

IMPORTANT INFORMATION

You **must** pay estimated tax payments if:

- You have or expect to have any taxable income where withholding is not done;
- Local taxes of at least 1.5% are not being withheld by your employer; or
- You engage in any business, profession, enterprise, or activity subject to the Income Tax where the tax is not withheld.

You **must** file the MANDATORY DECLARATION OF ESTIMATED TAX FOR 2015 below, together with the first quarter estimated tax due (1/4 of the annual estimated tax) on or before **April 30, 2015**. Additional payments of at least 1/4 of the annual estimated tax each must be paid on or before July 31, 2015, October 31, 2015 and January 31, 2016. Please send in the Quarterly Estimate Payment forms below to identify your payments. (No quarterly payment notices will be sent to remind you to make your quarterly payments, so please mark your calendars.)

A DECLARATION OF ESTIMATED TAX WHICH IS LESS THAN 75% OF THE TAX DUE ON THE FINAL RETURN WILL BE SUBJECT TO INTEREST OF 9% PER QUARTER ON THE DIFFERENCE AND A PENALTY OF \$25.00.

No Declaration of Estimated Tax and no quarterly payments are required if you may reasonably expect to have less than \$5,000.00 of income subject to the estimated tax this year.

You may amend your Declaration of Estimated Tax during the year in writing for good cause shown.

Record of Payments

PAYMENT NO.	DUE DATE	CHECK NO.	DATE PAID	AMOUNT DUE
1.	April 30, 2015			
2.	July 31, 2015			
3.	October 31, 2015			
4.	January 31, 2016			

Declaration of Estimated Tax F.A.Q.s

(Frequently Asked Questions)

What is a Declaration of Estimated Tax?

Any Canton taxpayer who expects to receive taxable income that has no tax withholding (or less than 1.5% tax withheld) must Declare that income at the beginning of the year, and pay the estimated tax on it quarterly. Basically, if an employer doesn't withhold city tax, taxpayers must withhold it from their own pay, and remit it to the City themselves.

Who must file a Declaration?

Any person who receives taxable wages which are not subject to withholding at the source by his or her employer must file a "Declaration of Estimated Tax." **Example:** XYZ Corporation in Plain Township employs a Canton resident. XYZ Corp. does not withhold Canton city income tax from the employee's paycheck, so the employee must file a Declaration.

Any person who anticipates taxable income from a business, profession, enterprise, or other for-profit activity which is subject to the Canton city income tax. **Example:** A nonresident of Canton operates a Lawn care/Landscaping service which has customers inside the Canton city limits. He must file a Declaration of Estimated Tax on that income.

Is there a penalty for failure to file a Declaration?

Yes! The Declaration of Estimated Tax is required by Law. The failure to file a *bonafide* Declaration will result in a fine of \$25.00, and a substantial interest penalty.

What is a bonafide Declaration?

A *bonafide* ("good faith") Declaration is one in which the combination of the taxes withheld and the estimated taxes paid total 75% or more of the tax obligation shown on the taxpayer's income tax return. Payments of estimated tax plus any other credits must equal 75% of the final liability to avoid the fine and interest penalty. Estimated credits equal to at least 100% of the prior year's final liability will not be penalized either. **Example:** A small-businessman, who owed \$300.00 on the prior year's tax return, files a Declaration of Estimated Tax for the current year, of \$245.00. On the final tax return, it is determined that his tax obligation was actually \$350.00. The Declaration was less than 100% of the prior year's tax liability and was only 70% of the current tax obligation, rather than the 75% required to be "in good faith." This taxpayer is subject to the \$25.00 fine, and the interest penalty.

How much is the interest penalty?

The amount of interest penalty depends upon the estimate requirement (75% of the tax obligation), and total credit on the tax return (withholding + estimate payments). When the tax return is filed, an auditor will multiply the tax obligation by 75% to find the *bonafide* Declaration amount. That amount is divided by four, to establish the installment amount that should have been paid quarterly. The quarterly installment due is compared with the combined estimate and withholding payments from each quarter. Any difference will be subjected to an accumulating interest penalty of 9% per quarter, imposed from the due date of the quarterly installment, up through the filing date of the tax return. In some cases, the interest penalty imposed could amount to approximately 17% of the tax obligation itself.

Does Canton give credit on the Declarations for taxes withheld and paid to another city?

Yes. Canton gives full credit (up to 1.7%) on the Declaration of Estimated Tax for withholdings due and payable to another city. Since almost all other cities in our area have tax rates of 1.5%, or more, most residents who work in another municipality will meet the "good faith" requirement. However, a Canton resident who works in a city whose tax rate is less than 1.5% would have insufficient credit to avoid falling below the "75%" test. Taxpayers working in Canal Fulton, East Canton, and any of the townships will need to file the Declaration and pay estimated tax in order to meet the "good faith" requirement.

How will the public know about this mandatory "Declaration of Estimated Tax" requirement?

It's on the tax form, and in the "General Information Sheet" and "Line-by-Line Instructions" which are mailed with the tax returns each year. The estimate remittance forms are mailed with the tax returns as well. Also, our auditors will try to identify taxpayers who file returns reporting total credits which are less than their actual tax obligations by 26% or more, and a letter and this FAQs sheet will be sent informing him or her of the Declaration requirement. Ultimately, though, the Declaration of Estimated Tax is your responsibility - not the tax department's.

When should the Declaration be filed?

The Declaration is due with the annual city income tax return every year; however, it may be filed separately, as late as April 30, without incurring any penalty.

When are the payments due, and how much are they?

At least one-fourth (1/4) of the estimated tax due should be paid with the previous year's annual return and the current Declaration: on or before April 30th.

It's really simple: the tax on the income you make in January, February, and March is due to the City in April. For April, May, and June, the tax is due in July, etc. You withhold the tax from your own pay, and remit it to the City just as if the employer were doing it. Please note carefully: The Canton city income tax department will not send a statement of estimated tax due every quarter. Instead, the quarterly statements have been included with the annual tax return. For individuals, the remittances will be due April 30, 2015, July 31, 2015, October 31, 2015, and January 31, 2016. For businesses, the remittances will be due on the 15th day of April and the 15th day of June, September, and December (the fourth, sixth, ninth and twelfth month for Fiscal Year filers). Please mark your calendar and be sure to file your estimates timely.

What should I do if the original Declaration needs to be changed?

In order to account for mid-year changes in income, employment status, etc., a Declaration of Estimated Tax can be amended as needed, at any time. Simply adjust the amount due on your next quarterly statement of estimated tax by writing in your amended figures, and send it in by the next quarterly deadline.

What if I have more questions, or I just don't get it?

Call the income tax department! Our auditors will be glad to assist you, and answer all of your additional questions.