

# CITY OF SHARONVILLE 2005

## BUSINESS INCOME TAX RETURN INSTRUCTIONS

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### General Instructions:

If you are filing for any year other than 01/01/2005 through 12/31/2005, indicate the year of the tax return with beginning and ending dates. Fiscal year taxpayers should use the beginning year of the fiscal period as the year of the tax return. Any taxpayer that has requested an extension for filing a federal income tax return may request an extension for the filing of the City's tax return. The taxpayer shall make the request by filing a copy of the taxpayer's request for a Federal filing extension with the Tax Commissioner by the due date of the return.

1. Check the appropriate box that corresponds to the filing status of the business.
2. Complete the box that pertains to whether or not the account should be inactivated. If your account should be inactivated, provide an explanation. If this is a final return, give the reason why. If the business was sold, provide the name, address and phone number of the purchaser on a separate attachment.
3. If a pre-printed form was received containing incorrect information, make the necessary corrections to the form. If the form is not pre-printed, please enter the name, address and EIN/FID number information in the spaces provided.
4. If the Sharonville business activity was for a portion of the year, please enter the start and end dates.

### Part A –TAX CALCULATION

**LINE 1:** Enter the Adjusted Federal Taxable Income (AFTI). As defined by Ohio Revised Code (ORC) 718.01, AFTI means a C corporation's federal taxable income before net operating losses and special deductions. Other business entities must compute the AFTI as if they were a C corporation. Generally this is the line titled "Income/(Loss) Reconciliation" on the Schedule K of the Form 1120S for subchapter S corporations or Line 1 page 4 of the Form 1065 Analysis of Net Income (Loss) for partnerships and limited liability companies.

**LINE 2:** Enter the total adjustments from Schedule X.

**LINE 3:** Line 1 plus or minus Line 2.

**LINE 4:** Enter the apportionment percentage from Step 5 of Schedule Y. (See CMC Section 311-7, R7 and ORC 718.02)

**LINE 5:** Multiply Line 3 by Line 4.

**LINE 6:** Enter the allocable losses per previous tax return(s). Operating losses may be carried forward for a maximum period of three tax years (attach schedule).

**LINE 7:** Line 5 minus Line 6.

**LINE 8:** Multiply Line 7 by 1.5% (.015).

**LINE 9a:** Enter the amount of estimated tax payments including any amounts paid with an extension. Estimated payments may be subject to the underpayment of estimated tax penalty. Businesses must remit quarterly estimates equal to 100% of the prior year's tax or 90% of the current year's tax.

**LINE 9b:** Enter the amount of the overpayment from prior years credited to 2005.

**LINE 10:** Line 9a plus Line 9b.

**LINE 11:** If Line 8 is greater than Line 10, enter the tax due. If this amount is less than \$1, payment is not required.

**LINE 12:** If Line 10 is greater than Line 8, enter the overpayment.

**LINE 13:** Enter the amount to be refunded. If this amount is less than \$1, the amount will not be refunded.

**LINE 14:** Enter the amount to be credited to tax year 2006 estimated tax liability.

By law, all refunds and credits in excess of \$10.00 are reported to the I.R.S.

## **Part B – DECLARATION OF ESTIMATED TAX FOR 2006**

*The taxpayer shall base the estimated tax on the preceding full year's tax liability, or on the preceding three-month period, annualized for the remainder of the year, and updating this estimate by amendment as necessary each succeeding three-month period so that at least 90% of the annual Sharonville tax liability to be ultimately determined shall have been paid by the due date of each installment payment.*

**LINE 15:** Enter the amount of estimated income for 2006 using one of the two safe harbors above.

**LINE 16:** Multiply Line 15 by 1.5% (.015). Enter the total tax due for 2006.

**LINE 17:** Divide Line 16 by 4 to determine the amount of estimated tax due for the first quarter.

**LINE 18:** Enter the amount of credits from Line 14.

**LINE 19:** Enter and remit the net estimated tax due if Line 17 minus Line 18 is greater than zero. This is the first of four quarterly estimated tax payments. The second payment is due on the 15<sup>th</sup> day of the 6<sup>th</sup> month after the beginning of the year and is equal to the total estimated tax on Line 16 divided by 4 less any overpayment still available from prior years. Third payment is due on the 15<sup>th</sup> day of the 9<sup>th</sup> month after the beginning of the year and the final estimated payment is due on the 15<sup>th</sup> day of the 12<sup>th</sup> month after the beginning of the taxable year.

**LINE 20: Combine Line 11 and Line 19 to determine the total amount due.**

### **Schedule X – RECONCILIATION WITH THE FEDERAL RETURN**

- A. Enter the amount included in Line 1 of the Business Tax Return related to the sale, exchange, or other disposition of an asset described in Section 1221 or 1231 of the Internal Revenue Code. This would include the 1231 loss reported on Form 4797.
- B. Enter any taxes on or measured by net income included as a deduction in computing Line 1.
- C. Enter any guaranteed payments or similar payments made to partners, members or other owners that were deducted in arriving at the income amount on Line 1. This includes amounts related to self-employed retirement plans and health or life insurance for an owner or owner-employee.
- D. Enter 5% of the intangible income included in Line 1 of the Business Tax Return that is not directly related to the sale, exchange or other disposition of property described in Section 1221 or 1231 of the Internal Revenue Code.
- E. Add Real Estate Investment Trust distributions allowed as a deduction in the computation of Federal Taxable Income.
- F. Other. Please provide a complete explanation. Examples: losses from flow-thru entities, 10% charitable contribution limitation.
- G. Add Lines A through F.
- H. Enter the amount of the income that is included on Line 1 of the Business Tax Return that is directly related to the sale, exchange, or other disposition of an asset described in Section 1221 or 1231 of the Internal Revenue Code less the income and gain included in this amount that is described in Section 1245 or 1250 of the Internal Revenue Code.
- I. Enter the total amount of intangible income included in Line 1 of the Business Tax Return that is not directly related to the sale, exchange or other disposition of property described in Section 1221 or 1231 of the Internal Revenue Code. Intangible income generally includes but is not limited to interest, dividends, copyrights and patents.
- J. If Line 1 of the return includes other income exempt from municipal tax, enter on this line and provide an explanation.
- K. Add Lines H-J.
- L. Deduct Line K from Line G. Enter the net amount as an addition (or deduction) on Part A, Line 2.

### **Schedule Y – APPORTIONMENT TO SHARONVILLE**

**Step 1.** Compute the percentage of the original average cost of the real and tangible personal property owned or used by the taxpayer in the City of Sharonville during the taxable period to the original average cost of all of the real and tangible personal property owned or used by the taxpayer during the same period, wherever situated.

Real property shall include property rented or leased by the taxpayer. The value of such property shall be determined by multiplying the annual rental thereon by eight.

**Step 2.** Compute the percentage of total personal compensation paid during the period for services performed in the City of Sharonville to total personal compensation paid during the same period for all business locations. Do not include amounts paid to contractors.

**Step 3.** Compute the percentage of the gross receipts of the business or profession from sales made and services performed during the taxable period in the City of Sharonville to gross receipts of the business or profession during the same period from sales and services, wherever made or performed.

**Step 4.** Calculate the total of the percentages derived in Steps 1 through 3.

**Step 5.** Divide the total derived in Step 4 by the number of percentages used. Insert this percentage on Part A, Line 4 of the return.