



## Sidney Tax Facts for Tax Preparers \*

City of Sidney  
Revenue Collections – Tax  
201 W. Poplar St.  
Sidney, OH 45365  
(937) 498-8111 (phone)  
(937) 498-8149 (fax)  
Email - [tax@sidneyoh.com](mailto:tax@sidneyoh.com)  
Website - [www.sidneyoh.com](http://www.sidneyoh.com)

### NEW INFORMATION FOR 2009 RETURNS

#### **NEW for 2009!! MANDATORY FILING:**

Beginning with the 2009 tax year (due in 2010), every Sidney resident 18 years of age and older must file a Sidney income tax return, even if Sidney income tax is fully withheld.

#### **Who must file?**

- ALL SIDNEY RESIDENTS and partial year residents ages 18 and over\*\*
- ALL SIDNEY RESIDENTS ages 16 and 17 *only* if their tax is not completely withheld for SIDNEY at the rate of 1.5%
- RETIRED RESIDENTS if they have rental, business or other income taxable to Sidney
- EVERY BUSINESS ENTITY that conducts business within the City of Sidney
- EVERY NON-RESIDENT WHO ENGAGES IN BUSINESS or other activity within the City of Sidney, including, but not limited to, rental of real or personal property. Non-residents who are employed within the City of Sidney, but whose Sidney City income tax is not fully withheld by their employer, must also file a return.
- ALL PASS-THROUGH ENTITIES (any class of entity the income or profits from which are given pass-through treatment under the Internal Revenue Code) (i.e. partnerships, corporations, s-corporations) shall be taxed at the hands of the entity.

**\*\* Exemption Available** - Retired or permanently disabled individuals who have no wages, rental, business or other income taxable to Sidney may obtain exemption from filing a Sidney tax return. To receive exemption, a *one-time* Exemption Form (with a copy of page 1 of your Federal Form 1040, if applicable) must be completed. This form can be found at [www.sidneyoh.com](http://www.sidneyoh.com) or is available at our office at 201 W. Poplar St, Sidney. Please note that if their status changes and they again become employed or earn Sidney taxable income, they will be required to file a Sidney tax return for any full/partial year in which such income is earned.

#### **NEW for 2009!! NO NET BUSINESS LOSS OFFSET PERMITTED AGAINST WAGE INCOME:**

The net loss from an unincorporated business activity may not be used to offset salaries, wages, commissions (to the extent that they are reported on form W-2 or 1099 –Misc) or other compensation. If a taxpayer is engaged in two or more taxable business activities to be included in the same return, the net loss of one unincorporated business activity (except any portion of a loss reportable for municipal income tax purposes to another municipality) may be used to offset the profits of another for purposes of arriving at overall net profits or net operating loss. Sidney continues to permit net losses to be carried forward and utilized for up to five (5) years.

#### **OTHER CHANGES FROM PRIOR YEAR:**

- ✓ Federal deductions such as ½ self-employment tax, self-employed health insurance premiums and greater than 2% S-corp owner health insurance premiums are no longer deductible for Sidney purposes.
- ✓ A copy of Page 1 of your Federal Form 1040 (as well as other applicable Federal Schedules such as C, E, F, K-1) must be attached to be considered a *complete* return.
- ✓ 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.

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### **NEW FORMS FOR 2009:**

There are separate Sidney tax returns for individuals (reporting under a Social Security Number) and businesses (reporting under a Federal ID Number). Also available is a Declaration of Exemption Form which may be used by certain individuals in lieu of the Individual Tax Return.

Forms are available at our website, [www.sidneyoh.com](http://www.sidneyoh.com), the Sidney post office, the Sidney branch of the Amos Public Library and the Revenue Collections office at City Hall. Individuals who have not previously filed Sidney tax returns are being mailed the forms during January 2010. All others are being mailed postcards with a reminder to file and directing them to the City's website for Forms.

### **NEW!! AMNESTY PROGRAM FROM JANUARY 12, 2010 THROUGH MAY 31, 2010:**

Income tax amnesty is a new, *one-time* opportunity for individuals and businesses to file and pay income taxes for tax years 2008 and prior without penalty and interest. In doing so, they will also avoid the possibility of court proceedings. This chance to "catch up" includes both taxes due on returns that have *not* been previously filed and taxes due on returns previously filed but not paid.

While not all inclusive, individuals or businesses should take advantage of Tax Amnesty if any of the following applies during, at least the past six years **AND** no Sidney tax return was filed:

- o A Sidney resident who earned compensation outside of Sidney that was not subject to taxation by another municipality or you earned compensation in a municipality with a municipality with a municipal income tax rate of less than 1.5%;
- o A Sidney resident who was self employed (filing a Schedule C on Federal tax return) or received a Form 1099;
- o Not a resident of Sidney but had self-employment income earned in Sidney;
- o Owned rental property in Sidney, regardless of residency;
- o Had any similar type of situation where Sidney taxable income was not fully withheld on & have a tax balance due to Sidney. (See below for common examples of taxable and non-taxable income to Sidney.)

If individuals or businesses filed prior tax returns with the City of Sidney and owe back Sidney taxes, they too should take advantage of Tax Amnesty. Payment of all delinquent Sidney taxes by May 31, 2010 will result in forgiveness of any remaining penalty and interest.

To take advantage of amnesty, individuals or businesses must first determine their tax liability by completing all applicable Sidney tax returns. Forms are available on our website or at the Revenue Collections office in City Hall. If the taxpayer is unable to pay the entire amount due, he or she may qualify for a six-month payment plan. Please have the taxpayer contact our office for more information.

If tax returns were previously filed, but there remains a balance due, the taxpayer may call (937) 498-8111 for the tax amount currently due.

## **HELPFUL INFORMATION FOR PREPARING RETURNS**

### **TAXABLE INCOME TO THE CITY OF SIDNEY**

Taxable income to the City of Sidney includes, but is not limited to, salaries, wages, commissions and other compensation, bonuses, tips, stock options, incentive payments, directors' fees, property in lieu of cash, tips, dismissal or severance pay, vacation and sick pay, wage continuation plans, employer supplemental unemployment benefits (SUB pay), state or multi-state lottery winnings (as reported on IRS Form W-2G or any other IRS form), employee contributions to retirement plans & tax deferred annuity plans (including sec. 401k, 403b, 457b, etc.), profit sharing, jury duty, union steward fees, and executor fees. For a more complete listing, please see our website or Income Tax Ordinance.

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In particular, income received from State or Multi-State lottery programs reported on IRS Form W-2G or any other form required by the IRS that reports lottery winnings, is taxable for Sidney income tax purposes. No gambling loss deductions are allowed unless a Federal Schedule C is filed.

Sidney levies its 1.5% income tax on “qualifying wages” as defined in Section 3121(a) of the Internal Revenue Code, without regard to any wage limitations, adjusted in accordance with Ohio Revised Code section 718.03(A). In terms of which box on the Form W-2 represents “qualifying wages” for Sidney income tax purposes, it is generally the larger of Box 5 or Box 18. Keep in mind that Medicare Exempt Employees are subject to the requirements for “qualifying wages” in the Medicare Wage Box of the W-2 form even though that box will remain blank.

If your client’s W-2’s are marked “various” or “all cities” in the Local Tax Withheld Line, you should request an itemized breakdown by city from that employer(s). This breakdown must be attached to the return.

### **ITEMS NOT TAXABLE TO THE CITY OF SIDNEY**

Non-taxable income to the City includes, but is not limited to, interest, dividends, capital gains, unemployment compensation, workers’ compensation, ADC, child support, retirement pensions, social security benefits, alimony, annuities, active military duty pay, and earnings for individuals under the age of 16. For a more complete listing, please see our website or Income Tax Ordinance.

### **PARTIAL YEAR RESIDENTS**

Partial year residents must file a tax return covering that period of time. Report the amount of income earned while a Sidney resident. Pay statements with year-to-date figures or a statement from the taxpayer’s payroll department must be used if available. When the actual amount earned while living in Sidney cannot be determined, it is permissible to break down earnings by the number of months employed by that job, arriving at a monthly earnings figure. Use the monthly earnings figure multiplied by the number of months of residency to find taxable amount. If you pro-rate your income, also pro-rate any city tax that was withheld on the same income. Attach a worksheet explaining your calculations.

### **RETURN DUE DATES**

For calendar year taxpayers, the 2009 Sidney Income Tax Return is due on April 15, 2010. For fiscal year taxpayers, the Sidney Income Tax Return is due on the fifteenth day of the fourth month following the end of the period. Please see our website [www.sidneyoh.com](http://www.sidneyoh.com) for all other applicable return and payment due dates.

### **REQUEST FOR EXTENSION OF TIME TO FILE**

An extension of time to file may be granted upon filing a copy of the taxpayer’s Federal extension form with the City of Sidney and paying the anticipated tax owed no later than return due date. **Sidney does not receive copies of federal extensions from the IRS.** Any taxpayer *not* required to file a federal income tax return may request an extension for filing a Sidney income tax return by providing a letter of request that includes the taxpayer’s name, address, and social security number. The request **must be mailed by the due date of the tax return.**

An extension request may be denied if (1) the request was not filed timely, (2) the request did not include a copy of the federal extension (if applicable), (3) the taxpayer owes any delinquent tax, penalty or interest, or (4) the taxpayer has failed to file any required income tax return, report or related documentation. If granted, the extended due date will be the last day of the month *following* the month to which the Federal income tax return has been extended. For example, if the Federal income tax return has been extended until October 15, 2010, then the Sidney extended due date is November 30, 2010.

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An extension request that is granted is for an extension of time to file but is **NOT** an extension of time to pay. Late payment of tax owed will result in an assessment of penalty and interest.

### **CREDIT FOR TAXES PAID TO OTHER CITIES**

With proper documentation, credit is allowed for taxes paid to other cities up to a maximum of 1.5%. For example, for a resident working in the City of Dayton (2.25% tax rate), the credit allowed against Sidney taxes is 1.5% of the wages taxed by Dayton. For a resident working in the City of Bellefontaine (1.33%), full credit of 1.33% would be allowed against Sidney taxes since the rate is less than 1.5%. This means that the Sidney resident owes Sidney tax on those wages for the difference between 1.5% and 1.33%.

For Sidney residents, income derived from a profession, sole proprietorship, joint venture, partnership or other business venture is taxable to Sidney regardless of where that income is earned. A credit for taxes paid to other cities may be permitted against such income if you include copies of tax returns filed and paid in other cities.

This credit is reduced by refunds from other cities.

### **TAX RATES FOR OTHER OHIO TAX MUNICIPALITIES**

The municipal tax rates for all cities, villages and special jurisdictions in Ohio can be found on the Columbus's website at: [www.columbustax.net](http://www.columbustax.net)

### **ALLOCATION OF NET PROFITS ON BUSINESS INCOME**

A business allocation formula consisting of the average of property, gross receipts and wages paid, may be used to determine the amount of net profits attributable to Sidney. However, if the books and records of the taxpayer disclose with reasonable accuracy the net profit attributable to Sidney, then only this portion shall be considered as having a taxable status in Sidney. Refer to ORC 718.02 for a more detailed explanation on how you must arrive at this calculation. You may not choose to eliminate calculating a factor when that factor has bearing on the return (for example, sales both inside and outside must be used when there are indeed sales both inside and outside of Sidney).

### **NET OPERATING LOSS (NOL)**

Sidney permits a 5 year net operating loss carry forward. The portion of a net operating loss sustained in any taxable year, apportioned to the City of Sidney, may be applied against the portion of the profit of succeeding tax years, apportioned to the City of Sidney, until exhausted, but in no event for more than the five taxable years immediately following the year in which the loss occurred. No portion of a net operating loss may be carried back against net profits of any prior year. The portion of a net operating loss sustained shall be apportioned to the City in the same manner as permitted for apportioning net profit to the Municipality. The net operating loss of a taxpayer that loses its legal identity, by any means such as merger or consolidation, may not be allowed as a carry forward loss deduction to the surviving or new taxpayer.

### **OHIO BUSINESS GATEWAY**

Businesses may file extension requests, file their municipal income tax returns, pay estimated tax payments and/or pay their Sidney net profits income tax through the Ohio Business Gateway. See [www.obg.ohio.gov](http://www.obg.ohio.gov) for more information.

### **REFUNDS OF OVERPAYMENTS**

Overpayments will be transferred as a credit toward next year's tax unless a request for a refund is indicated on the tax return. No refund shall be made to any taxpayer until he or she has 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 15<sup>th</sup> or 90 days after the complete return is filed, *whichever is later*. Per Federal law, *\*This is a basic overview and does not replace or supersede the City of Sidney Income Tax Ordinances or Income Tax Rules & Regulations which are available at our website.*



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a Form 1099-G will be mailed to all recipients of refunds of \$10.00 or more. Refunds are allowed only when Sidney income tax has actually been paid or withheld for Sidney.

A claim for refund must be made within three (3) years from the date on which such payment was made or the return was due, whichever is later.

### **ESTIMATED TAX PAYMENTS – FOR 2010 TAX YEAR**

Every individual who anticipates receipt of taxable income not subject to employer withholding or who engages in a business, profession, enterprise or other activity subject to Sidney taxation shall file a declaration and pay estimated tax.

For individuals, the payments are due on April 15, July 31, October 31 and January 31. For businesses, the payments for calendar year-end filers are due on April 15, June 15, September 15, and December 15. Estimated payments for fiscal year businesses are due on the 15<sup>th</sup> day of the fourth, sixth, ninth and twelfth months after the beginning of the taxable year.

Estimated tax forms may be found at the City's website [www.sidneyoh.com](http://www.sidneyoh.com). We no longer mail quarterly reminders to pay estimates.

There are two methods of calculating estimated tax due for the 2010 Tax Year:

- A. Pay an amount equal to Sidney Income Tax for 2009 (current year tax) (less any Sidney tax credits). By paying 100% of the 2009 Sidney Income Tax less credits carried forward in quarterly estimated tax payments, there will be no penalty for underpayment should your income be greater in 2010. (Known as "safe harbor").
- B. If the taxpayer knows what their anticipated income will be for 2010, they can base their estimate on 90% of that anticipated income amount. Using that figure, the quarterly amount for each period can be calculated.

### **UNDERESTIMATION PENALTY**

If you have not paid in the lower 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 and the amount credited for the year.

### **BOARD OF TAX APPEALS, BOARD OF TAX REVIEW**

Taxpayers have the right to appeal a decision of the Tax Administrator to the Board of Income Tax Appeals or Board of Income Tax Review (if appealing penalty & interest only). Written notice must be filed within 30 days after the Tax Administrator issues an appealable decision.

### **FORM 2106 DEDUCTION**

Form 2106 is the Federal Form for reporting Employee Business Expenses. Employee Business Expenses are for employees only (not self-employed individuals) who pay business-related expenses from their wages. W-2 income is required to deduct 2106 expenses. For city taxation purposes, 2106 expenses are reduced proportionally to the amount deductible for federal income tax purposes. If income is allocated between cities, 2106 expenses should be allocated accordingly. There is no carry forward or backward of expenses to another year.

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For the 2009 Tax Year, here is the calculation used to determine the Sidney income tax deduction.

1. Unreimbursed employee expenses from Form 2106.....\$ \_\_\_\_\_
2. Total from Line 24 on Form 1040, Schedule A.....\$ \_\_\_\_\_
3. Percent of total..... \_\_\_\_\_ %  
(Divide line 1 by line 2)
4. Enter amount from line 27 on Schedule A of Form 1040.....\$ \_\_\_\_\_
5. Sidney income tax deduction .....\$ \_\_\_\_\_  
(Multiply line 3 by line 4)

### **INDIVIDUAL FILING STATUS**

Joint or separate returns are permissible for married taxpayers. Please note it is not necessary for married couples' filing status be consistent with the filing status used for Federal or State purposes.

### **MISCELLANEOUS INFORMATION**

Our office is not permitted to contact the tax preparer with questions about a tax return filed unless the permission box is checked "yes" on the form.

### **ASSISTANCE**

For your information, Sidney Revenue Collections staff will assist taxpayers with the preparation of the Sidney Income Tax Return. There is no charge for this service. Taxpayers need to bring in copies of their Federal 1040, all W-2 forms, 1099 Misc. and other Federal Schedules. The Tax Office is located in City Hall at 201 W. Poplar St., Sidney.

If you have any questions or concerns about Sidney income tax law, regulations or practices, please contact us by phone at (937) 498-8111, by fax at (937) 498-8149, or by email at [tax@sidneyoh.com](mailto:tax@sidneyoh.com).

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