

# VILLAGE OF FAIRFAX 2019

## BUSINESS INCOME TAX RETURN INSTRUCTIONS

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### General Instructions:

If you are filing for any year other than 01/01/2019 through 12/31/2019, indicate the year of the tax return with beginning and ending dates. Fiscal year taxpayers should use the beginning year of the fiscal period as the year of the tax return.

Any taxpayer who has received an extension for filing a federal income tax return will receive an extension for filing the Village's tax return until the 15<sup>th</sup> day of the tenth month following the end of the calendar or fiscal year end. Please attach a copy of the federal extension when filing to avoid a late filing penalty. If a federal extension has not been requested, the Taxpayer must request a city extension with the tax office by the original due date of the return.

1. Check the appropriate box that corresponds to the filing status of the business.
2. Complete the box that pertains to whether or not the account should be inactivated. If your account should be inactivated, provide an explanation. If this is a final return, give the reason why. If the business was sold, provide the name, address and phone number of the purchaser on a separate attachment.
3. Enter the taxpayer name, address, federal ID number and phone number in the space provided.
4. If the Fairfax business activity was for a portion of the year, please enter the start and end dates.
5. Attach a copy of the Federal Tax Return.

### Part A – TAX CALCULATION

**LINE 1:** Enter the Adjusted Federal Taxable Income (AFTI). As defined by Ohio Revised Code (ORC) 718.01, AFTI means a C corporation's federal taxable income before net operating losses and special deductions (Form 1120, line 28). Other business entities must compute the AFTI as if they were a C corporation. Generally, this is the line titled "Income/(Loss) Reconciliation" on the Schedule K of Form 1120S for subchapter S corporations or Line 1 page 5 of Form 1065 Analysis of Net Income (Loss) for partnerships and limited liability companies.

**LINE 2:** Enter the total adjustments from Schedule X.

**LINE 3:** Line 1 plus or minus Line 2.

**LINE 4:** You may deduct up to the lesser of 50% of pre-apportioned losses carried forward from your 2017 tax return, or 50% of your taxable income on Line 3. You may use pre-apportioned losses on this line as well as 2016 and applicable prior year post-apportioned losses on Line 8.

**LINE 5:** Line 3 minus Line 4. Line 5 cannot be less than 50% of Line 3.

**LINE 6:** Enter the apportionment percentage from Step 5 of Schedule Y. (See ORC 718.02)

**LINE 7:** Multiply Line 5 by Line 6.

**LINE 8:** Enter up to 100% of losses carried forward from tax years 2016 and applicable prior years. You may use post-apportioned losses on this line as well as pre-apportioned losses on Line 4. Losses used on Line 8 can bring your taxable income to zero.

**LINE 9:** Line 7 minus Line 8

**LINE 10:** Multiply Line 9 by 1.75% (.0175). If this amount is less than \$10, enter zero.

**LINE 11a:** Enter the amount of estimated tax payments plus any amounts paid with an extension.

**LINE 11b:** Enter the amount of the overpayment from prior years credited to 2019.

**LINE 12:** Line 11a plus Line 11b.

**LINE 13:** If Line 10 is greater than Line 12, enter the tax due.

**LINE 14:** If Line 12 is greater than Line 10, enter the overpayment.

**LINE 15:** Enter the amount to be refunded. If this amount is less than \$10, the amount will not be refunded.

**LINE 16:** Enter the amount to be credited to next year's estimated tax liability. If this amount is less than \$10, the amount will not be credited.

By law, all refunds and credits in excess of \$10.00 are reported to the I.R.S.

## **Part B – DECLARATION OF ESTIMATED TAX**

Businesses must remit quarterly estimates if the estimated annual tax is \$200 or more. To avoid penalties estimate payments must equal 100% of the prior year's tax liability, or 90% of the current year's tax liability and be made prior to December 15<sup>th</sup> of the tax year (or by the 15<sup>th</sup> day of the twelfth month for fiscal year ends). Quarterly estimate payments are due on the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup>, and 12<sup>th</sup> months following the beginning of the taxable year.

**LINE 17:** Enter the amount of estimated income for 2020 based on the prior year's actual tax liability or 2020 expected income. This estimate may be adjusted any time during the tax year if circumstances change.

**LINE 18:** Multiply Line 17 by 1.75% (.0175). Enter the total tax due for 2020. If this amount is less than \$200 you are not required to submit quarterly payments, however you may wish to do so to avoid any possible penalties or interest.

**LINE 19:** Multiply Line 18 by 22.5% to determine the minimum amount of estimated tax due for the first quarter. We recommend payments of 25% per quarter to avoid penalties. We will not be sending an invoice for the second quarter estimate payment due to its proximity to the filing deadline, however the amount due will be equal to the amount calculated on this line.

**LINE 20:** Enter the credits from Line 16.

**LINE 21:** Subtract line 20 from Line 19 to calculate the amount of estimate taxes due for the 1<sup>st</sup> quarter.

**LINE 22: Add the amounts on Line 13 and Line 21 to determine the total amount due.**

## **Schedule X – RECONCILIATION WITH THE FEDERAL RETURN**

- A. Enter the amount included in Line 1 of the Business Tax Return related to the sale, exchange, or other disposition of an asset described in Section 1221 or 1231 of the Internal Revenue Code. This includes the 1231 loss reported on Form 4797, Part 1.
- B. Enter any taxes on or measured by net income included as a deduction in computing Line 1.
- C. Enter any guaranteed payments or similar payments made to partners, members or other owners that were deducted in arriving at the income amount on Line 1. This includes amounts related to self-employed retirement plans and health or life insurance for an owner or owner-employee.
- D. Enter 5% of the intangible income included in Line 1 of the Business Tax Return that is not directly related to the sale, exchange or other disposition of property described in Section 1221 or 1231 of the Internal Revenue Code.
- E. Add Real Estate Investment Trust distributions allowed as a deduction in the computation of Federal Taxable Income.
- F. Enter the amount of IRC Section 291 adjustments per ORC 718.01(A)(1)(g).  
Additional lines are for other adjustments (ie. losses from flow-thru entities, 10% charitable contribution limitation).
- G. Add Lines A through F.
- H. Enter the amount of the income that is included on Line 1 of the Business Tax Return that is directly related to the sale, exchange, or other disposition of an asset described in Section 1221 or 1231 of the Internal Revenue Code less the income and gain included in this amount that is described in Section 1245 or 1250 of the Internal Revenue Code.
- I. Enter the total amount of intangible income included in Line 1 of the Business Tax Return that is not directly related to the sale, exchange or other disposition of property described in Section 1221 or 1231 of the Internal Revenue Code. Intangible income generally includes but is not limited to interest, dividends, copyrights and patents.
- J. If Line 1 of the return includes other income exempt from municipal tax, enter on this line and provide an explanation.
- K. Add Lines H-J.
- L. Deduct Line K from Line G. Enter the net amount as an addition (or deduction) on Part A, Line 2.

## **Schedule Y – APPORTIONMENT TO FAIRFAX**

**Step 1.** Compute the percentage of the original average cost of the real and tangible personal property owned or used by the taxpayer in the Village of Fairfax during the taxable period to the original average cost of all of the real and tangible personal property owned or used by the taxpayer during the same period, wherever situated.

Real property shall include property rented or leased by the taxpayer. The value of such property shall be determined by multiplying the annual rental thereon by eight.

**Step 2.** Compute the percentage of total personal compensation paid during the period for services performed in the Village of Fairfax to total personal compensation paid during the same period for all business locations. Do not include amounts paid to contractors.

**Step 3.** Compute the percentage of the gross receipts of the business or profession from sales made and services performed during the taxable period in the Village of Fairfax to gross receipts of the business or profession during the same period from sales and services, wherever made or performed.

**Step 4.** Calculate the total of the percentages derived in Steps 1 through 3.

**Step 5.** Divide the total derived in Step 4 by the number of percentages used. Insert this percentage on Part A, Line 6 of the return.