CITY OF MASON BUSINESS INCOME TAX RETURN INSTRUCTIONS FORM BR

TAX CALCULATION

LINE 1: Enter the Adjusted Federal Taxable Income (AFTI). As defined by Ohio Revised Code (ORC) 718.01, AFTI means a C corporation's federal taxable income before net operating losses and special deductions. Other business entities must compute the AFTI as if they were a C corporation. Generally this is the line titled "Income/(Loss) Reconciliation" on the Schedule K of the Form 1120S for subchapter S corporations or Line 1 page 5 of the Form 1065 Analysis of Net Income (Loss) for partnerships and limited liability companies.

Complete schedules X and Y on page 2.

LINE 2a & 2b: Enter the total adjustments from Schedule X.

LINE 2c: Line 1 plus Line 2a less Line 2b.

LINE 3a: Enter the apportionment percentage from Step 5 of Schedule Y. (See ORC 718.02) & multiply Line 2c by percentage.

LINE 3b: Enter the allocable losses per previous tax return(s). Operating losses may be carried forward for a maximum period of five tax years (schedule Y-2).

LINE 3c: Line 3a minus Line 3b.

LINE 4: Multiply Line 3c by 1.12%.

LINE 5a: Enter the amount of estimated tax payments including any amounts paid with an extension. Estimated payments may be subject to the underpayment of estimated tax penalty. Businesses must remit quarterly estimates equal to 100% of the prior year's tax or 90% of the current year's tax by Dec. 15th of the tax year (or by the 15th day of the 12th month of the fiscal year).

LINE 5b: Enter the amount of the overpayment from prior years credited to current year.

LINE 5c: Line 5a plus Line 5b.

LINE 6a: If Line 4 is greater than Line 5c, enter the tax due.

LINE 6b: If Line 5c is greater than Line 4, enter the overpayment.

LINE 6c & 6d: Enter penalty and interest for late filing and/or late payment.

LINE 7: Enter balance due. If this amount is $10 or less, payment is not required.

LINE 8a: Enter the amount of the overpayment to be carried over to tax year 2018 estimated tax liability. If the amount is $10 or less, please enter $0. By law, all refunds and credits are reported to the I.R.S.

LINE 8b: Enter the amount to be refunded. If this amount is $10 or less, please enter $0.

DECLARATION OF ESTIMATED TAX FOR 2018

The taxpayer shall base the estimated tax on the preceding full year's tax liability, or on the preceding three-month period, annualized for the remainder of the year, and update this estimate by amendment as necessary each succeeding three-month period so that at least 90% of the annual tax liability to be ultimately determined shall have been paid by the due date of each installment payment.

LINE 9: Enter the amount of estimated income. Multiply by 1.12%. Enter the total tax due on Line 9.

LINE 10: Enter the amount of credits from Line 8a.

LINE 11: Line 9 less Line 10.

LINE 12: On or before the fifteenth day of the fourth month after the beginning of the taxable year, twenty-two and one-half per cent of the tax liability for the taxable year is due.

LINE 13: Combine Line 7 and Line 12 to determine the total amount due.

SCHEDULE X – RECONCILIATION WITH THE FEDERAL RETURN

a. Enter the amount included in Line 1 of the Business Tax Return related to the sale, exchange, or other disposition of an asset described in Section 1221 or 1231 of the Internal Revenue Code. This would include the 1231 loss reported on Form 4797.

b. Enter any taxes on or measured by net income included as a deduction in computing Line 1.

c. Enter any guaranteed payments or similar payments made to partners, members or other owners that were deducted in arriving at the income amount on Line 1.

d. Enter 5% of the intangible income included in Line 1 of the Business Tax Return that is not directly related to the sale, exchange or other disposition of property described in Section 1221 or 1231 of the Internal Revenue Code. (5% of Line K.)

e. Add Real Estate Investment Trust distributions allowed as a deduction in the computation of Federal Taxable Income.

f. Enter Federally deducted amounts paid or accrued to or for qualified Self-Employment Retirement Plans, Health Insurance Plans, & Life Insurance Plans for owners or owner-employee of Non-C Corporation Entities.

g. Enter the amount of loss incurred by a pass through entity owned directly or indirectly by a taxpayer and included in the taxpayer's federal taxable income unless the loss is included in the net profit of an affiliated group in accordance with ORC 718.06 (E)(3)(b).

h. Other. Please provide a complete explanation. Examples: losses from flow-thru entities, 10% charitable contribution limitation.

i. Add Lines A through H.

j. Enter the amount of the income that is included on Line 1 of the Business Tax Return that is directly related to the sale, exchange, or other disposition of an asset described in Section 1221 or 1231 of the Internal Revenue Code less the income and gain included in this amount that is described in Section 1245 or 1250 of the Internal Revenue Code.

k. Enter the total amount of intangible income included in Line 1 of the Business Tax Return that is not directly related to the sale, exchange or other disposition of property described in Section 1221 or 1231 of the Internal Revenue Code. Intangible income generally includes but is not limited to interest, dividends, copyrights and patents.

l. Enter the amount of profit incurred by a pass-through entity owned directly or indirectly by a taxpayer and included in the taxpayer's federal taxable income unless the loss is included in the net profit of an affiliated group in accordance with ORC 718.06 (E)(3)(b).

m. If Line 1 of the return includes other income exempt from municipal tax, enter on this line and provide an explanation.

z. Add Lines j-m.

SCHEDULE Y – APPORTIONMENT TO MASON

STEP 1. Compute the percentage of the original average cost of the real and tangible personal property owned or used by the taxpayer in the City of Mason during the taxable period to the original average cost of all of the real and tangible personal property owned or used by the taxpayer during the same period, wherever situated.

Real property shall include property rented or leased by the taxpayer. The value of such property shall be determined by multiplying the annual rental thereon by eight.

STEP 2. Compute the percentage of the gross receipts of the business or profession from sales made and services performed during the taxable period in the City of Mason to gross receipts of the business or profession during the same period from sales and services, wherever made or performed.

STEP 3. Compute the percentage of total personal compensation paid during the period for services performed in the City of Mason to total personal compensation paid during the same period for all business locations. Do not include amounts paid to contractors.

STEP 4. Calculate the total of the percentages derived in Steps 1 through 3.

STEP 5. Divide the total derived in Step 4 by the number of percentages used. Insert this percentage on Page 1, Line 3a of the return.

CITY OF MASON INCOME TAX RETURN FORM BR
GENERAL INFORMATION

WHO MUST FILE

C corporations: C corporations are required to file as entities on the net profits earned that are derived from sales made, work done, services performed or rendered and business or other activities conducted in Mason, whether or not such corporation has a place of business in Mason.

S corporations: S corporations are required to file in the same manner as C corporations and report any income or loss. If the S corporation has net income, the corporation must pay the tax due.

Resident shareholders are required to include the distributive income and losses on their individual returns. If a taxable income is reported, credit may be claimed for taxes paid by the S corporation.

S corporations do not need to file and pay Mason income tax if all shareholders of the S corporation were residents of Mason for the entire year. The distributive share must be reported on the individual tax return of the S corporation's resident shareholders.

Partnerships: Partnerships are required to file as an entity. If the partnership has net income, the partnership must pay the tax due.

Partners who are residents are required to include all partnership income and losses on their individual returns. If a taxable income is reported, credit may be claimed for taxes paid by the partnership.

A partnership does not need to file and pay Mason income tax if all partners were residents of Mason for the entire year. Individual partners must report the taxable income on their individual Mason tax return.

LLC(s): A limited liability company is required to file consistent with its federal filing. For example, if the LLC is recognized as a partnership at the federal level, it should file as a partnership at the local level.

Miscellaneous Entities: Any undertaking, not specifically defined above, conducting activities or producing income, including but not limited to rental of real estate and personal property, and a business conducted by a trust or guardianship of an estate that produces a net profit, shall be subject to city income tax and is required to file a return as an entity.

ESTIMATED TAX PAYMENTS

Any entity anticipating taxable income is required to file a declaration of estimated income tax for the current year and to make quarterly payments throughout the year. Taxpayers must have 90% of their current year's liability or an amount equal to 100% of their previous year's tax liability paid by December 15 of the tax year (or by the 15th day of the 12th month of the fiscal year). Otherwise, penalties and interest will be imposed as provided by the City of Mason Income Tax Ordinance.

WHEN AND WHERE TO FILE

The 2017 City of Mason Income Tax Return BR must be filed on or before April 17, 2018 for entities whose fiscal year ends on December 31. Taxpayers on another fiscal or partial year basis must file within 105 days following the end of such period.

Tax returns (including a copy of the Federal Income Tax Return and all applicable schedules) should be mailed to **City of Mason Tax Office, 6000 Mason-Montgomery Road, Mason, Ohio 45040.** Any balance owed should be payable to the City of Mason Tax Office.

EXTENSION OF TIME TO FILE

Taxpayers can request an extension of time in which to file their Mason Income Tax Return by submitting a copy of their Federal extension request to the Tax Office **on or before the original due date of the return, or with the return.** The extended due date of the municipal income tax return shall be the same date to which the due date of the federal income tax return has been extended. If estimated tax payment requirements are not met, penalty and interest charges will apply. No verbal extensions will be honored.

OPERATING LOSS CARRYFORWARD

The portion of any taxable year's operating loss, allocable to the City of Mason, may be applied against the portion of the profit of the next five (5) succeeding tax years or until exhausted prior to the five year limit. No portion of an operating loss shall be carried back against net profits of a prior tax year. The net operating loss of a taxpayer that loses its identity through merger, consolidation, etc., shall not be allowed as a carry-forward loss deduction to the surviving or new taxpayer.

PENALTIES AND INTEREST

Tax returns not filed by the due date or the approved extended due date are subject to penalties and interest. Penalties and interest are also assessed for not paying 90% of the current year's liability or an amount equal to 100% of the previous year's tax liability by December 15 (or by the 15th of the 12th month of the fiscal year).

ADJUSTED FEDERAL TAXABLE INCOME (AFTI)

As defined by Ohio Revised Code 718.01, AFTI means a C corporation's federal taxable income before net operating losses and special deductions. Other business entities must compute the AFTI as if they were a C corporation. Generally this is the line titled "Income/(Loss) Reconciliation" on the Schedule K of the Form 1120S for S corporations or Line 1 page 5 of the Form 1065 Analysis of Net Income (Loss) for partnerships and limited liability companies. **A copy of the Federal Tax Return (the entire form and schedules) is required to be submitted with the Mason Income Tax Return, including K-1s.**

DISCLAIMER

Definitions and instructions are illustrative only. The City of Mason Income Tax Ordinance and the Ohio Revised Code supersede any interpretation presented.