



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
Website - www.sidneyoh.com

INFORMATION FOR 2011 RETURNS

MANDATORY FILING:

Every Sidney resident 18 years of age and older must file a Sidney income tax return, even if Sidney income tax is fully withheld.

*Please **REMIND** your clients that although they have electronically filed their Federal and State return they must still mail or deliver their Sidney tax return.

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.

** **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 the Federal Form 1040, if applicable) must be completed. This form can be found at 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.

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 INFORMATION:

- ✓ Federal deductions such as ½ self-employment tax, self-employed health insurance premiums and greater than 2% S-corp owner health insurance premiums are not deductible for Sidney purposes.
- ✓ A copy of **Page 1 of the 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. Please see attached schedule for further guidance.
- ✓ 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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FORMS FOR 2011:

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, the Sidney post office, the Sidney branch of the Amos Public Library and the Revenue Collections office at City Hall. Taxpayers are being mailed postcards with a reminder to file and directing them to the City's website for forms.

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, scholarship income to the extent that it is taxable at the federal level, union steward fees, and executor fees. For a more complete listing, please see our website or Income Tax Ordinance.

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, please 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 distributions, 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.

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RETURN DUE DATES

For calendar year taxpayers, the 2011 Sidney Income Tax Return is due **on April 17, 2012**. 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 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, 2012, then the Sidney extended due date is November 30, 2012.

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.columbusntax.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 ON YOUR Schedule Y unless the amount located everywhere else is zero.

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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 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 17th or 90 days after the complete return is filed, *whichever is later*. Per Federal law, a Form 1099-G will be mailed to all individual recipients for 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 2012 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 17, July 31, October 31 and January 31. For businesses, the payments for calendar year-end filers are due on April 17, June 15, September 17, and December 17. 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 may be found at the City's website www.sidneyoh.com. We no longer mail quarterly reminders to pay estimates.

There are two methods of calculating estimated tax due for the 2012 Tax Year:

- A. Pay an amount equal to Sidney Income Tax for 2011 (current year tax) (less any Sidney tax credits). By paying 100% of the 2011 Sidney Income Tax less credits carried forward and in quarterly estimated tax payments paid timely, there will be no penalty for underpayment should your income be greater in 2012. (Known as "safe harbor").
- B. If the taxpayer knows what their anticipated income will be for 2012, they can base their estimate on 90% of that anticipated income amount. Using that figure, the quarterly amount for each period can be calculated.

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UNDERESTIMATION PENALTY

If you have not paid in the lower of (1) 90% of the current tax year’s tax liability (through timely 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 that was paid timely.

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.

For the 2011 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.

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