GENERAL INFORMATION

WHO MUST FILE

All corporations, businesses or other types of entities deriving income (or loss) from work done, services rendered and/or on sales made in Heath.

Income of a pass-through entity such as S-corporations, Partnerships, LLC's, etc., owned by two or more persons are taxed at the owner, member or partner level. Such pass-through entities with business activity in Heath may choose (if all partners, members or owners agree) to have the entity file on their behalf; if one partner, member or owner wants to file and report the income at the individual level, all members, partners or owners must do so.

WHEN AND WHERE TO FILE

Returns must be filed on or before April 18, or by the 15th day of the fourth month after the fiscal year end. File with: **Heath Income Tax Bureau, 1287 Hebron Rd., Heath, OH 43056-1096**. A return is considered received by the City on the date it is postmarked by the U.S. Postal Service. In the absence of the official Postmark, the date received in the Office is considered the "receipt" date. Business meter date is not a valid postmark.

EXTENSIONS

An extension of time may be granted provided a copy of your Federal extension has been filed with the Tax office by 4/18/16 or by the 15th day of the fourth month after the Fiscal year-end. The extended filing date does not apply to the payment of tax due, nor does it apply to your current year declaration of estimated tax and applicable quarterly payments. The Tax Office may deny your extension request if it is not filed timely and/or you owe a delinquent prior year debt and/or have not filed a prior year return.

ATTACHMENTS REQUIRED

Corporations must attach copies of pages 1 through 4 of their Federal Form 1120. Corporations who file their Federal return using Form 1120A should attach copies of pages 1 and 2 of their 1120A.

S-Corporations must attach copies of pages 1 through 4 of their Federal Form 1120S and copies of all K-1's. NOTE: Preparers should note each member's share of city income tax paid on each member's behalf on their respective K-1's.

Partnerships/Associations must attach pages 1 through 4 of their Federal Form 1065 and copies of all K-1's. NOTE: Preparers should note each partner's share of city income tax paid on each partner's behalf on their respective K-1's.

Fiduciaries/Trusts/Estates must attach a copy of page 1 of their Federal Form 1041.

All taxpayers must attach copies of all 1099-MISC. forms issued to central Ohio residents (if not already filed with the Tax Office) and copies of the following items (if applicable): Schedule of Other Income; Schedule of other Deductions; Schedule A-Other Costs; Form 8825; Form 4797 (Pages 1 + 2); K-1's, etc.

NET PROFITS

For taxable years beginning on or after 1/1/04, "net profits" for a taxpayer other than an individual means adjusted federal taxable income, as defined in Section 718.01(A) of the O.R.C.

ADJUSTED FEDERAL TAXABLE INCOME

NOTE: This is a new regulation under Chapter 718.01 of the Ohio Revised Code and applies to all tax years beginning on or after 1/1/04.

Adjusted federal taxable income means a C corporation's federal taxable income before net operating losses and special deductions as determined under the Internal Revenue Code, adjusted as follows:

(a) Deduct intangible income to the extent included in federal taxable income (allowed regardless of whether the intangible income relates to assets used in a trade or business or assets held for the production of income).

(b) Add an amount equal to 5% of intangible income deducted, excluding that portion of intangible income directly related to the sale, exchange, or other disposition of property described in section 1221 of the I.R.C.

(c) Add any losses allowed as a deduction in the computation of federal taxable income if the losses directly relate to the sale, exchange, or other disposition of an asset described in section 1221 or 1231 of the I.R.C.

(d) Deduct income and gain included in federal taxable income to the extent the income and gain directly relate to the sale, exchange, or other disposition of an asset described in section 1221 or 1231 of the I.R.C., except, this section does not apply to the extent the income or gain is income or gain described in section 1245 or 1250 of the I.R.C.

(e) Add taxes on or measured by net income allowed as a deduction in the computation of federal taxable income.

(f) In the case of a R.E.I.T. or R.I.C., add all amounts with respect to dividends to, distributions to, or amounts set aside for or credited to the benefit of investors and allowed as a deduction in the computation of federal taxable income.

(g) If the taxpayer is not a C corporation and is not an individual, the taxpayer shall compute adjusted federal taxable income as if the taxpayer were a C corporation, except: (i) guaranteed payments and other similar amounts paid or accrued to a partner, former partner, member, or former member shall not be allowed as a deductible expense; and (ii) amounts paid or accrued to a qualified self-employed retirement plan with respect to an owner or owner-employee of the taxpayer, amounts paid or accrued to or for health insurance for an owner or owner-employee, and amounts paid or accrued to or for life insurance for an owner or owner-employee shall not be allowed as a deduction. NOTE: Nothing in this section shall be construed as allowing the taxpayer to add or deduct any amount more than once or shall be construed as allowing the taxpayer to deduct any amount paid to or accrued for purposes of federal self-employment tax.

APPORTIONMENT FORMULA (SCHEDULE Y)

Any business and/or profession conducted both within and out of the Heath Corporation boundaries shall be considered as having a taxable situs in Heath and must complete the 3-factor apportionment formula to arrive at the net profit taxable to Heath. Determine the average ratio of the following:

(Step 1) Average original cost of the real and tangible property owned or used by the taxpayer in the business or profession in Heath during the taxable period to the average original cost of all of the real and tangible personal property owned or used by the taxpayer in the business or profession during the same period, wherever situated. NOTE: Real property shall include property rented or leased by the taxpayer and the value of such property shall be determined by multiplying the annual rental thereon by eight.

(Step 2) Gross receipts of the business or profession from sales made and services performed in Heath during the taxable period to gross receipts of the business or profession during the same period from sales made and services performed, wherever made or performed.

(Step 3) Wages, salaries and other compensation paid during the taxable period to persons employed in the business or profession for services performed in Heath to the wages, salaries and other compensation paid during the taxable period to persons employed in the business or profession wherever their services are performed, excluding compensation exempt from taxation under section 718.011 of the Ohio Revised Code.

NET OPERATING LOSSES

Beginning with Tax Year 2001, a Net Operating Loss may not be carried forward or backward to any other taxable year. All losses filed prior to tax year 2001, may be carried forward until exhausted, but not for more than 5 years.

CONSOLIDATED RETURNS

Effective 1/1/03 Heath shall accept a consolidated income tax return from any affiliated group of corporations subject to Heath tax if that affiliated group filed for the same tax reporting period a consolidated return for federal income tax purposes pursuant to section 1501 of the Internal Revenue Code.

AMENDED RETURNS

An amended return is necessary for any year in which an amended Federal return is filed or in which your Federal tax liability has changed. An amended return must be filed within 3 months of the filing date of any amended Federal return and must include a copy of the amended Federal return. Filing must include payment of any additional tax owed.

DECLARATION OF ESTIMATED TAX

If the amount of tax due for the current year is estimated to be $200.00 or more, a declaration of estimated tax must be filed by April 18th, or by the 15th day of the 4th month after the beginning of the fiscal year. The Declaration is located at the bottom of the income tax return. The first quarter payment equal to 22.5% of estimated tax due must be paid with the filing of the declaration. Remaining payments of at least the same amount are due: June 15, September 15 and December 15 for calendar year entities, or the 15th day of the 6th month, 15th day of the 9th month and 15th day of the 12th month of the taxpayer's taxable year. Estimated tax payment vouchers are available on the City's website. A declaration and payment which is less than 90% of the previous year's tax, shall not be considered in good faith and the difference shall be subject to penalty and interest charges.

PENALTY AND INTEREST

A Penalty charge of $25.00 will be imposed for the delinquent filing or payment of the yearly final return. Rate of interest on a delinquent tax balance is 1.5% per month or fraction thereof. Penalty of $5.00 per quarter will be assessed if declaration is required but not filed and paid.

CONFIDENTIALITY AND TAXPAYER ACCESS

The laws of the State of Ohio and the City of Heath require information about taxpayer accounts, such as amounts of income, amounts of tax liability and payment of taxes, to be held in strict confidence. Therefore, to safeguard this confidentiality, the taxpayer must provide written authorization to the Tax Division granting permission to release or discuss any taxpayer-specific information. We may require the taxpayer to request the information in person. To assist both the taxpayer and the tax practitioner, we have provided a place on the Business Tax Return, in the signature area, for the taxpayer to authorize discussions or the release of information to the tax practitioner.

DISCLAIMER:

Definitions and instructions are illustrative only. The Tax Ordinance supersedes any interpretation presented.

LINE-BY-LINE INSTRUCTIONS FOR HEATH BUSINESS INCOME TAX RETURN

HEADING: If this return is made for a period other than the calendar year, insert the beginning and ending date of the period. Enter the business or company name, address and account number, if not already pre-printed on the form. If you do not have an account number, one will be assigned upon receipt of the return.

LINE 1. Enter Federal taxable income before net operating losses or special deductions from Form 1120 (line 28), Form 1120S (Sch. K, Pg. 3, line 23), Form 1065 (Sch. K, Pg. 4, line 1), Form 1041 (line 17), or Form 990-T (line 30).

LINE 2. Complete Schedule X (page 2) to reconcile Federal taxable income to city taxable income, if necessary. Items not taxable must be included in income reported to be deductible. Carry line Q (Sch. X) amount to page 1, line 2.

LINE 3. Compute taxable income, before apportionment, by subtracting or adding line 2 to line 1. If net loss is realized, enter zero.

LINE 4. Enter 100% if income is fully taxable to Heath. Complete Schedule Y (page 2) to determine percentage of net profits allocable to Heath when business is conducted both inside and outside of the city. Carry line 5 percentage to page 1, line 4.

LINE 5. Heath taxable income is computed by multiplying line 3 by percentage on line 4.

LINE 6. Heath Income Tax due: multiply line 5 by 1.5% (.015).

LINE 7. Enter estimated tax payments plus any prior year overpayment (not refunded).

LINE 8. Enter other allowable credit and explain. NOTE: Credit will be disallowed if supporting documents are not provided.

LINE 9. Total credit, add lines 7 and 8.

LINE 10. If line 6 is greater than line 9, enter balance of tax due. Penalty and interest is applicable if tax return is filed after due date and/or estimated tax payments were required and not paid. If penalty and/or interest do not apply, go to line 12. If amount due is less than $5.00, enter zero.

Line 11A. Add penalty if applicable. Add interest, if applicable.

Line 11B. Add estimated tax penalty if applicable.

Line 12. Total due. Pay this amount and any estimated tax amount on line 20 below, if applicable.

Line 13. Indicate amount of overpayment if line 9 is greater than line 6.

Line 14, 15. Indicate choice of disposition of overpayment.

INSTRUCTIONS FOR DECLARATION OF ESTIMATED TAX

LINE 16. Enter estimated amount of income subject to tax.

LINE 17. Multiply line 17 by 1.5% (.015).

LINE 18. Enter at least 22½% of line 17.

LINE 19. Enter amount of overpayment from above or amounts previously paid.

LINE 20. Subtract line 19 from line 18.

LINE 21. Add amounts on line 12 and line 20. Make check payable to the Heath Income Tax.

INSTRUCTIONS FOR SCHEDULE X

This schedule is used to adjust your Federal net income to your Heath taxable income. The left hand column is for items deductible on the Federal return, but not deductible under the Heath ordinance. The right hand column is for items taxable on the Federal return, but not taxable by Heath.

INSTRUCTIONS FOR SCHEDULE Y

(This schedule is used to determine the amount of income subject to Heath income tax. **See ALLOCATION OF NET PROFITS ON REVERSE SIDE OF BUSINESS RETURN.)**

INSTRUCTIONS FOR SCHEDULE Y-1

Use this schedule to reconcile salaries, wages, etc., allocated to Heath with total salaries, wages, etc., shown on Form WHR Withholding Reconciliation.

DATE AND SIGN THE RETURN AND ATTACH ALL APPLICABLE SCHEDULES AND STATEMENTS.
The Tax Ordinance, forms and instructions are available at www.heathohio.gov