

# OTTAWA HILLS INCOME TAX – GENERAL INFORMATION

## WHO IS REQUIRED TO FILE

Ordinance 2007-16 requires each resident of Ottawa Hills to register with the Department of Taxation. All residents having income taxable under this Ordinance SHALL file a Village tax return each year. All non-residents having taxable income under this Ordinance for work done or service performed or rendered in the Village of Ottawa Hills SHALL file a Village tax return each year. There is NO age limit and NO minimum income. If you received a Village tax return and had no taxable income, the Department of Taxation requests an explanation be attached to the Village tax return and the information submitted to this office.

## EXTENSION/LATE FILING

A request for extension must be filed with this office on or before April 18th.

**Filing of an Extension does not abate Penalty and Interest.** Penalty and Interest will be assessed on any tax not paid by April 18th.

## ATTACHMENTS

Attach copies of your W-2's, 1099's, K-1's and ALL Federal Schedules together with their pertinent statements. Also, attach verification of taxes paid directly to another municipality (copy of municipal return). Federal Schedule A must be included with 2106 deduction.

## EXAMPLES OF TAXABLE INCOME

- Bonuses
- Commissions
- Deferred Compensation (contributions)
- Federal Tax Sheltered Annuities (contributions)
- Fringe Benefits (moving exp. as included in Medicare wages reimb., auto, grp term ins, etc.)
- Lottery Winnings
- Ordinary Gain from Federal Form 4797 (recapture of excess depreciation)
- Ordinary portion of lump sum distribution
- Partnership income
- Rentals
- Royalties
- Salaries
- Schedule C
- Schedule F
- Severance pay
- Sick pay
- Strike pay
- Stock Options (disqualifying position by IRS)
- SUB pay
- Tips
- Wages

## EXAMPLES OF NON-REPORTABLE INCOME

- Alimony received
- Annuities received
- Capital gains
- Dividends
- Federal Tax Refunds
- Interest
- Military pay
- Qualified Pensions
- Reserve pay
- State Tax Refund
- Unemployment Comp
- Sect 125 Cafeteria plans

## FEDERAL ADJUSTMENTS ALLOWED

Travel/business expense as reported on Federal Sch 2106 and Fed Sch A Forms. Moving Expense (for move into Village) as reported on Fed Sch 3903.

## ATTACHMENTS REQUIRED

All W-2's and/or Wage Statements reflecting total gross wage and city tax withheld, 1099's, K-1's and All Federal Schedules together with their pertinent statements. Also, attach verification of taxes paid directly to another municipality (copy of municipal return). Federal Sch A must be included with Fed Sch 2106. Returns are NOT deemed to be filed until all detail and monies are received.

## HIGHLIGHTED TAX ISSUES

Beginning with the 2007 tax year, the primary source of income is the individual taxpayer's single source of income comprising the greatest amount of net income of the Village taxable sources. Note that all of a taxpayer's W-2's are treated as a single source, and all Federal Schedule E page 1 Rentals (net income/loss before passive activity rule adjustments) are also treated as a single source. Of these sources, each is compared with the other individual sources from Federal Schedules and forms to determine the primary source (greatest amount). All sources not considered primary become secondary and are aggregated for each of the taxpayer's tax years. If such aggregation is a net profit, tax is imposed and paid on that net profit. If the secondary aggregation results in a net loss, the loss may be carried to any of the succeeding 5 years to be used against a future secondary aggregated net profit.

Losses attributable to another taxing municipality stay in that other municipality to reduce future income; report on line 3. If that loss may be used against W-2 income in that other municipality, the amount requested as a refund must be deducted in Step 3 of Tax Credit Worksheet. Amounts due to you as a non-resident refund for work performed outside that other municipality must also be deducted in Step 3 of Tax Credit Worksheet. **ATTACH COMPLETED FORMS OF THE NONRESIDENT REFUND CLAIM.**

Credit for tax paid another city on income, other than prime source income, will NOT be allowed unless that income is included as taxable (not aggregated) on the Ottawa Hills return. Credits for tax paid to another municipality are LIMITED to 50% of the lesser of the two tax rates on income EARNED in that other taxing municipality. This credit is available only on income subject to Ottawa Hills Income Tax.

There is no sub-chapter S election. Those corporations are taxed as any other corporation. Individual shareholders do NOT carry their income or loss to the Village return. See Sch X to exclude this income or loss if it has been reported on Line 2.

Credit claimed for non-resident refund will be disallowed if the completed form is not attached. You will be billed including penalty and interest.

## OTTAWA HILLS INCOME TAX RETURN INSTRUCTIONS

Line 1: Enter ALL of the income reported to you on wage statements. To the Medicare wage figure on your W-2(s) add the following if not already included: Federal tax sheltered annuities, other elective federally deferred compensation contributions, and stock options. Attach copies of ALL wage statements.

Line 2: Enter all income from business or profession (Fed Sch C); Rental Sch E; Ptrshp, Estate or Trust (K-1's). Copies of the detail and schedules attached to your Federal 1040 MUST BE ATTACHED.

Line 3: Schedule X (back of return)

Items Not Deductible - use only if deducted elsewhere.

Examples: state and / or city taxes deducted as an expense on Schedule C; amounts of losses held in other taxing cities to be used against future income in those taxing cities.

Item g. - the aggregated net loss amount of all other income and losses, EXCEPT your principal source of income. The net loss may be carried forward to any of the succeeding 5 years to be used against an aggregated net profit.

Items Not Taxable - use only if included elsewhere. Examples: pension, interest or dividend income reported on Line 2. Attach a copy of Federal Schedule A with Forms 2106 and / or 3903.

**Partial year residents should allocate their non-taxable income on Line s, Schedule X.**

Line 5: Per Schedule Y formula (back of Return) FOR NON-RESIDENT BUSINESSES ONLY.

Line 6: Allocable Net Loss from 2009 Ottawa Hills Income Tax Return. Limited to 5 years. **Attach detailed list.**

Line 9a: Withheld tax remitted to the VILLAGE OF OTTAWA HILLS by your employer.

Line 9b: Tax Credit Worksheet (back of return)

Step 1 List other municipality(ies) to whom tax was withheld or paid.

Step 2 List tax withheld or paid to municipality.

Step 3 List Refund claimed, or to be claimed, from another city for business / travel expense (TER); for allowable business losses; for work done outside that other municipality (NRR).\*

Step 4 Step 2 amount less Step 3 amount.

Step 5 Fill in appropriate Factor from Table 1 based on the tax rate of the other municipality.

Step 6 Multiply Step 5 amount times Step 4 amount. Total all credits and enter on Line 9b (front of tax form).

(Ottawa Hills tax credit limited to 50% of lesser rate)

**EXAMPLE**

Line 9b. Mr. X's income is \$100,000.00; is taxed by Toledo @ 2.25% but he travels 40% of his time outside Toledo. He has attached an assigned Non-Resident Refund request for Toledo in the amount of \$900.00.

**TAX CREDIT WORKSHEET**

Municipality .....	<b>Toledo</b>		<b>Municipal</b>
Tax Withheld or Paid .....	\$ 2,250 .00	<b>Tax Rate</b>	<b>Factor</b>
Less Refund (NRR*, TER) .....	<u>- 900 .00</u>	2.25	.333
Net Tax Withheld or Paid .....	\$ 1,350 .00		
Multiply by Factor from Table 1 .....	<u>X .333</u>		
Ottawa Hills Credit .....	\$ 449 .55 (to Line 9b)		

Line 9d: Any amount deducted MUST have a COMPLETED, ASSIGNED AND ATTACHED Non-Resident Refund Claim\* form included with the return. Taxpayers will be billed if the completed form is not attached.

Line 11: Balance of tax due the Village of Ottawa Hills. Include your check for this amount made payable to: OTTAWA HILLS TAX. (Amounts under \$5.00 will not be refunded or billed.) Penalty and interest MUST be included if the return is filed after April 15th.

**A tax return shall not be deemed to be filed until all schedules and necessary supporting details have been received.**

Assistance in preparing your Ottawa Hills Income Tax Return is available at the Tax Office, Municipal Building, 2125 Richards Road or telephone (419) 536-6502.

\*See enclosed Non-Resident Refund Claim

**ESTIMATED DECLARATION INSTRUCTIONS**

Every taxpayer who anticipates any taxable income from any source whatsoever, including business enterprise, subject to the tax imposed by Ottawa Hills Income Tax Ordinance 2007-16 shall file a declaration setting forth such estimated income or the estimated profit or loss from such business activity together with the estimated tax due thereon, if any.

- (a) Such declaration shall be filed on or before April 15th and thereafter of each succeeding year during the life of this Ordinance.
- (b) Exception: If a taxpayer's taxable income is wholly from wages from which the tax of 1.5% thereon will be withheld and remitted to the Village of Ottawa Hills, such taxpayer need not file a declaration.
- (c) The filing of the Declaration of Estimated Income Tax requires the taxpayer to pay the tax in quarterly installments with the first payment due April 15. A similar amount shall be paid for each quarter thereafter, as indicated on each quarterly voucher attached.
- (d) If financial records are maintained on a fiscal year basis differing from the calendar year, show the number of months you are reporting and the dates on which your fiscal year ends. Such declaration shall be filed within four (4) months after the start of each fiscal year or period.
- (e) Such declaration shall be filed upon a form furnished by, or obtainable upon request from, the Ottawa Hills Tax Office.
- (f) The declaration of estimated tax may be adjusted at any time during the year.

**ESTIMATED TAX WORKSHEET** (Keep for your records – Do not File)

COMPUTATION OF ESTIMATED TAX

1. Estimated Taxable income .....	\$ _____
2. Estimated Tax – 1.5% of Line 1 .....	\$ _____
3. 90% of Estimated Tax .....	\$ _____
4. a. Ottawa Hills tax withheld .....	\$ _____
b. Credit for tax withheld to other city (limited to 50% of lesser rate) .....	\$ _____
5. Overpayment from prior return .....	\$ _____
6. Total Credits (Lines 4a, 4b, and 5) .....	\$ - _____
7. Net estimated tax due to be paid in quarterly installments .....	\$ _____

**RECORD OF ESTIMATED TAX PAYMENTS**

	<b>Check Number</b>	<b>Date</b>	<b>Amount</b>
VOUCHER 1	_____	_____	\$ _____
VOUCHER 2	_____	_____	\$ _____
VOUCHER 3	_____	_____	\$ _____
VOUCHER 4	_____	_____	\$ _____
		<b>TOTAL</b>	\$ _____