

GENERAL INFORMATION FOR FILING YOUR CITY OF MASON TAX RETURN (FORM IR)

This General Information sheet is a general guideline. Please see the Mason Tax Ordinance for more information.

Mason Tax Office employees will help you prepare your Mason tax return free of charge. No appointment is necessary. Bring in a copy of your federal tax return along with all W-2 statements.

(A) WHAT TO INCLUDE WITH YOUR RETURN

- Mason Tax Form IR. Please be sure it is signed and dated.
- Copy of page 1 of federal return Form 1040.
- All W-2 statements used in filing federal tax return Form 1040.
- Copy of all other pertinent federal schedules (Schedules C, E or F).
- Payment must accompany the City of Mason tax return. Make checks payable to City of Mason Tax Office or include your VISA or MasterCard information on the form.

(B) WHEN TO FILE YOUR RETURN

The City of Mason 2008 Income Tax Return IR must be filed (postmarked) on or before Wednesday, April 15, 2009.

(C) WHO MUST FILE?

Residents:

- All Mason residents, regardless of age or where their income is earned, are subject to Mason income tax. The rate of the tax is one percent (1%) imposed on all qualifying wages (typically found in box 5 on your W-2), commissions, and other compensation.
- Credit is given for income tax paid to another municipality, not to exceed 80% of the Mason tax. See Line-by-Line Instructions and Worksheets A and C for calculation.
- All residents who have income from wages must file a City of Mason Income Tax Return Form IR. All residents with taxable income other than wages (i.e., commissions, tips, rentals, self-employment, partnerships, etc.) must file a City of Mason Income Tax Return Form IR.

Part-Year Resident:

- Residents who moved in or out of the City of Mason during the calendar year are required to file for their time of residency. See Line-By-Line Instructions for the Part Year Resident Adjustment for Line 3.

Non-Residents:

- Non-residents who generate income from within the City of Mason, either from rental income, work performed, or business income whereby the employer HAS NOT withheld City of Mason Income Taxes and who are subject to City of Mason tax are required to file a City of Mason Income Tax Return Form IR. Non-residents are responsible for paying tax only on salaries, wages, compensation or profits which result from work performed, services rendered, business transacted or activities located within the City of Mason.

- If you prorate your wages, you must also prorate the credit for taxes paid to another city.
- Employers located in Mason are required to withhold 1% from their employees' wages regardless of where they live. Wages earned within the City of Mason are not proratable regardless of where you live.

(D) WHERE TO MAIL YOUR RETURN

- Returns must be filed with the City of Mason Tax Office, 6000 Mason-Montgomery Road, Mason, Ohio 45040.
- Returns may be dropped off at the Customer Service Counter in the Mason Municipal Center at 6000 Mason-Montgomery Road.
- Returns may also be placed in the "Drop Box" located on the drive on the east side of the Mason Municipal Center.

(E) ON-LINE TAX TOOL AVAILABLE

For more information, visit www.imaginemason.org after February 11, 2009.

(F) WHERE TO GET HELP

- By Phone - 513-229-8535
- By FAX - 513-229-8531
- By Internet - www.imaginemason.org
- In Person - Mason Municipal Center
Customer Service Counter
6000 Mason-Montgomery Road
Mason, OH 45040
Hours: Monday - Friday
8:00 a.m. - 4:30 p.m.
- Extended Hours - The Tax Office will be open for the following extended hours during April 2009:
 - April 11, 8:00 a.m. - noon
 - April 14, 8:00 a.m. - 7:00 p.m.
 - April 15, 8:00 a.m. - 7:00 p.m.

(G) TAXABLE INCOME INCLUDES, BUT IS NOT LIMITED TO:

Residents:

- All salaries, wages, commissions, other compensation and other income from whatever source received by residents of the City of Mason.

Part-Year and Non-Residents:

- All salaries, wages, commissions, other compensation and other income from whatever source received for work done or services performed or rendered or activities conducted in or while living in the City of Mason.

Examples include, but are not limited to:

- Commissions and other compensation, including sick pay, vacation pay.
- Income from wage-continuation plans (includes retirement incentive plans), stock options (where exercised as indicated on W-2 form).
- Cost of group term life insurance over \$50,000.
- Severance pay.

- Compensation paid in property or the use thereof, at fair market value, to the same extent as taxable under the Federal Internal Revenue Act and so indicated on the W-2 form.
- Tips, contributions made by or on behalf of employees to tax deferred annuity plans (401k plans and the like), stipends if work required (vow of poverty not recognized), income from guaranteed annual wage contracts, third party disability pay, employer paid premiums, bonuses (which includes meals, trips, golf outings, etc.).
- Net profits from corporations, unincorporated businesses, sole proprietorships (Federal Schedule C), rental properties (Federal Schedule E), partnerships and S corporations located in Ohio (Federal Schedule E) and Farm Net Income (Federal Schedule F).
- Also taxable are trusts and estates (file and pay as entity), directors fees, income from jury duty, supplemental unemployment pay paid by employer, union steward fees, strike benefits paid by company, ordinary income from Form 4797, profit sharing income or income from a nonqualified plan.

(H) NON-TAXABLE INCOME INCLUDES, BUT IS NOT LIMITED TO:

- Interest, dividends, military pay and allowances, Social Security benefits, welfare benefits, state unemployment insurance benefits.
- Workers' compensation, proceeds from qualified retirement plans as defined by the IRS, gambling winnings.
- Capital gains resulting from the sale of intangible assets.
- Royalties, alimony and income specifically prohibited from taxation.

(I) FORM 2106 UNREIMBURSED EMPLOYEE BUSINESS EXPENSES

- In Worksheet A, Column 2, include any expenses you incurred relating to the W-2 wages in Column 1 if you filed a Form 2106 with your Federal Tax Return.
- The Form 2106 expense will reduce your taxable income.
- The deduction is specific and must be applied against the related wages. For example, a husband's Form 2106 cannot be applied against his wife's wages.
- The Form 2106 must be reduced by the same percentage as the related income when that income has been prorated.
- A copy of Form 2106 must be included with your city return.

(see page 2)

GENERAL INFORMATION, continued

(J) EXTENSION OF TIME TO FILE

- Taxpayers may receive an extension of time in which to file their return of up to six (6) months beyond the due date of the return or the last day of the month to which the due date of the federal income tax return has been extended.
- Extensions must be requested by using City of Mason Form ER or by filing a copy of the Federal Extension Request with the city.
- **Extensions must be postmarked by April 15, 2009.**
- Extensions from the Internal Revenue Service are not recognized unless a copy is received in our office or postmarked by the April 15, 2009, due date.
- No verbal extensions will be honored.
- Payment of your tax liability must accompany the Extension Request Form ER or copy of the Federal Extension Request. An extension of time to file is not an extension of time to pay the tax due.
- The City of Mason may deny a taxpayer's request for extension if the taxpayer:
 - Fails to file the request on time, or
 - Owes the City of Mason any delinquent income tax, penalty and/or interest, or
 - Has failed to file any required return, report or related documentation for a prior year.

(K) OPERATING LOSSES AND LOSS CARRY FORWARDS

- For individuals, ALL TAXABLE INCOME earned other than wage income, including income or loss from self-employment, partnerships, S corporations, rentals and any other activity, must be netted together with the income or loss from these (same) activities to arrive at an overall net profit or loss for the current year.
- If the netting process results in an overall loss, the loss may not be offset against employee wages on Line 1 but may be carried forward as detailed below.
- The portion of net operating loss sustained in any taxable year, allocable to the City of Mason, may be applied against the portion of the profit of succeeding tax years, allocable to the City of Mason, until exhausted, but in no event for more than the five (5) taxable years immediately following the year in which the loss occurred.
- No portion of a net operating loss shall be carried back against net profits of any prior year.

(L) WORKSHEET B - OTHER TAXABLE INCOME

1. Who should complete Worksheet B?
- Both residents and non-residents who have taxable income from sources other than wages and salaries as reported in Worksheet A. (See paragraph G above for a description of Taxable Income.)

2. What type of income should be reported on Worksheet B?
 - Examples of this income include, but are not limited to:
 - Business income reported on Federal Schedule C.
 - Rental income reported on Federal Schedule E.
 - Partnership income.
 - S-Corporations and Trusts.
 - Farm income reported on Federal Schedule F.
3. How do you determine the percentage taxable to Mason?
 - Residents
 - 100% of this income is taxable.
 - Non-Residents
 - Taxes are due only on the percentage of income generated from within the City of Mason.
 - Please include information indicating how the percentage was determined.
 - Part-year residents -
 - Refer to Line-by-Line Instructions, Line 3 for information on how to prorate your taxable income for the time you were a resident of Mason.
4. Who is entitled to receive a credit on the income reported on Worksheet B for local taxes paid to a city other than Mason?
 - Only residents and part-year residents (for the period they lived in Mason) are entitled to claim this credit.
 - You must enclose copies of the tax returns filed in other jurisdictions.
 - To calculate the credit, complete Worksheet C. This credit must be prorated if the related income was prorated.

(M) DECLARATION OF ESTIMATED TAXES

- Taxpayers who do not have City of Mason taxes withheld by their employers are encouraged to file a declaration of estimated income for the upcoming year.
- If you do not have ninety percent (90%) of your actual 2009 tax liability remitted by January 31, 2010, penalties and interest will be applied to your account in accordance with Section 181.10 of the Mason Income Tax Ordinance. See the Declaration of Estimated Tax section of the IR for details on how to calculate your estimate.

(N) PENALTIES

Taxpayers who fail to pay the full amount of tax due will be assessed a penalty of the higher of:

- Twenty Dollars (\$20.00) or
- One percent (1%) per month, or fraction thereof, of the amount of the unpaid tax, if the tax is paid during the first six months after said tax became due, or

- Two percent (2%) per month, or fraction thereof, of the unpaid tax, if said tax is paid between the seventh and twelfth months after said tax became due, or
- Four percent (4%) per month, or fraction thereof, of the amount of the unpaid tax, if said tax is paid later than twelve (12) months after it became due.

The percentages herein specified, when used, shall apply from the first month of delinquency.

(O) INTEREST

All taxes imposed and remaining unpaid after they become due shall accrue interest at the rate of one-half of one percent (1/2%) per month.

(P) HOW TO AVOID PENALTIES AND INTEREST

Late Filing Penalty and Interest

- Penalties and interest charges will be applied to all returns not postmarked by April 15, 2009.

Underpayment Penalty and Interest

- 90% of your actual 2008 tax liability will be due by January 31, 2009, to avoid an underpayment penalty.

Paying Your Estimated Taxes For 2009

Your taxes can be paid to the City of Mason by:

- Asking your employer to make a courtesy withholding of Mason taxes from your wages, or
- By making quarterly payments to the City of Mason. If you complete a Declaration of Estimated Taxes located at the bottom of your Individual Mason Income Tax Return (Form IR), courtesy coupons will be mailed to you in July, October and January as a reminder to make these quarterly payments and to ensure you meet the 90% requirement by January 31, 2010.

Tips:

- **Underpayment penalty is based on your actual tax due, not your estimated taxes.**
- Call the Tax Office during the year for assistance if your residency, employment or income drastically changes from the estimate used for your declaration.
- Call the Tax Office before January 31 to verify that the estimated payments made to date are sufficient.
- Estimate your taxes as closely as possible.

Disclaimer:

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