

2014



**CITY OF WOOSTER OHIO BUSINESS TAX RETURN
FOR CORPORATIONS, TRUSTS, ESTATES,
S-CORPORATIONS, PARTNERSHIPS & LLCs**

GENERAL INSTRUCTIONS

BUSINESSES REQUIRED TO FILE

Each C-corporation, S-corporation, partnership, trust, estate or other business entity, other than non-profit organizations, that have revenue from sales made, work done, services performed or rendered and business or other activities conducted in the City of Wooster, whether or not such organization has an office or place of business inside the City, is subject to Wooster income tax. Such entities must allocate their profits (losses) within and outside the City by using the business allocation formula (Schedule Y). Businesses having an office or place of business in Wooster should identify the Wooster location's street address on their tax return.

An S-corporation or partnership subject to City of Wooster Income Tax filing requirements may elect to accumulate losses or pay taxes due at the S-corporation shareholder or partner level. Other entities that file a federal form 1065, such as a Limited Liability Company, may also make this election. If the S-corporation or partnership makes this election, it must file an informational Wooster income tax return and each S-corporation shareholder or partner is subject to Wooster income tax requirements and must file a Wooster income tax return reporting their portion of the business profit or loss.

NOTE: If a business filed a return, or was required to file a tax return in previous years, but did not do any business within Wooster in 2014, a Non-Filing Declaration must be completed and returned to the City of Wooster's tax office.

TAXABLE INCOME

Income subject to city tax should be figured in the same manner as income subject to federal income tax, except for the following exempt items, that should be reported on schedule Z of this return and deducted from federal taxable income:

- Dividends
- Interest Income
- Capital Gains
- Income from intangible property

DEDUCTIONS

All deductions reported on the federal income tax return may be used in computing Wooster taxable income, except for the following items, that should be added back to income and reported on Schedule Z:

- Taxes based on income
- Capital Losses
- Net operating loss carry backs
- Expenses or deductions related to income items that are exempt from Wooster taxation
- Guaranteed payments to partners and distributions to beneficiaries
- Certain other deductions, including special deductions - see instructions for Schedule Z

NET OPERATING LOSS

The portion of a net operating loss allocated to Wooster may be carried forward for the lesser of five calendar or six fiscal tax years and used to offset current Wooster Taxable Income. A schedule of net operating loss carry forwards, which shows the fiscal year the loss was incurred and any subsequent Wooster Taxable Income to which this loss was applied, should be attached.

NO LOSSES MAY BE CARRIED FORWARD FROM A YEAR WHEN NO ALLOCATION WAS MADE TO THE CITY OF WOOSTER OR FROM A YEAR THAT A WOOSTER INCOME TAX RETURN WAS NOT PROPERLY FILED.

GENERAL INSTRUCTIONS, CONTINUED

ESTIMATED TAXES

To receive payment vouchers for the second, third and fourth quarters, complete the 2015 estimate on line 15 of page 3 or line 7 of page 6 or contact this office. Non-receipt of forms does not relieve the taxpayer of the responsibility to file forms and pay taxes due quarterly.

Any business entity that had Wooster income tax equal to or greater than \$300.00 in 2014, and will again in 2015, must file a Declaration of Estimated Tax on or before the last day of the fourth month of their fiscal year. The declaration should be accompanied by payment of at least one-fourth (25%) of the estimated tax liability declared by the last day of the fourth month of the fiscal year, 1/2 (50%) by the last day of the seventh month, 3/4 (75%) by the last day of the tenth month and all (100%) by the last day of the first month following the fiscal year end.

Overpayments from previous tax years (carry forward credits) may be applied towards the estimated payments. **Do not use the overpayment to decrease your estimated tax liability, but rather to decrease your quarterly payment due after the carry forward credit is determined.**

Estimated payments must, in equal quarterly installments, be equal to or greater than the lesser of (a) 100% of the previous year's Wooster tax liability or (b) 90% of the current year's Wooster tax liability. The estimate can be amended at any time following the initial declaration.

An extension of time to file the net profits tax return for the previous year does not extend the due date of the declaration of estimated taxes or payment of the quarterly installments on such estimate.

EXTENSION OF TIME TO FILE TAX RETURN

A business entity may receive an extension of time to file its City of Wooster Business Income Tax Return in one of the following ways:

- By filling out the "Request for Automatic Extension of Time to File," which is included in this packet, and mailing it to the City of Wooster income tax office **by the original due date of the return.**
- By mailing a photocopy of the request for extension which was filed with the Internal Revenue Service, to the City of Wooster income tax office, **by the original due date of the return.**

Requesting an extension of time to file does not extend the due date for payment of 2014 taxes owed or 2015 estimated tax payments. Interest will be charged on payment of 2014 taxes paid after the initial due date of the return. Interest and penalties will be charged on late or non-payment of 2015 estimated taxes.

PENALTY AND INTEREST

Penalty and interest charges are imposed for late filing/payment and/or underestimating taxes. Total payments of estimated taxes must be equal to or greater than the lesser of (a) 90% of the current year's total tax liability or (b) 100% of the previous year's total tax liability.

Payments and filing must be received or post-marked on or before due dates to be accepted as timely. This applies to estimated payments as well as the final tax liability.

Under payment of estimated tax penalties are charged a minimum penalty of 5% of tax due per installment. Charges are calculated per each installment and, for late payment of estimated taxes, are based on the minimum estimate.

Late filing penalty is \$25.00 for each year late and when no tax is due. Late payment penalty, 1% of tax due for each month late and interest .5% of tax due for each month late.

FILING DEADLINE

The Wooster Business Income Tax Return is due on or before the fifteenth day of the fourth month following the entity's fiscal year end. The first quarter estimated payment is due on the last day of the fourth month of the fiscal year. Second, third and fourth quarter estimated payments are due each three months thereafter respectively.

PAPERWORK REQUIRED

S-Corporations, Partnerships Limited Liability Companies or other entities who do not wish to pay tax as an entity should complete name, address, and employer ID portion of the return. They must also complete schedule P-1, schedule Y, and the signature portion of the return. A photocopy of all five pages of federal form 1120S or 1065 and all K-1's issued should be attached to the return.

S-corporations and partnerships that pay Wooster income tax as an entity should complete all portions of the return. They should attach the **complete** federal income tax return and a schedule of taxes deducted on the federal return. Those s-corporations and partnerships that allocate less than 100% (schedule Y, line 5, is less than 100%) must complete schedule P-1 and attach photocopies of all K-1's issued to any individual who was a resident of Wooster at any time during 2014.

C-Corporation, Trusts, Estates and all entities NOT filing federal form 1120S or 1065 should attach a photocopy of the entity's **complete** federal income tax return and include a schedule of "taxes and licenses" deducted on the federal tax return. If the company takes any deductions from, or makes any additions to, their federal taxable income on their city return, that is not clearly identifiable on the federal return, paperwork filed with the federal return showing these additions or deductions should be included.

ANY RETURN RECEIVED WITHOUT THE APPROPRIATE PAPERWORK CANNOT BE CONSIDERED PROPERLY FILED.

LINE BY LINE INSTRUCTIONS FOR WOOSTER BUSINESS INCOME TAX RETURNS

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>Description</u>
Corporation	1120	Taxable Income before Net Operating Loss Deduction
S Corporation	1120S	Schedule K Income/Loss Reconciliation
Partnership	1065	Analysis of 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 1.5% (.015) to arrive at the 2014 Wooster income tax liability.

Line 9 - This section is to list all credits for 2014 Wooster income tax. Line A is the overpayment of 2013 income tax credited to 2014. 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 2014 income taxes. Line C is amounts paid towards 2014 taxes with the company's extension. Do not include amounts paid toward 2015 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, to be refunded. If the amount on line 11 is less than \$1.01, make no entry.

Line 13 - Amount of line 11 to apply to 2015 income tax. If the amount on line 11 is less than \$1.01, make no entry.

Line 15 - Enter the entity's 2015 estimate in the space provided, and any amounts being paid towards that estimate. 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.**

SCHEDULE Y INSTRUCTIONS FOR WOOSTER BUSINESS TAX RETURNS

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.

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 your 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. 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 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.

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 a loss, use the approximate percentage of these fees that are applicable to the items on line F and write that percentage next to fiduciary. 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.

SCHEDULE Z INSTRUCTIONS CONTINUED

Estates & Trusts: Line M continued-

Enter attorney, accountant, and return preparer 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 federal form 1120S.
- Line D - See Line D for C-Corporations (page 8) as it relates to taxes expensed on Federal form 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.
- 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 federal form 1065.
- Line D - Enter all State Income Franchise or Single Business taxes expensed on 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.
- 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.**

SCHEDULE P-1 INSTRUCTIONS FOR S-CORPORATION & PARTNERSHIPS

S-Corporations and partnerships may elect to pay tax and accrue a loss carry forward at 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 2014) 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 2014, 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 2013 calendar year or a fiscal period beginning in 2014, but did not do any business within Wooster in the following calendar year or fiscal period.

If the entity which filed a 2013 Wooster Business Income Tax Return has a fiscal year or period different from the 2014 calendar year, the appropriate blanks should be filled in. Name, address and Federal ID # should also be completed.

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