

CITY OF LORAIN INCOME TAX INSTRUCTIONS

WHO MUST FILE:

Every Resident, full or partial year, 18 years or older, must file a tax return, whether or not taxes are due, unless that resident is retired with no earned income. See definition of earned income in the **RETIRES** section below:

Every Business Entity, whether a resident or non-resident, conducting business in Lorain, must file a return and pay any tax on that profit. If you have a net loss you are still required to file a return. ("Business" includes rental income)

Individuals, earning income in Lorain not subject to the withholding of Lorain income tax, must also file a return. If you received a Reminder Notice from this office to file a return be sure to file even if you had no taxable income for the year. If you are not subject to Lorain tax, complete the exemption certificate on page 2 of the return.

Retirees: Retirees, who earn wages, operate a business, own rental property or earn other income, are required to file. If your **ONLY** income source is retirement income (i.e. SSI, other pensions, interest, dividends, IRA and 401k distributions), complete the exemption certificate on page 2 of the return

Under 18: If a person is under 18, was employed in the city of Lorain and had Lorain taxes withheld, send in W-2(s) with a copy of driver's license or birth certificate and a refund will be issued.

FILING STATUS: Taxpayers who prepare their federal and state tax returns using the "married filing separate" status to lower their overall tax liability may still file a joint return for the city of Lorain. Filing a joint return will neither increase nor decrease your city of Lorain tax liability. Husband and wife may file joint returns, in which case both must sign the return and submit their social security numbers.

WHEN TO FILE: Taxpayers who end their taxable year on December 31 must file on or before the IRS due date. Taxpayers on a fiscal year must file on or before the 15th day of the fourth month after the close of that fiscal year or other period.

EXTENSIONS: If the deadline cannot be met, a copy of the federal request for extension or a letter, which includes name, address, social security number or federal identification number, must be filed by the due date of the return. **An extension request is not an extension of time to pay.** Payment of any estimated tax due should accompany the extension request. If no request for extension is filed, a \$25 late filing penalty will be assessed. Also see declaration of estimated tax payments.

PARTIAL YEAR RESIDENTS: If you only lived in Lorain during part of the year you must file a tax return covering that time. Report the amount of income you earned while you lived in Lorain. Pay statements with year-to-date figures or a statement from your payroll department must be used if available. When the actual amount you earned while living in Lorain cannot be determined, you may break down your earnings by the number of months employed at the job arriving at a monthly earnings figure. Use the monthly earnings figure multiplied by the number of months of residency to find your taxable amount. If you pro-rate your income you must also pro-rate your city tax that was withheld on the same income. **Attach worksheet to show calculations.**

DECLARATION OF ESTIMATED TAX FOR THE COMING YEAR: Taxpayers who had a tax liability of more than \$100 when filing their return **MUST** pay estimated payments during the next tax year. 25% of the full amount should be paid at the time of filing the Annual Return on April 30th. The remaining estimated tax payments are due June 30th, September 30th and December 31st. Penalties will be assessed for non-payment of estimates.

PENALTY AND INTEREST: Except in those cases where an extension was filed, a late fee of \$25 shall be due on returns filed after the due date, even when no tax is due. A late payment penalty of 10% of the unpaid balance will be assessed on all tax payments received after April 15th. In addition, interest will accrue at 1% per month on the unpaid balance.

NET OPERATING LOSSES: The net loss from an unincorporated business activity may **NOT** be used to offset salaries, wages, commissions or other compensation. The portion of a net operating loss, based on income taxable under the ordinance allocable to Lorain may be applied against the portion of the profit of succeeding years until exhausted, but in no event for more than five (5) years. **An NOL schedule must accompany this return.**

AMENDED RETURNS: Amended returns are accepted by completing an income tax return with the words "Amended Return" written in red ink across the top and indicating the year being amended. The amended return is required within three (3) months of the final determination of any changed tax liability resulting from a Federal audit, judicial decision, or other circumstances.

TAXABLE INCOME: Lorain income tax is levied at the rate of 2%. Income taxable to the city is listed below. While this list is not comprehensive, it encompasses most of the taxable situations. In addition to the listing, the net profits of all unincorporated businesses, professions, rentals or other activities conducted by residents and non-residents of the city of Lorain are taxable.

TAXABLE INCOME	
Wages, Salaries And Other Compensation Bonuses, Stipends And Tip Income Commissions, Fees And Other Earned Income Employee Contributions To Retirement Plans And Tax Deferred Annuity Plans (Including Sec. 401k, 403b, 457b, Etc.) Net Rental Income Net Profits Of Businesses, Professions, Sole Proprietorships, Etc. Income From Partnerships, S-Corporations, Estates Or Trusts Employee Contributions To Cost Of Fringe Benefits Sick Pay Vacation Pay Stock Options Net Farm Income	Income From Guaranteed Annual Wage Contract Prizes And Gifts, If Connected With Employment, To The Same Extent As Taxable For Federal Income Tax Purposes Director Fees Income From Jury Duty Strike Pay Employer Provided Educational Assistance, Taxable To The Same Extent As Taxable For Federal Income Tax Purposes Executor Fees Disability Payments From Employer Supplemental Unemployment Benefits (SUB Pay) Gambling And Or Lottery Winnings After 03/01/2004

NON-TAXABLE INCOME	
Interest Or Dividend Income Pre-Tax Contributions Made By Or On Behalf Of Employees To Cafeteria Plans (Sec 125 Plans, Etc.) Welfare Benefits Social Security Income From Qualified Pension Plans State Unemployment Benefits Worker's Compensation Proceeds Of Life Insurance Third Party Sick Pay Alimony	Government Disability Payments Poll Worker Income Active Duty Military Pay (Including National Guard When On Active Duty) Earnings Of Persons Under 18 Years Of Age Capital Gains Patent And Copyright Income Royalties Derived From Intangible Property Annuity Distributions Compensatory Insurance Proceeds Derived From Property Damage Or Personal Injury Settlements

LINE BY LINE INSTRUCTIONS

Complete the worksheet detailing the information received on your W-2s. If you are only reporting on one W-2, it is not necessary to complete this worksheet. Proceed to Line 1 of the tax return.

PAGE 1

Column 1 – Enter the city where employed from Box 20. If your W-2 states “various” or “all cities”, please attach a copy of the itemized breakdown.

Column 2 – Enter the wages earned on each W-2. In most cases the amount shown in Box 18 of the W-2 should be used. However, if Box 5 is higher, that wage must be used to calculate total wages earned.

Column 3 – Unreimbursed employee business expenses in excess of 2% of Federal Adjusted Gross Income may be deducted. If income is allocated between cities, 2106 expenses must likewise be allocated. **Federal Form 2106 and Schedule A must be included with return.**

Column 4 – Enter Lorain tax withheld from Box 19 on W-2

Column 5 - For 2010, Lorain will allow a tax credit of **1.08%** for taxes withheld by another city. Credit may not exceed 1.08% of the wages actually taxed by another city on each W-2 form. When you reduce income earned in another city by 2106 expenses, you must also reduce the tax credit in Column 5. If a portion of your gross wages is not taxed by another city, 2% tax is owed on that portion. (For example, township wages are not withheld, therefore, no credit is given and the wages are taxed at the full 2% rate).

Line 1 – Enter the total amount of W-2 wages from Column 2. Attach all W-2s on the back of the return.

Line 2- Enter 2106 expenses from Column 3

Line 3 – Taxable Wages: Subtract Line 2 from Line 1

Line 4 – Other Income: Enter the amount of other income from Schedules C, E, or H from the back of the return, but not less than 0. Attach appropriate schedules and documentation. Attach 1099s on the back of the return with the W-2s.

Line 5 – Total Lorain Income: Add Lines 3 and 4

Line 6 – Lorain Income Tax: Multiply Line 5 by 2% (.020).

Line 7 – Enter the Lorain tax withheld from Column 4

Line 8 - Enter any Prior Year Credits

Line 9 – Enter any Estimated Payments made.

Line 10 – Enter credit for taxes withheld by employers to other cities from Column 5. **For 2010 credit will be given in amount of 1.08%**

Line 11 – Total Payments and Credits: Add lines 7 through 10

Line 12-Subtract Line 11 from Line 6. If Line 6 is more than Line 11 enter Balance Due

Line 13 – Enter Late Filing Penalty plus 10% of balance due, if applicable.

Line 14 – Enter Interest at 1% per month on balance due

Line 15 – Add lines 12, 13 and 14. Enter Total Due.

Line 16 – If Line 6 is less than Line 11, enter Overpayment

Line 17 & 18 – Indicate disposition of overpayment either by Refund or Credit to next year.

NOTE: If your balance due on Line 15 exceeds \$100 you must calculate estimated payments for the following year.

Line 19 – Enter Total Estimated Tax on income subject to tax, multiplied by the tax rate of 2%.

Line 20 - Enter any Lorain tax to be withheld or credit for tax withheld and paid to another city.

Line 21- Enter Net Tax Due by subtracting Line 20 from Line 19

Line 22 – Tax Due Before Credits: Enter amount due with estimate, 25% of Line 21.

Line 23 – Credits: If applicable, enter overpayment from previous year (Credit Line 18). If credit Line 18 exceeds Line 22, credit will carry over into 2nd Quarter payment. No estimated tax will be due at this time; unless you want to pay your remaining estimated balance in full for the year.

Line 24 – Net Estimated Tax Due: Subtract Line 23 from Line 22.

Line 25 – Enter balance due from Line 15.

Line 26- Total Tax Due: Add Lines 24 and 25.

Sign and date return. Make check payable to Lorain Income Tax Department.

PAGE 2

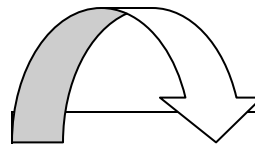
SCHEDULE C: Net profits shall be determined on the basis of the information used for Federal Income tax purposes, adjusted to the requirements of the ordinance. All business entities must attach copies of appropriate Federal schedules.

SCHEDULE X: See ORC 718.01(A) (1) for items that are taxable and deductible.

SCHEDULE E: Rental income is taxable

Schedule H: This schedule is used to list all other taxable income not reported elsewhere in this return.

SCHEDULE Y: To be used only when the books and records of the taxpayer do not disclose with reasonable accuracy the net profit attributable to Lorain. A business allocation formula consisting of the average property, wages paid, and gross receipts may be used by business entities not required to pay tax on entire net profits.



Try the Online Tax Preparation Tool on the Web at <http://www.cityoflorain.org/treasurer>.

You will need the PIN found in the top right hand corner on the front of the tax letter that was mailed to your home.

You may also call the Income Tax office at 440-204-1002