

INSTRUCTIONS FOR PREPARING INDIVIDUAL MUNICIPAL INCOME TAX RETURNS

If your work situation changed (for ALL of 2009) 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 you can email us at incometax@solonohio.org.

In-Person Office Assistance – Our tax office staff is available to assist you in completing your city tax return or to answer questions daily, Mon thru Fri, 8 AM to 4:30 PM at City Hall on 34200 Bainbridge Rd.

WHO MUST FILE: Every resident, 18 years or older, with earned income or net profit from any source whatsoever, shall complete 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 Solon resident for only a portion of the year, you must file a return and report the income earned and tax paid during the period of your residence.

UNDER EIGHTEEN YEARS OF AGE: Persons under 18 years of age are not subject to the tax. If you worked in Solon and Solon tax was withheld, request a refund from the 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 driver's 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.

WHEN YOU MUST FILE: Filing Deadline is on or before April 15, 2010.

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 Solon tax return. The extension form must be received on or before April 15, 2010 and all required prior year taxes must have been paid in full at that time. 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 (Form S-ES) even though extensions may be granted for the filing of the tax return.

WHERE TO FILE:

Mail forms with payment to:

City of Solon
Division of Taxation
PO Box 74058
Cleveland, OH 44194-0133

Mail forms without payment to:

City of Solon
Division of Taxation
34200 Bainbridge Rd.
Solon, OH 44139-2955

INCOME SUBJECT TO TAX: You must report *all* earned income regardless of the income's origin or characteristics. Taxable income includes but is not limited to:

- bonuses,
- commissions,
- contest prizes and awards,
- deferred compensation,
- depreciable recapture and other compensation earned, received or accrued,
- fees, including director fees,
- graduate student fellowships, assistantships, grants and stipends
- gross compensation,
- incentive payments,
- net profit from business and professional activities,
- profit-sharing,
- property in lieu of cash,
- rents,
- salaries,
- severance or dismissal pay,
- stock options,
- employer supplemental and unemployment benefits (SUB pay),
- tips,
- tax shelter plans,
- vacation and sick pay,
- wage continuation plans,
- wages,
- gambling and lottery winnings at gross and in excess of \$2000 in any one year unless specifically exempted by the City of Solon or exempted from Ohio municipal income taxes by Ohio law,
- Your contribution to retirement plans, annuities or Individual Retirement Accounts (IRA's) and all other deferred compensation plans are taxable.

INCOME NOT TAXABLE: includes

- alimony received,
- annuities,
- dividends,
- gifts,
- income from intangible property,
- inheritances,
- insurance proceeds,
- interest,
- involuntary conversions,
- Medicare benefits,
- military pay and allowances,
- pensions,
- poor relief,
- royalties,
- scholarships and student grants-in-aid (undergraduate and graduate),
- Social Security benefits,
- unemployment insurance benefits,
- The income of religious, fraternal, charitable or other non-profit associations is exempt if also exempt from real estate tax or exempt by enumeration in §718.01 of the Ohio Revised Code or §501(a) of the Internal Revenue Code.

SPECIFIC INSTRUCTIONS

HEADING – Print your name, address and social security number plainly. Make needed corrections to the above if already imprinted. Indicate your filing status. If you choose to file a joint return, add spouse's complete name and social security number.

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

If you are deducting 2106 expenses, use a separate line within the Wages section deducting 2106 Part I expenses and the corresponding city tax withheld on these monies, both as a negative amount. Note that 2106 expenses are restricted to IRS Schedule A, Form 1040 limitations. Be sure to attach copies of both the full 2106 and Schedule A. Also see EMPLOYEE BUSINESS EXPENSE below.

LINE 2 – Is the total of schedules C, G and H (other income subject to the tax) brought forward from page 2. Also see instructions for schedules C, G and H below – attach copy.

LINE 3 – Is the 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 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(s) as shown in the Wages section. These amounts must **not** exceed 2% per W-2. Note: if wages and taxes withheld are reduced by 2106 expenses, use the net amount for Line 5(a) calculations.

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

LINE 5(b) – 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 forms as these amounts are already included on Line 1(a) and Line 5(a). Show only payments made to other municipalities for this taxable year (not to exceed the Solon tax rate). Exclude payments made to "Reduced Tax Credit" cities.

LINE 5(c) – Enter your total estimated tax payments for the tax year covered by this return. If there is an amount already imprinted on the return, make sure that the 4th quarter estimated payment is included.

LINE 5(d) – Enter any additional payment made.

LINE 5(e) – Enter credit remaining from prior year(s). For example, an overpayment noted on last year's return can 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. Remit this amount with the return. If this amount is less than \$1, you do not have to pay it.

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

LINE 7 – All taxes remaining unpaid after they become due are subject to penalty and interest charges. These are calculated at the rate of one and one-half percent (1½%) per month or fraction thereof.

LINE 8 – Is the total 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 employer's reimbursement was in excess of the expenses and was not included on your W-2, the difference must be listed on 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 federal 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 the net profit of another. The net loss from a business activity may not be used to offset earned income such as salaries and wages. Please note that all Schedule C's must be attached to the return.

Gain on the disposition of certain depreciable property results in ordinary income subject to the municipal income tax. Federal form 4797 identifies these items and the 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 to be engaged in a business activity and the net income shall be subject to the municipal income 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 and 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. Please note that all Schedule E's must be attached to the return.

SCHEDULE H

This schedule is used to list all other taxable income not reported elsewhere on this return. Categories of income to be reported here include:

- awards,
- commissions,
- estates,
- excess business expense reimbursements,
- fees,
- partnerships,
- prizes,
- property in lieu of cash,
- refunds of local taxes if deducted in a prior year,
- supplemental unemployment benefits,
- tips,
- trusts,
- and taxable income from all other sources.

SCHEDULE X

Items Not Deductible: This schedule is used to resolve and adjust certain items constituting total income when those items are either not taxable or not deductible for city income tax purposes. Very few residents have need of this schedule.

Line A – Taxes based on income, whether paid or accrued, must be added 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 federal Schedule C.

Loss Carried Forward

If a loss carried forward is applicable for the return, it must be placed on this line. No portion of a net operating loss shall be carried back against net profits of any prior year.

TOTAL

This line refers to the total of Schedules C, G and H, less the loss carried forward if applicable. Enter this total here and on Page 1, Line 2. If the amount is negative, enter a zero on Line 2.