

Instructions for Form 777

Resident Credit for Tax Imposed by a Canadian Province

You will need your U.S. Form 1040, all U.S. 1116 forms, *Canadian Federal Individual Income Tax Return* and Canadian Form T-4 to complete your Michigan Form 777. Include copies of all of these forms with your Form MI-1040 return.

Who May Claim This Credit

To qualify for a credit using this form, you must:

- Be a resident or part-year resident of Michigan,
- Have income that was subject to income tax by both Michigan and a Canadian province, **and**
- File a Canadian return which shows provincial tax paid.

NOTE: The surtax for individuals who are not residents of Canada may not be used to compute a Michigan tax credit. If your Canadian return submitted with your MI-1040 return does not show provincial tax, you do not qualify for a Michigan tax credit.

Credit Computation

The maximum credit for tax imposed by a Canadian province is the smaller of:

- Michigan tax due on the Canadian income, **or**
- The provincial tax you did not claim for credit on your U.S. Form 1040.

Credit is not allowed for:

- Canadian provincial tax unused in prior years but carried over to your 2025 U.S. Form 1116.
- Canadian provincial tax unused in 2025 and claimed as a carryover deduction to future years.
- Taxes paid on income subtracted on line 13 of your MI-1040 (e.g., rental or business income from another state or Canada, part-year resident wages).
- Canadian federal tax, contributions to Canadian Pension Plan, or taxes paid to any other foreign country or subdivision of a foreign country, other than a province of Canada.

NOTE: If you reduce your U.S. income tax by a carryover of provincial tax, you must amend your prior year Michigan income tax return to reduce the credit computed on that year's return.

Conversion Rate

The conversion rate used on this form for the 2025 tax year is the conversion rate of xx.xx% (0.xxxx).

If you used a conversion rate on your 2025 U.S. Form 1116 other than xx.xx%, replace the rate in Part 1 of this form with the rate used on your 2025 U.S. Form 1116.

Line-by-Line Instructions

Lines not listed are explained on the form.

Line 1: Enter your Canadian income taxable by Michigan. This includes, but is not limited to, salaries, wages, commissions and other employment income.

Part-year residents: Compensation reported on this line may include only the portion earned while a Michigan resident.

Line 2: If box 14 of Canadian Form T-4 includes fringe benefits reported in your U.S. adjusted gross income (AGI), reduce the amount in box 14 by the fringe benefits amount included in AGI on your U.S. Form 1040. Note: This reduction must be accompanied by verification from your employer.

Line 12: Enter contributions to a Canadian Pension Plan from boxes 16 and 17 on the Canadian Form T-4 (maximum of \$4,034) or from line 42100 of the Canadian return.

Part-year residents must prorate the amount on this line. Divide Canadian salaries and wages earned as a Michigan resident by total Canadian salaries and wages earned. Then multiply the total contribution from boxes 16 and 17 by the resulting percentage.

Line 13: Multiply line 12 by xx.xx% (0.xxxx) and enter the result.

Line 15: Enter your Canadian income from line 4.

Note: Interest and dividends from Canada received by a Michigan resident are taxable by Michigan as Michigan sourced income.

Line 29a: Enter the portion of the U.S. foreign tax credit reported on U.S. Form 1040, *Schedule 3*, line 1 that is based on Canadian federal tax, Canadian provincial tax, and contributions to Canadian Pension Plan paid or accrued in 2025. The amount entered must not include the portion of the U.S. credit attributable to carryover of prior year tax and must not include Canadian taxes carried over to a year after 2025. In computing the U.S. credit, it is presumed the Canadian federal income tax is claimed first.