forms GR-501 for the quarter. Remit the remaining balance of Grand Rapids tax withheld for a quarter with Form GR-941.

SEND ALL DEPOSITS AND RETURNS TO:
Grand Rapids Income Tax
PO Box 347
Grand Rapids, MI 49501-0347

MAKE CHECKS PAYABLE TO:
Grand Rapids City Treasurer

DUE DATES
Each withholding deposit is due on the last day of the month following the month in which the tax withheld exceeds $100. Each quarterly return is due on the last day of the month following the end of the quarter.

Example:
GR-501 Monthly Deposit for January is due February 28 (or 29).  
GR-501 Monthly Deposit for February is due March 31.  
GR-941 Quarterly Return for 1st calendar quarter is due April 30.

CORRECTION OF ERRORS
Employer’s errors of over or under withholding should be corrected as follows:
1) If an error is discovered in the same quarter in which it was made, the employer shall make the necessary adjustment in a subsequent payment. Only the corrected amount should be included in the quarterly return to the city;
2) If an 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 an error is discovered in the following calendar year, the employer shall notify the Income Tax Department of the error by filing an amended GRW-3 including corrected W-2 forms (W-2C), if applicable, and:
   a) Pay any additional tax due; or
   b) Make a written request for refund of an overpayment including a specific explanation of the error.

Overpayments of withholding will not be credited toward tax due in future years.

ANNUAL REPORTS
An Employer’s Annual Reconciliation of Income Tax Withheld, Form GRW-3, is required to be filed by last day of February of the following year. A W-2 form for each employee subject to Grand Rapids income tax withholding must be included with Form GRW-3. Form GRW-3 is included in the annual withholding tax booklet and is also available on the City of Grand Rapids website.

A copy of Form W-2 issued to each employee subject to the Grand Rapids income tax must be filed whether the tax was withheld or not. The Form W-2 must provide the following information:
1) The name, address and federal identification number of the 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 Grand Rapids tax withheld;
4) The total Grand Rapids tax withheld for the year. The amount of tax withheld must be clearly labeled as being Grand Rapids income tax withheld, and the label must be in the appropriate box on the Wage and Tax Statement, Form W-2. Failure to properly and clearly label the Grand Rapids tax withheld in the locality box of Form W-2 makes the form unacceptable. Improperly labeled W-2 forms do not satisfy the withholding tax reporting requirements of the Grand Rapids Income Tax Ordinance, and will not be accepted as the basis for a refund when attached to an individual’s Grand Rapids income tax return.

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 by the employer.


SALE OR DISCONTINUANCE OF BUSINESS
An employer who sells or discontinues business must file a Notice of Sale or Discontinuance. This form is included in the annual withholding tax forms booklet and also available on the City’s website.

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

FORMS, INSTRUCTIONS AND INFORMATION
Income tax forms, instructions and additional information are available on the Income Tax Division’s section of the City’s website at [http://www.grcity.us/incometax](http://www.grcity.us/incometax).

Withholding Tax Tables are available as a separate document on the City’s website.

Additional information and assistance is available via telephone at (616) 456-4084 or (616) 456-3415.

Copies of the Ordinance and the Rules and Regulations adopted by the City Commission are available upon request.

DISCLAIMER NOTICE
These instructions are interpretations of the Grand Rapids Income Tax Ordinance. The Ordinance will prevail in any disagreement between the form instructions and the Ordinance.