

GENERAL INFORMATION

TAX RATE INCREASE EFFECTIVE 7/01/2018

- Business taxpayers opting to identify income (and nonemployee business expenses) through 06/30 at 2% and after 07/01 at 2.5% should attach a separate schedule.
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- **Be sure to use Part 1 on the back of the form if you are pro-rating wages and tax.**
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- The City reserves the right to audit, pursuant to the provisions of Section 182.133 of the Income Tax Code, to ensure a reasonable and equitable report of income and tax.
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- Should you require filing assistance, or if you have any questions about the Canton city income tax, please contact our office.
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- **We will be happy to prepare the return for you, at no charge.**

DO I HAVE TO FILE A CITY INCOME TAX RETURN?

Every Canton, Ohio resident between the ages of 18 and 65 must file a city income tax return; even if there is no tax due. (Any resident who only has non-taxable income may simply fill out the Exemption Form to fulfill the filing requirement).

Taxpayers who were 65 years old or older on or before December 31, 2018, and whose sole income was derived from non-taxable sources such as social security, pension, etc., do not have to file a tax return. Please fill out and return the Exemption Form, informing us of your exempt status so that you no longer receive a tax form. (Please also include a copy of your Birth Certificate or Drivers License to document your date of birth.)

FAILURE TO DO THIS WILL RESULT IN OUR CONSIDERING YOUR ACCOUNT DELINQUENT.

Any non-resident who has Canton business or rental activities must file a City return and estimate. Nonresidents who are employed in Canton, but have not paid the correct amount of income tax by payroll deduction, also must file a return and remit the tax due.

Any part-year resident who has lived in the city 30 days or more must file a city return.

WHEN AND WHERE DO I FILE?

File as early as possible, but no later than April 15, 2019, for the calendar year 2018.

You may have your city tax return

prepared free of charge by city Income Tax Department staff auditors at the office at **424 Market Ave., North**, on the fourth floor.

Regular Office Hours March 1st through April 30th, Monday through Friday 8:00 a.m. to 11:45 a.m. and 1:00 p.m. through 4:00 p.m. Closed Wednesdays, May 1st through February 28th.

LATE FINE

RETURNS POSTMARKED AFTER APRIL 15th, regardless of the liability shown thereon, are subject to late filing penalties imposed at \$25.00 per month or fraction thereof, up to a maximum penalty of \$150.

INTEREST

Interest will be imposed on any unpaid taxes at the rate of 0.50% per month on the outstanding balance due.

PENALTY

A 15% penalty will be imposed on any tax balance not timely paid.

WHAT IF I NEED MORE TIME TO FILE?

Taxpayers who have requested an automatic six month extension for filing the federal income tax return will automatically receive a six month extension for filing the city income tax return. Please attach a copy of your federal Form 4868 when you file the city return.

Taxpayers who have not requested the automatic federal extension still may request a six month extension of the date for filing the city income tax return; however, the request must be made in writing and it must be received on or before the original filing deadline.

Please be aware that an extension of time to file your return does not grant you any extension of time to pay your taxes. April 15 is the deadline for most to pay taxes owed and avoid penalty and interest charges.

Send extension requests to P.O. Box 9940, Canton, OH 44711-9940.

NOTE: We will contact you only if the extension request is denied. Even though an extension has been granted, interest will be charged on any unpaid tax. The interest will be charged from the date the tax should have been paid.

DO I HAVE TO PAY ESTIMATED TAX?

Any individual who will owe \$200 or more of Canton income tax which is not being withheld by an employer is required to

file a Declaration of Estimated Tax and make quarterly payments. PAYMENTS on estimated taxes PLUS any other CREDITS must EQUAL at least NINETY PERCENT (90%) of the FINAL LIABILITY to avoid interest penalty. Estimated payments on a Declaration greater than or equal to the prior year's final liability are sufficient and will not be subject to interest penalty.

Each Declaration shall be accompanied by a payment of at least one twenty-two and five tenths percent (22.5%) of the final tax liability. The first payment is due April 15, 2019. At least a similar amount shall be paid on or before June 17, 2019, September 16, 2019, and January 15, 2020.

Please note carefully: the Canton city income tax department will not send a statement of estimated tax due every quarter. Instead, the quarterly statements are sent with the annual income tax return. Each remittance will be due on the fifteenth day of the month following Quarter end, or first business day thereafter if the fifteenth falls on a weekend or holiday. Please mark your calendar and be sure to file the estimates timely.

A DECLARATION OF ESTIMATED TAX WHICH IS LESS THAN 90% OF THE TAX DUE ON THE FINAL RETURN WILL BE SUBJECT TO A PENALTY OF 15% OF THE UNPAID BALANCE AND INTEREST OF 0.50% PER MONTH, MULTIPLIED BY THE NUMBER OF MONTHS UNPAID.

A Declaration can be amended at any time during the year by written request to the tax department.

WHAT IS TAXABLE INCOME?

In general, taxable income is earned income. It includes, but is not limited to: business profits, net profits from rental property, natural resource royalties, salaries, wages, qualified and nonqualified deferred compensation plans, stock options, commissions, other compensation, bonuses, incentive payments, directors fees, executor's fees, property in lieu of cash, tips, severance pay, SERPs, nonqualified deferred compensation plans, nonqualified pensions, tax shelter plans, vacation pay, sick pay, third party sick pay, supplemental unemployment benefits (SUB pay), and pre-tax programs that reflect a reduction from salaries, wages, commissions, and other compensation as reported on W-2 and/or similar wage reporting forms under Federal and State tax regulations unless specifically exempted. In the Canton City ordinance and/or under state statutes.

All income derived from gambling, wagering, lotteries, (including Ohio state lottery), and all games of chance are taxable.

WHAT IS NON-TAXABLE INCOME?

In general, non-taxable income is unearned income and income specifically exempted by the Canton city ordinance. It includes: dividends, interest, military pay and allowances, compensation paid to precinct election officials (poll workers) up to one thousand dollars (\$1,000.00), ministers housing allowances, lump-sum insurance proceeds, annuities, alimony, medicare, gifts, inheritances, income from intangible property, qualified relocation costs of any employee that are reimbursed by the employer; and, poor relief, qualified pensions, unemployment compensation, social security benefits, disability payments, and/or similar payments.

Pre-tax contributions to a qualified "cafeteria plan," pursuant to Section 125 of the Internal Revenue Code are not taxable by Canton.

HOW ARE BUSINESS NET PROFITS DETERMINED? (SCHEDULE X)

Net profits shall be determined on the basis of the information used for Federal Income Tax purposes, adjusted to the requirements of Canton's Ordinance.

Schedule X is used to reconcile the Federal return with the city return by making adjustments for items not taxable and/or items not deductible for city tax purposes. Enter the amounts of any such items on the appropriate lines of Schedule X, and calculate the net adjustment amount.

SCHEDULE X MUST BE ATTACHED TO CITY RETURN.

HOW ARE NET PROFITS ALLOCATED? (SCHEDULE Y)

The business allocation percentage formula is to be used by all business enterprises doing business within and outside of the City of Canton.

The business allocation percentage shall be determined by the ratio of the Canton portion of:

(1) Average original cost of real and tangible property owned, rented or leased by the taxpayer for use in the trade or business.

To determine the value of rented or leased property used in business, multiply the gross annual rental by 8.

(2) Gross receipts from sales made and services performed, regardless of where made or performed.

(3) Total Payroll

Add the ratios obtained and divide the total by the number of ratios used to obtain the

business allocation percentage. A ratio shall not be excluded from the computation because it is allocable entirely within or outside the City of Canton. The business allocation percentage is to be applied against the total net profits adjusted in accordance with the provisions of the Ordinance, to determine the taxable portion.

SCHEDULE Y MUST BE ATTACHED.

Individuals who are residents of Canton are subject to the tax, regardless of where their income is earned. Credit will be given for tax imposed by another municipality on income earned within its city limits, up to the 2% which is also assessed by Canton through 06/30/2018 and up to the 2.5% which is also assessed by Canton from 07/01/2018 through 12/31/2018.

HOW ARE NET OPERATING LOSSES TREATED?

Losses from either business or rental property must be noted on the back of the return. Losses incurred in tax years beginning on and after January 1, 2017 may be carried forward for five (5) years (subject to statutory limitations of the Ohio Revised Code and the Codified Ordinances of Canton).

Business or rental income may be reduced by business or rental losses incurred in the prior three (3) tax years ending on or before December 31, 2016.

If you are applying your post-2016 losses before your pre-2017 losses, please attach a separate schedule. You may want to refer to the Ohio Department of Taxation Municipal Net Profit Tax Information Release from October 2018: MNP 2018-004 (<https://www.tax.ohio.gov/Portals/0/Muni-Net-Profit/information-releases/MNP%202018-04%20Net%20Operating%20Losses.pdf>). The NOL administration is subject to change pending amendments to the NOL provisions of Section 718, Ohio Revised Code, by the General Assembly.

Business and rental losses may not be deducted directly from wages. If an eligible loss is realized, the loss is carried forward to reduce any possible future gains. Canton residents with net profit and/or distributive share income sourced in multiple municipalities with current and/or prior year losses must file the Resident Business/Rental Income Worksheet.

Net operating losses may not be carried back to prior years.

2106 EMPLOYEE BUSINESS EXPENSES

Pursuant to the provisions of the Tax Cut and Jobs Act (TCJA), there will be no Form 2106 Employee Business expenses deductible on the Canton city income tax return for tax years beginning 01/01/2018 and after.

DIRECT DEPOSIT

We can now deposit your refund directly into your bank account.

(1) Check the "Direct Deposit" box next to line 11 on the front of the tax return.

(2) Flip the return over and enter your bank Routing Number and your Account Number on the back of the tax return.

(3) Specify account type, Checking or Savings.

(4) Enter the name of your bank.

(5) Double check your work! Any direct deposit returned to us because of an incorrect account number or routing number will be reissued in the form of a check. This will cause an unnecessary delay.

WHAT ATTACHMENTS ARE REQUIRED TO THE CITY RETURN?

All W-2's, (no exceptions) 1099's and copies of all Federal Schedules. The return is not complete unless this source documentation is provided. For taxpayers under 18 or over 65, proof of age required.

Should you require filing assistance, or if you have any questions about the Canton city income tax, please contact our office. The Canton City Income Tax Department is located at 424 Market Ave., N, on the fourth floor of the old "Sears" Building, downtown.

You may call 430-7900, Fax 430-7944, or visit us on the web: www.cantonincometax.com, or write to PO Box 9940, Canton OH 44711-9940. Office hours are 8:00 a.m. to 4:00 p.m., Monday through Friday, March 1 through April 30. Closed for lunch 11:45 a.m. to 1:00 p.m. Closed Wednesdays, May 1 through February 28.