COSHOCTON CITY INCOME TAX - GENERAL INFORMATION & INSTRUCTIONS FOR TAX YEAR 2014

1. **WHO MUST FILE A RETURN**
Coshocton Ordinance #8-94 clearly states that the following people must file a return with the Coshocton City Income Tax Department:

- Every **RESIDENT** of the City of Coshocton, whether or not tax is due.
- Every **NON-RESIDENT** of the City of Coshocton, who has taxable income earned or derived from within the City, which tax has not been withheld at 1.5%.
- Every **RESIDENT AND NON-RESIDENT ENGAGED IN BUSINESS** in Coshocton as a sole proprietorship or has net profit or loss from rentals.
- All **EMPLOYERS AND NON-RESIDENT EMPLOYERS** must file on the net profits earned from resident or non-resident corporations, unincorporated businesses, professions or other entities derived from sales made, work done, services performed or rendered and business or other activities conducted in Coshocton whether or not such corporations or unincorporated business entities have an office or place of business in the City of Coshocton.
- Retired residents who have previously filed an exemption certificate, do not have to file.
- Anyone with combined wages earned of less than $5,000.00 with their tax totally withheld need not file a return but need to file an exempt form.
- Anyone with joint economic development income. Employed Airport Road or County Road 271.
- Non residents that work in the city and tax was withheld no longer need to file

2. **NOTE: Anyone receiving a postcard is on active status and will need to file a return or an exemption certificate. Not receiving a postcard does not make you exempt from filing a return.**

The city's 2014 Income Tax Forms are available on line at the city's web site at www.cityofcoshocton.com. Mail your signed Income Tax Return with the appropriate supporting documents and payment if necessary by April 15th, 2015, to:

City of Coshocton
c/o Income Tax Department
760 Chestnut Street
Coshocton, Ohio 43812

NOTE: All mailed returns must be posted marked no later then April 15, 2015, to avoid late fees, penalties, and interest charges.

3. **WHEN AND WHERE TO FILE THIS RETURN**
The annual income tax return must be filed and paid in full on or before April 15, 2015, with the Coshocton Income Tax Department, 760 Chestnut Street, Coshocton, Ohio 43812-1294. Fiscal year businesses with accounting periods ending other than December 31 must file within 4 months after the end of the accounting period.

4. **EXTENSIONS**
Extensions of time to file a return will be granted up to the end of the month for which an approved federal extension is given if you have complied with all of the following requirements:
   A. You have requested and are granted an extension of time for Federal tax purposes.
   B. You have notified the City of Coshocton, Ohio by the original due date of the city return by sending us a copy of your federal extension.
   C. You timely file and pay a Declaration of Estimated Tax with the city for the 2014 tax year.
   D. All required prior Coshocton tax returns have been filed and no balance is due for any prior tax year.

5. **PENALTY, INTEREST AND LATE FILE FEES:**
   A. A late file fee of $25.00 will be charged for failure to file by April 15.
   B. A late file fee of $25.00 or 10% of balance of tax due, whichever is greater, will be charged for those taxpayers that filed an extension and failed to file by extension deadline.
   C. In addition to the above (a) (b) and regardless of an extension, all tax unpaid after the due date (April 15) due shall bear interest at the rate of 0.0025% per month until paid in full.

6. **TAXABLE INCOME**
- Wages, salaries and other compensation.
- Bonuses, stipends, and tip income.
- Commissions, fees and other earned income.
- Employer supplemental unemployment benefits (SUB pay)
- Employer contributions to retirement plans and tax deferred annuity plans (including Sec. 401K, Sec. 403b, Sec. 457b, etc.).
- Net profits of business, professions, corporations, partnerships, etc.
- Income from partnerships, estates or trusts.
- Income from wage continuation plans (including retirement incentive plans and severance pay).
- Vacation pay.
- Stock options (taxed when exercised, usually valued at market price less option price on the date the option is exercised).
- Farm net income.
- Employer paid premiums for group term life insurance over $50,000.00 (PS58).
- Joint economic development income.
- Lottery winnings over $10,000.00.
- Compensation paid in goods or services or property usage. Taxed at fair market value.
- Contributions made on behalf of employees to tax deferred annuity programs.
- Income from guaranteed annual wage contracts.
- Prizes and gifts if connected with employment to the same extent as taxable for Federal Income Tax purposes.
- Director fees.
- Income from jury duty.
- Union steward fees.
- Strike pay.
- Profit sharing, if from a non-qualified plan, or if paid as a type of bonus.
- Uniform, automobile, moving and travel allowances.
- Reimbursements in excess of deductible expenses.
- Employer provided educational assistance (taxable to the same extent as for federal taxation pursuant to the Technical & Miscellaneous Revenue Act of 1988.)
- Executor fees.
- Rental Income.

7. **NON-TAXABLE INCOME**
- Interest or dividend income.
- Social Security.
- Income from qualified pension plans.
- State unemployment benefits.
- Worker's compensation.
- Proceeds of life insurance.
- Third party sick pay.
- Active duty military pay (including National Guard when on active duty).
- Welfare Benefits.
- Capital gains.
- Prizes or gifts not connected with employment.
- Patent and copyright income.
- Royalties derived from intangible property.
- Housing allowances for clergy to the extent that the allowance is used to provide a home.
- Health & welfare benefits distributed by governmental, charitable, religious or educational organizations.
- Compensatory insurance proceeds derived from property damage or personal injury settlements.
- Wages earned while working as a poll worker during elections.
- Contributions made by or on behalf of employees to cafeteria plans (Sec. 125).

8. **CREDIT FOR INCOME TAXES PAID TO OTHER CITIES**
INDIVIDUAL TAX PAYERS WHO ARE RESIDENTS OF COSHOCTON ARE ALLOWED A CREDIT IF THEIR TAXABLE INCOME HAS BEEN PROPERLY TAXED BY ANOTHER CITY WHERE IT WAS EARNED.

STARTING WITH TAX YEAR 2014 THE TAX CREDIT WILL BE LIMITED TO 50% OF THE CITY TAX RATE OF 1.5% OR .75%.

COSHOCTON CITY INCOME TAX INSTRUCTIONS (PAGE 2)

9. EMPLOYEE BUSINESS EXPENSES

Employee business expenses incurred to earn Coshocton taxable wages and properly reported to the IRS on form 2106 may be deducted from taxable wages by taxpayers who itemize deductions for federal taxes. Attach form 2106, Schedule A and page 2 of form 1040.

Business expenses incurred to earn income for work done in another city must be allocated to the city where the income was earned. In calculating credit for tax paid to other cities, net taxable income, after deducting allocated 2106 expenses, is the basis for determining the credit allowed.

Educator expenses deducted directly on the first page of federal form 1040 are **NOT** deductible for tax year 2014.

10. BUSINESS INCOME SCHEDULE (Schedule X) AND ALLOCATION FORMULA (Schedule Y)

Schedule X adjusts the federal net gain or loss for items where Coshocton city income tax applies differently from federal tax. Line I of Schedule X shows the starting figure to use. Business income attributable to interest, dividends, capital gains and losses are not subject to Coshocton city income tax. Expenses attributable to nontaxable income shall be added back in the amount of 5% of specified nontaxable amounts. City or state taxes based on income may not be deducted. For partnerships, guaranteed payments to partners are not deductible. Self-employed individuals and pass-through income recipients may NOT deduct one-half self-employment tax.

NOTE: Federal Schedules K, C & E can not offset each other.

NOTE: Income of S corporations remains taxable as if they were C corporations.

Schedule Y is used to determine the percentage of adjusted net business income to be allocated to Coshocton. It may be used only if business is conducted both within and outside the city of Coshocton. When this formula method is used, the following procedures must be observed.

Step 1. Determine the percentage which the average original cost of real and tangible personal property owned or used in the business, located within Coshocton during the period, is of the average original cost of all real and tangible personal property used in the business wherever located. The value of rented property is determined by multiplying the annual rentals by eight.

Step 2. Determine the percentage which the total wages, salaries and other compensation paid during the period to employees for services performed in Coshocton is of the total wages, etc. to all employees located everywhere.

Step 3. Determine the percentage which the gross receipts of the business from sales made or services performed in Coshocton during the period is of the total gross receipts from all sales and services wherever made or performed.

Step 4. Sum the percentages for each of the above steps used.

Step 5. Divide total of Step 4 by the number of percentages used. **Zero cannot be used as a percentage.**

MANDATORY DECLARATION OF ESTIMATED TAX - GENERAL INFORMATION

11. PURPOSE OF DECLARATION:

If you expect to have any taxable income in 2015 on which the proper amount of Coshocton tax will not be withheld by your employer, you must file a Declaration of Estimated Tax. It must be filed by the due date of the prior year's final tax return without extension, and you must pay at least one-quarter of the tax due by that date. Failure of a taxpayer to file a Declaration of Estimated Tax and pay quarterly installments of estimated tax will result in interest and penalty charges – see Instruction 13. Such taxpayers must also file an annual return of actual taxable income and pay any balance of tax due. For example for individuals, a Declaration of Estimated Tax for 2015 must be filed by April 15, 2015, including payment of the first quarterly amount due.

12. WHO MUST MAKE A DECLARATION:

a. Every resident of the City of Coshocton, who expects to receive taxable income, wherever earned, from which the City of Coshocton Income Tax will not be withheld.
b. Every non-resident of the City of Coshocton, who expects to receive taxable income, earned or derived from within the City, from which the City of Coshocton Income Tax will not be withheld.
c. Every business entity, such as corporations, partnerships, fiduciary of active trusts, unincorporated businesses or professional entities conducting activities or producing income from within the City.

13. WHEN AND WHERE TO FILE DECLARATION:

File on or before April 15, 2015, with the Coshocton Income Tax Department, 760 Chestnut Street, Coshocton, Ohio 43812-1294. All wage earners must file on a calendar year basis. Fiscal year taxpayers shall file on or before the last day of the 4th month after their fiscal year end.

14. SAFE HARBORS:

Coshocton uses safe harbor approaches under which penalty and interest will not be charged. Safe harbors require that the annual tax return be timely filed (recognizing valid extensions) including both the 2014 return and 2015 Declaration of Estimated Tax (no extension allowed). All required payments must be timely paid in full including each quarterly estimate payment and the balance due by the original due date of the return. If those requirements are met, the safe harbor will apply and no penalty and interest will be charged if any one of the following conditions is met:

(a) if the final balance owing is less than $100.00, or
(b) if credits total at least 100% of the preceding year's tax liability (on line 4), or
(c) if at least 90% of the current year's tax liability has been timely prepaid and/or withheld.

This section relates only to required declarations and payments, and not to the final amount due with the tax return for the year... see Instructions 3 and 4.

15. AMENDMENTS TO DECLARATION:

If your income situation changes materially from the estimate made on your original declaration, an amended declaration is required. You may use a new form and write across the face of it the word "Amended."

16. DECLARATION OF ESTIMATED TAX PAYMENT TIMETABLE– CALENDAR YEAR TAXPAYERS

April 15, 2015 . . . . . File Declaration with 1st quarter payment
July 31, 2015 . . . . . Make 2nd quarter payment
October 31, 2015 . . . . . Make 3rd quarter payment
January 31, 2016 . . . . . Make 4th quarter payment