



2017 CITY OF SALEM, OHIO INCOME TAX INSTRUCTIONS

INCOME TAX DEPARTMENT • 231 SOUTH BROADWAY AVE.
SALEM, OHIO 44460 • (330) 332-4241 EXT 225
WEB PAGE: www.cityofsalemohio.org
OFFICE HOURS: Monday through Friday 8:00AM to 5:00PM

These are Basic Instructions for the preparation of the Annual Income Tax Return and Estimated Tax Payments.

MANDATORY TAX FILING - was enacted by City Council beginning with the 1986 Tax Year. **ALL RESIDENTS AND PART YEAR RESIDENTS** of Salem, Ohio eighteen years of age or older are required to file an Annual Tax Return with the Salem City Income Tax Department.

ONLINE TAX RETURN PREPARATION - Now available at www.cityofsalemohio.org - Income Tax. An easy way to prepare your city tax return. Please access to see if you qualify.

RETIRED AND TAXPAYERS WITH NO TAXABLE INCOME - To meet mandatory filing requirements, just check the category that applies to you, sign the form and file with the Tax Department. (Contact our office if you need assistance.)

THE TAX RATE FOR TAX YEAR 2017 IS 1.25% , EFFECTIVE 1-1-2016.

BEFORE PREPARING YOUR RETURN - Please review the instructions and the following points:

- **ATTACH ALL REQUIRED FORMS** (Federal 1040,1040A, or 1040EZ (Page 1), W-2, 1099, federal schedules, subcontractor listing)
- **SIGN THE RETURN** (taxpayer and spouse must both sign a joint return)
- **INCLUDE PAYMENT** of any tax due (late payment is subject to penalty and interest charges)
- **FILE** your **TAX RETURN** or your **FILING EXTENSION REQUEST** by April 15th or the Federal Due Date. (The Late Filing Penalty is \$25.00 per month- maximum \$150.00)
- **CONTACT OUR OFFICE** if you need assistance

Fred K. Pamer, Income Tax Administrator

GENERAL INSTRUCTIONS

1. WHO MUST FILE: MANDATORY FILING

All Salem Residents and Part Year Residents, Age 18 or older
All Nonresidents working in Salem, and Salem local tax is not withheld
All Resident Businesses of Salem
All Non Resident Businesses performing services in Salem

2. WHEN AND WHERE TO FILE RETURNS:

The **FILING DUE DATE** is **April 15th or the Federal Due Date**.
Businesses filing on a **FISCAL YEAR**, must file within 105 days following the end of the period.

FILE THE TAX RETURN FORMS with:

THE CITY OF SALEM, INCOME TAX DEPARTMENT
231 SOUTH BROADWAY AVENUE
SALEM, OHIO 44460-3089

3. **EXTENSION OF TIME TO FILE:** May be granted by the administrator for good cause. Make a written request on or before the due date stating the valid reason. An extension approved by the IRS will be accepted as long as the Salem Tax Department is notified.

NOT AN EXTENSION TO PAY – PAYMENT OF TAX IS DUE BY THE NORMAL FILING DUE DATE.

4. DECLARATION OF ESTIMATED TAX FOR THE FOLLOWING YEAR:

Complete the Declaration Section if estimated tax is \$200.00 or more. If a Quarterly estimate amount is indicated, include the first quarterly payment with the tax return form, when it is filed.

QUARTERLY STATEMENTS WILL NOT BE MAILED
QUARTERLY PAYMENT VOUCHERS and a **PAYMENT REGISTER** are available on our **WEBSITE** or at our **CITY HALL OFFICE**.

5. **PENALTY AND INTEREST:** If this return is past due, compute penalty and interest. Late Filing Penalty - \$25.00 per month, up to 6 months- maximum \$150.00 Late Payment Penalty - 15% of the amount due. Interest for Tax Year 2017 6.0% per annum. .50% per month. (see our website for current year rates)

6. **PART YEAR RESIDENT:** The Tax Return is to be filed covering the time you were a Salem Resident. Report full year income and subtract out income earned as a nonresident (line 4b). Include a copy of your pay statement close to the date moved in or out, and a worksheet explaining the calculation. When income is prorated, any local tax withheld on that income must be prorated.

7. TAX CREDIT - SALEM RESIDENTS ONLY

Salem residents who have earned income in another city and pay local tax in that city. For the Tax Year, credit will be granted up to the Salem 1.25% Tax Rate for the full year. Supporting detail is required.

1. Copies of all W-2 forms showing the taxable wage and the tax paid to cities, other than Salem.
2. If a Local Tax Return was filed with another city, provide a copy of that tax return and any supporting information or schedules.
3. Please contact our office if you have any questions.

8. ELECTRONIC FILING

Salem City Income Tax Returns for **Individuals** **cannot** be filed **Electronically**.

Business Tax Returns **can** be filed and paid **Electronically** on the **Ohio Business Gateway**.

(Partnership – form 1065 and Corporation form 1120 or 1120-S)

9. DONATIONS TO THE CITY OF SALEM, OHIO

Beginning with Tax Year 2017, taxpayers may elect to reduce a tax overpayment to make a donation to the City of Salem, Ohio. Please indicate the department and the amount of the donation on line 11 of the Salem Income Tax Return form. If you are using a generic municipal income tax form, a Salem donation form can be attached. The Salem donation form is available on our website www.cityofsalemohio.org or in the Salem Tax Department office.

Donations can be designated to **Police Department Equipment**, **Fire Department Equipment**, **Street Department Equipment** or **Parks Department Equipment**.

If reducing your refund by a donation, no refund check will be issued for \$10.00 or less.

10. PAYMENT BY CREDIT CARD

Beginning **January 1, 2012** Salem, Ohio municipal income tax payments can be made by Credit / Debit Card. Payments can be made in person, online or by telephone.

TO PAY BY CREDIT CARD

Visit www.officialpayments.com

Or call 1-888-272-9829

Use jurisdiction code 8441

“Official Payment Corporation” charges a normal fee for this service.

If you have any problem with your credit card payment call 1-866-487-4567

INDIVIDUALS - RETIRED OR WITH NO TAXABLE INCOME

- COMPLETE NAME, ADDRESS AND SOCIAL SECURITY #.
- INDICATE RESIDENCY STATUS
- TO MEET THE CITY MANDATORY FILING REQUIREMENT - REVIEW THE CATEGORIES IN THIS SECTION

If any category applies to you and/or your spouse for the ENTIRE YEAR, follow these instructions:

1. Place an X in the TAXPAYER box that applies, and explain as required.
 2. **Attach a copy of your 1040, 1040A, 1040EZ (Page 1).**
 3. **JOINT FILERS** - Place an X in the SPOUSE box that applies and explain as required. If You or Your Spouse has earned income, follow the Instructions for Individuals with Taxable Income.
 4. Sign the tax return.
 5. **FILE WITH THE SALEM TAX DEPARTMENT** - Tax returns filed late are subject to the \$25.00 late filing penalty per month, up to six months, maximum \$150.00 (even when no tax is due) - line 9b.
- **CATEGORY DESCRIPTIONS**
 1. **RETIRED** - For the entire year only: Social Security, Pension, Interest or Dividend income, taxpayer is not self employed and does not own rental property.
 2. **NON-TAXABLE INCOME** - The only income received during the entire year was from unemployment, welfare, ADC, SSI, etc. - indicate source.
 3. Under age 18 – Salem tax applies to persons age 18 and over.
 4. **ACTIVE DUTY MILITARY** - Only if active duty member of U.S. Armed Forces for the entire tax year.
 5. **DECEASED** - Indicate date - list any taxable income on lines 1 and 2.

INDIVIDUALS - WITH TAXABLE INCOME

- COMPLETE NAME, ADDRESS AND SOCIAL SECURITY #.
- INDICATE RESIDENCY STATUS.
- **Attach a copy of your 1040, 1040A, 1040EZ (Page 1).**
- **LIST TOTAL QUALIFIED WAGES** on line 1 (attach W-2's).
- **OTHER INCOME** - If you have income other than reported on form W-2, complete Page 2 (Schedules C, E, G and H), return to Page 1 line 2, total income, and compute tax due. (Attach a copy of any Federal Schedules used.)
- **EMPLOYEE BUSINESS EXPENSE DEDUCTION (FORM 2106)** - Line 4b - Recognized only when the expense incurred applies to gross earnings that are in the jurisdiction of the City of Salem. This deduction is permitted only to the extent allowed on the taxpayers Federal Income Tax Return (pursuant to ORC.718.01E).
Information required: Federal Schedule A and Form 2106 Allow-able expenses will be reduced by the appropriate portion of 2% of the Taxpayers Adjusted Gross income.
- **CREDITS** - Line 8c Credits - Apply only to Salem residents. NOTE: Credit is not permitted for any amount refunded by city of employment.
- **COMPLETE** the DECLARATION OF ESTIMATED TAX section.
- **GRAND TOTAL** - Pay the total amount due.
- **SIGN** the tax return.
- **FILE WITH THE SALEM TAX DEPARTMENT** - Tax returns filed late are subject to penalty and interest charges (even when no tax is due) line 9b.

BUSINESS - NET PROFITS

CORPORATIONS, PARTNERSHIPS, LLCs, ESTATES, TRUSTS, ASSOCIATIONS AND OTHER BUSINESS Entities

Net profits determined on basis of information used for Federal Income Tax purposes, reconciled to City Taxable Income.

- COMPLETE NAME, ADDRESS, FED ID#, INDICATE RESIDENCY STATUS
- Page 1 - Line 2 - enter Adjusted Federal Taxable Income (before Net Operating Loss and Special Deductions) Attach a complete copy of the Federal Return
- Reconcile this income using SCHEDULE X on page 2. Adjustments are reported on page 1 lines 4a and 4b.
- Follow Line instructions to calculate the Tax Due on Line 10
- Complete the DECLARATION OF ESTIMATED TAX section
- GRAND TOTAL - pay the total amount due
- Include a listing of all subcontractors who worked in Salem throughout the year

SCHEDULE C - PROFIT/LOSS FROM BUSINESS/PROFESSION:

Attach Federal Schedule C. If you operate more than one business, and maintain separate books, a copy of Schedule C should be attached for each business, and the total entered on line 18 (page 2 Salem form). Include a listing of all subcontractors who worked in Salem throughout the year.

SCHEDULE E - INCOME FROM RENTS:

Residents of Salem are subject to the City Income Tax on the net profit of all rental property, regardless of location, when the monthly rental of any real properties aggregate in excess of \$100.00 per month.

Nonresidents of Salem are subject to tax on the portion of such net profit earned from property located in Salem.

Attach Federal Schedule E, and enter total on line 19.

SCHEDULE G - ORDINARY INCOME:

Gain on the disposition of certain depreciable property results in ordinary income subject to the municipal income tax. Federal form 4797 sets out these items and depreciation recaptured which is treated as ordinary income.

SCHEDULE H - OTHER INCOME:

Taxable income includes: income from estates, trusts and partnerships (if not paid by the partnership entity), fees, tips, gifts, gaming, wagering, lottery, employee business expenses not included in form W-2. Enter total on line 21.

BUSINESS LOSSES:

For Tax Year 2017, a business loss of a previous tax year shall not be allowed or carried forward to reduce the tax due in any subsequent year. Losses from any business activity may not be deducted from Wages, Salaries, Tips and other employee compensation. Beginning with Tax Year 2016, Gains and Losses for self employment and rental income may be netted for city residents. For non residents, only city related income and losses may be netted.

Beginning with Tax Year 2018 Salem is required to allow a qualifying Business Loss Carry Forward, with losses reported in Tax Year 2017.

SCHEDULE X:

This schedule is used to adjust the Federal Net Income to the Salem Taxable Income.

SCHEDULE Y - BUSINESS APPORTIONMENT FORMULA:

For partnerships, corporations, fiduciaries, associations and nonresident business entities doing business within and outside Salem. If the taxpayer did not have a place of business outside Salem during the filing period, the business allocation percentage is 100%.

SCHEDULE Z - PARTNERS DISTRIBUTIVE SHARE OF NET INCOME:

All partnerships and S-corporations must complete this section.