

Dear Resident:

The City of Montgomery has a 1% earnings tax levied on all earned income, which includes salaries and wages, employee contributions to deferred compensation plans and other qualified retirement plans, group life insurance benefits, stock option income, etc. and the net profit of any business income, including Schedule C, rentals and other business activities. All residents are subject to the tax, including those who rent their residence.

Montgomery has mandatory filing, which requires all residents to file an annual return whether or not tax is due.

Residents employed in another city where the tax rate is 1% or higher or whose wages are totally taxed by that city will receive credit not to exceed 1% for the amount of tax paid to that municipality. If a resident is only partially taxable to the community where employed, that portion of income, which is not taxed, becomes taxable to the City of Montgomery.

Interest, dividend, pension and retirement income is not taxable. Business losses may not be used to offset W-2 income. IRA and KEOUGH deductions are not allowed.

An annual return for the previous year is due on or before April 15th. Copies of all W-2 forms and page one of the Federal Form 1040 and applicable schedules must accompany the return. A declaration of estimated tax for the current year is also due on or before April 15th. Quarterly statements will be billed.

Extensions may be granted for filing, provided an IRS extension has been secured. Extension requests must be made in writing and received in the Tax Office on or before the original due date of the return. A late filing penalty will be assessed on returns received past the due date.

Please return the enclosed confidential questionnaire in the envelope provided within 15 days. If you have any questions, please call 891-2424 during regular business hours and ask for the Tax Office.

Montgomery Tax Office

Enclosure(s)