

Regional Income Tax Agency
Rules & Regulations
(Revised September 23, 2014)

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GENERAL INFORMATION

The Administrator, as referred to in these Rules & Regulations, means the Administrator or the Executive Director of the Regional Income Tax Agency (RITA), except as referred to in Section 8:04, in which case Administrator means the Administrator of this municipality.

Any place in these Rules & Regulations where the term this municipality appears, the name of any member municipality can be substituted.

In the event of a conflict with these Rules & Regulations and any provision(s) of the Ordinance of this municipality, the Ordinance will supersede.

REGIONAL INCOME TAX AGENCY

CHAPTER 1:00

DEFINITIONS

In the event of a conflict with this Chapter of the Rules & Regulations and any provision(s) of the Ordinance of this municipality, the Ordinance will supersede.

1:01 For purposes of these Rules and Regulations, the singular shall include the plural and the masculine shall include the feminine and the neuter with regard to the terms, phrases, words and the derivatives used herein. As used in these Rules and Regulations, the following words defined herein shall have the meaning ascribed to them in this Chapter except where the context clearly indicates or requires a different meaning.

ADJUSTED FEDERAL TAXABLE INCOME means a “C” corporation’s federal taxable income before net operating losses and special deductions as determined under the Internal Revenue Code, but including subsequent adjustments from required additions and deductions. Pass-through entities must compute “Adjusted Federal Taxable Income” as if the pass-through entity was a “C” corporation. This definition does not apply to any taxpayer required to file a return under Ohio Revised Code (ORC) section 5745.03 or to the net profit from a sole proprietorship. This definition is effective for tax years beginning on or after January 1, 2004.

ADMINISTRATOR means the individual designated by the Ordinance to administer and enforce the provisions of the Income Tax Ordinance of this municipality and includes the Administrator of the Regional Income Tax Agency.

ASSOCIATION means a partnership, cooperative, limited partnership, limited liability company, joint venture, or any other form of unincorporated enterprise.

BOARD OF REVIEW means the Board created by and constituted as provided for in the Ordinance of this municipality.

BUSINESS means an enterprise, cooperative activity, profession or undertaking of any nature conducted for profit or ordinarily conducted for profit whether by an individual, partnership, association, corporation or any other entity, excluding,

however, all non-profit corporations which are exempt from the payment of federal income tax. The administration of a decedent's estate by the executor or administrator and the mere custody, supervision and management of trust property under a living or testamentary trust unaccompanied by the actual operation of a business, shall not be construed as the operation of a business.

CORPORATION means a corporation, Chapter S Corporations as defined in the federal tax code, 26 U.S.C. 1361, or joint stock association organized under the laws of the United States, the State of Ohio or any other state, territory, foreign country or dependency.

DOMICILE means the permanent legal residence of a taxpayer. A taxpayer may have more than one residence but not more than one domicile.

EMPLOYEE means one who works for income, wages, salary, commission or other type of compensation in the service of and under the control of an employer. The relationship of employer and employee exists when the person for whom services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished, but also as to the details and means by which that result is accomplished. Any person from whom an employer is required to withhold for federal income tax purposes shall prima facie be deemed an employee.

EMPLOYER means an individual, association, corporation or other entity, who or that employs one or more persons on an income, salary, wage, commission or other compensation basis, whether or not such employer is engaged in business or operated for a profit, and whether or not the entity is private or public. No rights, duties or obligations are imposed with respect to any such body not otherwise authorized by law.

A person who employs domestic help for such person's private residence shall not be considered an employer of the domestic for municipal income tax withholding purposes, and shall not be required to withhold and/or remit municipal income tax on behalf of the domestic help.

FISCAL YEAR means an accounting period of twelve (12) months or less ending on any day other than December 31st. Only fiscal years accepted by the Internal Revenue Service for federal income tax purposes may be used for municipal income tax purposes.

FUNDAMENTAL CHANGE means any substantial alteration by an employer, including liquidation, dissolution, bankruptcy and reorganizations such as merger, consolidation, acquisition, transfer or change in identity, form or organization.

GENERIC TAX RETURNS means an electronic or paper form designed for reporting estimated municipal income taxes and annual municipal income tax liability. However, to be acceptable the generic forms must be in a similar format that will allow the processing of the generic forms without changing RITA's existing procedures for processing forms.

GROSS RECEIPTS means the total revenue derived from sales, work done, or service rendered.

INCOME means all monies, subject to limitations imposed by ORC 718, derived from any source whatsoever, including but not limited to:

A. All income, qualifying wages, commissions, other compensation and other income from whatever source received by residents of this municipality.

B. All salaries, wages, commissions, other compensation and other income from whatsoever source received by nonresidents for work done or services performed or rendered or activities conducted in this municipality.

C. The portion attributable to this municipality of the net profits of all unincorporated businesses, associations, professions, corporations, or other entities, from sales made, work done, services performed or rendered, and business or other activities conducted in this municipality.

JOINT ECONOMIC DEVELOPMENT DISTRICT (JEDD) means districts created under Ohio Revised Code Sections 715.70 through 715.83, as amended from time to time.

MANAGER means any of the employer's officers, responsible persons, employees having control or supervision, and employees charged with the responsibility of filing the return, paying taxes and otherwise complying with the ordinance.

NET PROFITS, for taxable years prior to 2004, means the net gain from the operation of a business, profession, enterprise or other activity after deduction of all ordinary and necessary expenses paid or accrued in accordance with the accounting method (i.e., cost or accrual) used by the taxpayer for federal income tax purposes, without deduction of taxes imposed by this chapter, Federal, State and other taxes based on income; and in the case of an association, without deduction of salaries paid to partners, and other owners; and otherwise adjusted to the requirements of this chapter. (For taxable years 2004 and later, see "adjusted federal taxable income".)

NON-RESIDENT means an individual domiciled outside the boundaries of this municipality.

NON-RESIDENT UNINCORPORATED BUSINESS ENTITY means an unincorporated business entity not having an office or place of business within this municipality.

ORDINANCE means the Income Tax Ordinance enacted by the Council in this municipality and any amendments and supplements thereto.

PASS THROUGH ENTITIES means a partnership, S Corporation, Limited Liability Company or any other class of entity the income or profits from which are given pass-through treatment under the Internal Revenue Code. S Corporation means a corporation that has made an Election under Subchapter S of Chapter 1 of Subtitle A of the Internal Revenue Code for its taxable year. Limited Liability Company means a Limited Liability Company formed under chapter 1705 of the Ohio Revised Code or under the laws of another state. Unless specified otherwise, all pass-throughs are considered to be "associations" and shall be subject to the tax treatment accorded associations.

PENSION means, for the purposes of these rules and regulations, any amount paid to an employee or former employee that is reported to the recipient on an IRS Form 1099-R, or successor form. Pension does not include deferred compensation, or amounts attributable to nonqualified deferred compensation plans, reported as FICA/Medicare wages on an IRS Form W-2, Wage and Tax Statement, or successor

form.

PERSON means every natural person, fiduciary, association, corporation or other entity. Whenever used in a clause prescribing or imposing a penalty, the term person, as applied to an unincorporated entity, shall mean the partners or members thereof, and as applied to a corporation, the officers thereof.

PLACE OF BUSINESS means any bonafide office (other than a mere statutory office), factory, warehouse or other space which is occupied and used by the taxpayer in carrying on any business activity individually or through one or more of his regular employees regularly in attendance.

QUALIFYING WAGE means wages as defined in Section 3121(a) of the Internal Revenue Code, without regard to any wage limitations, but including subsequent adjustments from required additions and deductions. "Qualifying wage" represents employees' income from which municipal tax shall be deducted by the employer, and any wages not considered a part of "qualifying wage" shall not be taxed by the Village. This definition is effective January 1, 2004, for taxable years 2004 and later.

REAL PROPERTY, as the term is used in these Regulations, shall include commercial property, residential property, farm property and any and all types of real estate.

REGIONAL INCOME TAX AGENCY (RITA) means the organization formed under the Regional Council of Governments to provide a central collection service for municipal income taxes.

RESIDENT means an individual domiciled in this municipality at any time during the taxable year.

RESIDENT UNINCORPORATED BUSINESS ENTITY means an unincorporated business entity having an office or place of business within this municipality.

TAXABLE INCOME means income (as defined in Chapter 1:00) minus the deductions and credits allowed by this ordinance.

TAXABLE YEAR means the calendar year or the fiscal year used as the basis on which net profits are to be computed under the Ordinance, and in the case of a return for a fractional part of a year, the period for which such return is required to be made.

TAXING MUNICIPALITY means any municipal corporation levying a municipal income tax on income.

TAXPAYER means a person (whether an individual, association, corporation or other entity) required by the Ordinance to file a return or pay a tax. The term "taxpayer" does not include any person that is a disregarded entity or a qualifying subchapter S (if the subchapter S is a subsidiary entity, but does include any other person who owns the disregarded entity or subchapter S subsidiary).

TAX YEAR means the year in which the taxable year begins.

CHAPTER 2:00

IMPOSITION OF INCOME TAX
(RATE AND INCOME TAXABLE)

In the event of a conflict with this Chapter of the Rules & Regulations and any provision(s) of the Ordinance of this municipality, the Ordinance will supersede.

2:01 Resident Individuals

- A. In the case of residents of this municipality, an annual tax is imposed on all income, salaries, qualifying wages, commissions and other compensation earned, received, and/or accrued (including earnings deposited by the employee into qualified and non-qualified deferred compensation plans), during the effective period of the Ordinance, whether such income is received or earned directly or through an agent and whether paid in cash or in property.

For the purpose of determining the tax on income of resident taxpayers under the Rate and Income Taxable Section of the Ordinance, the source of income and earnings and the place or places in or at which services were rendered are immaterial. In the case of earnings, all such earnings, wherever earned, are taxable. The location of the place from which payment is made or where payment is received is immaterial.

1. "Qualifying wages" means wages, as defined in Section 3121(a) of the Internal Revenue Code, without regard to any wage limitations, adjusted as follows:
 - a. Deduct the following amounts:
 - i. Any amount included in wages if the amount constitutes compensation attributable to a plan or program described in section 125 of the Internal Revenue Code.
 - ii. Effective July 1, 2007, for purposes of division 2 of this section, any amount included in wages if the amount constitutes payment on account of sickness or accident disability (i.e., the amount therefore is not subject to withholding). While such amounts are not subject to withholding they remain taxable to the recipient for the workplace and residence municipality. This section 2:01.1.a.ii effective July 1, 2007.
 - b. Add the following amounts:
 - i. Any amount not included in wages solely because the employee was employed by the employer prior to April 1, 1986;

- ii. Any amount not included in wages because the amount arises from the sale, exchange, or other disposition of a stock option, the exercise of a stock option, or the sale, exchange, or other disposition of stock purchased under a stock option. This sub-paragraph applies only to those amounts constituting ordinary income.
 - iii. Any amount not included in wages if the amount is an amount described in section 401(k) or 457 of the Internal Revenue Code. This sub-paragraph applies only to employee contributions and employee deferrals.
 - iv. Any amount that is supplemental unemployment compensation benefits described in section 3402(o)(2) of the Internal Revenue Code and not included in wages.
 - c. Deduct any amount attributable to a nonqualified deferred compensation plan or program described in section 3121(v)(2)(C) of the Internal Revenue Code if the compensation is included in wages and has, by resolution or ordinance, been exempted from taxation by the municipal corporation.
 - d. Deduct any amount included in wages if the amount arises from the sale, exchange, or other disposition of a stock option, the exercise of a stock option, or the sale, exchange, or other disposition of stock purchased under a stock option and the municipal corporation has, by resolution or ordinance, exempted the amount from withholding and tax.
 - 2. For taxable years beginning after 2003, no municipal corporation shall require any employer or any agent of any employer or any other payer, to withhold tax with respect to any amount other than qualifying wages. Nothing in this section prohibits an employer from withholding tax on a basis greater than qualifying wages.
 - 3. The employer is not required to make any withholding with respect to an individual's disqualifying disposition of an incentive stock option if, at the time of the disqualifying disposition, the individual is not an employee of the corporation with respect to whose stock the option has been issued. However, if an incentive stock option is exercised as a disqualifying disposition, the income is then considered ordinary income (vs. capital gains) and therefore is subject to Medicare, and consequently subject to tax by this municipality.
 - 4. a. An employee is not relieved from liability for a tax by the failure of the employer to withhold the tax as required by this municipality or, if the income is subject to Medicare withholding, by the employer's exemption from the requirement to withhold the tax.

- b. The failure of an employer to remit to this municipality the tax withheld relieves the employee from liability for that tax unless the employee colluded with the employer in connection with the failure to remit the tax withheld.
 - 5. The definition for “qualifying wage” is effective for taxable years beginning on and after January 1, 2004.
- B. The following is a non-inclusive list of items which are subject to the tax imposed by the Rate and Income Taxable Section of this municipality's Ordinance.
 - 1. Income, including but not limited to qualifying wages, commissions and other compensation that is subject to Medicare withholding in accordance with Internal Revenue Code Sec. 3121(a), whether directly or through an agent, and whether in cash or in property for services rendered during the tax period as an officer, director or employee of a corporation (including charitable and other non-profit organizations), or association or any other entity or person; an officer or employee (whether elected, appointed, or commissioned) of the United States Government or any of its agencies or of the State of Ohio or any of its political sub-divisions or agencies thereof; or any foreign country or dependency except military pay exempted as stated in Section 4:01 of these Regulations.
 - 2. The employer is not required to make any withholding with respect to an individual's disqualifying disposition of an incentive stock option if, at the time of the disqualifying disposition, the individual is not an employee of the corporation with respect to whose stock the option has been issued. However, if an incentive stock option is exercised as a disqualifying disposition, the income is then considered ordinary income (vs. capital gains) and therefore is subject to Medicare, and consequently subject to tax by this municipality.
 - 3. Fees, including Director's fees, unless fees are properly includable as part of the net profits of a trade, business, profession, or enterprise regularly carried by an unincorporated entity owned or partly owned by said individual and such net profits are subject to the tax under the net profits provision of the Ordinance.
 - 4. Other compensation includes, but is not limited to:
 - a. Tips received by waiters and others.
 - b. Bonuses.
 - c. Gifts or gratuities in connection with employment.
 - d. Compensation paid to domestic servants (see 6:02J for withholding requirement), casual employees and other types of employees.
 - e. Fellowships, grants or stipends paid to a graduate in the full amount, except that amount allocated in writing for tuition,

books and laboratory fees shall be excluded.

- f. Dismissal pay, severance pay, reduction-in-force pay, and other forms of termination pay.
- g. Retirement and Other Plans – Employee, Partners contributions to retirement plans are neither excludable nor deductible by the employee. Withholding applies to the employee's full compensation unreduced by an employee's contribution to a retirement plan. The same rules apply with respect to other amounts withheld from employees and contributed to other types of plans.
- h. Stock options given as compensation and when exercised. The tax is due to the municipality of the workplace and/or residence (i.e., if full credit is not given by the resident municipality) at the time of the purchase. The amount of taxable income is the difference between the price paid for the stock and the fair market value of the stock at the time of purchase.
- i. Disqualifying disposition of an incentive stock option. The taxpayer is responsible for payment of the tax if, at the time of the disqualifying disposition, the municipal income tax was not withheld by the corporation with respect to whose stock the option has been issued.
- j. Restricted stock given as compensation shall be taxed at the fair market value at the time all restrictions lapse.
- k. Income from Pass Through Entities - initially taxed at entity level (see Section 3.00). In regard to Subchapter S Corporations, a distribution from a Subchapter S Corporation will be treated as wages if it was for services performed. If a taxpayer does not claim such compensation as wages, R.I.T.A. will treat the distribution as wages to the extent that it is a fair wage for the services performed.
- l. Royalty Income - Income earned by a taxpayer from a royalty interest in the production of an oil or gas well, whether managed, extracted or operated by the taxpayer individually or through an agent or other representative, shall be included in the computation of net profits from a business activity to the extent that such royalty interest constitutes a business activity of the taxpayer. Where the gross income received by a taxpayer from royalty interest in the production of an oil or gas well in a taxable year exceeds \$3,000.00, it shall be prima facie evidence that the income was derived from a business activity of such taxpayer and the net income from such royalty interest shall be subject to tax.
- m. Deferred compensation.
- n. Profit-sharing plans.

- o. The employer's income derived from finance and carrying charges associated with their consumers' accounts receivable.
 - p. Third-party sick pay.
5. Vacations, Holidays, Sickness, etc. - Payments made to employees by an employer as vacation or holiday wages are taxable. Payments made to an employee by an employer directly under a wage continuation plan during periods of disability or sickness are taxable. Such vacation, holiday, disability or sickness payments shall be apportioned in the same ratio as regular wages if the employee works in more than one municipality.
 6. Where compensation is paid or received in property, its fair market value, at the time of receipt, shall be subject to the tax and to withholding. However, with regard to stock options and restricted stocks, such compensation shall be taxed in accordance with 2:01 B4 h, i, and j. Board, lodging and similar items received by an employee in lieu of additional cash compensation shall be included in earnings at their fair market value; except that in the case of domestics and other employees whose duties require them to live at their place of employment or assignment, board and lodging shall not be considered as wages or compensation earned.
 7. Lottery, games of chance, gambling and sports winnings are taxable, and in no circumstance shall deductions be allowed against these winnings. However, deductions shall be allowed against gambling and sports winnings if the taxpayer is considered a professional gambler for federal income tax purposes. If said income is payable to the taxpayer in more than one year, the deduction applies only in the first year in which the income is received.

2:02

Non-resident Individuals

- A. In the case of individuals who are not residents of this municipality, there is imposed under the Ordinance a tax on all income, salaries, qualifying wages, commissions and other compensation earned, and received, and/or accrued (including earnings deposited by the employee into qualified and non-qualified deferred compensation plans), on and after the effective date of the Ordinance for work done or services rendered or performed within this municipality, whether such compensation or remuneration is received or earned directly or through an agent and whether paid in cash or in property. The location of the place from which payment is made or where payment is received is immaterial.
- B. The items subject to tax under the Rate and Income Taxable Section of the Ordinance are the same as those listed and defined in Section 2:01.B. hereof, with the exceptions of those items listed in 2:01B4d and B7. For the methods of computing the extent of such work or services performed within a taxing community in cases involving compensation for personal services partly within and partly without this municipality, see Section 6:02.E hereof.

2:03

Resident Unincorporated Businesses

- A. In the case of resident unincorporated businesses, associations, professions, enterprises, undertakings or other activities conducted, operated, engaged in, prosecuted or carried on in this municipality, there is imposed an annual tax on the net profits earned and received or earned and accrued, and which are considered distributions to individual members, owners, partners, and shareholders, during the effective period of the Ordinance, determined by a method of allocation provided in Chapter 3:00 hereof, derived from sales made, work done or services performed or rendered and business or other activities conducted in this municipality.
- B. The tax imposed on resident unincorporated entities is upon the entities rather than the individual members or owners thereof. (For tax on that part of a resident owner's distributive share of net profits not taxed against the entity by this municipality, see Section 2:03.E hereof.)
- C. The tax imposed by the Ordinance of this municipality is imposed on all the net profits of resident unincorporated entities having net profits attributable to this municipality determined by a method of allocation provided in Chapter 3:00 hereof, regardless of where the owner or owners of such resident unincorporated business entity reside.
- D. Resident unincorporated entities owned by one or more persons, all of whom are residents of this municipality, having all income allocable to this municipality or having income allocable to other municipalities not levying a similar tax, shall disregard the method of allocation provided for in the Ordinance and pay this municipality, on behalf of its individual members, owners, partners, and shareholders, the tax on the entire net profits thereof. Payment of the tax by the entity on the entire net profits thereof shall constitute payment of all tax due this municipality from the owner or members thereof on their distributive shares of the entity net profits.
- E. In the case of an individual who is a resident partner or owner of a resident unincorporated entity, there is imposed an annual tax on such individual's distributive share of net profits earned and received or earned and accrued, not withheld by the entity for this municipality.

2:04

Non-resident Unincorporated Businesses

- A. In the case of non-resident unincorporated businesses, associations, professions, enterprises, undertakings or other activities conducted, operated, engaged in, prosecuted or carried on in this municipality, there is imposed an annual tax on the net profits earned and received or earned and accrued, and which are considered distributions to individual members, owners, partners, and shareholders, during the effective period of the Ordinance determined by a method of allocation in Chapter 3:00 hereof, derived from sales made, work done or services performed or rendered and business or other activities conducted in this municipality.
- B. The tax imposed on non-resident unincorporated entities is upon the entities rather than the individual members or owners thereof. (For tax on that part of a resident owner's distributive share of net profits not taxed against the entity, see Section 2:04.D hereof.)

- C. The tax imposed by the Ordinance is imposed on all non-resident unincorporated entities having net profits attributable to this municipality determined by a method of allocation provided in Chapter 3:00 hereof, regardless of where the owner or owners of such non-resident unincorporated business reside.
- D. In the case of an individual who is a resident, partner or owner of a non-resident unincorporated entity, there is imposed an annual tax on such individual's distributive share of net profits earned and received or earned and accrued, and not taxed against the entity by this municipality.

2:05

Corporations

- A. In the case of corporations, whether domestic or foreign and whether or not such corporations have an office or place of business in this municipality, there is imposed an annual tax on the net profits earned and received or earned and accrued during the effective period of the Ordinance determined by a method of allocation provided in Chapter 3:00 hereof, derived from sales made, work done, services performed or rendered and business or other activities conducted in this municipality.
- B. Subject to the provisions of ORC 5745, the income of an electric company, combined company, and telephone company (each as defined in ORC 5727.01), shall pay tax on all income apportioned to this municipality.

2:06

Calculation of adjusted federal taxable income (i.e., Net Profits)

Net Profits (“adjusted federal taxable income”) means, for tax years 2004 and later, a C corporation's federal taxable income before net operating losses and special deductions as determined under the Internal Revenue Code, adjusted as follows:

- A. Deduct intangible income to the extent included in federal taxable income. The deduction shall be allowed regardless of whether the intangible income relates to assets used in a trade or business or assets held for the production of income.
- B. Add an amount equal to five per cent of intangible income deducted under division B1a of this section, but excluding that portion of intangible income directly related to the sale, exchange, or other disposition of property described in section 1221 of the Internal Revenue Code.
- C. Add any losses allowed as a deduction in the computation of federal taxable income if the losses directly relate to the sale, exchange, or other disposition of an asset described in section 1221 or 1231 of the Internal Revenue Code.
- D.
 - 1. Except as provided in subparagraph D(2) of this section, deduct income and gain included in federal taxable income to the extent the income and gain directly relate to the sale, exchange, or other disposition of an asset described in section 1221 or 1231 of the Internal Revenue Code.
 - 2. Subparagraph D(1) of this section does not apply to the extent the income or gain is income or gain described in section 1245 or 1250 of

the Internal Revenue Code.

- E. Add taxes on or measured by net income allowed as a deduction in the computation of federal taxable income.
- F. In the case of a real estate investment trust and regulated investment company, add all amounts with respect to dividends to, distributions to, or amounts set aside for or credited to the benefit of investors and allowed as a deduction in the computation of federal taxable income.
- G. If the taxpayer is not a C corporation and is not an individual, the taxpayer shall compute adjusted federal taxable income as if the taxpayer were a C corporation, except:
 - 1. Guaranteed payments and other similar amounts paid or accrued to a partner, former partner, member, or former member shall not be allowed as a deductible expense; and
 - 2. Amounts paid or accrued to a qualified self-employed retirement plan with respect to an owner or owner-employee of the taxpayer, amounts paid or accrued to or for health insurance for an owner or owner-employee, and amounts paid or accrued to or for life insurance for an owner or owner-employee shall not be allowed as a deduction.

2:07 Effective Period

Said tax shall be levied, collected and paid with respect to the salaries, wages, commissions and other compensation, and with respect to the net profits of businesses, professions or other activities earned on and after January 1, 1972.

2:08 The examples set forth in this Chapter are not all-inclusive.

CHAPTER 3:00

DETERMINATION OF ALLOCATION OF TAX
(METHOD OF DETERMINATION)

In the event of a conflict with this Chapter of the Rules & Regulations and any provision(s) of the Ordinance of this municipality, the Ordinance will supersede.

3:01 Business Allocation Percentage Method

- A. The portion of the entire net profits of a taxpayer to be allocated as having been derived from within this municipality shall be determined by multiplying the entire net profits by a business allocation percentage to be determined by a three-factor formula of property, payroll and sales.
- B. The business allocation percentage shall be determined as follows:
 - 1. Step 1 - Ascertain the percentage which the average original cost of

real and tangible personal property, including leasehold improvements owned or used in the business and situated within this municipality, is of the average original cost of all real and tangible personal property, including leasehold improvements owned or used in the business wherever situated, during the period covered by the return. The percentage of taxpayer's real and tangible personal property within this municipality is determined by dividing the average original cost of such property within this municipality (without deduction of any encumbrances) by the average original cost of all such property within and without this municipality. In determining such percentage, property rented by the taxpayer, as well as real and tangible personal property owned by the taxpayer, must be considered.

- a. The original cost of real and tangible personal property rented by the taxpayer shall be determined by multiplying gross annual rents payable by eight (8).
 - b. Gross rent means the actual sum of money or other consideration payable, directly or indirectly, by the taxpayer for the use and possession of property and includes:
 - i. Any amount payable for the use or possession of real and tangible personal property or any part thereof, whether designated as a fixed sum of money or as a percentage of sales profits or otherwise.
 - ii. Any amount payable as additional rent or in lieu of rent such as interest, taxes, insurance, repairs or other amounts required to be paid by the terms of a lease or other arrangement.
2. Step 2 - Ascertain the percentage which the total wages, salaries commissions and other compensation of employees within this municipality is of the total wages, salaries, commissions and other compensation of all the taxpayer's employees within and without this municipality during the period covered by the return.
- a. Wages, salaries and other compensation may be computed on the cash or accrual basis. Wages, salaries, and other compensation shall be included to the extent that they represent qualifying wages.
 - b. In the case of an employee who performs services both within and without this municipality, the amount treated as compensation for services performed within this municipality shall be deemed to be:
 - i. In the case of an employee whose compensation depends directly on the volume of business secured by him, such as a salesman on a commission basis, the amount earned or received by him for the business attributable to his efforts within this municipality.

- ii. In the case of an employee whose compensation depends on other than the volume of business transacted, the proportion of the total amount received by him which is his working time within this municipality of his total working time.
 - c. For the purpose of the computation, wages should include a reasonable amount attributable to the services of owners or partners (see Section 3:02.B.2.b hereof) for the amount treated as compensation for services performed within this municipality.
- 3. Step 3 - Ascertain the percentage which the gross receipts of the taxpayer derived from sales made and services rendered in this municipality is of the total gross receipts wherever derived during the period covered by the return.
 - a. The following shall be considered sales made within this municipality:
 - i. All sales made through retail stores located within this municipality to purchasers within or without this municipality except so much of said sales to purchasers outside this municipality that are directly attributable to regular solicitations made outside this municipality personally by taxpayer's employees.
 - ii. All sales of tangible personal property delivered to purchasers within this municipality if shipped or delivered from an office, store, warehouse, factory or place of storage located within this municipality.
 - iii. All sales of tangible personal property delivered to purchasers within this municipality, even though transported from a point outside this municipality, if the taxpayer is regularly engaged through its own employees in the solicitation or promotion of sales within this municipality and the sale is directly or indirectly the result of such solicitation.
 - iv. All sales of tangible personal property shipped from an office, store, warehouse, factory or place of storage within this municipality to purchasers outside this municipality if the taxpayer is not, through its own employees, regularly engaged in the solicitation or promotion of sales at the place of delivery.
 - v. Charges for work done or services performed incident to a sale, whether or not included in the price of the property, shall be considered gross receipts from such sale.
 - b. In the application of the foregoing sales determination factors,

a carrier shall be considered the agent of the seller regardless of the FOB point or other conditions of the sale and the place at which orders are accepted or contracts legally consummated shall be immaterial. Solicitations of customers outside of this municipality by mail or telephone from an office or place of business within this municipality shall not be considered a solicitation of sales outside this municipality.

4. Step 4 - Add the percentages determined in accordance with Steps 1, 2 and 3, or such of the aforesaid percentages as may be applicable to the particular taxpayer's business, and divide the total so obtained by the number of percentages used in ascertaining said total. The result so obtained is the business allocation percentage. In determining the average percentage, a factor shall not be excluded from the computation merely because said factor is found to be allocable entirely outside this municipality. A factor is excluded only when it does not exist anywhere.
5. Step 5 - The business allocation percentage determined in Step 4 above shall be applied to the entire taxable net profits of the taxpayer wherever derived to determine the net profits allocable to this municipality.

3:02

Substitute Method

- A. In the event a just and equitable result cannot be obtained under the formula, the Administrator, upon his own initiative or upon application of the taxpayer, may substitute other factors in the formula or prescribe other methods of allocating net income calculated to effect a fair and proper allocation.
- B. Application by the taxpayer to the Administrator to substitute other factors in the formula or to use a different method to allocate net profits must be made, in writing, not less than sixty (60) days before the due date of the annual return without regard to extension and shall state the specific grounds on which the substitution of factors or use of a different method is requested and the relief sought to be obtained. No specific form need be followed in making such application. If, pursuant to a taxpayer's request, a substitute method of allocation is authorized by the Administrator, a statement should be attached to the annual return for the year of change describing such substitute method of allocation and setting forth the date such substitute method was authorized by the Administrator.
- C. If the Administrator approves the use of books and records as a substitute method, the following shall apply:
 1. The net profits allocable to this municipality from business, professional or other activities conducted in this municipality by corporations or unincorporated entities (whether resident or non-resident) may be determined from the records of the taxpayer only if the taxpayer has bona fide records which disclose with reasonable accuracy what portion of his net profits is attributable to that part of his activities conducted within this municipality.

2. If the books and records of the taxpayer are used as the basis for apportioning net profits, a statement must accompany the return explaining the manner in which such apportionment is made in sufficient detail to enable the Administrator to determine whether the net profits attributable to this municipality are apportioned with reasonable accuracy.

3. In determining the income allocable to this municipality from the books and records of a taxpayer, an adjustment may be made for the contribution made to the production of such income by headquarters activities of the taxpayer, whether such headquarters is within or without this municipality.

3:03

Change of Method

A. A change in a method of allocation should be described in a statement attached to the return for the year of change (also see Section 3:03 hereof).

3:04

Rentals From Real Property

A. Rentals received by the taxpayer are to be included in the computation of net profits from business activities only if, and to the extent that, the rental, ownership, management or operation of the real estate from which such rentals are derived (whether so rented, managed or operated by the taxpayer individually or through agents or other representatives) constitutes a business activity of the taxpayer in whole or in part.

B. Where the gross monthly rental of any real properties, regardless of number and value, aggregate in excess of the rental rate of this municipality, it shall be prima facie evidence that the rental, ownership, management or operation of such properties is a business activity of such taxpayer and the net income of such rental properties shall be subject to tax; provided that in the case of commercial property, the owners shall be considered engaged in a business activity when the rental is based on a fixed or fluctuating percentage of gross or net sales, receipts or profits of the lessee, whether or not such rental exceeds the rental rate of this municipality; provided further that in the case of farm property, the owner shall be considered engaged in a business activity when he shares in the crops or when the rental is based on a percentage of the gross or net receipts derived from the farm, whether or not the gross income exceeds the rental rate of this municipality; and provided further that the person who operates a licensed rooming house shall be considered in business whether or not the gross income exceeds the rental rate of this municipality.

C. In determining the amount of gross monthly rental of any real property, periods during which rents are not received shall not be taken into consideration by the taxpayer.

Example: Property located in Municipality A rents for \$275.00 per month (Municipality A has a \$250.00 gross rental test). In 1995, the property was rented for ten months, hence, the average monthly rental would be \$229.16.

The relevant test is the amount of the gross monthly rent while the property is being rented, which, in this case, is \$275.00.

- D. Rental income received by a taxpayer engaged in the business of buying or selling real estate shall always be considered as part of business income.
- E. In determining the taxable income from rentals, the deductible expenses shall be of the same nature, extent and amount as are allowed by the Internal Revenue Service for federal income tax purposes.
- F. Owners of rental property who are non-residents of this municipality, whether individuals or business entities, are subject to tax only on the income from real property located in this municipality, and in determining whether gross monthly rentals exceed the rental rate of this municipality, only the income from such properties located within this municipality shall be considered.
- G. Owners of rental property who are residents of this municipality are subject to tax on the net income from rentals (to the extent above specified), regardless of the location of the real property owned, excepting that if any such property is located and subject to a municipal income tax by another taxing municipality, credit shall be claimed in accordance with Chapter 7:00 hereof.
- H. Owners of rental property who are not residents of this municipality may offset net losses against net profits only between rental properties located in this municipality.
- I. Corporations owning or managing real estate are taxable only on the portion of income derived from property located in this municipality.
- J. Any resident or non-resident receiving rental income from commercial property, farm property or a licensed rooming house, irrespective of the rental amount limitations, must file a return whether or not there is any tax due.

3:05

Operating Loss Carry Forward

- A. The portion of a net operating loss, based on income taxable under the Ordinance sustained in any taxable year subsequent to the effective date of the Ordinance and allocable to this municipality, may be applied against the portion of the profit of succeeding year(s) allocable to this municipality until exhausted, but in no event for more than five (5) taxable years. No portion of a net operating loss shall be carried back against net profits of any prior year.
- B. In the event net profits are allocated both within and without this municipality, the portion of a net operating loss sustained shall be allocated to this municipality in the same manner as provided herein for allocating net profits to this municipality. The portion of a net operating loss to be carried forward shall be determined in the year the net operating loss is sustained on the basis of the allocation factors applicable to that year.
- C. In the case of fiscal years beginning prior to the effective date of the Ordinance, the net operating loss deduction will be that portion of the operating loss that the number of days of the fiscal year after the effective date of the Ordinance bears to the total number of days in such fiscal year, except when actual figures are available.
- D. A short taxable year (a fiscal year of less than twelve (12) months) shall be

considered a full taxable year for purposes of this section.

- E. In any return in which a net operating loss deduction is claimed, a schedule must be attached showing:
 - 1. Year in which net operating loss was sustained.
 - 2. Method of accounting and allocation used to determine the portion of net operating loss allocable to this municipality.
 - 3. Amount of net operating loss used as a deduction in prior years.
 - 4. Amount of net operating loss claimed as a deduction in current year.
- F. The net operating loss of a business which loses its identity through merger, consolidation, etc., shall be allowed as a carry forward loss deduction to the surviving business entity to the extent permitted by the Internal Revenue Code.
- G. In the case of net operating loss in the filing of a consolidated return, see Section 5:04 hereof.

CHAPTER 4:00

EXEMPTIONS
(SOURCES OF INCOME NOT TAXED)

In the event of a conflict with this Chapter of the Rules & Regulations and any provision(s) of the Ordinance of this municipality, the Ordinance will supersede.

- 4:01 The following items shall be exempt from municipal income tax:
- A. All military pay and allowances of any member of the armed forces of the United States and members of their reserve components, including the Ohio National Guard are exempt from the tax imposed by the Ordinance. This exemption includes not only the military pay and allowances received by the member himself, but also the military pay and allowances, such as dependency allowances, received by another person by reason of the member's service.
 - B. The income of religious, fraternal, scientific, literary or educational institutions is exempt from the tax imposed by the Ordinance only to the extent that such income is derived from tax-exempt real estate, tax-exempt tangible or intangible property or tax-exempt activities.
 - C. Unemployment insurance benefits, payments received from pensions or similar payments, including disability benefits received from local, state or

federal governments or charitable, religious or educational organizations are exempt from the tax imposed by the Ordinance. The exempted benefits include, for example: aid to dependent children and the aged; rent, food and clothing allowances or subsidies; job training allowances; social security and Medicare benefits; and Workmen's Compensation benefits.

- D. Proceeds of insurance paid by reason of the death of the insured, gratuities not in the nature of compensation for services rendered, pensions, disability benefits (not under a wage continuation plan), retirement benefits and annuities are exempt from the tax imposed by the Ordinance, irrespective of the source from which derived. The exemption includes gifts and inheritances. Disability benefits include the proceeds of health and accident insurance and similar benefits. Pensions, retirement benefits, annuities and similar payments made to an employee or to the beneficiary of an employee under a retirement program or plan (whether formal or informal) after termination of employment are exempt from the tax, however, supplemental unemployment benefits are not exempt from taxation.
- E. Receipts by bona fide charitable, religious and educational organizations and associations, when those receipts are from seasonal or casual entertainment, amusements, sports events and health and welfare activities, when any such are conducted by charitable, religious or educational organizations or associations, are exempt from the tax imposed by the Ordinance. This exemption refers only to the receipts of the organization and not to the compensation of employees and entertainers.
- F. Alimony received is exempted from the tax imposed by the Ordinance. Support payments made by one spouse for the benefit of the other spouse or children in connection with any divorce or separation, whether or not awarded by the court, shall be deemed alimony for the purposes of this exemption.
- G. Personal earnings of any natural person under eighteen (18) years of age are exempt from the tax imposed by the Ordinance. The taxable portion of the year in which an individual turns 18 shall be determined by the birth-date of the individual.
- H. Compensation for personal injuries or for damages to property by way of insurance or otherwise but this exclusion does not apply to compensation paid for lost salaries or wages or to compensation from punitive damages.
- I. Parsonage allowance, to the extent of the rental allowance or rental value of a house provided as a part of an ordained minister's compensation. The minister must be duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination, and must have authority to perform all sacraments of the church.
- J. Compensation paid under Section 3501.28 or 3501.36 of the Ohio Revised Code to a person serving as a precinct official, to the extent that such compensation does not exceed one thousand dollars (\$1,000) annually. Such compensation in excess of one thousand dollars shall be subject to taxation. The payer of such compensation is not required to withhold this municipality tax from that compensation.

- K. Gains from involuntary conversion, cancellation of indebtedness (individual taxpayers only), interest on Federal obligations, items of income already taxed by the State of Ohio, which this municipality is specifically prohibited from taxing and income of a decedent's estate during the period of administration (except such income from the operation of a business), are exempt from the tax imposed by the Ordinance.
- L. Income, salaries, wages, commissions and other compensation and net profits, the taxation of which is prohibited by the United States Constitution or any act of Congress limiting the power of the states or their political subdivisions to impose net income taxes of income derived from interstate commerce, are exempt from the tax imposed by the Ordinance.
- M. Income, salaries, wages, commission, other compensation and net profits, the taxation of which is prohibited by the Constitution of the State of Ohio or any act of the Ohio General Assembly limiting the power of this municipality to impose net income taxes, are exempt from the tax imposed by the Ordinance.

4: 02 The examples set forth in this Chapter are not all-inclusive.

CHAPTER 5:00

RETURNS

In the event of a conflict with this Chapter of the Rules & Regulations and any provision(s) of the Ordinance of this municipality, the Ordinance will supersede.

5:01 Returns and Requirements

- A. Annual Return Requirements - Each taxpayer, whether an individual, corporation or unincorporated business entity, subject to the provisions of Section 2:01 through 2:08 of the Regulations, shall file a return or returns, as necessary, setting forth the aggregate amount of income, salaries, qualifying wages, commissions and other personal service compensation; net profits from business or other activities, including the rental from use of real and personal property; and other income taxable under the Ordinance for the period covered by the return or returns and other pertinent facts and information.
- B. Who need not file an annual return:
 - 1. Any resident who has no income taxable to this municipality and/or meets the minimum age requirements must file an exemption. Any

person who has exempt income must file a return and declare to the Administrator the nature of his exemption. Any person who has taxable income must file a tax return with the Administrator.

2. A non-resident individual of a member municipality who is employed in this municipality and withheld at the source equal to the existing tax rate of this municipality need not file an annual return as set forth in Section 5:01.A of these Regulations.
- C. Dates and Requirements for Annual Returns - Except as provided in Section 5:01.B, on or before April 15th of each year, or on or before the federal filing date if it is other than April 15th, each taxpayer, whether an individual, corporation or unincorporated business entity subject to the provisions of Section 2:01 through 2:08 of these Regulations, must make and file with the Administrator a return on a form prescribed by and obtainable upon request from the Administrator, or on a generic form as defined, whether or not a tax is due. If the taxpayer wishes RITA to compute their tax, the necessary information to do so must be submitted by the taxpayer to R.I.T.A. on or before March 15th.
 - D. Fiscal Year Account - If the annual return is made for a fiscal year or any period less than a year, said return shall be made within one hundred five (105) days from the end of each fiscal year or other period, or on or before the federal filing date if it is other than one hundred five (105) days from the end of such fiscal year or period.
 - E. Non-reimbursed Business and Moving Expenses - An individual taxpayer who is permitted for federal income tax purposes to deduct certain business expenses from income, qualifying wages, salaries, other compensation, or commissions (IRC Section 62), may file a copy of Federal Income Tax Form 2106 or an itemized statement of expenses with his municipal tax return claiming only deductions allowable under Part 1 of Form 2106, no matter whether all or part of such income, qualifying wages, salaries, other compensation, or commissions are subject to withholding. Expenses attributable to moving that are deductible for federal tax purposes may be deducted if incurred after residency has been established, or if reimbursement was included in W-2 and the total reimbursement was included as involved income earned while a resident of this municipality.
 - F. Resident Combined Return - An individual taxpayer residing in this municipality who has taxable income and who also has a distributive share of net profit or loss from an unincorporated business entity or total ownership of an unincorporated business entity, the net profit of which is wholly or partly subject to taxation by a RITA municipality (or would be so subject if net profits existed), must report the taxable compensation and business net profit or loss on the same return. However, whether or not such compensation and net profit or loss are combined on one return, the following rules are to be applied:
 1. Business losses cannot be offset against income, salaries, wages and other compensation that represent employee income, and/or other non-business income.
 2. In computing the tax on unincorporated business entities:

- a. A business loss may be offset against business net profit in the same municipality.
 - b. A business loss in one municipality may not be offset against business net profits in another municipality.
 - c. For this municipality's tax, a business loss in a non-taxing municipality may offset net profits in this municipality and, alternatively, net profits in a non-taxing municipality may offset a business loss in this municipality.
 - d. For this municipality's tax, income shall include the aggregate of all business losses and gains in all other taxing municipalities in which it operates.
- G. Joint Filing - A husband and wife may file, in any tax year, a joint tax return. Husband and wife are liable jointly and severally for payment of the tax associated with the joint return. A husband and wife's tax return shall be deemed a joint return whenever the facts indicate that the taxpayers intended to have the filed tax return be a joint return. Conclusive indications of such intention include when the husband and wife both signed the tax return, when the return reports both spouses' income or when the husband and wife were both required to file tax returns, but only one spouse filed a tax return.
- H. Partnerships and Other Unincorporated Businesses - The tax is on the partnership or other unincorporated business as an entity, whether resident or non-resident, and a return is required disclosing the net profits allocable to this municipality and the tax paid thereon (see Sections 2:03 and 2:04 of these Regulations). In addition, any resident partner or member of any unincorporated entity is required to make a return and pay the tax on income allocable outside this municipality in accordance with Sections 2:03.E and 2:04.D hereof.
- I. Fiduciary Returns - Trustees of trusts and executors and administrators of estates having income taxable under the Ordinance are required to file returns and pay the tax thereon (also see Section 5:01.J of these Regulations).

5:02

Information Required and Reconciliation With Federal Returns for Individuals or Businesses

- A. Information - In returns filed hereunder, there shall be set forth the aggregate amount of income, salaries, qualifying wages, bonuses, incentive payments, commissions, fees and other compensation subject to the tax earned or received from each employer, taxable net profits, and other pertinent information as the Administrator may require.
- B. Items Not Taxable or Deductible - Where figures of total income, total deductions and net profits are included as shown by a federal return, then any items of income as are not subject to municipal income tax and unallowable expenses shall be eliminated in determining net income subject to municipal income tax. The fact that any taxpayer is not required to file a federal income tax return does not relieve him from filing a municipal income tax return.

C. Changes on return:

1. If a change in federal income tax liability as finally determined by the Federal Internal Revenue Service or by judicial decision results in an additional amount of tax payable to this municipality, a report of such change shall be filed by the taxpayer within three (3) months from the final determination of federal tax liability (see Section 5:06 hereof).
2. If a change in federal income tax liability results in a reduction of taxes owed and paid to this municipality, a claim for refund shall be filed with the Administrator as prescribed in Sections 5:06 and 9:02 of these Regulations.

5:03

Extensions

A. Requests:

1. In the case of individuals the extended due date shall be the last day of the month following the month to which the due date of the federal income tax return has been extended.
2. In the case of businesses, the extended due date shall be the last day of the month to which the due date of the federal income tax return has been extended, if the annual return is filed through the Ohio Business Gateway. If not filed through the Ohio Business gateway the extended due date remains the last day of the month following the month to which the due date of the federal income tax return has been extended.
3. Upon receipt of a copy of any extension granted by the Internal Revenue Service within this guideline, an extension shall be granted by the Administrator; provided, however, the Administrator may deny the extension request if the taxpayer fails to file the request timely, fails to file a copy of the federal extension request, or if the taxpayer's income tax account with this municipality is delinquent in any way.

B. Automatic - In cases where an automatic four (4) month extension (Form 4868) has been granted by the Internal Revenue Service, an automatic extension is granted by the Administrator without a written request. A copy of Form 4868 must be attached to the return when filed. However, should any tax due be anticipated, the provisions of Paragraph C must be met.

C. Payment Requirement - In cases where a balance is due on such annual return, the total of the expected balance is due at the time the extension is filed. No penalty or interest will be assessed in those cases in which the return is filed and the final tax paid within the period as extended, provided all other filing and payment requirements of the Ordinance have been met.

D. Supplemental Documents - Information returns, schedules and statements needed to support tax returns are to be filed within the time limits set forth for filing the tax returns and made a part thereof.

5:04

Consolidated Returns

A. General - The filing of consolidated returns shall be limited to corporations

filing estimated net profit returns and annual net profit returns.

- B. Who May File a Consolidated Return - Consolidated returns may be filed by a group of corporations who are affiliated through stock ownership and who join in the filing of a federal consolidated income tax return. A consolidated return must include all subsidiaries which are includable members of an "affiliated group" as defined in the Federal Consolidated Return Regulation.
- C. Discontinuing Filing Consolidated Returns - When a consolidated return has been filed for any taxable year, the consolidated group must continue to file consolidated returns in subsequent years unless:
 - 1. Permission in writing is granted by the Administrator to file separate returns; or
 - 2. The affiliated group terminates in such manner that a federal consolidated income tax return is no longer required; or
 - 3. Permission in writing has been granted by the Commissioner of Internal Revenue to discontinue filing a federal consolidated income tax return.
- D. Corporation Entering or Leaving an Affiliated Group - If a corporation becomes a member of the affiliated group during the taxable year, or if a corporation ceases to be a member of the affiliated group during that taxable year, the consolidated return must include the income of each subsidiary for the portion of the year during which it was a member of the affiliated group as computed in accordance with the Federal Consolidated Return Regulations.
- E. Allocation Fractions - In determining the allocation fraction where a corporation becomes a member of the group, or ceases to be a member of the group during the taxable year, the property fraction shall be determined on the basis of the average net book value of the property during the period such corporation was a member of the group. The rental portion of the fraction, however, shall be computed at eight (8) times the rent during this period. The gross receipt and wage fractions shall be based upon actual figures.
- F. Common Consent - All subsidiary corporations must agree in writing to the filing of the consolidated return. They will be liable jointly and severally for the tax as will be the parent corporation. The consent to file a consolidated return must be filed with the initial consolidated return on or before the due date for filing, including extensions of time within which to file the return.
- G. Loss Carryover Limitations - The net operating loss carryover of a corporation which filed a separate return in a prior year may be carried over to a consolidated return year in the same manner permitted by the Internal Revenue Code. For the purposes of this rule to the extent that the loss can only be carried forward to the same corporation's taxable net income, the net income attributable to this municipality in a year a loss is being utilized shall be computed by using only the same corporation's net income and allocation methods.
- H. Computing Net Income - In consolidating the net income, the taxable income

of each corporation shall be computed in accordance with the provisions governing the taxable income of separate corporations except that unrealized profits and losses in transactions between members of the affiliated group shall be eliminated in the same manner and amount as computed in accordance with the Federal Consolidated Income Tax Return Regulations.

5:05 Allocation of Net Profits by Administrator

- A. In the case of a corporation that carried on transactions with its stockholders or with other corporations related by stock ownership, interlocking directorates, or some other method, or in case any person operates a division, branch, factory, office, laboratory or activity within a member taxing municipality constituting a portion only of its total business, the Administrator shall require such additional information as he may deem necessary to ascertain whether net profits are properly allocated to said taxing municipality. If the Administrator finds that net profits are not properly allocated to said taxing municipality by reason of transactions with stockholders or with other corporations related by stock ownership, interlocking directorates, or transactions with such division, branch, factory, office, laboratory or activity, or by some other method, he shall make such allocation as he deems appropriate to produce a fair and proper allocation of net profits.

5:06 Amended Returns

- A. Where necessary, an amended return must be filed in order to report additional income and pay any additional tax due or claim a refund of tax overpaid subject to the requirements or limitations contained in the Ordinance. Such return shall be clearly marked "Amended". A taxpayer may not change the method of accounting or apportionment of the net profits, nor the method of filing (i.e., single or consolidated), after the due date for filing the original return. Amended returns cannot be filed after three (3) years from the original filing date.

CHAPTER 6:00

PAYMENT OF TAX

In the event of a conflict with this Chapter of the Rules & Regulations and any provision(s) of the Ordinance of this municipality, the Ordinance will supersede.

6:01 Payment With Annual Return

- A. Amount Due - The payment due at the time of filing the annual return shall be the amount of tax imposed by the Ordinance of this municipality after deducting:
1. The amount of said tax withheld (deducted at the source) by an employer or employers pursuant to the Section of this municipality's Ordinance which specifies the requirements for collection at the

source (i.e., employer withholding).

2. Credit for any tax paid or due another taxing municipality in accordance with Sections 7:01 and 7:02 of these Regulations.
 3. The amount of said tax paid on a Declaration of Estimated Income Tax by individuals, or in the case of businesses, a Declaration of Estimated Tax on Net Profits in accordance with the section entitled "Returns" of the Ordinance of this municipality, including any overpayments of previous years' tax that have not been otherwise applied.
- B. Amounts Less Than One Dollar - Payments less than One Dollar (\$1.00) should not be remitted and refunds of less than One Dollar (\$1.00) will not be refunded.
- C. Overpayment - Except as otherwise provided, should the return indicate an overpayment of tax to which this municipality is entitled under the provisions of this municipality's Ordinance entitled "Refunds", such overpayment shall be refunded or applied to the succeeding year's tax liability in accordance with Section 9:02.B of these Regulations.
- D. Where to Make Payments - Whenever the Ordinance or these Regulations require the filing of a return or the payment of a tax to the Administrator, or to this municipality, such return and/or payment shall be made directly to the Regional Income Tax Agency.

6:02

Collection at Source/Requirements for Employer Withholding

- A. Withholding - It is the duty of each employer within or doing business within this municipality who employs one or more persons on an income, salary, qualifying wage, commission or other compensation as defined elsewhere, to deduct each time such compensation is paid to an employee, subject to the Ordinance, the tax from any such compensation due by said employer to said employee. Except as otherwise provided, the tax shall be deducted by the employer from:
1. The gross amount of all income, salaries, bonuses, incentive payments, qualifying wages, commissions or other form of compensation paid (as defined in 2:01) to employees who are residents of this municipality, regardless of the place where the services are rendered.
 2. All compensation paid to employees who are non-residents of this municipality for services rendered, work performed or other activities engaged in to earn such compensation within this municipality.
- B. Employer Responsibility - All employers within or doing business within this municipality are required to make the collections and deductions in this Chapter specified, regardless of the fact that the services on account of which any particular deduction is required as to residents of this municipality were performed at a place of business of any such employer situated outside this municipality.

- C. Employee Responsibility - The mere fact that the tax is not withheld will not relieve the employee of the responsibility of filing a return and paying the tax on the compensation received (see Section 6:03.A of these Rules & Regulations).
- D. Individuals Not Subject to Withholding - Commissions and fees paid to professionals, brokers and others who are independent contractors and not employees of the payor, are not subject to withholding or collection of the tax at the source. Such taxpayers must, in all instances, file returns and pay the tax pursuant to the Chapter entitled "Payment of Tax" of the Ordinance of this municipality.
- E. Non-resident Employees - In the case of employees who are non-residents of this municipality, the amount to be deducted and withheld is (at this municipality's tax rate) of the compensation paid with respect to personal services rendered in this municipality.

Where a non-resident receives compensation for personal services rendered or performed partly within and partly outside this municipality, the withholding employer shall deduct, withhold and remit the tax on the portion of the compensation which is earned within this municipality in accordance with the following rules of apportionment:

1. If the non-resident is a salesman, agent or other employee whose compensation on the basis of commissions depends directly on the volume of business transacted by him, the deducting and withholding shall attach to the portion of the entire compensation which the volume of business transacted by the employee within this municipality bears to the volume of business transacted by him within and outside this municipality.
2. The deducting and withholding of personal services compensation of all other employees (including officers of corporations) shall attach to the portion of the personal service compensation of such employee which the total number of working days employed within this municipality bears to the total number of working days employed within and outside this municipality.
3. If it is impossible to apportion the earnings as provided above because of (a) the peculiar nature of the service of the employee or (b) the unusual basis of compensation, apportionment shall be made in accordance with the facts and the tax deducted and withheld accordingly. With respect to each such employee (or group of employees similarly or identically circumstanced), the employer shall furnish the Administrator with a detailed statement of facts.
4. 12-Day occasional entry rule: On and after January 1, 2001, a municipal corporation shall not tax the compensation paid to a nonresident individual for personal services or work performed by the individual in the municipal corporation on twelve (12) or fewer days in a Calendar year unless one of the following applies:
 - a. The individual is an employee of another person: the principal place of business of the individuals employer is located in

another municipal corporation in this state that imposes a tax applying to compensation paid to the individual for services performed on those days; and the individual is not liable to that other municipal corporation for tax on the compensation paid for such services.

- b. The individual is a professional entertainer or professional athlete, the promoter of a professional entertainment or sports event, or an employee of such a promoter, all as may be reasonably defined by the municipal corporation.
 - i. Beginning with the thirteenth day, the employer of said individual shall begin withholding that municipality's income tax from remuneration paid by the employer to the individual, and shall remit the withheld income tax to RITA in accordance with section 6:03 of the RITA Rules and Regulations. (Collection at Source).
 - ii. Since the individual can no longer be considered to have been an occasional entrant, the employer is further required to remit taxes on income earned in that municipality by the individual for the first twelve days.
 - iii. If the individual is self-employed, it shall be the responsibility of the individual to remit the appropriate income tax to that city.
 - iv. For purposes of the 12-day calculation, any portion of a day worked in a RITA municipality shall be counted as one day worked in a RITA municipality.
- 5. In apportioning the earnings of an employee, an employer may accept the written reports of his employee as to any of the items set forth in 1, 2 and 3 above. However, the employer shall be responsible for any material error in an allocation as to employment with this municipality.
- F. Draws and Advances - An employer shall withhold the tax on the full amount of any advances in the same manner as the employer withholds for federal purposes.
- G. Expenses - An employer required to withhold the tax on compensation paid to an employee shall, in determining the amount on which the tax is to be withheld, ignore any amount allowed and paid to the employee for expenses necessarily and actually incurred by the employee in the actual performance of his services, provided such expenses are incurred in earning compensation, including commissions, and are not deducted as a business expense by the employee (other than as an offset to an advance or reimbursement).
- H. Withholding on Residents - Except as herein provided, an employer within or doing business within this municipality is required to withhold the tax (at this municipality's tax rate) from the compensation paid to residents of this

municipality regardless of where the services compensated for were performed. Any employer who employs a resident of this municipality in another taxing municipality, which employer is subject to the withholding provisions of both Ordinances, shall withhold and remit tax as follows:

1. Same Tax Rate - If the rate of tax levied by the other taxing municipality is the same as imposed by this municipality's Ordinance, the employer shall withhold the tax on the entire qualifying wage earned and/or received by such resident of this municipality and shall remit to such other taxing municipality the appropriate amount of tax due that municipality on the wages earned by such resident of this municipality in such other taxing municipality, remitting to this municipality only the balance, if any, of the tax withheld.
 2. Lower Tax Rate - If the rate of tax levied by the other taxing municipality is less than the rate imposed by the Ordinance of this municipality, such employer shall withhold tax on the entire qualifying wage earned and/or received by such resident of this municipality and shall remit to the other taxing municipality only the tax imposed by the Ordinance of such other taxing municipality on the income earned therein by such resident of this municipality and shall remit to this municipality only the balance of the tax withheld.
 3. Higher Tax Rate - If the rate of tax levied by the other taxing municipality is at a higher rate than imposed by the Ordinance of this municipality, such employer shall withhold and remit to such other taxing municipality its full rate of tax on compensation earned therein by such resident of this municipality, remitting to this municipality only the tax withheld on qualifying wages earned and/or received other than in such higher-rate taxing municipality.
 4. General - The foregoing provisions are conditioned upon the employer's advising the respective cities in which the employer is subject to the withholding provisions of the amount of income, salaries, wages or compensation earned and/or received within such cities, such information to be incorporated in a form approved by the Administrator.
- I. Employee Address Records - An employer whose records show that an employee is a non-resident of this municipality and who has no knowledge to the contrary, shall be relieved of the responsibility of withholding the tax on personal service compensation paid to such employee for services rendered or work done outside this municipality by such employer provided, however, that such employer otherwise subject to withholding must withhold the tax on compensation paid such employee after the Administrator notifies said employer, in writing, that such employee is a resident of this municipality. All employees are required to notify the employer of any change of residence and the date thereof.
- J. Domestic Help - No person shall be required to withhold the tax on the wages or other compensation paid domestic servants employed exclusively in or about such person's residence, but such employee shall be subject to all of the requirements of the Ordinance.

Collection at Source - Return and Payment of Tax Withheld and Status of Employers

A. Manager's Obligation:

1. Every manager is deemed to be a trustee of this municipality in collecting and holding the tax required under Ordinance to be withheld, and the funds so collected by such withholding are deemed to be trust funds.

Every manager is liable directly to this municipality for payment of such trust, whether actually collected by such employer or not. Any tax deducted and withheld is to be considered paid to this municipality, whether or not the employer actually remits the tax to this municipality for purposes of determining employee payments or credits.

2. All managers shall be personally liable to the extent of the tax, interest and penalty, jointly and severally, for failure to file the employer's return or to pay the employer's tax, interest and penalty as required under this Ordinance.
3. No change in structure by an employer, including a fundamental change, discharges its managers from liability for the employees' or manager's failure to remit funds held in trust, to file a tax return or to pay taxes.

B. Dates and Requirements - Any tax deductions from salaries, wages and other compensation required to be made by employers are to begin with compensation earned on and after the effective date of the Income Tax Ordinance of this municipality.

1. Such payment shall be made on an Employer's Municipal Tax Withholding Statement furnished by or obtainable upon request from the Administrator, or on a generic form as defined, setting forth the amount of tax deducted for the month. A copy of the Employer's Municipal Tax Withholding Statement will be retained by the employer for his records. If validation of the taxpayer's copy is deemed necessary by the employer, the employer must enclose a stamped, self-addressed envelope with his remittance, and the original and his copy of the Employer's Municipal Tax Withholding Statement.
2. The employer (in addition to any return required to be filed with respect to its own earnings or net profits) shall, on or before the last day of each month file a return (Employers Municipal Tax Withholding Statement, Form 11) and pay to the Administrator the amount of taxes so deducted or withheld with respect to compensation paid to all of its employees subject to the tax under the Ordinance of this municipality during the previous month. If the amount of tax so deducted by an employer for this municipality is averaging less than \$100.00 per month, the employer may defer the filing of a return and payment of the amount deducted until the last day of the month following the end of the calendar quarter in which such month occurred. The employer may continue to file and pay

quarterly unless the Administrator, during a review of monthly average deposits, determines that the employer shall begin filing and paying monthly. The Administrator may withdraw the authorization from quarterly filing and payments whenever he has reason to believe that it is in the best interest of this municipality to do so (for example, if the taxpayer is delinquent in payment of taxes withheld).

3. All tax so withheld and so required to be reported must be paid to the Administrator in full at the time of filing of such form.

C. Overwithholding - If more than the amount of tax required to be deducted by the Ordinance is withheld from an employee's pay, such excess may be refunded by the employer or the Administrator, depending upon the circumstances and the time when the overwithholding is determined as follows:

1. Current Employees:

- a. If the overwithholding is discovered in the same month, the employer shall make the necessary adjustment directly with the employee and the amount to be reported on the Employer's Municipal Tax Withholding Statement (Form 11) as withheld shall be the corrected amount.
- b. If the overwithholding is discovered in a subsequent month of the same calendar year, the employer may make proper adjustment with the employee. In such case, the Employer's Municipal Tax Withholding Statement for the month in which the adjustment is made shall reflect the total amount actually withheld for the month and the amount of the adjustment deducted therefrom. Also, an amended Form 11 must be filed for the month in which the error occurred reflecting the adjustment.
- c. If the overwithholding is discovered in a subsequent month of the following calendar year, the employee must make and file a request for a refund. This request is to be filed on a form prescribed by and obtainable from the Administrator.

2. Former Employees:

- a. In the cases where an amount in excess of the tax has been withheld from an employee who is no longer employed by the employer, the Administrator shall refund the amount of such excess withholding to the employer.
- b. If the error is discovered by the employee, such employee shall file a claim with the Administrator and upon verification thereof by the employer, the Administrator shall refund the amount of such excess withholding to the employee.

D. Insufficient Withholding - If less than the amount of tax required to be deducted is withheld from the employee and is discovered in the same year, such deficiency shall be withheld from subsequent wages. If the

employee/employer relationship has terminated, or if the under-withholding is discovered in a later year and the employee/employer relationship still exists, the employer shall notify the Administrator of such deficiency and the reason therefore, and payment shall be made by the employer in conformity with Section 6:02 of these Regulations.

- E. Annual Reconciliation - On or before February 28th following any calendar year in which such deductions have been made by any employer, such employer shall file with the Administrator, in the form prescribed by the Administrator, an information return for each employee from whom municipal income tax has been withheld showing the name, address and social security number of the employee, the total amount of taxable compensation paid during the year and the amount of municipal income tax withheld for this municipality from each employee.
- F. Reconciliation Return - In addition to such information returns and at the time the same are filed, such employer shall file with the Administrator a reconciliation form (as prescribed by the Administrator) to enable the Administrator to reconcile the sum total of taxes withheld as disclosed by the total W-2 Forms or lists of employees. The reconciliation form shall also reconcile to prior remittances and returns filed by the employer for such tax year with respect to taxes withheld.
- G. Types of Reconciliation - The information return covered under Chapter 6:03.E shall be made by each employer as follows:
 - 1. Effective January 1, 2002 the Regional Income Tax Agency is requiring all Employers issuing 250 or more W-2's in any tax year to file W-2's on electronic media. Employers filing fewer than 250 W-2's are encouraged but are not required to remit W-2 forms electronically. All magnetic media reporting for W-2 copy information must conform to the Social Security Administration's (SSA) magnetic media reporting and electronic filing (MMREF-1). Copies of MMREF-1 guidelines can be printed using the social security administration internet page www.ssa.gov/employer. RITA guidelines can be printed from the RITA web site www.ritaohio.com. Also required to be filed on electronic media are employers with 250 or more 1099-misc forms, and those employers currently filing 100 or more 1099-misc forms magnetically with SSA. Employers not required to file 1099-misc forms electronically shall file paper copies of the 1099-misc forms, or shall file a list of all 1099-misc forms issued by the employer. The list shall include all information contained on each 1099-misc form issued.
 - 2. Those employers using Form W-2 furnished commercially may submit a copy of such commercial W-2 providing the copy furnished to this municipality through its agent, the Regional Income Tax Agency, clearly showing the information required in Chapter 6:03.E.
 - 3. Those employers not using Form W-2 furnished commercially may obtain forms upon request from the Administrator.
 - 4. Where the furnishing of this information as above indicated will create a distinct hardship, the employer, upon written request to the

Administrator, may be permitted to furnish a list of all employees subject to the tax, which shall show the employee's full name, last known address, social security number, gross amount of taxable compensation paid during the year and the amount of municipal income tax withheld for this municipality.

5. Upon written request made to the Administrator on or before the due date set forward in Section 6:03.E of the Regulations, in a format to be prescribed by the Administrator, the information included in Chapter 6:03.E of these Regulations may be submitted on computer magnetic tape or computer paper listing.
- H. All employers that provide any contractual service within this Municipality, and who employ subcontractors in conjunction with that service, shall provide this Municipality the names and addresses of the subcontractors. The subcontractors shall be responsible for all income tax withholding requirements under this Municipality's ordinance.

6:04

Estimated Payments

- A. Declaration of Estimated Tax Return - Except as provided in Section 6:04b, on or before April 15th of each year, or on or before the federal filing date if it is other than April 15th, each taxpayer, whether an individual, corporation or unincorporated business entity subject to the provisions of Sections 2:01 through 2:08 of these Regulations, must make and file with the Administrator an estimated tax return. If an estimate is not filed, an estimate may be filed by the Administrator if there is reason to believe an estimate will be owed. Those taxpayers having a fiscal year or period differing from the calendar year shall file a declaration within one hundred five (105) days from the end of each fiscal year or other period, or on or before the federal filing date if it is other than one hundred five (105) days from the end of such fiscal year or period.
- B. Taxpayers who need not file an estimated return:
 1. A taxpayer, who resides in this municipality and who is employed exclusively within this municipality and withheld at the source equal to the existing tax rate of this municipality on all taxable income, need not file an estimated tax return as set forth in Section 6:04A of these Rules & Regulations.
 2. A taxpayer, who resides in this municipality (if this municipality grants a 100% tax credit with a credit limit equal to the tax rate) and who has municipal taxes withheld at a source outside this municipality equal to or greater than the existing tax rate of this municipality on all taxable income, need not file an estimated tax return as set forth in Section 6:04A of these Regulations.
 3. A taxpayer who has no taxable income (see Chapter 4:00) need not file an estimated tax return as set forth in Section 6:04A of these Regulations.
 4. A non-resident, who is employed in this municipality and withheld at the source equal to the existing tax rate of this municipality need not

file an estimated tax return as set forth in Section 6:04A of these Regulations.

- C. Declarations of estimated tax to be paid this municipality by taxpayers who are individuals shall be accompanied by a payment of at least one-fourth the estimated tax required to be paid by this Chapter, and at least a similar amount shall be paid on or before the last day of the seventh, tenth and thirteenth months after the beginning of the taxable year. Estimated tax to be paid this municipality by taxpayers who are corporations and associations shall be accompanied by a payment of at least one-fourth the estimated tax required to be paid by this Chapter, and at least a similar amount shall be paid on or before the fifteenth day of the sixth, ninth, and twelfth months of the taxable year.
- D. No penalties or interest shall be assessed, for not filing a declaration, on any resident taxpayer who was not domiciled in this municipality on the first day of January in the year in which they became subject to estimated payments, nor shall penalties or interest be assessed on estimated payments if the taxpayer has remitted an amount equal to one hundred percent of the previous year's tax liability, provided that the previous year reflected a twelve-month period and the taxpayer filed a return for that year.
- E. When filing a Declaration of Estimated Tax or a Declaration of Estimated Net Profits, the return must be accompanied by at least one-fourth of the estimated tax due thereon.
- F. In the event an Amended Declaration of Estimated Tax has been filed, the unpaid balance shown due thereon shall be paid in equal installments over the remaining payment dates.

6:05

Final Returns Required

The filing of a Declaration of Estimated Tax does not relieve the taxpayer of the obligation of filing a final return, even though there is no change in the declared tax liability. A final return must be filed to obtain a refund of any overpayment of One Dollar (\$1.00) or over.

The taxpayer may elect to file an annual return and pay the tax shown due thereon on or before the last day of the first month of the year following the taxable year for which such Declaration was filed. An annual return so filed and payment so made shall be in lieu of filing the final Declaration of Estimated Tax and payment of the final quarterly installment.

6:06

Liability for Employer's Taxes

If any employer which is liable for tax, interest and penalty imposed by this municipality undergoes a fundamental change, then the employer and its manager shall be liable for taxes, interest and penalty due up to the date of the fundamental change. Taxes and final tax returns shall be due immediately after the fundamental change. Any successor employer shall withhold from any purchase price that the successor owes to the predecessor an amount sufficient to pay all unpaid taxes, interest and penalty which the predecessor employer owed pursuant to this Ordinance. The successor employer shall make such withholding until such time that the predecessor employer has paid such taxes, interest and penalties. If the successor

fails to withhold said amount, then the successor and, in a personal manner, the successor's manager shall be jointly and severally liable for the payment of said taxes, interest and penalty.

6:07 Payments Toward Multiple Debts

If any taxpayer or other debtor owes multiple debts and makes any single, partial payment to this municipality with respect to such debts, such municipality shall apply such payment in accordance with the debtor's directions. Otherwise, this municipality shall apply partial payments to the taxpayer's oldest unpaid tax debt, then to his oldest interest debt, and then to his oldest penalty debt.

6:08 Payments of Currency

- A. Must be U.S. currency.
- B. No more than ten coins of each denomination type and no more than ten bills of each denomination type shall be accepted from taxpayers in payment on municipal income tax debt.

6:09 Payments by Check

- A. For the purpose of these Rules and Regulations, the term "checks" shall include personal checks, bank checks, money orders and other such instruments for the payment of money which may be handled as cash items by the Federal Reserve Banks.
- B. The payment must be drawn on a solvent savings & loan or commercial bank or other recognized financial institution located within one of the twelve U.S. Federal Reserve Districts. (See 8:07B)

CHAPTER 7:00

TAXPAYER RELIEF

In the event of a conflict with this Chapter of the Rules & Regulations and any provision(s) of the Ordinance of this municipality, the Ordinance will supersede.

7:01 Tax Credit

- A. When taxable income (see Chapter 1:22 of these Regulations) of a resident of this municipality is subject to a municipal income tax in another municipality on the same income taxable under the Ordinance, such resident shall be allowed a credit of the amount of income tax paid on such taxable income to such other municipality equal to (this municipality's tax credit rate) the amount obtained by multiplying the lower of the tax rate of such other municipality or of this municipality by the taxable income earned in or attributable to the municipality of employment or business activity, but, in any event, such credit shall not be applied to a rate in excess of this municipality's credit limit of the taxable income earned in or attributed to the

municipality of employment or business activity. For the purpose of this Chapter, taxable income shall also include the distributive share of net profits of a resident, partner or owner of an unincorporated business entity.

- B. When taxable income (see Chapter 1:22 of these Regulations) of a resident of this municipality is subject to a municipal income tax in a Joint Economic Development District created in accordance with Ohio Revised Code Section 715.70-715.83 on the same income taxable under the Ordinance, such resident shall be allowed a credit of the amount of income tax paid on such taxable income to such Joint Economic Development District equal to (this municipality's tax credit rate) the amount obtained by multiplying the lower of the tax rate of such Joint Economic Development District or of this municipality by the taxable income earned in or attributable to the Joint Economic Development District of employment or business activity, but, in any event, such credit shall not be applied to a rate in excess of this municipality's credit limit of the taxable income earned in or attributable to the Joint Economic Development District of employment or business activity. For the purpose of this Chapter, taxable income shall also include the distributive share of net profits of a resident, partner or owner of an unincorporated business entity.

7:02 General

- A. No credit will be given unless the taxpayer claims such credit on his return or other form prescribed by the Administrator and presents evidence of the payment of a similar tax to another municipality as the Administrator may require.
- B. In the event a resident of this municipality fails, neglects or refuses to file an annual return or declaration on a form prescribed by the Administrator, he shall not be entitled to such credit or refund and shall be considered in violation of this Chapter for failure to file a return.

CHAPTER 8:00

INTEREST AND PENALTIES

In the event of a conflict with this Chapter of the Rules & Regulations and any provision(s) of the Ordinance of this municipality, the Ordinance will supersede.

8:01 Interest

Except as provided in Chapters 8:03 and 8:04 hereof, all taxes imposed and all monies withheld or required to be withheld by employers and all installments of estimated taxes required to be paid under the provisions of the Ordinance and remaining unpaid after they have become due, shall bear interest in addition to the amount of the unpaid tax, withholdings or installments of estimated tax at the rate of this municipality.

8:02 Penalties

- A. In addition to interest as provided in Chapter 8:01 hereof, penalties based on the unpaid tax are hereby imposed as follows:
1. For failure to pay taxes or estimated taxes due other than taxes withheld.
 2. For failure to remit taxes withheld from employees.
 3. For underpaying estimated taxes there is a charge when the sum of the amount of quarterly installment payments actually made for the current tax year liability of this municipality total less than 90% of the amount of tax due for the year as shown by the annual return.
 4. For failure to file a final return by the due date, regardless of any tax due.

8:03

Exceptions

- A. No penalty shall be assessed on additional taxes found on audit to be due when a return was timely filed in good faith and the tax paid thereon within the prescribed time.
- B. In the absence of fraud, neither penalty nor interest shall be assessed on any additional taxes resulting from a federal audit for federal income tax purposes provided an amended return is filed and the additional tax paid within three (3) months after final determination of the federal tax liability.
- C. A taxpayer or employer shall have thirty (30) days after receipt of notice of any proposed imposition of interest and penalties within which to file a written protest or explanation with the Administrator. If no protest or explanation is filed within the prescribed time, the proposed imposition of interest and penalty shall become the final assessment. Upon filing of a written protest or explanation, the Tax Administrator of this municipality shall re-determine the assessment which may or may not be the same as the proposed assessment.

8:04

Appeal From Assessment

- A. Either the Tax Administrator of this municipality or the Board of Tax Review of this municipality may abate penalty or interest, or both, upon showing of good cause.

8:05

Violations

- A. Any person who shall:
1. Fail, neglect or refuse to make any return or declaration required by the Ordinance; or
 2. Make any incomplete, false or fraudulent return; or
 3. Intentionally or willfully fail, neglect or refuse to pay the tax, penalties or interest imposed by the Ordinance; or

4. Fail, neglect or refuse to withhold the tax from his employees or remit such withholding to the Administrator; or
5. Refuse to permit the Administrator or any duly authorized agent or employee to examine his books, records, papers and federal income and State income tax returns relating to the income or net profits of a taxpayer; or
6. Fail to appear before the Administrator and to produce his books, records, papers or federal income tax returns relating to the income or net profits of a taxpayer upon order or subpoena of the Administrator; or
7. Refuse to disclose to the Administrator any information with respect to the income or net profits of a taxpayer; or
8. Fail to comply with the provisions of the Ordinance or any order or subpoena of the Administrator authorized thereby; or
9. Give to an employer false information as to his true name, correct social security number and resident address or fail to promptly notify an employer of any change in resident address and date thereof; or
10. Fail to use ordinary diligence in maintaining proper records of employee's residence and address, total wages paid and municipal tax withheld, or to knowingly give the Administrator false information; or
11. Attempt to do anything whatsoever to avoid the payment of the whole or any part of the tax, penalties or interest imposed by this Ordinance; shall be guilty of a misdemeanor and shall be fined not more than Five Hundred Dollars (\$500.00) or imprisoned not more than six months or both for each offense or otherwise punished pursuant to the pertinent municipal ordinance.

8:06 Failure to Receive Forms is no Excuse

- A. The failure of any taxpayer to receive or procure a return, declaration or other required form shall not excuse him from making any information return, declaration of return, from filing such form or from paying the tax.

8:07 Bad Checks

- A. If any check or money order in payment of any amount receivable under this chapter, other than those provided for under 8:08B hereof, is not duly paid, in addition to any other penalties provided by law, there shall be paid as a penalty by the person who tendered such check, upon notice and demand by the Administrator, in the same manner as tax, an amount equal to the processing fee(s).
- B. If any check in payment of any amount receivable under this chapter, is drawn on a financial institution not located within one of the twelve Federal Reserve Districts and results in a processing fee charged to RITA, there shall

be paid as a penalty by the person who tendered such check, upon notice and demand by the Administrator, in the same manner as tax, an amount equal to such processing fee.

CHAPTER 9:00

COLLECTION OF UNPAID TAXES AND REFUNDS OF OVERPAYMENTS

In the event of a conflict with this Chapter of the Rules & Regulations and any provision(s) of the Ordinance of this municipality, the Ordinance will supersede.

9:01 Unpaid Taxes

- A. All taxes imposed by the Ordinance and not paid when due become, together with interest and penalties thereon, a debt due this municipality from the taxpayer and are recoverable as are other debts by suit. Employers who are required under Section 6:02 of these Regulations to withhold and remit the taxes required to be withheld at the source and who fail to withhold and/or remit become liable to this municipality in a suit to enforce the payment of the debt created by such failure.
- B. Prosecution to recover municipal income taxes shall be brought within three (3) years after the tax was due or the return was filed, whichever is later. However, in the case of fraud, failure to file a return or omission of 25% or more of income required to be reported, prosecution may be commenced within six (6) years after the commission of the offense.

9:02 Refunds

- A. Taxes erroneously paid shall not be refunded unless a claim for refund is made in writing within three (3) years from the date on which such payment was made or the return was due whichever is later. However, the following shall apply regarding refunds of tax withheld from non-qualified deferred compensation plans (NDCP):
 1. A taxpayer may be eligible for a refund if the taxpayer has suffered a loss from a NDCP. The loss will be considered sustained only in the taxable year in which the taxpayer receives the final distribution of money and property pursuant to the NDCP. Full loss is sustained if no distribution of money and property will be made by the NDCP.
 2. A taxpayer who receives income as a result of payments from a NDCP, and that income is less than the amount of income deferred to the NDCP and upon which municipal tax was withheld, then a refund will be issued on the amount representing the difference between the deferred income that was taxed and the income received from the NDCP. If different tax rates applied to the tax years in which deferrals, a weighted average of the different tax rates will be used to compute the refund amount.

3. Refunds shall be allowed only if the loss is attributable to the bankruptcy of the employer who had established the NDCP, or the employee's failure or inability to satisfy all of the employer's terms and conditions necessary to receive the nonqualified compensation.
- B. Overpayments will either be refunded or credited to the taxpayer's current year's liability at his option, except that where taxes are owed for any previous years, overpayments shall be applied in the order in which such taxes became due before any refund is made. Where no election has been made by the taxpayer, overpayments of any year's taxes shall be applied as follows:
 1. To taxes, penalty or interest owed for any previous years.
 2. To his current estimated tax liability (and any excess refunded).
 - C. Prosecutions to recover refunds of municipal income taxes and penalties and interest on municipal income taxes shall be brought within three (3) years after the tax was due or the return was filed, whichever is later and must be brought after the taxpayer requests a refund in accordance with Division A.
 - D. Income tax that has been deposited with this municipality, but should have been deposited with another municipality, is allowable by this municipality as a refund but is subject to the three-year limitation on refunds. Income tax that should have been deposited with this municipality, but was deposited with another municipality, shall be subject to recovery by this municipality. This municipality will allow a non-refundable credit for any amount owed this municipality that is in excess of the amount to be refunded by the other municipality, as long as the tax rate of the other municipality is the same or higher than this municipality's tax rate. If this municipality's tax rate is higher, the tax representing the net difference of the rates is also subject to collection by this municipality.
 - E. Refunds for days worked out of this municipality are available only to non-residents, and refunds shall be computed by dividing total wages by total days worked in order to determine an average daily wage. The work year shall be considered two hundred sixty (260) days. Saturdays and Sundays shall not normally be considered workdays. Wage continuation plans of any type (including, but not limited to, vacation days, holidays, personnel days, and sick days) are deemed to be days spent in this municipality for purposes of refund calculations. Additions, deletions, or other changes to the method for calculating refunds shall be at the discretion of the Administrator.

CHAPTER 10:00

DISBURSEMENT OF RECEIPTS OF TAX COLLECTION

10:01 Refer to Ordinance

CHAPTER 11:00

DUTIES AND AUTHORITY OF THE ADMINISTRATOR

In the event of a conflict with this Chapter of the Rules & Regulations and any provision(s) of the Ordinance of this municipality, the Ordinance will supersede.

11:01 Collection of Tax and Records

- A. It shall be the duty of the Administrator to receive the tax imposed by the Ordinance in the manner prescribed herein from the taxpayers, to keep an accurate record thereof, and to report all monies so received.

11:02 Duty to Enforce Collection

- A. It shall be the duty of the Administrator to enforce payment of all taxes due this municipality, to keep accurate records for the minimum of six (6) years showing the amount due from each taxpayer required to file a declaration and make any return, including taxes withheld, and to show the dates and amounts of payment thereof.

11:03 Authority to Make and Enforce Regulations

- A. The Administrator is charged with the administration and enforcement of the provisions of the Ordinance and is subject to the approval of the Board of Review of this municipality empowered to adopt, promulgate and enforce rules and regulations relating to any matter or thing pertaining to the administration and enforcement of the Ordinance. The Administrator has the authority to correct or adjust any return submitted when a correction or adjustment is necessary to accomplish the intent of the Ordinance.
- B. Any taxpayer or employer desiring a special ruling on any matter pertaining to the Ordinance or these Rules and Regulations should submit to the Administrator, in writing, all the facts involved and the ruling sought, who shall render his ruling on this matter, which ruling may be appealed to the Board of Review of this municipality.
- C. These Regulations, together with all amendments and supplements hereto and all changes herein, will be on file at the office of the Regional Income Tax Agency and at the local City or Village Hall and will be open to public inspection. The office of the Regional Income Tax Agency is located at 10107 Brecksville Road, Brecksville, Ohio.

11:04 Authority to Arrange Installment Payments

- A. Except as provided in Section 6:03.B.3 hereof, the Administrator is authorized to arrange for the payment of unpaid taxes, interest and penalties on a schedule of installment payments when the taxpayer has proved to the Administrator that, due to certain hardship conditions, he is unable to pay the full amount of the tax due. Such authorization shall not be granted until proper returns are filed by the taxpayer for all amounts owed by him under the Ordinance.
- B. Failure to make any deferred payment when due shall cause the total unpaid

amount, including penalty and interest, to become payable on demand and the provisions of Chapter 8:00 and 9:00 of the Regulations shall apply.

11:05 Authority to Determine Amount of Tax Due

- A. Preparation of Return by Administrator - If any taxpayer fails to file a tax return which is required by this municipality's Ordinance within the time prescribed therefore, but consents to disclose all information necessary to the preparation thereof, then the Administrator may prepare such return which, after being signed by such person, may be received by the Administrator as the return of such person.
- B. Execution of Return by Administrator - If any taxpayer fails to file a tax return, which is required by this municipality's Ordinance, within the time prescribed therefore, or make, willfully or otherwise, a false or fraudulent return, then the Administrator shall make, in a reasonable manner, such return from his own knowledge and from such information as he can obtain throughout testimony or otherwise.
- C. Assessment of a Taxpayer by Administrator - The Administrator may calculate and assess any taxpayer for the amount of tax, penalty and interest which is imposed by this municipality's Ordinance and which is due and owing. Such assessment shall be made by the Administrator's issuing summary records to the last known address of the taxpayer of the assessment. This summary shall include the identification of the taxpayer, the character of the liability assessed, the taxation period and the amount of the assessment.
- D. Status of Executed Returns and Assessments - Any return executed by or any assessment made by the Administrator pursuant to this municipality's Ordinance shall be prima facie good and sufficient for all legal purposes. The Administrator may execute supplemental tax returns and may issue supplemental assessments whenever the Administrator has knowledge derived from any source including the taxpayer's financial data that any executed tax return or assessment is imperfect or incomplete in any material respect.
- E. Limitation of Prosecutions - Neither the Tax Administrator's execution of a return nor the Tax Administrator's assessment of a taxpayer shall start the running of the period of limitations on prosecutions set forth elsewhere in this municipality's Ordinance.

11:06 Authority to Make Investigations

- A. The Administrator, or his duly authorized agent, is authorized to examine the books, papers, records and federal income tax returns of any employer, taxpayer or person subject to the Ordinance of this municipality, or whom the Administrator believes is subject to the provisions of the Ordinance, for the purpose of verifying the accuracy of any return made, or if no return was made, to ascertain and determine the tax due under the Ordinance of this municipality.
- B. An employer or taxpayer shall furnish within fifteen (15) days following a written request by the Administrator, or his duly authorized agent, the means, facilities and opportunity for making examinations and investigations

authorized by the Ordinance of this municipality.

11:07 Authority to Compel Production of Records

- A. The Administrator is authorized to order any person to appear before him and may examine such person, under oath, concerning any income that was or should have been returned for taxation or any transaction tending to affect such income. The Administrator may compel the production of books, papers, records, and Federal and State income tax returns and the attendance of all persons before him, whether as parties or witnesses, whenever he believes such persons have knowledge of the facts concerning any supposed income or supposed transaction of the taxpayer.
- B. The Administrator's order to examine any document mentioned in the preceding paragraph shall state whether the examination is to be at the office of the taxpayer or at the office of the Administrator.
- C. The Administrator may order the appearance before him of any person whom he believes to have any knowledge of a taxpayer's income or withholdings or any information pertaining to the taxpayer under investigation whether or not the individual so ordered has actual custody of the records of the taxpayer being investigated. The Administrator is specifically authorized to order the appearance of the local manager, representative or employee of any taxpayer.
- D. Persons required to attend any hearings shall be notified not less than fifteen (15) days prior to the time of the hearing. The notice shall show the time and place of the hearing and what books, papers or records the witness is to make available at such hearing.
- E. The notice shall be served by the Administrator, or his duly authorized agent, by delivering it to the person named personally or by leaving the notice at his usual place of business or residence, or by mailing it to the person by certified mail, return receipt requested, addressed to his usual place of business or residence.

11:08 Refusal to Produce Records

Refusal by any employer, supposed employer, taxpayer or supposed taxpayer or the refusal of any such person to appear before the Administrator, or his duly authorized agent, to submit to such examination or to produce the records requested in accordance with Chapter 11:07A constitutes a misdemeanor punishable by fine or imprisonment, or both, as prescribed by Chapter 8:05 of the Regulations.

11:09 Confidential Nature of Information Obtained

- A. Any information gained as a result of any returns, investigations, verifications or hearings before the Administrator or the Board of Review required by the Ordinance of this municipality or authorized by these Rules and Regulations shall be confidential and no disclosure thereof shall be made except for official purposes or as ordered by a court of competent jurisdiction. Any person divulging such information shall be guilty of a misdemeanor punishable by a maximum fine of One Thousand Dollars (\$1,000.00) or imprisonment for not more than six (6) months, or both. Each disclosure

shall constitute a separate offense.

- B. In addition to the above penalty, any employee of the Regional Income Tax Agency, the authorized collecting agent of this municipality, who violates the provisions of the Chapter relative to the disclosure of confidential information shall be guilty of an offense punishable by immediate dismissal.

11:10 Retention of Records

- A. All employees and taxpayers are required to keep such records as will enable the filing of true and accurate returns whether of taxes withheld at the source or of taxes payable upon earnings or net profits, or both. Such records shall be preserved for a period of not less than five (5) years from the date the final return is filed or the withholding taxes are paid.

CHAPTER 12:00

BOARD OF REVIEW ESTABLISHED

In the event of a conflict with this Chapter of the Rules & Regulations and any provision(s) of the Ordinance of this municipality, the Ordinance will supersede.

12:01 Composition

A Board of Review consisting of (see Tax Ordinance of this municipality) is hereby created. The Board shall select each year, for a one-year term, one of its members to serve as Chairman and one to serve as Secretary. A majority of the Board shall constitute a quorum. The Board shall adopt its own procedural rules and shall keep a record of its transactions. Any hearing by the Board may be conducted privately and the provisions of Chapter 11:09 hereof with reference to the confidential character of information required to be disclosed by the Ordinance shall apply to such matters as may be heard before the Board of Review on appeal.

12:02 Duty to Approve Regulations and to Hear Appeals

All Rules and Regulations and amendments or changes thereto which are adopted by the Administrator under the authority conferred by Ordinance must be approved by the Board of Review of this municipality before the same becomes effective. The Board shall hear and pass on appeals from any ruling or decision of the Administrator and, at the request of the taxpayer or Administrator, is empowered to substitute an alternate method of allocation.

12:03 Right of Appeal

The Legislative Authority of each municipal corporation that imposes a tax on income shall establish a board to hear appeals as provided in this section. Whenever an Administrator issues a decision regarding a municipal income tax obligation that is subject to appeal, the tax administrator shall notify the taxpayer at the same time of the taxpayers right to appeal the decision and the manner in which the taxpayer may appeal the decision. Any person who is aggrieved by a decision by the tax

Administrator and who has filed with the municipal corporation the required returns or other documents pertaining to the municipal income tax obligation at issue in the decision may appeal the decision to the board created by filing a request with the board. The request shall be in writing, shall state why the decision should be deemed incorrect or unlawful, and shall be filed within thirty days after the Tax Administrator issues the decision complained of. The Board shall schedule a hearing within forty-five days after receiving the request, unless the taxpayer waives a hearing. If the taxpayer does not waive the hearing, the taxpayer may appear before the board and may be represented by an attorney at law, certified public accountant, or other representative. The Board may affirm, reverse, or modify the Tax Administrator's decision or any part of that decision. The Board shall issue a decision on the appeal within ninety days after the Board's final hearing on the appeal, and send notice of its decision by ordinary mail to the petitioner within fifteen days after issuing the decision. For matters relating to tax years beginning on or after January 1, 2004, any ruling or decision of the Board of Appeal may be appealed to a court of competent jurisdiction or to the State Board of Tax Appeals. The appeal shall be filed within sixty (60) days from the date the taxpayer receives notice of the Board's decision.

12:04 Not Public Records

Each Board of Appeal created shall adopt rules governing its procedures and shall keep a record of its transactions. Such records are not public records available for inspection.