CITY OF BROOK PARK INCOME TAX INSTRUCTIONS

WHO MUST FILE:

Every Resident, full or partial year, 18 years of age and 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 **RETIREE** section below.

Every Business Entity, whether a resident or non-resident, who conducts a business in Brook Park 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 Brook Park not subject to the withholding of Brook Park income tax must also file a return.

If you received a letter of need to file from this office be sure to **file, even** if you had no taxable income for the year. If you are not subject to Brook Park 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 the entire year, was employed in the city of Brook Park and had Brook Park taxes withheld, a refund will be issued after receiving a signed tax return with W-2s/W-2Gs and a copy of driver's license or birth certificate attached for verification. Please file refund request form found on our website www.cityofbrookpark.com/tax-department.

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 Brook Park. Filing a joint return will neither increase nor decrease your City of Brook Park 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 to file cannot be met, an automatic extension will be granted if taxpayer received an extension on his federal return. If an extension was not requested or received for federal purposes, a taxpayer may still request an extension to file his city tax by sending a request to the Tax Office by the unextended due date of the return. Extension Forms are located on our website. **An extension of time to file is not an extension of time to pay.** Payment of any estimated tax due should be sent in by the unextended due date of the return to avoid a late payment penalty. Although not required by state law, a courtesy copy of the extension by the due date of the return would be appreciated. A copy of the extension must be attached to the return when filed or the return will be considered late and a late filing penalty applied.

TAXABLE INCOME

Wages, salaries and other compensation
Bonuses, stipends and tip income
Commissions, fees and other earned income
Sick pay
Employee contributions to retirement plans and tax deferred annuity plans (including Section 401k, 403b, 457b, or similar plan)
Net rental income
Net profits of businesses, professions, sole proprietorships, etc.
Income of corporations, partnerships, s-corporations, estates or trusts (Taxed at the entity level)
Vacation pay
Stock options
Net farm income
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
Uniform, automobile, moving and travel allowances (in excess of expense)
Executor fees
Supplemental Unemployment Benefits (SUB pay)
Lottery winnings/Gambling
Compensatory insurance proceeds from lost wage settlements

PARTIAL YEAR RESIDENTS: If you only lived in Brook Park 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 Brook Park. Pay stubs 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 Brook Park 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 a worksheet explaining your calculations.**

DECLARATION OF ESTIMATED TAX FOR THE COMING YEAR: Taxpayers who expect to receive taxable income for the coming year in which Brook Park tax is not withheld must declare estimated tax payments, if amount owed is $200 or more, (25% of full amount must be paid at the time of filing the Annual Return). The estimated tax payments due June 15th, September 15th, and December 15 (businesses) or January 15 (individuals) will be billed.

PENALTY AND INTEREST: Except in those cases where an extension was filed, a late fee of $25.00 per late month or fraction of a month up to a maximum of $150.00 shall be due on returns filed after the due date, even when no tax is due. A late payment penalty of 15% of any balance due that remains unpaid after the due date will also be charged unless estimated tax payments of at least 90% of the entire tax liability has been paid by Dec. 15th (businesses) or Jan. 15th (residents) of the period covered by the return. Interest will be charged from the original due date of the return until the date of actual payment. (See city website for rates). See ORC section 718.27.

NET OPERATING LOSSES: Due to pending State of Ohio legislation, the laws governing the application of the Net Operating Loss (NOL) at the municipal level are unclear and subject to change as directed by ORC 718.01. Please check our website at www.cityofbrookpark.com for further information/updates as they become available. 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 Brook Park 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 the Federal audit, judicial decision, or other circumstances.

TAXABLE INCOME: Brook Park income tax is levied at the rate of 2.0%. 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 Brook Park are taxable.

NON-TAXABLE INCOME

Interest or dividend income
Pre-tax contributions made by or on behalf of employees to cafeteria plans (Sections 125 plans)
Welfare benefits
Social Security
Income from qualified pension plans
State unemployment benefits
Worker's Compensation
Proceeds of life insurance
Alimony and child support
Government disability payments
Poll worker income up to $1,000
Military pay (including National Guard)
Earnings of persons under 18 years of age the entire year
Capital gains
Patent and copyright income
Royalties derived from intangible property
Compensatory insurance proceeds derived from property damage or personal injury settlements

LINE BY LINE INSTRUCTIONS

Complete the worksheet detailing the wages received on your W-2s/W-2G2s

PAGE 1

Column 1 – Enter employer's name and dates worked for employer in column to left.

Column 2 – Enter the city where employed. If your W-2/W-2G states "various" or "all cities," please attach a copy of the itemized breakdown.

Column 3 – Enter City of Brook Park tax withheld from Box 19 on the W-2/W-2G.

Column 4 – Enter tax withheld for work in other cities.

Column 5 – Enter the smaller of Column 4 or Column 6 multiplied by 2.0%. Brook Park allows a tax credit for taxes withheld by another city up to 2.0%. Credit may not exceed 2.0% of the wages taxed each by city listed on your W-2(s)/W-2G(s) form.

Column 6 – Enter the wages earned on each W-2/W2G. In most cases the amount shown in Box 18 of the W-2/W-2G should be used. However, if Box 5 is higher, that wage must be used to calculate total wages earned.

Line 1 – Enter total amount of W-2/W-2G wages from Column 6. Attach all W-2s/W-2Gs to back of return.

Line 2 – Enter the amount of other income from Line 28 from the back of the return, but not less than -0-. Attach appropriate schedules and documentation. Attach 1099s on the side of the return with the W-2s/W-2Gs.

Line 3 – Add Lines 1 and 2.

Line 4 – Multiply Line 3 by 2.0% (.02).

Line 5 – Enter tax withheld for Brook Park from Column 3.

Line 6 – Enter any prior year credits.

Line 7 – Enter any estimated payments made.

Line 8 – Enter credit for taxes paid to by other cities from Column 5 and Line 10B from Schedule of income other than wages on back.

Line 9 – Add Lines 5 through 8.

Line 10 - Subtract Line 9 from Line 4. If Line 4 is more than Line 9, enter balance due.

Line 11 – Enter Late Filing and Late Payment Penalty, if applicable.

Line 12 – Enter Interest (see city website for rates) on the balance due, if applicable.

Line 13 – Add Lines 10, 11, and 12. Enter total here. No tax due if balance is $10.00 or less.

Line 14 – If Line 4 is less than Line 9, enter overpayment.

Lines 15 & 16 – Indicate disposition of overpayment either by refund or credit to next year. Per Ohio Revised Code, no refunds or credit is issued for overpayments of $10.00 or less.

Line 17 – Enter total estimated tax on income subject to tax, multiplied by a tax rate of 2.0%.

Line 18 – Enter any Brook Park tax to be withheld or credit for tax withheld/paid to another city.

Line 19 – Enter net tax due by subtracting Line 18 from Line 17.

Line 20 – Enter amount due with estimate, 25% of Line 19.

Line 21 – If applicable, enter overpayment from previous year (Credit Line 16). If credit Line 16 exceeds Line 20, 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 22 – Subtract Line 21 from Line 20.

Line 23 – Enter amount from Line 13. No tax due if balance is $10.00 or less.

Line 24 – Add Lines 22 and 23. **Sign and date return and make check payable to the City of Brook Park. Joint returns must be signed by both parties.**

PAGE 2

Schedule of Income from other than wages

Line 1 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.

Line 2 Schedule E: Residents enter profit/loss from all properties. Nonresidents enter only profit/loss from Brook Park properties.

Line 3 - Schedule F - Farm Income

Line 4 - Schedule K-1: Residents only enter profit/loss from entities that do not file and pay Brook Park Tax.

Line 5 - Forms 1120, 1120S 1065, 1041: See Ohio Revised Code Section 718.01(E) & 718.02.

Line 6 - Add lines 1 thru 5.

Line 7 - Previous Year Net Losses: (Limited to 5 Years) - Enter NOL's - Schedule must be attached - see Income Tax Instructions.

Line 8 - Subtract Line 6 from Line 7.

Line 9 - Miscellaneous Income - Enter income from 1099Misc not included in other schedules.

Line 10 - TOTAL INCOME (LOSS). Combine Lines 8 & 9 and enter amount from 10A on Line 25 below and amount from 10B on Line 8 on front of return.

SCHEDULE X: This schedule is used by businesses for the purpose of making adjustments when total income includes income not taxable and/or not deductible for city purposes. Items not taxable include interest, dividends, capital gains from the sale, exchange or other disposition of property. Items not deductible include federal, state, local and other taxes based on income, capital losses from the sale, exchange or other disposition of property, expenses incurred in the production of non-taxable income, net operating loss deduction per Federal return, payment to partners, payments to "officers" unless included on W-2/W-2G forms or any other items as prohibited by the Federal or State governments Amounts considered as "special deductions" on Federal return are not considered for local tax.

SCHEDULE Y: To be used when the books and records of the taxpayer do not disclose with reasonable accuracy the net profit attributable to Brook Park. 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. See ORC section 718.02.

Line 25 – Enter total from Schedule of income other than wages, Line 10A.

Line 26A – Enter total from Schedule X, Line h.

Line 26B – Enter total from Schedule X, Line p.

Line 26C – Subtract Line 26B from Line 26A. If Line 26B is greater than 26A, enter as a negative number.

Line 27A – Subtract Line 26C from Line 25.

Line 27B – Multiply Line 27A by allocation percentage from Schedule Y.

Line 28 – Enter amount from Line 27B and carry amount to Page 1 Line 2.