

## General Instructions for filing a Business Return

### Line 1) – **Adjusted Federal Taxable Income**

Enter the Adjusted Federal Taxable Income (AFTI). As defined by Ohio Revised Code (ORC) 718.01 AFTI means a C-corporation federal taxable income before net operating losses and special deductions. Other business entities must compute the AFTI as if they were a C corporation. Generally this is the line titled “Income/(Loss) Reconciliation” on the Schedule K of the Form 1120S for subchapter S corporations or Line 1 page 4 of the Form 1065 Analysis of Net Income (Loss) for partnerships and limited liability companies.

### Line 2) – **Schedule X – Reconciliation with the Federal Return**

A. Enter the amount included in Line 1 of the Business Tax Return related to the sale, exchange, or other disposition of an asset described in section 1221 or 1231 of the Internal Revenue Code. This includes the 1231 loss reported on Form 4797.

B. Enter any taxes on or measured by net income included as a deduction in computing Line 1 of the Business tax return.

C. Enter any guaranteed payments or similar payments made to partners, members or other owners that were deducted in arriving at the income amount on Line 1. This includes amounts related to self-employed retirement plans and health or life insurance for an owner or owner-employee.

D. Enter 5% of the intangible income included in Line 1 of the Business tax return that is not directly related to the sale, exchange or other disposition of property described in Section 1221 or 1231 of the Internal Revenue Code.

E. Add Real Estate Investment Trust distributions allowed as a deduction in the computation of Federal Taxable Income.

F. Other. Please provide a complete explanation. Examples: losses from flow-thru entities, 10% charitable contribution limitation.

G. Add Lines A through F.

H. Enter the amount of the income that is included on Line 1 of the Business Tax Return that is directly related to the sale, exchange, or other disposition of an asset described in Section 1221 or 1231 of the Internal Revenue Code less the income and gain included in this amount that is described in Section 1245 or 1250 of the Internal Revenue Code.

I. Enter the total amount of intangible income included in Line 1 of the Business tax return that is not directly related to the sale, exchange or other disposition of property described in Section 1221 or 1231 of the Internal Revenue Code. Intangible income generally includes, but is not limited to interest, dividends, copyrights and patents. For further clarification, refer to Section 311-3-11 of the Fairfield Municipal Code.

J. If Line 1 of the return includes other income exempt from municipal tax, enter on this line and provide an explanation.

K. Add Lines H-J.

L. Deduct Line K from Line G. Insert the net amount as an addition (or deduction) on Part A, Line 2.Amount from Line L, Schedule X (Reconciliation with Federal Income Tax Return) on page 2 of the City return. Items not deductible or not taxable are listed in the appropriate columns of the schedule.

Line 3) – The amount reflected here should be the addition or subtraction of line 2 from line 1.

### Line 3A) – **Schedule Y – Apportionment to Fairfield**

Step 1. Compute the percentage of the original average cost of the real and tangible personal property owned or used by the taxpayer in the City of Fairfield during the taxable period to the original average cost of all of the real and tangible personal property owned or used by the taxpayer during the same period, wherever situated. If the records showing the value of mobile tangible personal property owned or used in the City of Fairfield are not available, the business may use the sales factor percentage derived in Step 2 as the determinant for mobile equipment in Step 1. Real property shall include property rented or leased by the taxpayer. The value of such property shall be determined by multiplying the annual rental thereon by eight.

Step 2. Compute the percentage of the gross receipts of the business or profession from sales made and services performed during the taxable period in the City of Fairfield to gross receipts of the business or profession during the same period from sales and services, wherever made or performed.

Step 3. Compute the percentage of total personal compensation paid during the period for services performed in the City of Fairfield to total personal compensation paid during the same period for all business locations. Do not include amounts paid to contractors.

Step 4. Calculate the total of the percentages derived in Steps 1 through 3.

Step 5. Divide the total derived in Step 4 by the 3. If any columns 1A, 2A, or 3A are zero then divide the total derived in Step 4 by the number of percentages used. Insert this percentage on Line 2 of the return- Apportionment percentage.

**General Instructions for filing a Business Return (continued)**

Line 4) – Fairfield Taxable Income (Line 3 multiplied by Line 3A).

Line 5) – Losses previously filed with the City of Fairfield (limited to three years carry forward), attach schedule.

Line 6) – Income subject to Fairfield City tax (line 4 less 5).

Line 7) – Fairfield Tax - Tax rate is 1.5% times the income subject to Fairfield (line 6 multiplied by 1.5% or (.015).

Line 8) – Tax Credits

- A. Estimated payments made towards current year tax liability. Do not include tax due balance from previous year(s), interest, and or penalties assessed on prior years.
- B. Prior year overpayments – Credit claimed on filed tax return for previous year.
- C. Total tax credits – add lines 8A and 8B.

Line 9) – Balance Due – If line 7 is greater than line 8C, subtract Line 8C from Line 7 otherwise go to line 10, **Amounts of \$1.00 or less are not due.**

- A. Penalty – Penalty and/or Interest, if applicable, will be calculated by the Income Tax Division. Penalties include: Late Filing - \$50; Estimated Tax (see Lines 8A & 8B) - \$50; Late Payment – greater of \$50 or 2% per month for up to twelve months past original due date OR 5% per month if over twelve months on the outstanding balance.
- B. Interest is 1% per month on the outstanding balance.
- C. Add lines 9A and 9B.
- D. Add lines 9 and 9C.

Line 10) – Overpayment – If line 8C is greater than line 7, subtract line 7 from 8C. **Amounts of \$1.00 or less will not be refunded or credited.**

- A. Refund Amount – Unless taxpayer request an amount to be refunded, any overpayment will be credited to next years estimated payments. If overpayment is adjusted, refund amount will be net the adjustment, and or amount requested to be credited towards next year.
- B. Credit amount – The amount of overpayment requested to be applied towards next year.

Line 11) – Total Income Subject to Tax, it is recommended that taxpayers who are unsure of the taxable income for the next year use the current year's income as an estimate. Multiply estimated income by 1.5% (.015). If estimated income is a loss enter zero.

Line-12) – Operating Loss Carryforward – enter amount of losses available for carry forward (limited to past 3 years).

Line 13) – Estimate Tax due (Total income subject to tax less Carryforward loss (line 12), multiplied by 1.5% or (.015).

Line 14) – Prior year credit form line 10B.

Line 15) - First quarter estimated tax payment (minimum of 22.5% (.225) of line 13.

Line 16) – If line 14 is greater than line 15, enter zero.

Line 17) – Total Tax due add lines 19D and 16.