

## INSTRUCTIONS FOR PREPARING INDIVIDUAL MUNICIPAL INCOME TAX RETURNS

If your work situation changed (for ALL of 2006), such as: retired, unemployed (not subunemployed), disabled, moved, married, or divorced, you should file this form to advise this office of your current status.

### GENERAL INSTRUCTIONS

#### TAXPAYER ASSISTANCE

**PHONE ASSISTANCE** - We have a direct phone line (440-349-6310) for help in completing your City of Solon tax return, or e-mail us at [www.solonohio.org](http://www.solonohio.org).

**In Person Office Assistance** - Our tax office staff is available to assist you in completing your city tax return or answer questions every day, Monday thru Friday, 8:00 A.M. to 4:30 P.M. at 34200 Bainbridge Rd.

**WHO MUST FILE:** Every resident, 18 years or older, with earned income or net profit from any source whatsoever shall make and file a return. All such earnings wherever earned are considered taxable. The location of the places from which payment is made or where payment is received is immaterial. Every business entity (individual, proprietorship, etc.) whether a resident or nonresident who conducts a business in this municipality must file a return and pay tax on the net profit.

**PARTIAL YEAR RESIDENT:** If you were a resident of the City of Solon for only a portion of the year, you must file and report the income earned and tax paid during the period of your residency.

**UNDER EIGHTEEN YEARS OF AGE:** Persons under 18 years of age are not subject to the tax. If you worked in the City of Solon and City tax was withheld, request a refund from the City of Solon Tax Dept. If you worked in a city other than Solon, request a refund from that city. A copy of your birth certificate or drivers license and W-2's are required with the refund form. Solon residents 18 years old for a portion of the tax year are required to file a tax return.

**Filing Deadline is on or before April 17, 2007.**

**EXTENSION TO FILE:** An extension with the City of Solon is conditionally approved as long as a copy of the Federal Extension is attached to the back of the Solon tax return. The extended due date is the last day of the month following the extension month approved by the IRS. AN EXTENSION TO FILE IS **NOT** AN EXTENSION OF TIME FOR PAYMENT OF THE TOTAL TAX LIABILITY. If your tax liability is \$40.00 or more, you should have paid estimated tax. Extensions are not granted for filing the Declaration of estimated tax even though extensions may be granted for filing of the tax return.

**INCOME TAXED BY CITIES:** You must report all your earned income regardless of the income's origin or characteristics including: wages, salaries, commissions, other compensation including fees, sick pay, bonuses, tips, rents, profits from businesses including professional associations and partnerships, royalties, employer supplemental and unemployment benefits (subpay), wage continuation plans, contest prizes and awards, dismissal or severance pay, incentive payments, property in lieu of cash, depreciation recapture and other compensation earned, received or accrued. Your contribution to retirement plans, annuities or Individual Retirement Accounts (**IRA's**) and all other deferred compensation plans are taxable.

**INCOME NOT TAXABLE** includes dividends, interest, military pay and allowances, insurance proceeds, pensions, annuities, alimony, social security, medicare, poor relief, unemployment insurance benefits, gifts, inheritances, scholarships, involuntary conversions, royalties and other revenue from intangible property. The income of religious, fraternal, charitable or other non-profit associations are exempt from the tax if exempt from real estate tax or exempt by enumeration in section 718.01 of the Ohio Revised Code or section 501(a) of the Internal Revenue Code.

### SPECIFIC INSTRUCTIONS

**HEADING** - Print your name, address and social security number plainly, or make needed corrections if already imprinted. Indicate your filing status. If you choose to file a joint return with your spouse, add their complete name and social security number.

**LINE 1** - Wages. List your gross W-2 wages in this chart. Each line represents the taxable wages you received from each employer. Deferred compensation is not exempt from city income tax. If these amounts are not reconcilable between the federal wages as shown and the city wages, then the W-2 will be questioned.

If you are deducting 2106 expenses, use a separate line (within W-2 box) deducting 2106 Part I expenses, and the corresponding city tax withheld on these monies, both as a negative amount. See below.

**LINE 2** - Is the total of schedules C, G & H (other income subject to the tax) brought forward from page 2. Also see instructions for schedules C, G & H.

**LINE 3** - Total of lines 1(b) and 2.

**LINE 4** - Multiply line 3 by .0200.

**LINE 4(a)** - If you have received refunds of taxes paid relating to travel outside of your work city, enter the amount here. This amount is to be added to line 4.

**LINE 5(a)** - Enter all municipal income tax withheld by your employer as shown in Chart 1 wages. This must not exceed 2% per W-2. Note: If wages and taxes withheld are reduced by 2106 expenses, then use the net amount for this calculation.

**IMPORTANT MESSAGE:** Withholding in excess of 2% from an individual W-2 Form may not be used for credits toward another W-2 earnings which are **not** withheld at the rate of 2%.

**LINE 5(b)** - Individuals should enter payments made to other municipalities on income shown on Line 1(b) or Line 2. Do not list any tax withheld by your employer as shown on your W-2 form since this is already included in Line 1(a) and Line 5(a). Show only payments to other municipalities for this taxable year, (not to exceed Solon Tax Rate). Exclude payments made to "Reduced Tax Credit" cities.

**LINE 5(c)** - Enter on this line your total estimated tax payments for this year. If entry already appears, make sure 4th quarter payment is included.

**LINE 5(d)** - Enter additional payment made.

**LINE 5(e)** - Enter credit from prior year(s) (overpayment you indicated on the prior return to be credited against this year's tax).

**LINE 5(f)** - Is the total of Lines 5(a), 5(b), 5(c), 5(d), and 5(e).

**LINE 6(a)** - If Line 4 is greater than Line 5(f) the difference should be entered here. Remittance in this amount must accompany the return when filed. If this amount is less than \$1, you do not have to pay.

**LINE 6(b)** - If Line 5(f) is greater than Line 4 the difference should be entered here. This amount will be transferred as a credit towards next year's tax unless you request a refund. Refunds of less than \$1, are not made.

**LINE 7** - All taxes remaining unpaid after they become due shall bear interest at the rate of one percent (1%) per month. Penalty for failure to pay taxes due; one percent (1%) per month or fraction thereof.

**LINE 8** - Is the result of lines 6(a) and 7.

**EMPLOYEE BUSINESS EXPENSE:** Allowable 2106 business expenses are permissible from W-2 income only. For city income tax purposes, the following are not allowable deductions; Federal Schedule A Items and educational expenses. If the reimbursement from the employer was in excess of the expenses and was not included on your W-2, the difference must be listed in Schedule H as additional income. Copies of all W-2's and 1099's issued for reimbursement of business expenses **MUST** be submitted with your return and/or refund request. If you were a resident of Solon for only a portion of the year, and have prorated your income, your business expenses must also be prorated.

## SCHEDULE INSTRUCTIONS

### **SCHEDULE C**

All self employed taxpayers must complete this schedule. If you had more than one business, a separate schedule C must be completed for each business. An individual taxpayer engaged in two or more taxable business activities in a single municipality may include them on the same return. The net loss of one may be used to offset net profit of another. The net loss from a business activity may not be used to offset earned income such as salaries and wages.

Gain on the disposition of certain depreciable property results in ordinary income subject to the municipal income tax. Federal form 4797 sets out these items and depreciation recaptured which is treated as ordinary income.

### **SCHEDULE G**

When the gross monthly rental of any and all real properties aggregates in excess of \$125.00 per month, the owner is considered engaged in a business activity and the net income shall be subject to the tax. If aggregate gross rentals are less than \$125.00 per month, do not complete this section. Information on this schedule must correspond to schedule E, part 1 as filed with the Internal Revenue Service, using the same method of depreciation. Attach a schedule if you need more space. Rental losses may not be used to offset earned income such as salaries and wages.

### **SCHEDULE H**

This schedule is used to list all other taxable income not reported elsewhere on this return. Types of income to be reported here are: partnerships, estates, trusts, fees, tips, prizes, awards, commissions, supplemental unemployment benefits, property in lieu of cash, excess business expense reimbursements, refunds of local taxes if deducted in a prior year, taxable income from all other sources.

### **SCHEDULE X**

**Items not Deductible:** This schedule is used for the purpose of making adjustments when total income included income not taxable and/or items not deductible for city income purposes.

**Line A** — Taxes paid or accrued, based upon income – add back.

**Line B** — Charitable Contributions and Donations **in excess of 5% of net profits** are NOT deductible and must be added back if included on Schedule C.

### **Loss Carried Forward**

If a loss carried forward is applicable, place that amount on this line. No portion of a net operating loss shall be carried back against net profits of any prior year.

### **TOTAL**

From Schedules C, G, & H less loss carried forward if applicable. Enter on Page 1, Line 2. If amount is negative place a **zero** on line 2.