

CITY OF CANFIELD INCOME TAX INSTRUCTIONS

WHO MUST FILE:

Every Resident, full or partial year, 18 years of age and older, must file a tax return, whether or not taxes are due. Retired individuals, and individuals who have no taxable income are required to sign and submit an annual tax return with the appropriate exemption box checked at the bottom of Page 2. A copy of the taxpayer's Federal Return may be requested for proof of no taxable income in any given tax year. (See definition of earned income in the **RETIREE** section below).

Every Business Entity, whether a resident or non-resident, who conducts a business IN Canfield must file a return and pay any tax on that profit. If you have a net loss you are still required to file a return. ("Business" includes rental income.)

Individuals, earning income in Canfield not subject to the withholding of Canfield income tax must also file a return.

If you received a letter of need to file from this office be sure to file, even if you had no taxable income for the year. If you are not subject to Canfield tax, complete the exemption certificate on Page 2 of the return.

RETIREES: Retirees who earn wages, operate a business, own rental property, have gambling or lottery winnings or earn other income, are required to file. If your **ONLY** income source is retirement income (i.e. SSI, other pensions, interest, dividends, IRA and 401k distributions), complete the exemption certificate on Page 2 of the return.

UNDER 18: If a person is under 18 the entire year, was employed in the city of Canfield and had Canfield taxes withheld, a refund will be issued after receiving a signed tax return with W-2s and a copy of driver's license or birth certificate attached for verification. In lieu of a tax return, they may choose to file a refund request form found on our website www.canfield.gov.

FILING STATUS: Taxpayers who prepare their federal and state tax returns using the "married filing separate" status to lower their overall tax liability may still file a joint return for the City of Canfield. Filing a joint return will neither increase nor decrease your City of Canfield tax liability. Husband and wife may file joint returns, in which case both must sign the return and submit their social security numbers. The joint return must include copies of both taxpayers' Federal Return if they choose to file joint with the City of Canfield.

WHEN TO FILE: Taxpayers who end their taxable year on December 31 must file on or before the IRS due date. Taxpayers on a fiscal year must file on or before the 15th day of the fourth month after the close of that fiscal year or other period.

EXTENSIONS: If the deadline to file cannot be met, an automatic extension will be granted if taxpayer received an extension on his federal return. If an extension was not requested or received for federal purposes, a taxpayer may still request an extension to file his city tax by sending a request to the Tax Office by the unextended due date of the return. Extension Forms are located on our website. **An extension of time to file is not an extension of time to pay.** Payment of any estimated tax due should be sent in by the unextended due date of the return to avoid a late payment penalty and interest. A copy of the extension must be attached to the return when filed or the return will be considered late and a late filing penalty applied.

TAXABLE INCOME

Wages, salaries and other compensation
Bonuses, stipends and tip income
Commissions, fees and other earned income
Sick pay/Vacation pay
Employee contributions to retirement plans and tax deferred annuity plans (including Section 401k, 403b, 457b, or similar plan)
Net rental income
Net profits of businesses, professions, sole proprietorships, etc.
Income of corporations, partnerships, s-corporations, estates or trusts (taxed at the entity level)
Pass-through income from Ohio S-Corps reported on individual's Schedule E (residents only)
Net farm income
Prizes and gifts, if connected with employment, to the same extent as taxable for Federal Income Tax purposes
Director fees
Income from jury duty
Strike pay
Uniform, automobile, moving and travel allowances (in excess of expense)
Executor fees
Lottery winnings/Gambling
Compensatory insurance proceeds from lost wage settlements

PARTIAL YEAR RESIDENTS: If you only lived in Canfield during part of the year, **you must file a tax return covering that time.** Report the amount of income you earned while you lived in Canfield. Pay stubs with year-to-date figures or a statement from your payroll department must be used if available. When the actual amount you earned while living in Canfield cannot be determined, you may break down your earnings by the number of months employed at the job arriving at a monthly earnings figure. Use the monthly earnings figure multiplied by the number of months of residency to find your taxable amount. If you pro-rate your income you must also pro-rate your city tax that was withheld on the same income. **Attach a worksheet explaining your calculations.**

DECLARATION OF ESTIMATED TAX FOR THE COMING YEAR: Taxpayers who expect to receive taxable income for the coming year in which Canfield tax is not withheld must declare estimated tax payments, if amount owed is \$200 or more, (22½% of full amount must be paid at the time of filing the Annual Return). The estimated tax payments are due June 15th, September 15th, and December 15th (businesses) or January 15th (individuals). Taxpayers who have declared an annual estimate on their prior year's tax return will be sent bills quarterly, otherwise blank forms are available on our website.

PENALTY AND INTEREST: Except in those cases where an extension was filed, a late fee of \$25.00 per late month or fraction of a month up to a maximum of \$150.00 shall be due on returns filed after the due date, even when no tax is due. A late payment penalty of 15% of any balance due that remains unpaid after the due date will also be charged unless estimated tax payments of at least 90% of the entire tax liability has been paid by Dec. 15th (businesses) or Jan. 15th (residents) of the period covered by the return. Interest will be charged from the original due date of the return until the date of actual payment. (See city website for rates). See ORC section 718.27.

NET OPERATING LOSSES: Due to pending State of Ohio legislation, the laws governing the application of the Net Operating Loss (NOL) at the municipal level are unclear and subject to change as directed by ORC 718.01. Please check our website at www.Canfield.gov for further information/updates as they become available. The net loss from an unincorporated business activity may **not** be used to offset salaries, wages, commissions or other compensation. Starting in 2018, losses from tax years beginning on or after 1/1/17 can be used at 50% for 5 years. A NOL schedule must accompany the tax return.

AMENDED RETURNS: Amended returns are accepted by completing an income tax return with the words "Amended Return" written in red ink across the top and indicating the year being amended. The amended return is required within three (3) months of the final determination of any changed tax liability resulting from the Federal audit, judicial decision, or other circumstances.

TAXABLE INCOME: Canfield income tax is levied at the rate of 1.0%. Examples of taxable and non-taxable income are listed below. While these lists are not comprehensive, they encompass most of the taxable situations. In addition to the listings, the net profits of all unincorporated businesses, professions, rentals or other activities conducted by residents and non-residents of the City of Canfield are taxable.

NON-TAXABLE INCOME

Interest or dividend income
Pre-tax contributions made by or on behalf of employees to cafeteria plans (Sections 125 plans)
Welfare benefits
Social Security
Income from qualified pension plans
State unemployment benefits
Worker's Compensation
Proceeds of life insurance
Alimony and child support
Government disability payments
Poll worker income up to \$1,000
Military pay (including National Guard)
Earnings of persons under 18 years of age the entire year
Capital gains
Patent and copyright income
Compensatory insurance proceeds derived from property damage or personal injury settlements

LINE BY LINE INSTRUCTIONS

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Column 1 – Enter employer's name and dates worked for employer in column to left.

Column 2 – Enter the city where employed. If your W-2 states "various" or "all cities," please attach a copy of the itemized breakdown.

Column 3 – Enter the wages earned on each W-2/W2G. In most cases the amount shown in Box 18 of the W-2 should be used. However, if Box 5 is higher, that wage must be used to calculate total wages earned.

Column 4 – Enter City of Canfield tax withheld from Box 19 on the W-2.

Column 5 – Enter tax withheld for work in other cities from Box 19 on the W-2.

Column 6 – In most cases, this will calculation will be: Column 3 multiplied by 0.5%. Canfield allows a tax credit for taxes withheld by another city up to 0.5% (0.005). Credit may not exceed 0.5% (0.005) of the wages taxed by each city listed on your W-2(s) form. **NOTE:** If only part of gross wages were taxed by another city, then max credit would be: ((Local Wages in Box 18 on W-2) x 0.005). You can only receive a 0.5% credit on wages that were *actually* taxed by another city. **Ex: Gross Wages taxable to Canfield in Box 5 are \$50,000, but Local Wages taxed by Youngstown in Box 18 are only \$25,000. Max Credit = \$25,000 x 0.005 = \$125. Please call for assistance if unsure of this credit calculation.**

Line 1 – Enter total amount of W-2/W-2G wages from Column 3. Attach all W-2s/W-2Gs to return.

Line 2 – Enter the amount of other income from Pg.2, Line 29 of the return, but not less than -0-. Attach appropriate schedules and documentation. Attach 1099s on the side of the return with the W-2s.

Line 3 – Add Lines 1 and 2.

Line 4 – Multiply Line 3 by 1.0% (0.01).

Line 5 – Enter tax withheld for Canfield Column 4.

Line 6 – Enter any prior year credits.

Line 7 – Enter any estimated payments made.

Line 8 – Enter credit for taxes paid to by other cities from Column 6 and Page 2, Line 10B from Schedule of Income Other than Wages.

Line 9 – Add Lines 5 through 8.

Line 10 - Subtract Line 9 from Line 4. If Line 4 is more than Line 9, enter balance due.

Line 11 – Enter Late Filing and Late Payment Penalty, if applicable.

Line 12 – Enter Interest (see city website for rates) on the balance due, if applicable.

Line 13 – Add Lines 10, 11, and 12. Enter total here. No tax due if balance is \$10.00 or less.

Line 14 – If Line 4 is less than Line 9, enter overpayment.

Lines 15 & 16 – Indicate disposition of overpayment either by refund or credit to next year. Per Ohio Revised Code Section 718.12, no refunds or credit is issued for overpayments of \$10.00 or less.

Line 17 – Enter total estimated tax on income subject to tax, multiplied by a tax rate of 1.0% (0.01).

Line 18 – Enter any Canfield tax to be withheld.

Line 19 – Enter any credit for taxes withheld/paid to another city (limited to 0.5% of wages taxed by other city).

Line 20 – Enter net tax due by subtracting Line 18 & 19 from Line 17.

Line 21 – Enter amount due with estimate, 25% (0.25) of Line 20.

Line 22 – If applicable, enter overpayment from previous year (Credit Line 16). If credit Line 16 exceeds Line 20, credit will carry over into 2nd Quarter payment. No estimated tax will be due at this time, unless you want to pay your remaining estimated balance in full for the year.

Line 23 – Subtract Line 21 from Line 20.

Line 24 – Enter amount from Line 13. No tax due if balance is \$10.00 or less.

Line 25 – Add Lines 23 and 24. Sign and date return and make check payable to the City of Canfield. Joint returns must be signed by both parties.

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Schedule of Income From Other Than Wages

Line 1 Schedule C: Net profits shall be determined on the basis of the information used for Federal income tax purposes, adjusted to the requirements of the ordinance. All business entities must attach copies of appropriate Federal Schedules.

Line 2 Schedule E: Residents enter profit/loss from all properties. Nonresidents enter only profit/loss from Canfield properties. Attach schedule E and any other applicable schedules.

Line 3 - Schedule F - Farm Income. Attach schedule F and any other applicable schedules.

Line 4 - Schedule K-1: Residents only enter profit/loss from entities that do not file and pay Canfield tax. Attach copy of K-1.

Line 5 - Forms 1120, 1120S 1065, 1041: See Ohio Revised Code Section 718.01(E) & 718.02.

Line 6 - Add lines 1 thru 5.

Line 7 - Previous Year Net Losses: Starting in 2018, losses from tax years beginning on or after 1/1/17 can be used at 50% for 5 years. A schedule must be attached.

Line 8 - Subtract Line 7 from Line 6.

Line 9 - Miscellaneous Income - Enter income from 1099Misc not included in other schedules. Attach copy of 1099.

Line 10 - TOTAL INCOME (LOSS). Combine Lines 8 & 9 and enter amount from 10A on Line 26 below and amount from 10B on Line 8 on front of return.

SCHEDULE X: This schedule is used by businesses for the purpose of making adjustments when total income includes income not taxable and/or not deductible for city purposes. Items not taxable include interest, dividends, capital gains from the sale, exchange or other disposition of property. Items not deductible include federal, state, local and other taxes based on income, capital losses from the sale, exchange or other disposition of property, expenses incurred in the production of non-taxable income, net operating loss deduction per Federal return, payment to partners, payments to "officers" unless included on W-2 forms or any other items as prohibited by the Federal or State governments. Amounts considered as "special deductions" on Federal return are not considered for local tax.

SCHEDULE Y: To be used when the books and records of the taxpayer do not disclose with reasonable accuracy the net profit attributable to the City of Canfield. A business allocation formula consisting of the average property, wages paid, and gross receipts may be used by business entities not required to pay tax on entire net profits. See Ohio Revised Code Section 718.02.

Line 26 – Enter total from Schedule of income other than wages, Line 10A.

Line 27A – Enter total from Schedule X, Line i.

Line 27B – Enter total from Schedule X, Line o.

Line 27C – Subtract Line 27B from Line 27A. If Line 27B is greater than 27A, enter as a negative number.

Line 28A – Subtract Line 27C from Line 26.

Line 28B – Multiply Line 28A by allocation percentage from Schedule Y.

Line 29 – Enter amount from Line 28B and carry amount to Page 1, Line 2.