

# 2015 INSTRUCTIONS FOR PREPARING MUNICIPAL INCOME TAX RETURNS

**SPECIAL NOTICE FOR PERSONS WHOSE ONLY SOURCE OF INCOME IS FROM WAGES AS SHOWN ON W-2 FORMS RECEIVED FROM YOUR EMPLOYER. YOU MAY ABBREVIATE THE FORM BY COMPLETING THE TWO BOXED IN AREAS AND THE ESTIMATE FOR 2016. ATTACH A COPY OF YOUR W-2 FORMS AND SIGN THE RETURN. IF YOUR EMPLOYER DID NOT PROVIDE YOU WITH ADEQUATE W-2 FORMS TO SUBMIT A COPY WITH THIS RETURN, YOU MAY SUBSTITUTE A LEGIBLE PHOTO COPY.**

## GENERAL INSTRUCTIONS

### CITY OF PARMA HAS A MANDATORY FILING ORDINANCE

**WHO MUST FILE:** Every resident 18 years or older with earned income or net profit from any source whatsoever shall make and file a tax return. All such earnings wherever earned are considered taxable. The location of the places from which payment is made or where payment is received is immaterial. Every business entity - (individual, proprietorship, partnership, corporation, S - Corporations "Parma Businesses Only", for residents who conduct business must file and pay on the net profit tax returns.

**SPECIAL NOTE:** All resident business owners who file a Federal 1120S for a business not located within this municipality are not required to include this K-1 income/loss on your personal return.

**SPECIAL NOTE:** All non-resident businesses must comply with Ohio HB 5 which was enacted on 1/1/2016. State of Ohio Legislation passed a new 20 day rule for non-resident businesses. The new rule states all net profits and withholding tax is not retroactive to day one once the threshold of 20 days is achieved by the non-resident business.

**PERSONS UNDER EIGHTEEN (18) YEARS OF AGE** are not subject to the tax. If the tax was withheld for Parma from their wages, a refund request form should be filed. Copies are available from taxation division upon request.

**EARNED INCOME** is defined as salaries, wages, commissions, income from gaming, wagering and lotteries, including Ohio State lottery winnings over the amount of \$600.00, and other compensation and would include but not be limited to: bonuses, incentive payments, directors fees, property in lieu of cash, tips, dismissal or severance pay, and awards, tax shelter plans, vacation and sick pay, wage continuation plans, supplemental unemployment benefits, deferred compensation i.e. (401K, 403B, etc.) depreciation recapture and other compensation earned, received, or accrued.

**INCOME NOT TAXABLE** includes dividends, interest, military pay and allowances, insurance proceeds, pensions, annuities, alimony, social security, medicare, poor relief, unemployment insurance benefits, gifts, inheritances, scholarships, involuntary conversions, royalties and other revenue from intangible property. The income of religious, fraternal, charitable or other non-profit associations are exempt from the tax if exempt from real estate tax or exempt by enumeration in section 718.01 of the Ohio Revised Code or section 501(a) of the Internal Revenue Code. As of January 01, 2005, Distributive shares from Sub-Chapter S Corp. earned outside of Parma are no longer taxable.

**JOINT RETURNS** - file a joint return if both husband and wife have earnings.

**FILE** on or before April 15th following the close of the calendar year. If the return is for a fiscal year or any period less than a year, the return should be filed by the 15th day of the fourth month from the end of the fiscal year or other period. If April 15 falls on a Saturday or Sunday, return will be due on the next business day.

**EXTENSIONS OF TIME TO FILE:** A copy of the automatic Federal Extension must be attached to the Parma Return. An extension grants time to file the return **ONLY**. All taxes due must be paid in full no later than April 15. Returns on a Federal Extension must be filed by the 15th of the month which the Federal Extension ends.

**PENALTIES AND INTEREST:** Are imposed for failure to file a return or pay the tax due; failure to have 90% or more of the tax paid in on estimated taxes.

**EXEMPTIONS AND ITEMIZED DEDUCTIONS** as available on individual federal income tax returns are not allowed. The municipal income tax is based on gross earnings.

### COLUMN 1

This column is to list each work city separately. Continue across the rows to the right of each city listed. Follow the instructions for each column as listed below.

### COLUMN 1A

Enter total wages as noted on W-2 form in this column.

**NOTE: If your employer did not withhold on all your City taxable wages, list wages taxed by your work City separate from your wages not taxed.** Cities tax gross wages before any deductions, except Section 125 plans, (deferred compensation plans and deferred retirement plans **ARE** taxed by the City in the year which you earn the income.)

### COLUMN 1B

Enter the amount of taxes withheld for the City of Parma (**including any Parma residence tax withheld**) in this column.

### COLUMN 1C

Enter taxes withheld for other cities where wages were earned as listed in column 1.

### COLUMN 1D

To compute you must know your work city tax rate located in Chart A (2015 city tax rate schedule). Go to Chart B (tax credit reduction) In B-1, locate your work city tax rate and go to corresponding tax credit in B-2. Multiply the credit from B-2 times the amount entered in column 1A for that work city. Enter the result on the same line in column 1D. Repeat the above process for each entry in column 1A.

**NOTE: Tax credit is to be computed on wages which were subject to the proper withholding by work city. If you have any questions regarding this matter, please contact the TAX Department at (440) 885-8045.**

### COLUMN 1E

Enter the **smaller** of Column 1C or 1D.

### COLUMN TOTALS

Add entries in Column 1A, enter in column total and line 2.

Add entries in Column 1B, enter in column total and line 9B.

Add entries in Column 1E, enter in column total and line 9C.

### LINE 2

**IF ONLY SOURCE OF INCOME IS WAGES, ENTER TOTAL OF COLUMN 1A ON LINE 2 AND LINE 7 AND PROCEED TO LINE 8 (SKIP LINES 3 THRU 6C).** If you have other income, enter total of column 1A on line 2 and complete the rest of the return.

### LINE 3

Total other income as defined as all other income not reported on W-2. (See income taxed by cities)

Losses from page 2 enter in ( )

**NOTE: Income from wagering, schemes of chance and lottery winnings are to be included on this line. Ohio State Lottery winnings are allowed a \$600 deduction off gross winnings for the year.**

Losses from other income **cannot** offset W-2 wages.

Federal schedule C and E (ONLY) gains and losses that occurred in the same city can offset each other. All other losses cannot offset gains to calculate total other income.

Losses can be carried forward for a period of five (5) years.

### LINE 4

Total of line 2 and line 3.

( If line 3 is a loss it cannot be deducted from line 2)

### LINE 5A, 5B & 5C

Used to make adjustments when line 4 includes income not taxable and/or items not deductible for city tax purposes. Schedule X is used.

### LINE 6A

Is the result of line 4 plus line 5A and less line 5B.

### LINE 6B

The income tax ordinance recites a formula (Schedule Y) to determine the percentage of income attributable to this city by business entities **ONLY (does not apply to Parma residents)** conducting business activity both within and outside this city. If Schedule Y is used, bring the average percentage from line 6 of Schedule Y to the percentage line of line 6B. Multiply line 6A by this percentage and enter the result on line 6B.

### LINE 6C - (See BUSINESS LOSSES)

Taxpayers doing business both in and outside of this city who allocate profits via Schedule Y must also allocate losses accordingly.

### LINE 7

Total income subject to city income tax.

### LINE 8

Parma City income tax (multiply Line 7 times tax rate of 2.5%).

Enter results on line 8.

### LINE 9 PAYMENTS AND CREDITS

**NOTE: Credit for school district income taxes not allowed.**

A. Enter the total of estimate payments plus prior year overpayment credits for this year.

B. Enter total of Column 1B.

2015 INSTRUCTIONS

C. Enter total of Column 1E.

If work city credits are claimed and later refunded, an amended Parma return must be filed reflecting the change.

D. DIRECT PAYMENT TO OTHER CITIES,

This credit applies only if the other income (WAGES WITH NO TAXES WITHHELD, business income, rental property, schedule k-1 income, etc.) is included on this return. If direct payments were made to other cities on this income, The City of Parma will allow a credit based on Chart B. To use Chart B, you must first know your other city's income tax rate found in Chart A (2015 tax rate schedule). Locate your other city's tax rate in B-1 and find the corresponding credit in B-2. Multiply the credit from B-2 times other income. Enter the smaller of the allowable tax credit calculation from above or the actual taxes paid.

NOTE: Attach a copy of other city tax return. Credit will not be allowed without it. Residence tax paid to other cities cannot be claimed on this return.

E. Total of line 9A through 9D.

LINE 10 TAX DUE - If the result on Line 10 is less than \$10.00 see the instructions on Line 13

LINE 11 PENALTY & INTEREST

A. Penalty and interest are imposed for failure to file a tax return by April 15 or the 15th day of the fourth month from the end of the fiscal period for "businesses only" and no tax extension was granted. Penalty & Interest charges are imposed for failure to pay 90% or more of the tax due in the current tax year. Penalty charges of \$25.00 a month are imposed on returns not timely filed and shall not exceed \$150.00 for each return not timely filed in the current tax year.

Penalty charges on unpaid income tax and unpaid estimated income tax, a municipal corporation can impose a penalty equal to 15% of the amount of tax not timely paid.

Interest charges are .42% a month plus 5% for a calendar tax year.

THIS IS A ONE TIME ASSESSMENT PER EACH CALENDAR YEAR  
NOTE: Interest applies to any unpaid balance of tax due if not paid by the due date of a tax return even if the return is filed under a Federal Income Tax Extension.

LINE 12 BALANCE DUE

Add lines 10 and 11C.

LINE 13 OVERPAYMENT - If line 10 or 12 is showing a credit over \$10.00 you are entitled to refund or tax credit to be applied to your first quarter estimate income tax. Remember to offset your first quarter estimated tax payment by the amount of the overpaid credits. If you request a refund, refunds take 12 weeks to process and mail. Please indicate your choice by placing an X in the box on Line 13A if you choose a refund or 13B to receive a tax credit.

LINE 14 NOTE: Taxpayer's who anticipate a net tax due to Parma Division of Taxation in excess of \$200 in the current tax year is required to file a Declaration of estimated income tax due by completing Line 14. Effective 1/01/2016 estimated income taxes will have a new filing deadlines; 1st quarter 4/15, 2nd quarter 6/15, 3rd quarter 9/15, 4th quarter 12/15.

A. ESTIMATE TAX LIABILITY

Note Change As of January 01, 2007, Parma's Income Tax Rate will be 2.5%. Parma's Income Tax Credit will be 100% of 2%, but cannot exceed the Employment City's Income Tax Rate.

This is the expected amount of income tax due the City of Parma for the next tax year. If you have City taxable income Earned/sourced in Parma on which no Parma taxes have been Withheld or paid, 2.5% will be owed on this income. For all other income earned or generated outside of Parma, see Chart C on the bottom of Page 3. Example - If you earned \$40,000.00 in a 2% work City outside of Parma, your Estimated Tax balance due will be \$200.00. Example - \$40,000 x .5% = \$200.00. This will be your total tax estimate for the year.

LINE 15 TOTAL DUE TO THE CITY OF PARMA

Returns received without payment will be subject to a \$25.00 penalty. Refer to Line 11 Balance Due for additionally penalty & interest charges. Be sure to write your Parma account number on your check or money order. If the balance of tax due is less than \$10.00 no payment is required.

Add lines 12 and 14B and enter final results. Returns received without payment are subject to a \$25.00 penalty or penalty of 1 1/2% per month whichever is greater plus 1 1/2% interest charge per month. Be sure to write your Parma account number on your check or money order. If balance due is less than \$10.00 payment need not be made.

PLEASE SIGN YOUR NAME AND OBTAIN A SPOUSE'S SIGNATURE ON A JOINT RETURN AND DATE IT.

TAXPAYER MUST ATTACH COPIES OF ALL W-2 STATEMENTS, COPIES OF ALL APPLICABLE CITY RETURNS AND FEDERAL SCHEDULES - C, E, K-1 AND 1099, ETC. INCLUDE A SUMMARY SHEET IF NECESSARY. THIS RETURN IS NOT COMPLETE UNLESS THESE SOURCE DOCUMENTS ARE PROVIDED.

EXAMPLE OF TAX RETURN

**2015 City of Parma Income Tax Return**  
www.cityofparma-oh.gov

IF YOU MOVED OR HAD ANY CHANGE IN STATUS DURING 2015, THIS BLOCK MUST BE COMPLETED.  
Date moved into Parma \_\_\_\_\_  
Previous Address \_\_\_\_\_  
Date moved out of Parma \_\_\_\_\_  
Present Address \_\_\_\_\_  
If retired, give date \_\_\_\_\_  
Other Status Change & Date \_\_\_\_\_

DATE OF BIRTH, IF UNDER 18 IN 2015: \_\_\_\_\_

PARMA ACCOUNT NO. \_\_\_\_\_  
Filing Status:  Individual  Joint  Corporation  Partnership

Mr. & Mrs. Taxpayer  
6611 Ridge Rd.  
Parma, Ohio 44129

Your Social Security Number \_\_\_\_\_  
Spouse's Social Security Number \_\_\_\_\_  
 Filing for 2015 calendar year  
 Filing for fiscal year ending \_\_\_\_\_

COLUMN 1	COLUMN 1A	COLUMN 1B	COLUMN 1C	COLUMN 1D	COLUMN 1e
LIST EACH WORK CITY	Total Wages (As shown on W-2 Form)	Withheld for Parma	Withheld for Other Cities	% of Col. 1A (See Instructions)	Lesser of Column 1C or 1D
Parma	\$ 20,000.00	\$ 500.00	\$	\$	\$
Cleveland	\$ 10,000.00		\$200.00	\$200.00	\$200.00
North Ridgeville	\$ 10,000.00		\$100.00	\$100.00	\$100.00
<b>COLUMN TOTALS</b>	<b>\$ 40,000.00</b>	<b>\$ 500.00</b>			<b>\$300.00</b>

2) ENTER TOTAL OF COLUMN 1A. SEE INSTRUCTIONS BEFORE GOING TO LINE 3 ..... 2 \$ 40,000.00  
3) INCOME OTHER THAN WAGES FROM PAGE 2 (ATTACH FEDERAL SCHEDULES) ..... 3 \$  
4) TOTAL INCOME (TOTAL OF LINE 2 AND LINE 3) (DO NOT DEDUCT LOSS FROM W-2 INCOME) ..... 4 \$  
5) (A) ITEMS NOT DEDUCTIBLE (FROM LINE M SCHEDULE X) ..... ADD \$  
(B) ITEMS NOT TAXABLE (FROM LINE Z SCHEDULE X) ..... DEDUCT \$  
OTHER INCOME .....  
6) (A) ADJUSTED NET INCOME (LINE 4, PLUS OR MINUS LINE 5) IF SCHEDULE X IS USED ..... 6A \$  
(B) AMOUNT ALLOCABLE TO PARMA ..... % OF LINE 6A NON-RESIDENT BUSINESSES ONLY ..... 6B \$  
(C) LESS ALLOCABLE NET LOSS PER PREVIOUS CITY INCOME TAX RETURNS (SUBMIT SCHEDULE) ..... 6C \$  
7) AMOUNT SUBJECT TO CITY INCOME TAX (LINE 6A OR 6B LESS LINE 6C) ..... 7 \$ 40,000.00  
8) PARMA CITY TAX, 2.5%. MULTIPLY TOTAL OF LINE 7 BY 2.5% ..... 8 \$ 1,000.00  
9A) ESTIMATED PAYMENTS AND PRIOR YEAR CREDIT ..... 9A \$  
9B) WITHHELD FOR PARMA (FROM 1B) ..... 9B \$ 500.00  
9C) CREDIT FOR OTHER CITIES (FROM 1E) ..... 9C \$ 300.00  
9D) DIRECT PAYMENTS TO OTHER CITIES (SEE INSTRUCTIONS) ..... 9D \$  
9E) TOTAL PAYMENTS AND CREDITS (ADD LINES 9A THROUGH 9D) ..... 9E \$ 800.00  
10) TAX DUE, LINE 8 LESS LINE 9E IF OVERPAID SEE INSTRUCTIONS ..... 10 \$ 200.00  
11) PENALTY AND INTEREST, 11A PENALTY \$ ..... 11B INTEREST \$ (ADD LINE 11A & 11B) ..... 11C \$  
12) BALANCE DUE (COMBINE LINES 10 & 11 C) ..... 12 \$ 200.00  
13) OVERPAYMENT (IF LINE 12 IS LESS THAN ZERO)  
13A)  REFUND (IF \$1.00 OR MORE) \$ ..... 13B  CREDIT TO 2016 ESTIMATED TAX \$

DECLARATION OF ESTIMATED TAX FOR 2016

14) ESTIMATED TAX (SEE INSTRUCTIONS)  
A. ESTIMATED TAX LIABILITY 2015 ..... 14A \$ 200.00  
B. QUARTERLY ESTIMATED TAX DUE, 1/4 OF 14A, LESS CREDIT FROM 13B ..... 14B \$ 50.00  
15) TOTAL DUE CITY OF PARMA (ADD LINES 12 AND 14B) MAKE CHECK PAYABLE TO: CITY OF PARMA DIV. OF TAX ..... 15 \$ 250.00

I CERTIFY I HAVE EXAMINED THIS RETURN INCLUDING ACCOMPANYING SCHEDULES AND STATEMENTS, AND TO THE BEST OF MY KNOWLEDGE AND BELIEF IT IS TRUE AND CORRECT

Signature of Person Preparing, if Other Than Taxpayer \_\_\_\_\_ Signature of Taxpayer or Agent \_\_\_\_\_ Date \_\_\_\_\_  
Name and Address of Firm \_\_\_\_\_ Phone \_\_\_\_\_ Signature of Spouse if Joint Return \_\_\_\_\_ Date \_\_\_\_\_

May the city discuss this return with the tax preparer?  Yes  No

See Page 3 for E-File Instructions.

## 2015 INSTRUCTIONS

**PARMA CITY TAX RETURNS ARE COMPLETED FREE OF CHARGE BY THE PARMA CITY TAX DEPT.**

Parma's tax form has changed from previous years and is **more complex** than previous years due to the tax credit reduction. January 1, 2007, Parma's tax rate is 2.5%. Parma's tax credit is 100% up to 2%, but cannot exceed employment city's tax rate. This means if you work outside of the City of Parma you will owe.

### 2015 E-FILE INSTRUCTIONS

You are able to fill out, file, and if need be pay your taxes on line. You can simply access the City website at [www.cityofparma-oh.gov](http://www.cityofparma-oh.gov) . Click on "City Hall" and then on "City of Parma Division of Taxation" under the Treasurer Section. At that point you will be prompted to click on the tax filing link. The user friendly system will prompt you through the steps to E-File your city taxes. Note you are limited to 8 W2's and no federal schedules, both gains or losses, and no business income can be E-Filed. You must remit your W2's to the tax department once you have E-Filed.

If you are employed outside the City of Parma and your employer is withholding residence tax as well as employment city tax, you need to make a two line entry on the E-File form. On the first line, enter your work city and tax withheld for that city. On the second line enter "PARMA" for your work city, zero for wages in column 1A, and the amount of tax withheld for Parma under "withheld for Parma" in column 1B.

**Attach your W2's to the E-File coupon that prints after you have completed your E-filing, and mail to the Tax Office.**

### 2015 CHART A

AKRON	2.25%	HIGHLAND HILLS	2.5%	PENINSULA	2%
ASHTABULA	1.8%	HIRAM	2%	PARMA HTS	3%
AURORA	2%	HUDSON	2%	PEPPER PIKE	1%
AVON	1.75%	INDEPENDENCE	2%	PERRY VILLAGE	2.0%
AVON LAKE	1.5%	KENT	2.25%	RAVENNA	7-1-2015 2.25%
BARBERTON	2.25%	KIRTLAND	2%	RICHFIELD	2.0%
BAY VILLAGE	1.5%	LAKEWOOD	1.5%	RICHMOND HTS	2.25%
BEACHWOOD	2%	LINDDALE	2%	ROCKY RIVER	2.0%
BEDFORD	2.25%	LORAIN	2.5%	SANDUSKY	1.25%
BEDFORD HTS	2%	LORDSTOWN	1%	SEVEN HILLS	2%
BEREA	2%	LYNDHURST	2.0%	SHAKER HTS	2.25%
BOSTON HTS	2%	MACEDONIA	2%	SHEFFIELD LAKE	2%
BRATENAHL	1.5%	MADISON	1%	SHEFFIELD VILLAGE	2%
BRECKSVILLE	2%	MANSFIELD	2.0%	OLON	2%
BROADVIEW HTS	2%	MAPLE HTS	2.5%	SOUTH EUCLID	2%
BROOKPARK	2%	MAYFIELD HTS	1%	STOW	2%
BROOKLYN	2.5%	MAYFIELD VILLAGE	2%	STREETSBORO	2%
BROOKLYN HTS	2%	MEDINA	1.25%	STRONGSVILLE	2%
BRUNSWICK	1.85%	MENTOR	2%	TOLEDO	2.25%
BURTON	1%	MENTOR ON THE LAKE	2%	TWINSBURG	2.0%
CHAGRIN FALLS	1.5%	MIDDLEBURG HTS	2%	UNIVERSITY HTS	2.5%
CHARDON	2%	MORELAND HTS	1%	VALLEY VIEW	2%
CLEVELAND	2%	NEWBURG HTS	2%	VERMILION	1.5%
CLEVELAND HTS	2%	N OLMSTED	2%	WADSWORTH	1.4%
CUYAHOGA FALLS	2%	N PERRY VILLAGE	1%	WALTON HILLS	2.5%
CUYAHOGA HTS	2%	N RANDALL	2.75%	WARRENSVILLE HTS	2.6%
DAYTON	2.25%	N RIDGEVILLE	1%	WESTLAKE	1.5%
EAST CLEVELAND	2%	N ROYALTON	2%	WICKLIFFE	2%
EASTLAKE	2%	NORTHFIELD	2%	WILLOUGHBY	2%
ELYRIA	1.75%	OAKWOOD VILLAGE	2.5%	WILLOUGHBY HILLS	2%
EUCLID	2.85%	OBERLIN	2.5%	WILLOWICK	2%
FAIRVIEW PARK	2%	OLMSTED FALLS	1.5%	WOODMERE	2.5%
GARFIELD HTS	2%	ORANGE	2%	WOOSTER	1-1-14 1.5%
GLENWILLOW	2%	PAINSVILLE	2%		
HIGHLAND HTS	2%	PARMA	2.5%		

## Note Change

**As of January 01, 2007, Parma's Income Tax Rate is 2.5%.  
Parma's Income Tax Credit is 100% up to 2%, but cannot exceed  
the Employment City's Income Tax Rate.**

### CHART B - TAX CREDIT REDUCTION 2015

B-1 WORK CITY TAX RATE	NO TAX	.5%	1%	1.35%	1.5%	1.75%	2%	2.25%	2.5%	2.85%	3%
B-2 TAX CREDIT ALLOWED	0%	.5%	1%	1.35%	1.5%	1.75%	2%	2%	2%	2%	2%

\*For any work city with a tax rate higher than 2% the credit is 2%. Any questions on tax rates not listed, call the Tax Department.

### CHART C - CALCULATION OF ESTIMATE TAX 2016

WORK CITY TAX RATE	NO TAX	.5%	1%	1.35%	1.5%	1.75%	2%	2.25%	2.5%	2.85%	3%
% OWED TO PARMA	2.5%	2%	1.5%	1.15%	1%	.75%	.5%	.5%	.5%	.5%	.5%

## 2015 SCHEDULE INSTRUCTIONS

**REAL ESTATE AGENTS** who represent a broker whose office is located in Parma are required to file and to include all commissions earned regardless of location of property sold or residence of salesperson.

**BUSINESS OR RENTAL LOSSES** The net losses from self-employed business, profession or rental property **may not** be used to offset earned income such as salaries, wages, etc. A loss in one city may **never** offset the gain in another city. **However, a loss in one city from a Schedule C or Schedule E may offset a Schedule C or Schedule E gain in the same city.** Losses from a 1065, 1120 or 1120S **may not** be used against any, Schedule C, Schedule E, 1065, 1120, or 1120S no matter what city they are in. A net operating loss may be carried forward for five (5) years. The portion of the net operating loss sustained shall be allocated to the city in the same manner for allocating net profits to the city.

**SCHEDULE C** All resident business entities must attach copies of the Federal Schedule C for each business. An individual taxpayer engaged in two or more taxable business activities in a single municipality may include them on the same return. If your business activity was conducted in more than one municipality, see **SCHEDULE Y**.

Accounting methods used must be identical to that used for Federal Income Tax reporting.

A copy of your Federal 1040, Sch. C, Sch E & F, 1065, 1120, & 1120S must be attached.

**NOTE: All non-resident business refer to Page 1 - Who Must File SCHEDULE Y**

**Special Note: All non-resident businesses refer to Page 1 - Who Must File**

**SCHEDULE G** When the gross monthly rental of any and all real properties aggregates in excess of \$125.00 per month, the owner is considered engaged in a business activity and the net income shall be subject to the tax. Information on this schedule must correspond to Schedule E, Part II as filed with the Internal Revenue Service, using the same method of depreciation. Loss from one city may never offset the gain in another city. Rental losses may not be used to offset wages earned.

**SCHEDULE H** This schedule is used to list all other taxable income not reported elsewhere on this return. Types of income to be reported here are: \*partnership, estates, trusts, fees, tips, prizes, awards, commissions, supplemental unemployment benefits, property in lieu of cash, excess business expense reimbursement, refunds of local taxes to business entities if deducted in a prior year, taxable income from all other sources.

**SCHEDULE X** is used for the purpose of making adjustments when total income (line 4) includes income not taxable and/or items not deductible for city purposes. Enter the amounts of any such items in schedule X and carry totals (line M and line Z) respectively to lines 5(a) and 5(b).

Line a - Capital losses from the sale, exchange or other disposition of property shall not be taken into consideration in arriving at net profits earned.

Line b - If you have deducted non-taxable income (line Z), expenses attributable to this non-taxable income shall not be allowed as a deduction from the remaining taxable income. In the absence of records showing the actual expenses attributable to such non-taxable income, the minimum shall be deemed to be 5% of the non-taxable income.

Line C - Would include federal, state, local and other taxes based on income.

SPECIAL NOTE: The new Ohio Corporation Franchise Tax, if

based on income is not allowed as a deduction, however, the amount based on net worth is allowable. If line 3(c) of your Ohio Corporation Franchise Tax Report (form FT-1120) exceeds line 7, we suggest the following: Enter on line H the amount of tax shown on line 3(c) of schedule A form FT-1120.

**Enter on line Q the amount of tax shown on line 7 of form FT-1120. The only exception to this method would be when the minimum tax of \$50.00 is paid or when the amount of line 7 of form FT-1120 is greater than line 3(c). In this instance, the tax is based on net worth and no adjustments need be made.**

Line N - Capital gains from the sale, exchange or other disposition of property shall not be taken into consideration in arriving at net profits earned. However, refer to schedule D instructions.

Line Q - Would include items listed in the general instructions as: Income Not Taxable, as well as compensation or like reimbursement for damages (except for loss of profits), involuntary conversion, cancellation of indebtedness, income of a decedent's estate during the period of administration (except business income), items of income already taxed by the State of Ohio from which this municipality is specifically prohibited from taxing, income which is prohibited from taxation by the constitution of the United States and the State of Ohio or any Act of Congress or the Ohio General Assembly.

**EMPLOYEE BUSINESS EXPENSE** To qualify for the Employee Business Expense deduction for municipal income tax purposes, the taxpayer must also itemize his deductions for Federal Income tax purposes. **Attach copies of Federal Form 1040, Schedule A and 2106.** The amount of Employee Business Expense deduction allowed against Municipal income tax is limited to the amount that the tax-payer's 2106 expenses exceed 2% of the taxpayers Federal A.G.I. Tax credits from other communities shall be proportionately reduced.

**SCHEDULE Y** A business apportionment formula consisting of the average of property, gross receipts and wages paid, may be used by business entities not required to pay tax on entire net profits, by reason of doing business both within and without this municipality. However, if the books and records of the taxpayer shall disclose with reasonable accuracy the net profit attributable to this municipality, then only this portion shall be considered as having a taxable situs in this municipality.

[step 2(b)] mean:

1. All sales of tangible personal property which is shipped from this municipality to purchasers outside of this municipality regardless of where title passes if the taxpayer is not, through its own employees, regularly engaged in the solicitation or promotion of sales at the place where delivery is made.

2. All sales of tangible personal property which is delivered within this municipality regardless of where title passes, even though transported from a point outside this municipality, if the taxpayer is regularly engaged through its own employees in the solicitation and the sales result from such solicitation or promotion.

3. All sales of tangible personal property which is delivered within this municipality regardless of where title passes, if shipped or delivered from a stock of goods within this municipality.

**SCHEDULE Z** Must be completed by all partnerships and associations filing returns. Amounts shown in this schedule must correspond with amounts reported in schedule C or schedule H. Attach a schedule if you need more space.

**FOR FURTHER INFORMATION PHONE (440) 885-8045**