

## 2018 Ottawa Hills Income Tax – General Information

Assistance in preparing your Ottawa Hills Income Tax Return is available at the Tax Office, Municipal Building, 2125 Richard Road or via telephone @ 419-536-6502.

**REQUIRED FILING** - Ordinance 2015-10 requires residents of Ottawa Hills to register with the Village tax office. All residents having income taxable under this Ordinance are required to file a Village tax return each year. All non-residents having taxable income under this Ordinance for work done or service performed or rendered in the Village of Ottawa Hills are required to file a Village tax return each year; except for wages earned in the Village for which the employer correctly withheld the Village tax. There is NO minimum age limit and NO minimum income. If you have an active account and had no taxable income, you must confirm in writing and submit it to this office. The tax office is not permitted to “assume” you had no income simply because you did not file a return.

**ATTACHMENTS** - Attach copies of ALL your Federal forms (1040, 1065, 1120, 1120S, etc.) together with their pertinent statements (including complete list of pass-through entities with Federal amounts per passive activity loss rules), with copies of your W-2s and 1099-MISC. Also, attach verification of taxes paid directly to another municipality (copy of W-2s and/or municipal returns).

**EXAMPLES OF TAXABLE INCOME** – include Medicare wages, commissions, deferred compensation contributions, bonuses, salaries, sick pay, stock options, severance pay, SUB pay, tips, strike pay, partnership income, Schedule C, Schedule F, Rentals, natural resource royalties, federal tax-sheltered annuities (contributions), Fed 1040 Sch 1 Line 21 other income including 1099-MISC (exemptions must be legally documented) This list is not all inclusive.

**EXAMPLES OF NON-REPORTABLE INCOME** – include interest, dividends, reserve pay, state tax refund, alimony received, annuities received, qualified pensions from 1099-R, Federal tax refund, capital gains, Military pay, unemployment compensation

### NON-RESIDENT REFUND CLAIMS FOR WORK CITY TAX

Refunds due to you as a non-resident of your work city (non-resident refunds or NRR) for work performed outside the employer’s fixed location city must also be deducted in Step 3 of the Tax Credit Worksheet. COMPLETED NRR FORMS MUST BE ATTACHED. Credit claimed for assigned refunds will be disallowed if the completed form is not attached. You will be billed including any penalty and interest.

**RESIDENT CREDIT FOR TAX PAID ANOTHER CITY** - Village residents receive a partial credit for work city tax paid or withheld on income taxed by both cities. This credit is LIMITED to 50% of the lesser of the two tax rates on income EARNED in that other taxing locality. All business income and losses are grouped according to work city, using No City for all remaining entities. Net losses for each grouping and prior year losses are applied first to the No City income, then to city income whose rate is less than 1.5% and finally to remaining cities.

**S-CORP TAXATION** - There is no sub-chapter S-election for the Village of Ottawa Hills; S-corporations are taxed as any other corporation. Individual shareholders do NOT carry their K-1 income or loss to the Village return. Use Schedule X to exclude this income or loss if it has been included in net profit/(loss).

**BUSINESS INCOME NETTING** - Business incomes and losses (from Fed Schedules C, E pages 1 & 2, F, Farm Rent 4835, 1099-MISC and the like) of both taxpayer and spouse can be netted together. Business losses, however, cannot reduce W-2 wage income. Net business income can then be reduced by unused prior year losses (from either taxpayer or spouse) posted in tax years 2013 through 2016. Application of 2017 losses fall under “phase-in” rules and are discussed in the next section. Net losses are carried forward for use against future business income for up to five (5) years.

### 2017 BUSINESS LOSSES – NEW RULES – PHASE-IN

**Non-resident business** losses recorded prior to 2017 (old net operating losses – Old NOL) had been recorded at their **allocated** amounts. However, changes to state law and our Ordinance require losses recorded in 2017 (new net operating losses – New NOL) and future to be recorded **before** applying the work city allocation percentage. This difference in recorded losses is a temporary complication until all old losses are used and phase-in requirements are over. For tax years 2018 through 2022 New NOLs used to reduce income are subject to a 50% phase-in limitation. The Business Loss Carryforward Application Worksheet has been developed to guide taxpayers and preparers through the process of properly using losses to reduce business taxable income during this transition period.

**PHASE-IN RULES FOR NEW NET OPERATING LOSSES** - Resident and nonresident business losses posted in 2017 and future years (New NOL) are limited to phase-in rules when used against profits in tax years 2018 through 2022. During this five-year phase-in period, a fifty percent (50%) limitation is calculated to determine the allowable deduction against business net profit. See the Business Loss Carryforward Worksheet for additional details. Any unused losses can be carried forward (5-year limit). Losses from tax years prior to 2017 (Old NOL) can still be used (in full if necessary) to reduce business income. At this time, ORC 718 permits the taxpayer to choose the order of losses used, however, the Business Loss Carryforward Application Worksheet structures the order of losses for ease of application. Other application order can be used if worksheets are provided.

### LINE BY LINE INSTRUCTIONS

**Note: Do not use the Federal Adjusted Gross Income (AGI) from the 1040**

**Line 1** Qualifying wages are Medicare wages from W-2 Box 5. Use the greater of Box 5 or Local wages Box 18. (See Page 2 Wage Worksheet)

**Line 2** Business income from Page 2 Other Income Worksheet or from Page 3 Worksheets to deduct prior year business losses

**Line 3** Add Line 1 wages and Line 2 business income (business losses cannot reduce wages) for Taxable Income

**Line 4** Multiple Line 3 times 1.5% for Ottawa Hills tax

**Line 5b: Tax Credit Worksheet** (page 2 of return) - Ottawa Hills tax credit limited to 50% of lesser rate

- Step 1 List other locality to which tax was withheld or paid (income taxed elsewhere must also be in taxable income).
- Step 2 List tax withheld or paid to municipality.
- Step 3 List refund claimed, or to be claimed, for work done outside the work municipality (NRR).
- Step 4 Step 2 amount less Step 3 amount.
- Step 5 Fill in appropriate factor from Table 1 based on the tax rate of the other municipality.
- Step 6 Multiply Step 5 amount times Step 4 amount. Total all credits and enter on Page 1 Line 5b.

Note: Income eligible for credit must be taxed by both the Village and the work city and cannot be eligible for work city refund. Therefore, credit for wages cannot exceed .75% times total wages taxed by both the Village and the work city. Credit for business income is subject to netting rules and the Village Credits Policy (see page 1 instructions).

**EXAMPLE**

Line 5b. Mr. X's income is \$100,000.00 and taxed by Toledo @ 2.25% but he travels 40% of his time outside Toledo. He has attached an assigned Non-Resident Refund request for Toledo in the amount of \$900.00.

**TAX CREDIT WORKSHEET**

Municipality-----	<b>Toledo</b>	<b>Municipal</b>	
Tax withheld or paid-----	\$2,250.00	<b>Tax Rate</b>	<b>Factor</b>
Less refund (NRR*)-----	<u>-900.00</u>	2.25	.333
Net tax withheld or paid-----	\$1,350.00		
Multiply by factor from Table 1-----	<u>x.333</u>		
Ottawa Hills credit-----	\$449.55 (to Line 5b)		

**Line 5d:** Any amount deducted MUST have a COMPLETED, ASSIGNED AND ATTACHED Non-Resident Refund Claim\* form included with the return. Taxpayers will be billed if the completed form is not attached. \*Note: Toledo's Non-Resident Refund Claim forms must be used including all required attachments (Fed 1040, W-2s, list of days, etc.) for Toledo refunds.

**Line 8:** Balance of tax due the Village of Ottawa Hills. Include your check for this amount made payable to: Ottawa Hills Tax. (Amounts of \$10.00 or less will not be refunded, billed or carried forward.) Penalty and interest MUST be included if the return is filed after April 15<sup>th</sup>.

**ESTIMATED DECLARATION INSTRUCTIONS** - Every taxpayer shall make a declaration of estimated taxes for the current taxable year, on the form prescribed by the Tax Administrator, if the amount payable as estimated taxes is at least two hundred dollars (\$200.00). Due dates for estimates are listed below in the Record of Estimated Tax Payments worksheet.

**ESTIMATED TAX WORKSHEET** (Keep for your records – Do not file)

COMPUTATION OF ESTIMATED TAX

- 1. Estimated taxable income-----\$ \_\_\_\_\_
- 2. Estimated tax – 1.5% of Line 1-----\$ \_\_\_\_\_
- 3. a. Ottawa Hills tax withheld-----\$ \_\_\_\_\_
- b. Credit for work city tax withheld (limited to 50% of lesser rate)-----\$ \_\_\_\_\_
- 4. Overpayment from prior return-----\$ \_\_\_\_\_
- 5. Total credits (Lines 3a, 3b, and 4)-----\$ \_\_\_\_\_
- 6. Subtract Line 5 from Line 2 -----\$ \_\_\_\_\_

This is your net estimated tax due. If this amount exceeds \$200.00, your estimates can be divided into four payments and remitted by the quarterly due dates.

**RECORD OF ESTIMATED TAX PAYMENTS**

	<u>Check Number</u>	<u>Due Date</u>	<u>Date Paid</u>	<u>Amount</u>
Voucher 1	_____	April 17	_____	\$ _____
Voucher 2	_____	June 15	_____	\$ _____
Voucher 3	_____	September 15	_____	\$ _____
Voucher 4	_____	January 15	_____	\$ _____