

## Business "Net Profit" Returns - PLEASE READ IMMEDIATELY

From: Village of Fairfax Tax Department  
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The tax rate for Village of Fairfax: 1.75% effective April 1, 2004.

**Due Dates:** for calendar year is April 15, F.Y.E. is due the 15th day of the fourth month following the end of the fiscal year.

**Net Profits Returns:** A C-corporation reports federal taxable income before net operating losses and special deductions with the following adjustments:

**DEDUCT:**

Capitol Gains (IRC 1221 or 1231 property dispositions except to the extent the income & gains apply to those described in IRC 1245 or 1250) Recapture of Depreciation is taxable

Intangible Income (including interest, dividends, royalties, patents, copyrights and other investments to the extent they are included in federal taxable income (FTI).

Federal Tax Credits that have reduced corresponding operating expenses.

**ADD:**

Capitol Losses and 1231 Losses allowed in computation of FTI.

5% of Intangible Income (exclude Capitol Gains and Losses from computation)

Taxes Based on Income (both State and Local Taxes)

Guaranteed Payments to or for Current Partners or former Partners or Members.

Distributions made to Investors of REIT or RIC.

Payment to Self Employed Retirement Plans, Health Insurance and Life Insurance payments to/for owners or owner employees

Partnerships, S-Corps and other flow through entities must file their return as if they are C-corporations. Village of Fairfax taxes the entity at the source

Start with **last line** federal schedule K and use our Schedule X, reverse of form, for adjustments. (If you start with an amount other than schedule K, line 17e you must complete *Section A, reverse of Fairfax return "Adjusted Federal Taxable Income for S-Corporations and Partnerships"*, clearly indicated how you calculated AFTI.)

Sole Proprietors/Individuals the income required to be reported on Schedules C, E and F.

**Net Operating Loss:** Loss carry forward is 4 years, unless exhausted. Ordn. 51-2008

**Apportionment Formula:** Schedule Y, Step 1, use "original cost" of property (changed from net book value).

All taxpayers must use three-factor formula. If the formula does not produce an equitable result to both parties, the Tax Commissioner may substitute another basis.