

Instructions for Form IR-1

Individual Return

For use in preparing

2019 Returns

These instructions are applicable to the City of Englewood. If you have any questions about completing any of our forms and/or need tax forms, please call (937)836-5106. All forms and instructions are also available on-line at www.Englewood.oh.us.

Do I need to file?

You need to file if any of the following apply:

- You are a resident of the City of Englewood during any part of the tax year and are 18 years of age or older.
- You earned income in the City of Englewood which Englewood income tax was not fully and/or correctly withheld.
- You were not a resident of the City of Englewood, but you engaged in a business or profession within the city limits; whether the business showed a profit or loss.
- You were not a resident of the City of Englewood, but you own/owned property in the city and collect rent from a resident; whether the business showed a profit or loss.

Can we file a joint return?

A married couple may file a joint return regardless of the filing method used on their federal return. Joint returns must be signed by both spouses and include both social security numbers.

Can I use Form IR-1?

You can use Form IR-1 if you had income (loss) taxable to the city. Corporations (including S-corporations), partnerships, joint ventures, and fiduciaries (estates and trusts) must file using Form BR-1.

When and where do I file?

- This return must be filed on or before the fifteenth day of the fourth month following the close of the tax year. For calendar year taxpayers, this means the return is due **April 15th** unless the IRS or the State of Ohio extends the filing date.
- Any taxpayer that has requested an extension for filing their Federal income tax return shall automatically receive the same extension for filing of the City tax return. Taxpayers who have not received or requested a Federal extension may request an extension from the City provided the request is received before the original due date of the return. An extension of time to file is NOT an extension of time to pay any tax due.
- Mail to: Englewood Income Tax Department
333 W National Rd
Englewood, Ohio 45322

What if I file or pay late?

The City of Englewood imposes penalties and interest on taxes remaining unpaid after April 15th and on estimated taxes that were underpaid. Thus, if you are unable to pay the full amount of tax owed, you should still file your return along with payment of as much as possible.

The city also has a late filing charge of \$25.00 per month with a maximum charge of \$150 per return for all returns filed after the due date, except estimated tax returns.

Are there any special rules for refunds?

- Refunds resulting from an overpayment of estimated tax or the deduction of employee business expenses may be requested using this form. You must attach a copy of your Federal Form 2106 and Federal Schedule A to claim employee business expenses on Form IR-1. Federal Form 2106 which has expenses reported on Line 4 only are not required to be filed with IRS and will not be allowed on the city return. The 2% AGI floor on the Federal return will apply to any 2106 expense.
- A refund must be greater than \$10 to be issued.
- There is a three (3) year statute of limitations for claiming a refund or credit of any overpayment of city tax.

What is taxable income?

For **RESIDENTS**, taxable income includes all salaries, wages, commissions, and other compensation regardless of where it was earned. The income is taxable whether paid in cash, property, or other consideration. This includes the reasonable value of meals, lodging, and the like. You may reduce your taxable wage income by your allowable Form 2106 expenses.

Taxable income also includes the net profits of all unincorporated businesses, such as: real estate and equipment rentals, sole proprietorships, trusts and a resident's share of partnership income (whether distributed or not). These unincorporated business profits are taxable regardless of where business was conducted. You may be entitled to a credit for taxes paid to the city where your income was earned. Net operating loss carry forwards and carry backs are not permitted for city tax purposes for tax years 2017 and prior. Beginning in tax year 2018, up to 50% of the previously unused 2017 or after net loss can be used to offset the current year taxable income. This offset is limited to the lesser of 50% the total available net loss or 50% of the current year profits before net operating loss carry forward is applied.

For **NON-RESIDENTS**, taxable income includes all salaries, wages, commissions, and other compensation earned in the City of Englewood, after allowable Federal Form 2106 expenses. Taxable income also includes net profits of all unincorporated businesses such as real estate and equipment rentals, sole proprietorships, trusts, and your share of partnership income (whether distributed or not) if the business was conducted in the City of Englewood.

The City of Englewood taxable wages are calculated before any deduction for things such as 401(k) deferrals.

Determine net profits from unincorporated business in accordance with the accounting method used for Federal income tax purposes. Any expenses claimed must be ordinary and necessary. Passive activity losses are deducted the year incurred: PAL carry forwards are not allowed for city tax purposes. In addition, net operating loss carry forwards and carry backs are not permitted for tax years 2017 and prior. Beginning in tax year 2018, up to 50% of the previously unused 2017 or after net loss can be used to offset the current year taxable income before apportionment. This offset is limited to the lesser of 50% the total available net loss or 50% of the current year taxable income before net operating loss carry forward is applied.

If you are engaged in two or more unincorporated businesses in the same city, the net loss of one unincorporated business may be used to offset the profits of another for purposes of arriving at overall net profits from unincorporated businesses for that city.

City taxable income does not include proceeds of insurance policies if the employee paid all the premiums. City taxable income also does not include compensation for personal injury and property damages. Expenses, costs, and losses incurred in connection with income not subject to city income tax may not be used to reduce city taxable income.

See Appendix A – Taxable and Non-Taxable Income – for a list of examples of different types of income and whether they are taxable. This list is intended for reference purposes only. It may not be all inclusive and is subject to revision without notice.

What are unincorporated businesses?

- Sole proprietorships – Schedule C, Federal Form 1040
- Rental properties - Schedule E, Federal Form 1040
- Partnerships, Joint Ventures, and other type associations (These businesses file their own returns using Form BR- 1; however, you must report your share of their city taxable income on your individual return if you are a partner).

COMPLETING FORM IR-1

- Please enter the information in the spaces provided for name, current address, Englewood account number, and SSN. If you are filing a joint return, provide your spouse's name and SSN.
- If you are amending a tax year, place an "X" in the box marked **AMENDED** and be sure to indicate the tax year that you are amending in the space provided. If you are amending the city return based upon an amended return that you filed with the IRS, you must include a copy of the amended Federal return, including any applicable schedules pertaining to the amendment. If you are filing an amended city return based upon an audit that the IRS conducted, you must include documentation pertaining to the audit and note any changes that were made by the IRS to reduce or increase your taxable income.
- Indicate your filing status.
- If you moved, enter the date of your move. If you are allocating income as a result of your move, you will need to complete PART E: Section 3. Attach a copy of a paystub dated closest to your move date or an explanation of the method used to determine the allocation.

PART A: TAX CALCULATION

Column A - Indicate your employer(s). Attach an additional page if more space is needed.

Column B - Indicate city W2 wages from each employer.

Column C - Complete PART E for adjustments to W2 wages otherwise Column C will equal Column B.

Wages for city tax purposes may differ from the Federal Medicare wages reported on Box 5 of the W2 as adjusted under §718.03 of the Ohio Revised Code. City taxable wages include all wages that may be deferred or excluded from Federal and State taxable wages under §401 of the Internal Revenue Code. These deferrals appear in Box 12 of your W-2 with codes D, E, F, G, and S. You may be subject to additional tax due to residency if your employer does not collect and remit courtesy withholding or your employer has incorrectly reported taxable income.

Column D – Column C times 1.75%.

Column E – Englewood local taxes withheld in Box 19 of the W-2 only. (Must say Englewood in box 20 of the W-2.)

Column F – Credit for taxes paid to other cities is limited to 1.75% of wages taxed for each city on the W2.

Column G – Column D less Column E less Column F. (Column G can only show an overpayment/negative amount if Column E exceeds Column D. Column F cannot exceed Column D.)

Line 1 – Total of Column G.

Line 2 – Total of PART B Line 12.

Line 3 – Total of above Line 1 and Line 2.

Line 4 – Enter all declaration payments made during the current tax year and any overpayment carried forward from the prior year. Do not enter tax withheld or paid by a partnership on your behalf.

Line 5 – Line 3 less Line 4 (If Line 4 is greater than Line 3, enter amount here and carry to Line 8).

Line 6 – Enter penalty, interest, and late filing fees here.

Line 7 – Add Line 5 and Line 6 (No payment is due if balance is \$10 or less).

Line 8 – If Line 4 exceeds Line 3 enter the excess here.

Line 8A – Enter the amount of Line 8 you want credited to your next year tax estimate.

Line 8B – Enter the amount of Line 8 you want refunded (no refund for amounts \$10 or less).

PART B: OTHER INCOME

Column H – Enter net profit (or loss) from PART F, Line 23, or from Schedule Y if you are allocating your income. Schedule Y is used only if you engaged in business in more than one taxing district. If you attached a copy of your Federal Schedule C in lieu of completing PART F on Page 3, enter your net profit (Line 31) from Schedule C.

Column I - Enter net income (or loss) from PART G, Line 27, or from your Federal Schedule E if attached in lieu of completing PART G or Schedule Y. Individual taxpayers who report more than one rental property on Federal Schedule E are considered by the Department to be in the business of renting property. Per §718.02 of the Ohio Revised Code a business or profession conducted within and without the boundaries of a municipal corporation is required to use the three part allocation formula when calculating net profits for municipal taxation (Schedule Y).

Column J – Enter any other income.

Column K – Enter gambling winnings.

Column L – Total of Columns H through K.

Line 9 – Total of Column L.

Line 10 – Column L times 1.75% (tax rate).

Line 11 – Credits for taxes paid to other cities – the credit is limited to 1.75% of income taxes paid per activity and per city. Attach a copy of the other cities tax return that will provide the necessary proof of the credit taken.

Line 12 – Line 10 less Line 11 (This amount gets carried up to Line 2 in PART A). If line 11 is greater than Line 10, enter \$0.

PART C: DECLARATION OF ESTIMATED CITY INCOME TAX

- Taxpayers (resident or nonresident) who anticipate owing city tax more than \$200 must complete PART C of this form.
- The declaration should be filed with the tax return by April 15th.
- Your first quarter payment should be submitted with the declaration.
- No extensions of time to file or pay will be granted.
- Each subsequent quarterly payment should be paid using one of the estimated tax payment coupons. Your second, third and fourth payments are due on June 15, September 15 and January 15, respectively.
- We will also consider your estimated taxes as filed in good faith if the timely quarterly payments equal or exceed 100% of the tax shown on your prior year return.
- Failure to make timely quarterly declaration tax payments may result in penalty and interest assessments.

Line 13 – Total estimated wages or other income for the upcoming year.

Line 14 – Line 13 times 1.75%.

Line 15 – Credits that will be allowed for taxes paid to other cities limited to 1.75%.

Line 16 – Line 14 less Line 15.

Line 17 – Line 16 divided by 4 quarters.

PART D: SIGNATURES

Sign and Date Your Return

Form IR-1 is not considered a complete return unless you sign it and attach all W-2 statements and applicable federal tax documents. If you are filing a joint return, your spouse must also sign.

If you wish the City of Englewood to communicate with you about questions or adjustments to your return using a secured email system, check the box in this section. If you are filing a joint return, your spouse must also check a box. You do not have to provide two separate email accounts.

Paid Preparers Must Sign Your Return. Anyone you pay to prepare your return must sign and date it in the space provided, and provide their Paid Preparer Tax Identification Number (PTIN).

Third Party Designee

If you want to allow a friend, family member, or any other person you choose to discuss your tax return with the City of Englewood, check the "YES" box in the "Third Party Designee" area of your return. Enter the designee's name and phone number.

If you want to allow the paid preparer who signed your return to discuss it with the City of Englewood, just enter "Preparer" in the space for the designee's name. You do not have to provide the other information requested.

If you check the "YES" box, you and your spouse, if filing a joint return, are authorizing the City of Englewood to call the designee to answer any questions that may arise during the processing of your return. You are also authorizing the designee to:

- Provide the City of Englewood any information that is missing from your return.
- Communicate with the City of Englewood about the processing of your return or the status of your refund or payment(s).
- Receive copies of notices or transcripts related to your return.
- Respond to certain City of Englewood notices about math errors, offsets, and return preparation.

You are **not** authorizing the designee to receive a refund check, bind you to anything (including additional tax liability), or otherwise represent you before the City of Englewood. The authorization will remain in effect for the specific return and tax year on which it appears, unless rescinded on a subsequent return for the same tax year, or in writing by the taxpayer.

PART E: ADJUSTMENTS TO WAGES

Section 1 – 2106 Expense Adjustment

- You may offset your W2 wages using Form 2106 expense subject to a few limitations.
- Attach a copy of Form 2106 and Schedule A.
- Indicate to which W2 the expenses relate. If you are claiming for several jobs, you need to attach a separate Form 2106 for each W2.
- Form 2106 expenses may not exceed your earnings from the employer to which the expenses relate.
- You **MUST** be allowed this deduction on your Federal return in order to take it for the City. The 2106 expenses are limited on the City return to the amount of the expenses actually deducted for federal income tax purposes for the year, subject to the 2% floor limitation. Thus, if you can claim all the expenses reported on your Form 2106 directly on Schedule A of your Federal return without being required to file Form 2106, you may **NOT** claim these expenses on your City return.
- Form 2106 expenses (and the associated wages) related to your work as a nonresident truck driver or nonresident railroad employee are reported in Section 5 below.
- Form 2106 expenses (and the associated wages) associated with your work as a nonresident claiming a refund for wages earned outside of our taxing districts are reported on Section 6 below.

Section 2 – Under the age of 16 Withholding

- You may reduce your taxable wages by the amount of wages you earned while under the age of 16.
- You must attach a copy of your driver's license or birth certificate. **Do not send originals** — they will not be returned.

Section 3 – Partial Year Residents

- Enter the dates you were a resident on the first line.
- You may reduce your taxable wages by the amount of wages earned while you were not a resident of Englewood.
- If you are using a paystub to calculate this allocation, please attach.
- If you are using any other method of allocation, please explain.

Section 4 – Tax Withholding Correction

- You **MUST** attach W-2(s) and supporting documentation.

Section 5 – Non Resident Over-the-Road, Air Carriers, Railroad Employees

- Use these lines only if you are a nonresident employee working in one of these industries and are regularly assigned duties **within Ohio only**.
- Be sure to complete *Certification by Employer regarding Adjustments to Wages*

Section 6 – Non Resident working outside the city limits

- Lines 17-27 guide you through a formula based on a work year consisting of 260 days.
- The 260 days represent five days per week times 52 weeks.
- Sick, vacation, and holiday pay are days within Englewood.
- Form 2106 expenses associated with this job are prorated by the formula.
- Be sure to attach a list of all the dates you worked outside of Englewood, along with the locations (city and state) at which work was performed.
- Credit for taxes withheld for a workplace cannot exceed:
 - The workplace city tax rate times the workplace city taxable income after Form 2106 expenses.
 - The workplace city taxable income times Englewood's tax rate.
- Be sure to complete *Certification by Employer regarding Adjustments to Wages*.

PART F: SCHEDULE C – INCOME (LOSS) FROM SELF-EMPLOYMENT

- The questions on Schedule C should be answered in full. List income and subtract expenses to determine net profit or loss from business or profession.
- A copy of your Federal Form 1040, Schedule C will be accepted in lieu of completion of PART F on Form IR-1.
- A separate PART F should be completed for each Schedule C reporting.
- All schedules and/or forms supporting the information listed should be attached to your return.

PART G: SCHEDULE E – RENTAL INCOME (LOSS)

- Enter income (loss) produced from rental property by providing the detailed information in the appropriate columns.
- Federal Form 1040, Schedule E will be accepted in lieu of complete of PART G on Form IR-1.
- Individual taxpayers who report more than one rental property on Federal Schedule E are considered by the tax department to be in the business of renting property and thus should use Schedule Y – Business Allocation Formula to calculate the portion of income or loss.
- Rental income is taxed first to the city where the income has been allocated, and then paid to the city of residence (if the allowable credit for taxes paid to the city where the income has been allocated is not equal to or greater than tax due to your city of residence).
- If the property is not located in any taxing district, income is taxed to the owner's city of residence.

SCHEDULE Y – BUSINESS ALLOCATION FORMULA

STEP 1- List the average original cost of all real and tangible personal property owned or used by the taxpayer. Also list the gross annual rental income multiplied by 8.

STEP 2- List the gross receipts from sales made or services performed.

STEP 3- List the wages, salaries, and other compensation paid to W-2 employees for services performed.

STEP 4- Total the percentages from each STEP.

STEP 5- Divide STEP 4, by the number of STEPS used in this Schedule.

STEP 6- Multiply STEP 5 by the total income produced for this business. Transfer this total to PART B.

APPENDIX A

WHAT IS TAXABLE INCOME?

- Bonuses
- Compensation paid in property or the use thereof at fair market value to the same extent as taxable for federal tax purposes and so indicated on the W-2 form
- Contributions made by or on behalf of employees to qualified deferral plan (401K and the like) – taxed in year earned, deferrals are not permitted. Exception: employer matching contributions offered under a cafeteria plans are not taxable.
- Contributions made by, or on behalf of employees to a tax-deferred annuity or stock purchase plan (includes any plan where employee has the option to defer)
- Contributions made by, or on behalf of employees to a non-qualified deferred compensation plan.
- Cost of group term life insurance over \$50,000 (unless part of a cafeteria plan)
- Director's fees
- Excess employee discounts
- Executor fees
- Farm Net Income - Schedule F, Federal Form 1040
- Gambling/Lottery winnings
- Golden parachute payments
- Income from guaranteed annual wage contracts
- Income from jury duty
- Income from wage continuation plans (includes retirement incentive plans and buy-outs)
- Income received as a result of a covenant or agreement not to compete, relating to employee wages
- Interest on below market loans
- Moving expense reimbursements (follow Federal rules but non-reimbursed expenses are not deductible)
- Pre-retirement distributions from retirement plans (except previously taxed income from deferred plans)
- Prizes, awards, and gifts – if connected with employment
- Prizes and winnings from sweepstakes
- Profit Sharing
- Royalties (unless derived from registered copyrights, patents or trademarks)
- Severance pay
- Sick and/or vacation pay (Third Party sick pay is not taxable)
- Stipends – if work required (vow of poverty not recognized)
- Stock bonus incentive plans
- Stock options
- Strike benefits paid by employer
- Supplemental unemployment pay paid by employer
- Taxes paid by employer on employee's behalf
- Tips
- Uniforms, automobile, moving and travel allowances
- Union steward fees and strike pay
- Wages, salaries, other compensation, bonuses, stipends, tip income, vacation pay, stock options, sick pay, strike pay, commissions, fees, and other earned income.

WHAT INCOME IS NOT TAXABLE?

- Alimony
- Annuities - at time of distribution
- Capital gains
- Dividends
- Housing allowances for clergy to the extent that the allowance is used to provide a home
- Income earned while under 16 years of age
- Income from serving as a precinct election official if less than \$1,000
- Income from qualified pension plans
- Interest income
- Long-term disability payments
- Meals and lodging required on premises
- Military pay including active and reserve pay.
- Nonresident subchapter S corporation income to a resident shareholder (effective 1/1/03) is no longer taxable
- Patent and copyright income
- Pension income - includes lump sum distributions
- Proceeds of life insurance
- Royalties - if derived from intangible property
- Section 125 Cafeteria Plans
- Social Security benefits
- State unemployment benefits
- Tax-exempt tangible or intangible property or tax-exempt activities
- Third Party sick pay
- Welfare payments
- Worker's Compensation