

2016 GENERAL INSTRUCTIONS

I. WHO MUST FILE

Resident individuals 18 years of age or older are required to file regardless of income. Partnerships, corporations and any other entity having income taxable by the Village of Jefferson from which total Village income tax due has not been fully/correctly withheld, and/or who engage in a business or profession in or outside the Village of Jefferson regardless of whether the business showed a profit or a loss. Nonresident individuals, partnerships, corporations and any other entity having earned income in the Village of Jefferson from which total Village income tax has not been fully withheld and/or who is engaged in business or profession in the Village of Jefferson whether the business showed a profit or loss; or any individual, partnership, corporation, or other entity owning property in the village.

II. WHEN AND WHERE TO FILE THIS RETURN

- A. Taxpayers who end their taxable year on December 31 must file on or before April 15. Taxpayers on a fiscal or partial year basis must file within 4 months following the end of such period.
- B. If deadline cannot be met, a request for an **extension** must be filed with the Jefferson Income Tax Department by April 15 for calendar year filers or 4 months following the end of year for fiscal filers. A copy of your federal extension will be accepted. Any extension granted is for filing purposes only. The taxpayer is obligated to make payments of the tax due at the time of the request for an extension, or the filing deadline, whichever is later.
- C. Every taxpayer who anticipates any income or net profits not subject to total withholding of \$200 or greater shall file with the Village a **declaration of estimated tax**. The first installment must accompany the declaration. Individual filers shall file a declaration of estimated tax and remit payment of the first installment on or before April 15. Remaining quarterly installments should be paid on or before June 15, September 15, and December 15. Any declaration of estimated tax that does not meet the payment requirements shall not be considered filed in good faith and shall be subject to penalty and interest.
- D. The return should be filed with the Income Tax Department at the address shown on the return. Checks or money orders should be made payable to Village of Jefferson. Total amount due must be paid when filing this return. No payment due or refund paid if balance is less than ten dollars (\$10.00). The inability to pay taxes owed should not preclude the timely filing of this return.

III. PENALTIES

Penalties are provided by Ordinance for failure to file a return or extension and/or pay tax due on a required return, for filing late, for filing a false or fraudulent return, and for underpayment of estimated tax. Penalty for failure to timely file \$25 per month or fraction of a month, not to exceed \$150.00. Penalty for failure to timely pay 15% of amount not paid. Interest rate federal short term rate, plus 5%.

IV. TAXABLE INCOME

1. Income subject to taxation includes gross salaries, wages, commissions, bonuses, temporary disability income (not to include Worker's Compensation, SSI benefits, or insurance paid for by the employee), incentive payments, and other compensation.
- A. For **RESIDENTS**, taxable income also includes net profits of all unincorporated businesses to include rentals, farm income, sole proprietorships, and the distributive share of resident and non-resident partnership income which is not subject to payment by the partnership. These profits are taxable if they are from services

rendered within or outside the Village of Jefferson.

- B. Income from unincorporated businesses shall be deemed to mean the net profits arising from a business or profession where so ever conducted.
 - C. For **NONRESIDENTS**, income listed as taxable in the preceding paragraphs are taxable if the income is from services rendered and/or other activities conducted in the Village of Jefferson.
 - D. Business and/or Rental losses may be carried forward for five (5) years. A loss may offset a gain as long as they are both in the Village. However, a loss may never offset a gain in another city. Business or Rental losses may not be used to offset wages earned.
2. Income subject to taxation includes the net profits earned of all corporations derived from work done or services performed or rendered and business or other activities conducted in the Village of Jefferson.

ITEMS TAXED

- Wages, salaries, and other compensation as defined as Medicare Taxable Compensation
- Bonuses, stipends, and tip income
- Commissions, fees, and other earned income
- Sick Pay
- Net rental income
- Net profits of businesses, corporations, partnerships, etc.
- Vacation Pay
- Incentive and/or Severance Pay
- Farm net income
- Administrative Fees
- Strike pay if paid by company
- Executor Fees
- Income from gambling, lottery, and/or sports winnings

NOTE: This list is intended for reference purposes only. It may not be all-inclusive and is subject to revision without notice.

ITEMS NOT TAXED

- Alimony
- Active duty military pay
- Interest
- Dividends
- Wages earned by persons under 18 years of age
- Pensions
- Royalties
- Welfare benefits
- State unemployment benefits
- Capital Gains
- Social Security

ATTACHMENTS ARE REQUIRED TO ALL RETURNS:

- W-2s
- 1099 Misc.
- Federal 1040
- ALL FEDERAL SCHEDULES USED TO COMPLETE THE RETURN.

LINE BY LINE INSTRUCTIONS

HEADER (Completion required)

- A. Indicate taxpayer status type.
- B. Indicate residency status.
- C. Indicate whether you filed a tax return in a previous year.
- D. Indicate if you were under 18 – enter date of birth and attach copy of drivers license or birth certificate for refund of Jefferson tax withheld.
- E. Enter your Social Security number, spouse's Social Security number and/or Federal ID Number.
- F. Enter telephone number where you can be reached during the day.
- G. Indicate if you moved during the year. If so, enter the date and make sure that all resident addresses are listed under the name or on an additional page. (Be sure to indicate which address is current).

TAX CALCULATION SECTION

- Line 1. Indicate gross Medicare wages. Defined as Local Wages on W-2 if none use Federal taxable compensation.
- A. Individuals with allowable Village adjustments to wages should write adjustment on line 1A or 1B and subtract from gross wages entered on Line 1.
Allowable adjustments:
 - a) Form 2106 expense is defined as those expenses allowed by the IRS, but cannot exceed amount of Jefferson Village wages.
 - b) Income earned while under age 18.

NOTE: Supporting documentation must be attached or adjustment will not be allowed. (Form 2106, driver license, etc.)

- Line 2. This line is to be completed by corporations and individuals engaged in business (sole proprietors, rental property, partnerships, farm, 1099M income, etc.). Enter the total taxable income from Schedules C, E, and H from Line 8 Page 2.
- Line 3. Enter total net taxable income (Line 1 plus Line 2).
- Line 4. Multiply Line 3 by 1.5% tax rate. Enter tax due on Line 4.
- Line 5. Credits: (Each W-2 stands independent) NO REFUND OR CREDIT GIVEN WHERE TAX IS PAID IN EXCESS OF JEFFERSON RATE.
- Line 5A. Enter Jefferson tax shown as withheld on the W-2.
- Line 5B. Enter all estimated tax payments made to Jefferson for the year.
- Line 5C. Credit for taxes paid to other cities from Schedule A, Line 3. Schedule A must be completed by all taxpayers taking credit for other city taxes withheld.
- Line 5D. Prior year overpayment carried forward from previous year.
- Line 5E. Enter the total allowable credit (the sum of Lines 5A, 5B, 5C, and 5D).
- Line 6. Enter net tax due or overpayment (in parenthesis). Line 4 minus Line 5E. If Line 6 is a balance due, payment must accompany this return. If Line 6 is an overpayment, indicate on Line 9 whether it should be credited to estimated tax or refunded.
- Line 7. Enter penalty and interest if applicable (See General Instructions Sec. III).
- Line 8. Enter amount due before estimated taxes are calculated. Line 6 plus Line 7.

Line 9. Enter overpayment from Line 6 you want credited to the next year estimate or enter amount of overpayment from Line 6 you want refunded.

NOTE: You MUST sign return and attach all documentation for a refund to be processed.

DECLARATION OF ESTIMATED TAXES

NOTE: Estimated tax payments are required for all tax liabilities.

- Line 10A. Enter estimated income from wages, salaries, rents, business, and all other taxable income.
- Line 10B. Enter total estimated tax due. (Multiply Line 10A by 1% tax rate).
- Line 11. Expected tax credits:
- Line 11A. Enter the tax estimated to be withheld for Jefferson.
- Line 11B. Enter the tax estimated to be withheld for other cities.
- Line 11C. Enter total credits (the sum of Line 11A and line 11B).
- Line 12. Enter net estimated tax due (Line 10B minus Line 11C).
- Line 12A. Overpayment from prior year from Line 9 above.
- Line 13. Enter amount to be paid with this declaration (minimum of 22 ½ % of Line 12 minus Line 12A).
- Line 14. Enter balance of estimated tax due (Line 12 minus Line 13).
- Line 15. Total amount due Line 8 plus Line 13.

BOTTOM (COMPLETION REQUIRED)

1. SIGN and DATE return. Both individuals must sign and date the return if it is a joint return. Corporate returns must be signed by a responsible officer. A return is not "filed" within the meaning of the law, until signed by the taxpayer or an agent legally authorized to sign tax returns for such taxpayer. If someone other than the individual(s) named on the return prepared the return, they must provide their signature, date and telephone number.

If you have questions regarding the completion of this return, please contact the Jefferson Income Tax Department at (440) 576-3947.

SCHEDULE A: CREDIT FOR TAXES PAID OTHER CITIES

Each city withheld stands independent. If additional space is required attach sheet. All W-2s must be attached.

- Column A - Enter each individual city name shown on W-2 under locality name.
- Column B - Enter wages for each individual city as shown on W-2 as local wages, tips, etc.
- Column C - Enter amount of tax actually withheld as shown on W-2 as local income tax.
- Column D - Multiply Column B by Jefferson's income tax rate of 1.5% Enter result.
- Column E - Enter the smaller of Column C or Column D.
- Line 1 - Add the amount shown in column E and enter result.
- Line 2 - Percentage of credit for taxes paid to other cities allowed on the Jefferson return.
- Line 3 - Multiply Line 1 by Line 2 percentage enter result. Carry line 3 to front of form Line 5C.

LINE BY LINE INSTRUCTIONS (continued)

SCHEDULE C - BUSINESS INCOME

Do not use this schedule if your only source of income is from W-2 wages. All taxpayers who use net profits to calculate taxable income are required to use this schedule. Appropriate federal forms are to be attached. Schedule C, Schedule E, etc.

- Line 1. Enter total net income from attached federal schedules.
Line 2A. Enter total items not deductible from Schedule X Line H.
Line 2B. Enter total items not taxable from Schedule X Line S.
Line 2C. Enter the difference between Line 2A and 2B. If Line 2A is larger than Line 2B enter the amount in a positive figure. If Line 2B is larger than Line 2A enter the amount in a negative figure.
Line 3. Adjusted income, Line 1 plus or minus Line 2C, enter result.
Line 4. Enter allocable percentage from Schedule Y, Step 5.
Line 5. Multiply Line 3 by percentage shown on Line 4. Subtract carry forward loss. Enter result.

SCHEDULE E - INCOME FROM RENTS

This schedule does not have to be completed if Federal Schedule E is attached.

- Column A - Address of rental property.
Column B - Enter gross rent received.
Column C - Enter allowable depreciation deduction from Federal return. Attach appropriate federal forms.
Column D - Enter total repairs made to property. Provide a listing showing type of repair and cost.
Column E - Enter additional expenses. Provide a listing showing type of expense and cost.
Column F - Subtract Column C, D, & E from Column B. Enter result.

- Line 6. Enter the total of Column F or enter the net profit from Federal Schedule E.

SCHEDULE H - OTHER INCOME

This schedule should be used for partnership income, fees, lottery or gambling winnings, etc.

- Column A - Enter name of entity from which income was received.
Column B - Enter a description of type of income.
Column C - Enter amount of income.

- Line 7. Enter the total of all income entered in Column C.
Line 8. Add the total of Line 5, 6, & 7 to arrive at the net income/loss for Jefferson. A loss shown on Lines 5, 6, and/or 7 can offset profits on Lines 5, 6, and/or 7. Exception: Gambling winnings cannot be offset by the before mentioned losses and gambling losses cannot be used to offset the before mentioned profits. Carry all positive totals to Line 2 on the front page of the return. If a loss, enter zero on Line 2 on the front page. Non-wage losses CANNOT offset W-2 income.

SCHEDULE X - RECONCILIATION WITH FEDERAL INCOME TAX RETURN

- Line A. Enter capital losses deducted on the federal return.
Line B. Enter expenses deducted on the federal return that are attributable to nontaxable income.
Line C. Enter taxes deducted on the federal return that are based on income.
Line D. Enter contributions taken on the federal return.
Line E. Enter net operating loss taken on federal return if it was deducted from taxable village income.
Line F. Enter payments to partners if deducted on the income

statement. Enter withdrawals by owners.

- Line G. Enter other deductions (Special Deductions, etc.)
Line H. Add Lines A, B, C, D, E, F, and G. Enter total here and in Schedule C, Line 2A.
Line N. Enter capital gains shown per federal return.
Line O. Enter interest shown per federal return.
Line P. Enter dividends shown per federal return.
Line Q. Enter royalty income derived from intangible sources.
Line R. Enter other nontaxable income. Attach explanation.
Line S. Add Lines N, O, P, Q, and R. Enter total here and in Schedule C, Line 2B.

SCHEDULE Y - BUSINESS ALLOCATION FORMULA

The business allocation percentage formula is to be used by corporation or nonresident business entities doing business within and outside of Jefferson if actual records of their Jefferson profits are not maintained. Add the ratios used to obtain the business allocation percentage. A ratio shall not be excluded from the computation because it is allocable entirely within or outside of Jefferson. All corporations are required to complete Step 2 or provide an explanation why no wages were attributable to Jefferson.

Step 1.

Column A.

- Enter the total value of real and tangible property located everywhere.
- Enter the gross amounts of rentals multiplied by 8 paid everywhere.
- Enter the total of Step 1 located everywhere.

Column B.

- Enter the total value of real and tangible property located in Jefferson.
- Enter the gross amounts of rentals multiplied by 8 paid in Jefferson.
- Enter the total of Step 1 located in Jefferson.

Column C.

- Divide Column B by Column A and enter result. Percentage should be carried to 4 places.

Step 2.

Column A.

- Total of wages, salaries, and other compensation for employees and/or subcontract labor located everywhere.
- Total of wages, salaries, and other compensation for employees and/or subcontract labor located in Jefferson.
- Divide column B by Column A, enter result. Percentage should be carried to 4 places.

Step 3.

Column A. Enter total gross receipts from sales, work/services performed, and other taxable income everywhere.

Column B. Enter total gross receipts from sales, work/services performed, and other taxable income in Jefferson.

Column C. Divide Column B by Column A, enter result. Percentage should be carried to 4 places.

Step 4.

- Add Column C, Steps 1,2, and 3, enter result.

Step 5.

- Average percentage. Divide Step 4 by the number of steps used, enter the result here and in Schedule C, Line 4
- If one of the factors (property, sales, or payrolls) is missing, the other 2 percentages are added and the sum is divided by 2; and if 2 of the factors are missing, the remaining percentage is the business allocation percentage.