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## LINE BY LINE INSTRUCTIONS FOR WOOSTER BUSINESS INCOME TAX RETURNS

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Line 1- Depending on the type of entity and federal tax form being used; enter the following amount from the federal tax return:

<u>Entity</u>	<u>Form</u>	<u>Page</u>	<u>Section</u>	<u>Line</u>	<u>Description</u>
Corporation	1120	1		28	Taxable income before net operating loss deduction
S Corporation	1120S	3	Schedule K	18	Income (loss)
Partnership	1065	5	Analysis of	1	Net income (loss)
			Net Income (loss)		
Estates and Trusts	**amount on line 1 should be zero – see schedule Z instructions**				

Line 2- See instructions for Schedule Z. (Page 8 for C-Corps, Trusts and Estates, page 9 for S-Corps and federal form 1065 filers).

Line 3- Add lines 1 and 2A together and subtract line 2B from this sum.

Line 4- See instructions for schedule Y below.

Line 5- Put in the net operating loss carry forward applicable to the City of Wooster. Losses may be carried forward for the lesser of five calendar or six fiscal tax years. Do not enter the carry forward loss from the federal return. Only losses that have been allocated to the City of Wooster on previous Wooster income tax returns can be used. A schedule detailing losses by year must be attached to the return.

Line 8- Multiply the net Wooster taxable income by 1% (.01) to arrive at the 2011 Wooster income tax liability.

Line 9- This section is to list all credits for 2011 Wooster income tax. Line A is the overpayment of 2010 income tax credited to 2011. If this amount was over \$10.00, the company should have received a form 1099G from the City of Wooster. Line B is estimated tax payments made to the City of Wooster towards 2011 income taxes. Line C is amounts paid towards 2011 taxes with the company's extension. Do not include amounts paid toward 2012 estimated taxes.

Line 11 - If line 10 is greater than line 8, subtract line 8 from line 10 and enter the difference here. If line 8 is greater than line 10, enter the difference on line 14.

Line 12 - Amount of the overpayment, on line 11, that should be refunded. If the amount on line 11 is less than \$1.01, make no entry.

Line 13 - Amount of line 11 that you wish to apply to 2012 income tax. If the amount on line 11 is less than \$1.01, make no entry.

Line 15 - Enter the entity's 2012 estimate in the space provided, and any amounts being paid towards that estimate on line 15. Please see the general instructions for more detailed information on estimates (page 2).

Line 16 - Add lines 14 and 15 and enter sum here. This is the payment that should be sent with the return. Make checks payable to "City of Wooster". **Do not send payment if this line is less than \$1.01.**

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## SCHEDULE Y INSTRUCTIONS FOR WOOSTER BUSINESS TAX RETURNS

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This schedule must be used to calculate the portion of business income that is allocable to the City of Wooster unless the books and records of the business entity are detailed enough to determine the income or loss from operations in the City of Wooster without any allocation.

Line 1 - Enter the average original cost of real and tangible personal property owned and used in the business at all locations in column a. Do the same computation for property located in Wooster in column b.

If your business rents or leases any property, multiply the gross annual rent/lease payment by eight and enter the amounts in the same manner as owned property.

Total amounts in column a and b. Divide total of column b by the total of column a. Enter the total in column c.

Line 2 - Enter the gross business receipts from sales made or services performed during the tax period from all locations in column a. Enter those made in Wooster in column b. Divide b by a and enter the percentage in column c.

As interpreted from the Ohio Revised Code 718.02(B), (Determination of income subject to tax). Sale of goods in Wooster are:

All sales of tangible personal property delivered within Wooster, regardless of where title passes, if shipped or delivered from within Wooster. And/or

All sales of tangible personal property delivered in Wooster, regardless of where title passes or where transported from, if the taxpayer is regularly engaged, through its own employees, in the solicitation or promotion of sales within Wooster, and the sales result from such solicitation or promotion. And/or

All sales of tangible personal property shipped from within Wooster, 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 the delivery is made or the sales are not the result of such solicitation or promotion.

Line 3 - Using total compensation paid, do the same for line 3 as you did for line 2.

Line 4 - Total the percentages in column c.

Line 5 - Divide line 4 by the number of percentages in column c.

**FOR S-CORPS & PARTNERSHIPS, IF LINE 5 IS LESS THAN 100%, SCHEDULE P-1 MUST BE COMPLETED.**

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**FOR ASSISTANCE CALL (330) 263-5226**

# SCHEDULE Z INSTRUCTIONS FOR WOOSTER BUSINESS TAX RETURNS

## C-CORPORATIONS

- Line A - Enter capital losses from line 8 of federal tax return. Do not include any ordinary losses from form 4797 (line 9 of federal tax return).
- Line B - Enter the **greater** of (a), actual expenses relating to the gross non-taxable income (lines I, J and K of this schedule) or (b), 5% of gross non-taxable income (lines I, J and K of this schedule).
- Line C - Enter any city income tax expensed on line 17 of federal tax return.
- Line D - Enter **all** State income, franchise or single business tax expensed on line 17 of federal return. Include all taxes where a computation based on net income, or using net income as a factor is required, even if it is not used in figuring tax owed.
- Line H - Enter capital gains from line 8 of federal tax return. Do not include ordinary gains from form 4797 (line 9 of federal tax return).
- Line I - Enter dividends from line 4 of federal tax return.
- Line J - Enter interest from line 5 of federal tax return.
- Line K - Enter portion of royalties received (line 7 of federal return) whose source is intangible property. Do not include royalties for the right to use tangible or real property.
- Line L - Enter portion of amount put on line D, that is above what would have been paid in state taxes if only the net income method was used to compute taxes. Examples of this are:
- If state taxes are paid on the net worth basis, because it is higher than the tax figured on the net income basis, the amount put on this line would be the total tax paid less the amount figured on the net income basis.
  - If state taxes are paid on the net income basis, because it is higher than the tax figured on the net worth basis, no amount would be included for that state on this line.
  - If state taxes are figured on the net income and the net worth basis, then added together, the amount paid on the net worth basis would be included on this line.
  - If no computation using a net income basis is necessary for a particular state, no amounts should be included for that state on this line L or line D of this schedule.
- Line M - Enter other non-taxable items. **Paperwork attached to this return must document all items on this line. If it does not, the deduction taken will be disallowed.**

## ESTATES & TRUSTS

The unique nature of an estate or trust, as far as municipal income tax are concerned, makes the adjustments from federal taxable income to municipal taxable income very different from the other entities using this return. For this reason, various items need to be entered as adjustments under headings that do not directly correlate to the descriptions on this schedule. Because a trust or estate will not be considered as having a residence, it will be necessary to only include the portions of the estate or trust's business income on this return (schedule C, E, F or 4797 gain or losses) that are applicable to the City of Wooster. For this reason, all income calculations for estates and trusts will be done on this schedule and entered only on lines F and M. **Do not enter any income amount on line 1 of tax return.**

Accordingly, only trusts and estates that have income or losses listed on lines 3, 5, 6, 7 or 8 of federal form 1041 should be filing a Wooster net profits income tax return unless it has filed in the previous year. In this case, it must file a Non-Filing Declaration in this booklet, to notify the City of Wooster's tax department of the change in filing status.

**Line F** - Enter net profits and/or (losses) from business operations (line 3 of 1041) under the listing "schedule C". If the trust or estate is using more than one schedule C (multiple business operations) and only some of them do business within Wooster, list each business that has nexus to Wooster as a separate line. Be sure to include photocopies of all federal schedule C's with the return.

Enter net profits and/or (losses) from rentals within the City of Wooster under the listing "rentals". Be sure to include a photocopy of the federal schedule E with rentals within Wooster specifically marked.

Enter net profits and/or (losses) from partnerships, S-Corporations or LLC's under the listing "partnerships/s-corps". Be sure to include a photocopy of any K-1 received from a business entity doing business within Wooster as well as a photocopy of the federal schedule E with the applicable business entity clearly marked. If the trust or estate includes, in its net income or (loss), a partnership, s-corporation or LLC which is paying Wooster income tax as a business entity, this income should be included. It will be removed on line M.

Enter any farm income and/or (loss) earned within the City of Wooster, and included on line 6 of federal form 1041, under the listing "schedule F". Be sure to include a photocopy of the federal schedule F.

Enter any ordinary federal form 4797 gain and/or (loss), included on line 7 of federal form 1041, which is a result of the sale of an asset used in business within the City of Wooster, under the listing "4797". Be sure to include a photocopy of the federal form 4797 with the assets relating to business in Wooster clearly marked.

Enter any other income, listed on line 8 of federal form 1041, under the listing "other". Only income items earned within Wooster should be included. If all of line 8 is not included, a schedule of this line should be included with a breakdown of items applicable to Wooster and those not.

**Line M** - Enter fiduciary fees, from line 12 of federal form 1041, under the listing "fiduciary". Allocate these as the amount on line 12 (federal form 1041) multiplied by the ratio of income listed on line F of this schedule to total income listed on line 9 of federal form 1041. If one of the items in the ratio is loss, use the approximate percentage of these fees that are applicable to the items on line F and write that percentage next to fiduciary when listing.

## SCHEDULE Z INSTRUCTIONS CONTINUED

### Estates & Trusts: Line M continued-

Do not use 100% unless all items of income and loss are included as taxable on this return. If an approximate percentage is used, it will be reviewed as to whether it is reasonable. Unreasonable allocations will be adjusted.

Enter attorney, accountant, and return preparor fees (line 14 of form 1041) listed as "return fees". Allocate these, if necessary, in the same manner as fiduciary fees.

Enter any s-corp, partnership or LLC income and/or (losses) listed on line F of this schedule for businesses that pay tax to the City of Wooster as an entity. Use the federal ID# to list it. ("34-1234567")

### S-CORPORATIONS

Line A - Enter any losses listed on line 7 and 8a of federal schedule K. Enter as a positive number.

Line B - Enter the **greater** of (a) actual expenses relating to the gross non-taxable income (lines I, J and K of this schedule), or (b), 5% of gross non-taxable income (lines I, J and K of this schedule)

Line C - Enter city taxes based on income expensed on line 12 of federal form 1120S or anywhere else on return.

Line D - See Line D for C-Corporations (page 8) as it relates to taxes expensed on line 12 of 1120S or elsewhere.

Line F - Enter amount from line 12d of schedule K, and any taxes based on income from line 14h of federal schedule K. In addition, enter any other amounts deducted on the federal schedule K which are not related to operations of the S-corporation.

Line H - Enter any capital gains listed on lines 7 and 8a of schedule K. In addition, gains on line 9 should be deducted to the extent that this amount would not be subject to recapture, for a shareholder, if there was only one shareholder. In other words, only deduct section 1231 gains to the extent that they exceed 1231 losses in 5 previous years.

Line I - Enter amount of dividend income on line 5a of schedule K.

Line J - Enter amount of interest income from line 4 of federal schedule K.

Line K - Enter amount of royalty income of which the source is intangible property such as patents and copyrights from line 6 of federal schedule K. Do not include royalties derived from the right to use tangible personal or real property.

Line L - See Line L for C-Corporations (page 8) as it relates to taxes expensed on line 12 of federal form 1120S.

Line M - Enter other non-taxable items of income. Include amounts from line 12d of schedule K not related to debt, investments, or for the benefit of shareholders. **Attach all necessary paperwork.**

### PARTNERSHIPS

Line A - Enter any losses listed on lines 8 and 9a of schedule K. Enter these as a positive number.

Line B - Enter the **greater** of (a) actual expenses relating to the gross non-taxable income (lines I, J and K of this schedule), or (b), 5% of gross non-taxable income (lines I, J and K of this schedule)

Line C - Enter amount of city taxes based on income expensed on line 14 of federal form 1065.

Line D - Enter all State Income Franchise or Single Business taxes expensed on line 14 of federal form 1065. This should include any state taxes where you are required to make a computation based on net income, or where net income is a factor, regardless of whether that computation is used in figuring the tax owed.

Line F - Enter other deductions (line 13d) and taxes based on income deducted on line 16f of schedule K.

Line H - Enter any capital gains listed on lines 8 and 9a of schedule K and/or amount of line 10 that would not be subject to recapture, for the partner, if there was only one partner. In other words, if the partnership had section 1231 losses in 1996 or later, only the gain that exceeds these losses would be considered a capital gain and considered deductible.

Line I - Enter amount of line 6a of federal schedule K.

Line J - Enter amount of line 5, schedule K.

Line K - Enter amount of line 7, schedule K, that is derived from intangible property such as patents and copyrights. Do not include royalties derived from the right to use tangible personal or real property.

Line L - See instructions for line L for C-Corporations on page 8 of these instructions.

Line M - Enter other non-taxable items of income. These items will include amounts, on line 13d of schedule K, which are expenses for the business added back on line F of this schedule. Do not include payments made for the benefit of a partner or which are related to investment income. These should be readily identifiable from attached paperwork. **Any deduction taken without corresponding documentation will be disallowed.**

CONTACT OUR INCOME TAX OFFICE AT (330) 263-5226 WITH QUESTIONS YOU MAY HAVE

## **SCHEDULE P-1 INSTRUCTIONS FOR S-CORPORATION & PARTNERSHIPS**

S-Corporations and partnerships may elect to pay tax and accrue a loss carry forward at either the s-corp shareholder / partner level or the entity level. If the shareholders / partners wish to individually pay tax and accrue losses from the business, the designated tax officer or partner should check the top box of schedule P-1, and sign the return. In addition, photocopies of all four pages of federal form 1120S or 1065 and all K-1's issued by the business should be attached before mailing. If the business does not do all of its business within Wooster and there are s-corp shareholders / partners who are not residents of Wooster, schedule Y must be completed. This will enable those non-resident partners a definite allocation percentage for filing their Wooster income tax return. The tax officer or partner should also notify other s-corp shareholders or partners that the entity is not paying the Wooster income tax.

If the s-corporation or partnership is paying the Wooster income tax and line 5 of the Schedule Y allocation is less than 100%, the designated tax officer or partner should (if there are s-corp shareholders / partners who were residents of Wooster at any time during 2011) check the second box of this schedule, attach a photocopy of all K-1's issued to the resident partners, along with all other paperwork required with the return. If there are no owners who were residents of Wooster during 2011, the third box should be checked.

**If the entity has allocated less than 100% (schedule Y, line 5 < 100%), schedule P-1 must be completed.**

## **NON-FILING DECLARATION INSTRUCTIONS**

This schedule is for businesses that have filed a Wooster Business Income Tax Return for the 2010 calendar year or a fiscal period beginning in 2010, but did not do any business within Wooster in the following calendar year or fiscal period.

If the entity which filed a 2010 Wooster Business Income Tax Return has a fiscal year or period different from the 2011 calendar year, the appropriate blanks should be filled in. Name, address and Employer ID # should also be completed, or the label on the front of this return can be used if the address has not changed.

One of the four options should be checked. If the first one is checked, please be sure to give the effective date of liquidation. If the fourth option is checked, attach a **valid** explanation as to why the entity, which has previously filed, is no longer required to. Having a loss for the year is not a valid explanation. If the entity has changed, please give the date of change and the name, address and Federal ID # for the new entity.

Please be sure that the schedule is signed before mailing. Also, be sure that the information given will not conflict with information we have, such as Wooster taxes withheld during the period by the entity, or permits issued to the entity during this period.

**QUESTIONS? CALL (330) 263-5226 FOR ASSISTANCE.**

**FORMS AND INSTRUCTIONS AVAILABLE AT [WWW.WOOSTEROH.COM](http://WWW.WOOSTEROH.COM)**