

2018 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 2018. 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 short term disability, 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

Using Box 5 of medicare wage or Box 18 Local Wage, whichever is the highest wage on the W-2.

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 (2016 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.

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.

2018 INSTRUCTIONS

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

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.

2018 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. Click on "Department" and then on "Taxation". 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.

E-FILE YOUR PARMA TAX RETURN - WITH AN ASSIGNED ACCOUNT

YOU CAN E-FILE YOUR PARMA TAXES BY ACCESSING THE CITY WEB SITE AT WWW.CITYOFFPARMA-OH.GOV

WHEN YOU E-FILE PARMA TAXES, YOU MUST

1. PRINT THE E-FILE COUPON THAT GENERATES ONCE YOU SUBMIT YOUR FORM
2. ATTACH W2(S) AND FEDERAL FORMS THAT YOU E-FILED ON THE E-FILE COUPON.
3. MAIL IN YOUR E-FILE COUPON WITH W2(S) AND ANY FEDERAL FORMS THAT YOU E-FILED ON BY THE TAX FILING DEAD LINE

2018 CHART A

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

Note Change

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 2018

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 2019

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%

2018 SCHEDULE INSTRUCTIONS

REAL ESTATE AGENTS

Commissions received by real estate agent or broker relating to sale, purchase or lease of real estate shall be issued to municipal corporation in which the real estate is located.

BUSINESS OR RENTAL LOSSES The net losses from self-employed business, professional or rental property allows for current year offsetting of all Schedule **income and losses** of residents of taxings municipalities only for residence tax purposes **Special Note: For all 2018 resident tax filers per Ohio HB5 which was enacted on 1/1/2017.**

* Includes Schedule C, E & F owned by the resident.

*Includes pass-through income & losses of the resident.

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.

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 ** Special Note ** Individual taxpayer's are no longer permitted for federal income tax purposes to deduct certain business expenses from gross wages, salaries or commissions and are not permitted to file a copy of Federal Income Tax Form 2016.

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.