CITY OF SIDNEY BUSINESS RETURN INSTRUCTIONS

GENERAL TAX INFORMATION FOR 2013 BUSINESS RETURNS *

WHO MUST FILE:

- EVERY BUSINESS ENTITY conducting business in, performing services in, or deriving income (or loss) from activities in the City of Sidney. If you have filed a return in the past and feel you should no longer be required to file a return (due to cessation of business in Sidney), please contact our office to determine if or when your account may be inactivated.

This form is for use by business taxpayers (i.e. partnerships, corporations, s-corporations who file using their Federal Tax Identification, as opposed to a social security number) only. Individuals (filing under their social security number) must obtain the "Sidney Individual Return" from the Income Tax office or from the City's website at www.sidneyoh.com

WHEN TO FILE: Businesses that end their taxable year on December 31 must file their return on or before April 15, 2014. Fiscal year businesses must file by the 15th day of the fourth month following the end of the fiscal year.

REQUEST FOR EXTENSION OF TIME TO FILE: An extension of time to file may be granted upon filing a copy of your Federal extension form with the City of Sidney and paying the anticipated tax owed. Extension requests for calendar year businesses must be filed by April 15, 2014. Fiscal year businesses must file extension requests by the 15th day of the fourth month following the end of the fiscal year. **Sidney does *not* receive copies of federal extensions from the IRS.** The request **must be mailed by the due date of the return.** An extension request that is granted is for an extension of time to file and is ***NOT*** an extension of time to pay. Late payment of tax owed may result in an assessment of penalty and interest.

ESTIMATED TAX PAYMENTS: Every business that anticipates taxable income subject to Sidney taxation and such income results in tax due shall file a declaration and pay estimated tax. The payments for calendar year-end filers for 2014 are due on April 15, June 17, September 16, and December 16. Estimated payments for fiscal year businesses are due on the 15th day of the fourth, sixth, ninth and twelfth months after the beginning of the taxable year. Estimated tax forms are attached to this form or are available on the City's website www.sidneyoh.com. A declaration and payment of estimated tax which is either less than 90% of the tax shown on the current return or less than 100% of the previous year's tax shall not be considered in good faith and the difference shall be subject to an underestimation penalty. See Line-by-Line Instructions for more details.

PENALTIES AND INTEREST: Filing your return late, paying your taxes late and/or not paying the appropriate estimated tax payments, if required, will subject you to penalties and interest. Also if your return is amended or corrected with additional tax due you may be subject to penalty and interest. See Line-by-Line instructions for more details.

OHIO BUSINESS GATEWAY: Businesses may file extension requests, file their municipal income tax returns, pay estimated tax payments and pay their Sidney net profits income tax and withholding payments through the Ohio Business Gateway. See www.obg.ohio.gov for information.

ASSISTANCE – Sidney Revenue Collections staff will help taxpayers prepare the Sidney Income Tax Return. Taxpayers need to bring in copies of their Federal tax return, including all Federal Schedules. The Tax Office is located in City Hall at 201 W. Poplar St., Sidney. Phone (937)-498-8111. Fax (937) 498-8149. Email tax@sidneyoh.com

LINE-BY-LINE INSTRUCTIONS FOR 2013 BUSINESS RETURNS *

If this return is for a period other than the calendar year, insert the beginning and ending date of your fiscal year.
HEADING – Enter your Federal Employer Identification Number. Print your name, address, and any other DBA (doing business as) information. Check one of the business types. Provide your physical location address in Sidney and a contact name and phone number. If the business has relocated during the tax year, indicate the date of relocation and the previous address

LINE 1 – Enter amount of taxable income from your Federal form 1120, 1120S, 1065 or appropriate federal schedule. For Federal form 1120 this should be taxable income before special deductions and federal NOL's Page 1 Line 28. For 1120S this is the amount reported on the Schedule K Page 3 Line 18. For 1065 this is the amount reported on Page 5 Line 1. ATTACH COPIES OF THE FEDERAL FORM 1120, 1120S or 1065.

LINES 2 & 3 – Use Schedule X (from page 2) to reconcile federal taxable income to Sidney taxable income. Schedule X adjustments should be included on Lines 2 and 3. Please be aware that you must adhere to Ohio Revised Code (ORC) 718.01, Adjusted Federal Taxable Income, when arriving at Sidney taxable income. This is a mandatory requirement.

LINE 4 – Combine amounts on Lines 2 and 3, and show the difference on Line 4. Show negative amounts in parentheses.

LINE 5 – Total taxable income plus or minus Schedule X adjustments. (Line 1 plus or minus Line 4)

LINE 6 – Amount allocable to Sidney (from Schedule Y computations). The Business Apportionment Formula, Schedule Y, is used to compute the portion of net profits allocable to Sidney when business is conducted both inside and outside of Sidney. A business apportionment formula consisting of the average property, gross receipts and wages paid may be used by business entities not required to pay tax on entire net profits by reason of doing business both inside and outside Sidney. Refer to ORC 718.02 for more detailed explanation on how you must arrive at this calculation. You may not choose to eliminate calculating a factor on your Schedule Y unless the amount located everywhere is zero.

**** These instructions do not replace or supersede the Sidney City Income Tax Ordinance, rules or regulations which are available at our website – www.sidneyoh.com***

CITY OF SIDNEY BUSINESS RETURN INSTRUCTIONS

LINE 7 - Sidney Taxable Income is Line 5 multiplied by Line 6.

LINE 8 – Enter amount of Net Loss Carry Forward being applied to tax year 2013. Sidney permits net losses to be carried forward for up to 5 years. Attach a schedule with the appropriate calculation.

LINE 9 – Income Subject to Sidney Income Tax: Line 7 minus Line 8

LINE 10 - Sidney income tax: Multiply Line 9 by Sidney's tax rate of 1.5% (.015).

LINE 11A – Total estimated payments remitted for current year.
LINE 11B – Enter the credit being applied from tax year 2011
LINE 11C – Add Lines 11A and 11B

LINE 12 – Tax Amount Due -- If Line 10 is greater than Line 11C, the difference should be entered here.

LINE 13 – Penalty & Interest – **LATE FILING FEE** - Any return filed after its due date (or extended due date, if applicable) will be subject to a $25 late filing fee if filed within 60 days after the due date. If filed more than 60 days late, the fee is $50. **LATE PAYMENT** - Taxes owed and unpaid after the due date is subject to a 1.5% penalty per month or fraction thereof (up to a maximum of 50% of the tax amount due) and 1.5% interest per month or fraction thereof. **UNDERESTIMATION** – You will be subject to underestimation penalty, if line 11C is less than 90% of Line 10 *UNLESS* line 11C was paid on time and is equal to or greater than 100% of your 2011 Sidney income tax amount. The underestimation penalty is 10% of the difference between 90% of the 2013 actual tax (line 10) and the amount credited for the year if credits were paid on time(line 11C).

LINE 14 – Balance Due for 2013 is the total of Line 12 and Line 13.

LINE 15 – Overpayment -- If Line 10 is less than Line 11C, the difference should be entered here. This amount will be transferred as a credit toward next year's tax unless you request a refund. No refund shall be made to any taxpayer until they have complied with all the provisions of the Ordinance and has furnished all information required by the Tax Administrator. Refunds are processed in order of receipt of the complete return. Typically, refund checks are mailed 90 days after April 15th or 90 days after the complete return is filed, *whichever is later*. Refunds are allowed only when Sidney income tax has actually been paid to Sidney.

DECLARATION OF ESTIMATED TAX FOR 2014:

Methods of calculating estimated tax due:

A. You may pay an amount equal to Sidney Income Tax for 2013 (line 10) (less any Sidney tax credits). By paying quarterly estimated tax payments totaling 100% of the 2013 Sidney Income Tax less credits carried forward, you will not be penalized for underpayment should your income be greater in 2014. (Known as "safe harbor").
B. If you know what your anticipated income will be for 2014, you can base your estimate on 90% of that anticipated income amount. Using that figure, you can determine an equal quarterly amount for remittance for each period.

Penalty for underestimation
If you have not paid in the lesser of (1) 90% of the current tax year's tax liability (through estimated payments or prior year overpayments) or (2) 100% of the prior year's tax liability, then the penalty for underestimation is 10% of the difference between 90% of the current year's actual tax (line 10) and the amount credited for the year that was paid on time (line 11C).

LINE 16 – Enter *either* the total estimated taxable income for 2014 *or* the actual tax liability for 2013 (if using the "safe harbor" method). This amount is then multiplied by 1.5% and entered on Line 12.

LINE 17 – Enter the amount of credit being applied to 2014 from Line 15 above.

LINE 18 – Balance of estimated Sidney Income Tax due take Line 16 minus Line 17.

LINE 19 – If using Method A "safe harbor" on line 16 above, then a minimum of 25% of Line 18 is due for the first quarter estimate. If using Method B on Line 16, then a minimum of 22.5% of Line 18 is due for the first quarter estimate. The estimated tax may be paid in full with this Declaration or in equal quarterly payments. Quarterly payments will not be billed. Coupons are included in this package or can be obtained on the City's website www.sidneyoh.com. The estimate may be amended at the time of making any quarterly payment. For 2014 calendar year businesses, quarterly payments are due on or before April 15, June 17, September 16, and December 16. For fiscal year businesses quarterly payments are due on or before the 15th day of the fourth, sixth, ninth, and twelfth month after the beginning of the fiscal year. If the due date falls on a weekend or a City holiday, the due date will be the following business day. Any prior year credit carry-over will be included as a current year estimated payment. Interest is assessed for failure to pay the tax when due. Interest at the rate of 1.5 % per month is assessed on any tax remaining unpaid after the original due date before any extensions. To avoid an underestimation penalty assessment, the amount paid (via estimates or prior year overpayments) must be within 90% of the actual amount owed for 2014 or 100% of the 2013 tax due.

LINE 20 – **TOTAL AMOUNT PAYABLE TO THE CITY OF SIDNEY**. The total amount of Line 14 plus Line 19. This amount is due and payable to the City of Sidney prior to April 15, 2014 for calendar year businesses or the 15th day of the fourth month following the end of the fiscal year for fiscal year businesses. All check or money orders are to be made payable to the City of Sidney. Filing of returns and/or payment of Sidney income tax may also be done via the Ohio Business Gateway. See www.obg.ohio.gov for more information.

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CITY OF SIDNEY BUSINESS RETURN INSTRUCTIONS

SCHEDULE X – RECONCILIATION WITH FEDERAL INCOME TAX RETURN, AS REQUIRED BY ORC 718
This schedule is used to adjust your Federal net income to your Sidney taxable income. The left column is for items deductible on the Federal return, but not deductible under the Sidney ordinance.

ITEMS NOT DEDUCTIBLE FOR MUNICIPAL INCOME TAX

LINE A – Capital losses EXCLUDING ordinary losses (IRC) 1221 or 1231 property dispositions. DO NOT include ordinary loss from Federal Form 4797. Also make sure to attach your Federal Tax Form 4797 and Schedule D.
LINE B - Add 5% of the amount deducted as intangible income, but not the portion of the intangible income related to the sale, exchange or disposition of property described in Section 1221 of the Internal Revenue Code IRC.
LINE C – Enter your taxes paid to state and local that are based on income.
LINE D - In the case of a real estate investment trust or regulated investment company, add all dividends, distributions, or amounts set aside for the benefit of investors and allowed as a deduction in the computation of FTI.
LINE E - If you are not a C corporation the taxpayer shall compute Federal Taxable Income (FTI) as if the taxpayer were a C corporation shall not be allowed a deduction for payments to a qualified self-employed retirement plan, payments for health or life insurance for an owner or owner-employee, or federal self-employment tax.
LINE F – If you are not a C Corporation the taxpayer shall compute 10% of FTI as if the taxpayer were a C corporation shall be the limit of charitable contribution allowed. The amount disallowed shall be reported on this line and is a carryover.
LINE G –Again if you are not a C Corporation the taxpayer shall compute FTI before section 179 deduction as if the taxpayer were a C corporation and is limited to the amount of this FTI. The amount larger than the FTI shall be reported on this line and is also a carryover.
LINE H – Other adjustments not deductible for municipal income tax. Please provide detail support.

LINE I – Total all amounts in Line A through Line H to arrive at Total additions. Enter the amount here and on Page 1, Line 2.

ITEMS NOT TAXABLE FOR MUNICIPAL INCOME TAX

LINE J – Capital gains EXCLUDING ordinary gains (IRC) 1221 or 1231 property dispositions. DO NOT include ordinary gains from Federal Form 4797. Also make sure to attach your Federal Tax Form 4797 and Schedule D.
LINE K – Intangible income such as interest, dividends, and royalties relating to patent and copyright income. Excludes but not limited to prizes, awards, lottery winnings, and royalties related to land.
LINE L – If you are not a C corporation, carryover Section 179 deduction from previous years not previously deducted for municipal income taxes above limitation.
LINE M – If you are not a C corporation, carryover charitable contribution from previous years not previously deducted for municipal income taxes above limitation.
LINE N – If you are not a C corporation, a domestic production activity deduction is an allowable deduction for municipal income tax this amount of deduction is limited to the lesser of 9% of FTI as a C Corporation or 50% of federal wages. Please provide the Federal Form 8903.
LINE O- Other adjustments not taxable for municipal income tax. Please provide detail support.

LINE P – Total all amounts in Line J through Line O to arrive at Total deductions. Enter the amount here and on Page 1, Line 3.

SCHEDULE Y – BUSINESS ALLOCATION FORMULA
A business allocation formula consisting of the average of property, gross receipts and wages paid, must be used by business entities not required to pay tax on entire net profits, by reason of doing business both within and outside of this municipality. Unless the books and records of the taxpayer disclose with reasonable accuracy the net profit attributable to this municipality, then only this portion shall be considered as having a taxable status in this municipality.

Step 1: Calculate average property outside and inside of Sidney.

Step 2: Report gross receipts from sales and work outside and inside this municipality:
Located in Sidney means:
1 – All sales of tangible personal property which are shipped from this municipality to purchase outside this municipality regardless of where title passes, if the taxpayer is not (through his own employees) regularly engaging in the solicitation or promotion of sales at the place where delivery is made.
2 – All sales of tangible personal property which are delivered within this municipality regardless of where title passes, even though transported from a point outside this municipality, if the taxpayer is regularly engaging through its own employees in the solicitation or promotion.
3 – All sales of tangible personal property which are delivered within this municipality regardless of where the title passes, if shipped or delivered from a stock of goods within this municipality.

Step 3: Reflect total QUALIFYING wages, salaries or other compensation for your employees:
Located in Sidney means all compensation paid to persons employed in Sidney greater than 12 business days.

SCHEDULE Y-1 – RECONCILIATION TO FORM W-3, WITHHOLDING RECONCILIATION
Use this schedule to reconcile wages, salaries, etc., allocated to Sidney with total salaries, wages, etc., shown on W-3, Withholding Reconciliation.

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