

CITY OF CLYDE 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, unless that resident is retired with no earned income. See definition of earned income in the **RETIREE** section below.

Every Business Entity, whether a resident or non-resident, who conducts a business in Clyde 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 Clyde not subject to the withholding of Clyde 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 Clyde tax complete the exemption certificate on page 2 of the return.

RETIREES: Retirees who earn wages, operate a business, own rental property 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, was employed in the city of Clyde and had Clyde 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. If under 18 for part of the year, include paystub closest to 18th birthday.

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 Clyde. Filing a joint return will neither increase nor decrease your City of Clyde tax liability. Husband and wife may file joint returns, in which case both must sign the return and submit their social security numbers.

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 Commissioner by the unextended due date of the return. **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. Although not required by state law, a courtesy copy of the extension by the due date of the return would be appreciated. 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.

PARTIAL YEAR RESIDENTS: If you only lived in Clyde 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 Clyde. 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 Clyde 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 Clyde tax is not withheld must declare estimated tax payments, if amount owed is \$200 or more, (25% of full amount must be paid at the time of filing the Annual Return). The estimated tax payments due June 15th, September 15th, and December 15th will be billed.

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 December 15th of the period covered by the return. Interest at the rate of 0.42% per month will be charged from the original due date of the return until date of actual payment. See ORC section 718.27.

NET OPERATING LOSSES: The net loss from an unincorporated business activity may not be used to offset salaries, wages, commissions or other compensation. The portion of a net operating loss, based on income taxable under the ordinance allocable to Clyde may be applied against the portion of the profit of succeeding years until exhausted, but in no event for more than five (5) years. An NOL schedule must accompany this 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: Clyde income tax is levied at the rate of 1.5%. Income taxable to the city is listed below. While this list is not comprehensive, it encompasses most of the taxable situations. In addition to the listing, the net profits of all unincorporated businesses, professions, rentals or other activities conducted by residents and non-residents of the City of Clyde are taxable.

TAXABLE INCOME

Wages, salaries and other compensation
Bonuses, stipends and tip income
Commissions, fees and other earned income
Sick pay (including 3rd party)
Employee contributions to retirement plans and tax deferred annuity plans (including Section 401k, 403b, 457b, etc.)
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)
Vacation pay
Stock options
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
Supplemental Unemployment Benefits (SUB pay)
Lottery winnings/Gambling
Compensatory insurance proceeds from lost wage settlements

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
Capital gains
Patent and copyright income
Royalties derived from intangible property
Compensatory insurance proceeds derived from property damage or personal injury settlements

LINE BY LINE INSTRUCTIONS

Complete the worksheet detailing the wages received on your W-2s

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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 City of Clyde tax withheld from Box 19 on the W-2.

Column 4 – Enter tax withheld for work in other cities.

Column 5 – Enter the smaller of Column 4 or Column 6 multiplied by 1.5%. Clyde allows a tax credit for taxes withheld by another city up to 1.5%. Credit may not exceed 1.5% of the wages taxed by another city on each W-2 form. When you reduce income earned in another city by 2106 expenses, you must also reduce the tax credit in Column 5.

Column 6 – Enter the wages earned on each W-2. 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.

Line 1 – Enter total amount of W-2 wages from Column 6. Attach all W-2s to back of return.

Line 2 – Enter 2106 expense. Unreimbursed employee business expense in excess of 2% of Federal Adjusted Gross Income may be deducted. If income is allocated between cities, 2106 expenses should likewise be allocated. Federal Form 2106 and Schedule A must be included with the return.

Line 3 – Subtract Line 2 from Line 1.

Line 4 – Enter the amount of other income from Line 30 from the back of the return, but not less than -0-. Attach appropriate schedules and documentation. Attach 1099s and W-2Gs on the side of the return with the W-2s.

Line 5 – Add Lines 3 and 4.

Line 6 – Multiply Line 5 by 1.5% (.015).

Line 7 – Enter tax withheld for Clyde from Column 3.

Line 8 – Enter any prior year credits.

Line 9 – Enter any estimated payments made.

Line 10 – Enter credit for taxes paid to by other cities from Column 5 and Line 10B from Schedule of income other than wages on back.

Line 11 – Add Lines 7 through 10.

Line 12 - Subtract Line 11 from Line 6. If Line 6 is more than Line 11, enter balance due.

Line 13 – Enter Late Filing and Late Payment Penalty, if applicable.

Line 14 – Enter Interest at 0.42% per month on the balance due, if applicable.

Line 15 – Add Lines 12, 13, and 14. Enter total here. No tax due if balance is \$10.00 or less.

Line 16 – If Line 6 is less than Line 11, enter overpayment.

Lines 17 & 18 – Indicate disposition of overpayment either by refund or credit to next year. Per Ohio Revised Code, no refunds or credit is issued for overpayments of \$10.00 or less.

Line 19 – Enter total estimated tax on income subject to tax, multiplied by a tax rate of 1.5%.

Line 20 – Enter any Clyde tax to be withheld or credit for tax withheld/paid to another city.

Line 21 – Enter net tax due by subtracting Line 20 from Line 19.

Line 22 – Enter amount due with estimate, 25% of Line 21.

Line 23 – If applicable, enter overpayment from previous year (Credit Line 18). If credit Line 18 exceeds Line 22, 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 24 – Subtract Line 23 from Line 22.

Line 25 – Enter amount from Line 15. No tax due if balance is \$10.00 or less.

Line 26 – Add Lines 24 and 25. **Sign and date return and make check payable to the City of Clyde. 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 Clyde properties.

Line 3 - Schedule F - Farm Income

Line 4 - Schedule K-1: Residents only enter profit/loss from entities that do not file and pay Clyde Tax.

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 (Limited to 5 Years) - Enter NOL's - Schedule must be attached - see Income Tax Instructions.

Line 8 - Subtract Line 6 from Line 7.

Line 9 - Miscellaneous Income - Enter income from 1099Misc, W-2G not included in other schedules.

Line 10 - TOTAL INCOME (LOSS). Combine Lines 8 & 9 and enter amount from 10A on Line 27 below and amount from 10B on Line 10 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 Clyde. 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 ORC section 718.02.

Line 27 – Enter total from Schedule of income other than wages, Line 10A.

Line 28A – Enter total from Schedule X, Line h.

Line 28B – Enter total from Schedule X, Line p.

Line 28C – Subtract Line 28B from Line 28A. If Line 28B is greater than 28A, enter as a negative number.

Line 29A – Subtract Line 28C from Line 27.

Line 29B – Multiply Line 29A by allocation percentage from Schedule Y.

Line 30 – Enter amount from Line 29B and carry amount to Page 1 Line 4.