

## Instructions for 2018 Individual Income Tax Returns

All Fairfax residents age 18 & older including retirees are required to file a Village of Fairfax tax return each year regardless of whether or not any tax is due. All non-residents with income taxable to the Village of Fairfax that is not fully withheld by an employer are also required to file a Fairfax tax return.

**Ohio state law now requires your Fairfax tax return to include a copy of your Federal form 1040 and all W-2s. To receive all available deductions and credits please attach all applicable federal schedules, forms, and any other filed local tax returns.**

### Taxable income includes:

- Qualifying wages per IRS tax code section 3121(a). It includes many different types of income, including but not limited to wages, sick pay, vacation pay, commissions, severance pay, settlements, bonuses, fringe benefits, short-term disability pay, stock options and deferred compensation. It is usually found in Box 5 (Medicare wages) on your W-2, however there are some exceptions.
- Other Income (generally listed on line 21 of your Federal 1040 Schedule 1) such as gambling winnings, H.S.A. and scholarship distributions, director's fees, jury duty income and prize winnings.
- The net of all profit and losses from profession and/or business operations.

**Income which is NOT taxable** includes interest, dividends, capital gains (unless considered ordinary income), alimony received, military pay and allowances, Social Security benefits, welfare benefits, unemployment insurance benefits, workers compensation, proceeds from qualified IRS defined retirement plans and income specifically prohibited from taxation.

- Line 1 Enter total qualifying wages from all W-2 forms for the tax year (generally located in Box 5 of each W-2). If you filled out Worksheet A on page 2 enter the amount from box 7A.
- Line 2 If you have business income (Federal Schedules C, E, F, 4797, K-1) please complete Worksheet C on page 2 to calculate your taxable income. After completing Worksheet C, enter the total from Line 19 column D on this line.
- Line 3 Enter all other taxable compensation including, but not limited to, 1099-Misc income, gambling & prize winnings, and taxable H.S.A. withdrawals generally included on line 21 of the Federal 1040 Schedule 1 form. Please include copies of any forms which show the income reported. If you are not including income from Schedule 1, line 21 of your federal form, please provide an explanation as to why it is not taxable.
- Line 4 Total all income from lines 1-3; however losses on Line 2 cannot be deducted from Line 1 wages.
- Line 5 Fill out Worksheet B on Page 2 if you were not domiciled in Fairfax for the entire year (this means you changed your permanent legal address). List any wages earned prior to moving in, or moving out of Fairfax & the name of the employer. No deduction is allowed if you worked within the Village of Fairfax for this employer or temporarily resided at another location (such as college or a temporary work location). This deduction may reduce the credit allowed on Line 8.
- Line 6 Subtract Line 5 from Line 4 to calculate taxable income
- Line 7 Multiply Line 6 by 1.75% to calculate the amount of tax due
- Line 8 Enter taxes withheld by your employer(s) subject to the maximum limitation of 1.75%. No credit is given for school taxes or county taxes paid. If you have filled out Worksheet A enter the total in Box 7F.
- \*\*If you took deductions on Line 5 (wages earned while not domiciled in Fairfax), you must subtract the amount of that deduction from the W-2 wages earned from that employer, which reduces the allowable credit for that W-2. To calculate the allowable credit, subtract the deduction taken from the Box 5 wages and multiply the result by the lesser of the tax rate withheld or 1.75%. If taxes were withheld to the Village of Fairfax because you worked within the city there is no reduction of wages or credit.
- Line 9 Enter all income taxes paid directly to the Village of Fairfax, but not reported on a W-2.
- Line 10 Enter the credit for taxes paid to municipalities (this does not include counties) for Business Income and/or Other Income from Worksheet D (the lesser of line 24 or 25). Line 11 Enter any prior year overpayments.
- Line 12 Total lines 8, 9, 10, 11 to calculate the total amount of allowed credit.
- Line 13 If Line 7 is greater than Line 12, enter the tax balance due
- a. Penalty and interest will be calculated and added by the tax office.
- b. If filing late, a fee of \$25 per month, or portion thereof, is also due up to a maximum of \$150.
- Line 14 Total of Line 13 tax, plus any known penalty, interest or late fee.
- Line 15 If Line 7 is less than Line 12 and at least \$10 enter the overpayment on this line.
- Line 16 Enter the amounts to be refunded and/or credited to next year's tax estimate (only amounts of \$10 or more will be processed)
- Line 17 Estimated tax payments are required by every taxpayer who reasonably expects to have tax due of \$200 or more which will not be withheld by an employer, or is due based on business or other types of income. Enter all income on this line and multiply it by 1.75% for your total tax liability.
- Line 18 Enter any expected withholding payments or payments made to Fairfax for business or other income.
- Line 19 Enter any expected withholding credits or payments made to other municipalities (maximum of 1.75% of income taxed)
- Line 20 Total lines 18 and 19
- Line 21 Subtract Line 20 from Line 17 for the amount of estimated taxes due for the year. To avoid penalties you must owe less than \$200, pay 100% of the prior year's liability, or pay 90% of the current year's liability by January 15, 2020.
- Line 22 Enter any overpayment credit from Line 16.
- Line 23 Subtract Line 22 from Line 21 for the balance of estimated tax due.
- Line 24 Multiply Line 23 by 22.5% for the minimum estimate payment now due. If you would like to pay the total amount due (versus the minimum due) in four equal payments multiply Line 24 by 25%.
- Line 25 Add Line 14 plus Line 24 for the total balance due with your tax return. Failure to pay the full amount may result in interest & penalties.

Please sign & date the tax return on the right. If a preparer has completed the form they must sign & print their contact information on the left side of the form. Please check the box in the center to allow us to contact your preparer directly regarding any questions or missing information on your return.

**Worksheet A:**

This worksheet is for the calculation of reportable wages & credits allowed for W-2 income. Each employer's W-2 must be listed separately. If your W-2 has multiple local taxes withheld only list the total qualifying wages **once** in Column A, and list each local tax, city & wages on separate lines in Columns B & C. The total in Column A should be entered on Page 1, line 1, and the total in Column F should be entered on Page 1, line 8.

EXAMPLE:

Line	Worksheet A : W-2 Income	A	B	C	D	E	F
	Name of Employer	W-2 Qualifying Wages (usually Box 5)	Local City tax was withheld to (Box 20)	Local Wages (Box 18)	Local Taxes Withheld (Box 19)	Maximum Credit (Col. C x 1.75%)	Credit Allowed (Lower of Column D, E or 100% of tax withheld to Fairfax)
1	ABC Co.	40000	Cincinnati	20000	420	350	350
2			Blue Ash	20000	250	350	250
3	DEF Co.	15000	Fairfax	15000	262.50	262.50	262.50
4							
5							
6							
7	Enter Total in 7A on Page 1,	55000					862.50

**Worksheet C:** Calculation of business income reported on an individual's return. S Corps located outside the Village of Fairfax are not taxable to Fairfax. All profit and loss from businesses, regardless of location, must be combined to a net amount for taxation. Losses carried forward from 2016 & prior app. years are allowed at 100%. 2017 losses are limited to the lesser of 50% of the loss or the remaining profit. **Credit for taxes** paid to other municipalities for these businesses will be calculated in **Worksheet D**. Total income per type of Schedule can be combined for Worksheet C.

Total profit (15B) minus total loss (15C) equals the taxable business income (15D). Enter 100% of losses carried forward from tax years 2016 and prior app. years under "Available loss" on line 16. You may use any amount up to 100% of the available loss on line 16. Enter the amount of loss you wish to use in 16D and subtract that amount from 15D for a subtotal on line 17. Enter 100% of your 2017 loss carried forward under "Available Loss" on line 18. You may use a maximum of 50% of the 2017 available loss, or 50% of the subtotal in 17D, **whichever is less**. Subtract Line 18 from Line 17 for your taxable profit.

**Examples:**

Worksheet C:		Available	B	C	D	Remaining
Net Profit/Loss from Business Activity		Loss	Profit	Loss	Total	Loss
11	Schedules C and/or Schedule F Income		5,000	200		
12	Schedule E income from Rental Income			3,000		
13	Other Schedule E income *					
14	Ordinary Income or Loss (attach Federal 4797)					
15	<b>Totals</b>		5,000	3,200	1,800	
16	Loss Carry Forward from 2016& prior app. years	500			500	-
17	<b>Sub Total</b>				<b>1,300</b>	
18	2017 Loss (Lesser of 50% of profit or loss can be used)	1,000			500	500
19	<b>Taxable Profit - If positive enter Col. D total on Page 1, line 2</b>				<b>800</b>	
Losses prior to 2017 may be carried forward at 100% for four years. 2017 losses may be carried forward for up to five years, however usage will be restricted to 50% per year during 2018 through 2022 - please check our web site for updated instructions.						

**Worksheet D:** Each municipality must be listed separately. Enter the name of the municipality taxes were paid to in the first column. Taxes paid to Fairfax should only be entered in this worksheet if paid directly by a business entity. Payments made by you, the taxpayer, should be entered on Page 1, Line 9. **Attach copies of all municipal tax returns listed in Worksheet D to receive credit.**

	Worksheet D for Residents Only: Credit for Business Earnings or Other Income Tax Paid	List each municipality separately & add another page if needed Attach copies of all other local tax returns for credit				
		A	B	C	D	E
	Municipality taxes were paid to:	Tax Rate	Profit	Local Taxes paid	Maximum Credit (Col. B x 1.75%)	Credit Allowed (Lower of Column C or D)
20	Cincinnati	2.1	2,000	42.00	35.00	35.00
21	Blue Ash	1.25	1,000	12.50	17.50	12.50
22	Loveland	1	1,000	10.00	17.50	10.00
23						
24	If Total Taxable Business Income is negative, no credits are allowed			<b>Total Possible Credits</b>		<b>57.50</b>
25	<b>Maximum Credit Allowed (Worksheet C, Line 19D x 1.75%)</b>					<b>14.00</b>

Lines 20-23:

- Column A – Enter the tax rate for the municipality
- Column B - Enter the taxed profit or "other income" earned for that municipality
- Column C - Insert the amount of tax paid to the municipality
- Column D –Multiply the profit in Column B x 1.75%
- Column E – Enter the smaller amount of Column C or D

Line 24 – Total the amounts in Column E

Line 25 – Multiply Worksheet C Line 19D x 1.75% and enter that amount. Enter the lesser of Line 24 or 25 on Page 1, Line 10