

KETTERING INDIVIDUAL INCOME TAX RETURN GENERAL INFORMATION



Who Must File:

Residents: All Kettering residents 18 years of age or older with taxable income are subject to Kettering income tax regardless of where their income is earned. Credit is given for income tax withheld and/or paid to another municipality, not to exceed 2.25%. The only exception to this filing requirement is for residents whose only source of taxable income is from wages and whose employers have correctly withheld **Kettering** tax (2.25%) from their gross wages.

Non-Residents: Non-residents earning income (including salaries, wages, compensation or profits which result from work performed, services rendered, business transacted or activities located within the City of Kettering) which is not subject to the withholding of Kettering tax.

Under 18: If you were under the age of 18, and had Kettering tax withheld from your wages, you may file a request for a refund. Refund Request forms and instructions may be obtained by calling our office or by visiting our website.

Part Year Residents: If you are a part-year resident who is required to file a return, your return should cover the time period of your residency. Report the amount of income you earned while you lived in Kettering. Pay statements with year to date figures or a statement from your payroll department must be used if available. When the actual amount you earned while living in Kettering cannot be determined, you may break down your earnings by the number of months employed at the job arriving at a monthly earnings figure. Use the monthly earnings multiplied by the number of months of residency to find your taxable amount. If you pro-rate your income, you must also pro-rate your city tax that was withheld on the same income. Attach a worksheet explaining your calculations.

1099 Misc Reporting: All taxpayers who report payments to individuals (who are not employees) on Form 1099-Misc. for services performed shall also report such payments to the city when the services were performed in Kettering. The information may be submitted on a listing and shall include the recipient's name, address and social security numbers (or federal identification numbers) and the amount of the payments made. Federal Form(s) 1099-Misc. may be submitted in lieu of such listing. **The information shall be filed annually with The City of Kettering on or before February 28.**

Taxable and Non-Taxable Income:

Taxable income includes, but is not limited to qualifying wages, salaries, commissions and other compensation including sick pay, vacation pay, income from wage continuation plans (includes retirement incentive plans and buyouts), contributions made by or on behalf of employees to a tax deferred annuity plan (401K plans and the like), bonuses, directors fees, fringe benefits such as car allowance, disability pay if received as a benefit from employment (includes third party plan), stock options, gambling winnings, and the net profits from the operation of a business, profession, enterprise or other activity.

Non-taxable income includes: interest, dividends, military pay and allowances, Social Security benefits, welfare benefits, unemployment insurance benefits, workers' compensation, proceeds from qualified retirement plans as defined by the IRS, personal earnings of all persons under eighteen (18) years of age, capital gains, royalties, alimony, and contributions to a Section 125 (cafeteria) plan or flexible spending account.

S-Corporations: Distributions from S-Corporations are not taxed at the individual level. S-Corporations doing business in Kettering must file a City of Kettering Business Tax Return (Form KBR-1040).

Estimated Tax Payments: Individual taxpayers who expect to receive taxable income, which is not subject to withholding at a rate equal to or greater than 2.25%, are required to make quarterly estimated tax payments when their tax liability exceeds \$200.00. Taxpayers must have 90% of their current year tax liability or 100% of their previous year's tax liability paid through quarterly estimated tax payments and withholding (if applicable) by January 31 of the following year. Quarterly estimated tax payments are due on or before April 15, July 31, October 31, and January 31. The first estimated tax form is found at the bottom of the income tax return. Estimated payment vouchers for the second, third and fourth quarters may be obtained from the city's website.

Where and When To File: Your city tax return (Form KR-1040) must be filed on or before April 17, 2012. Make checks or money orders payable to the City of Kettering and mail to: **City of Kettering Income Tax Division, P.O. Box**

293100, Kettering, OH 45429-9100. If the balance due with your return is less than \$5.00, no payment need accompany the return.

Extensions: Taxpayers can request an extension of time in which to file their Kettering Income Tax Return by submitting a copy of their federal extension request to the Tax Division **on or before the original due date of the return.** The extended due date of the municipal income tax return 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. Payment of any tax liability must accompany the extension request since an extension of time to file is not an extension of time to pay the tax due. If no extension is filed, penalty and interest charges will apply. If estimated tax payment requirements are not met, penalty and interest charges will apply as if no extension had been approved.

Refunds: Refunds will be issued only for amounts overpaid of \$5.00 or more. Refunds are allowed only when city income tax has actually been paid to or withheld for Kettering. Refunds may be requested using the Income Tax Return (Form KR-1040). In addition, requests for refunds of withholding tax overpaid to Kettering for any reason (i.e., days out of town, tax withheld in excess of liability, employee moved during the year, employee did not work in Kettering, employee was under age 18, etc.) must include the City of Kettering Refund Request Form. You may obtain the Refund Request Form by calling our office or by visiting our website.

Note: A written request for a refund must be filed within three (3) years from the date the taxes were due or the payment was made, whichever is later.

Other Income or Loss Calculation:

All Income earned **other than wage income**, including income or loss from self-employment, rentals, partnerships, fees, ordinary gains and losses reported on Federal Form 4797 and any other activity must be netted together with the income or loss from these (same) activities to arrive at an overall net profit or loss for the current year. If the netting results in a net loss, the loss may be carried forward for a period not to exceed three (3) years. Note that when determining the amount of loss from self-employment, rentals and partnerships to be included in the netting process, the City of Kettering does not recognize passive loss limitations. Thus, the full loss before any federal passive loss limitation should be included in the netting process.

If any portion of the income or loss of an activity is separately reportable for municipal tax purposes to another taxing entity, the income or loss may or may not be included in the netting process. The general guidelines to use in making this determination are as follows:

Business Activity Location:

- Kettering The loss from such activity may be offset against the profits of unincorporated activities taxable for Kettering purposes.
- City with a tax rate greater than or equal to Kettering's rate of 2.25% The loss MAY NOT be offset against the profits of unincorporated activities taxable to Kettering, as the profits from those activities would be taxed in full to the other city.
- City with a tax rate less than Kettering's rate of 2.25%. The portion of the loss attributable to the difference in rates would be offset against the profits of unincorporated activities taxable to Kettering because if the activity had a profit, Kettering would receive the tax for the difference in rates. The formula to be used is:

$$\text{Loss Allowed} = \frac{\text{Kettering rate} - \text{other city tax rate}}{\text{Kettering rate}} \times \text{Loss}$$

Note: that the same formula is used to determine the portion of income from a taxable business activity which can be offset by a loss allowed in Kettering.

$$\text{Income which can be offset by a loss allowed in Kettering} = \frac{\text{Kettering rate} - \text{other city tax rate}}{\text{Kettering rate}} \times \text{Income}$$

Disclaimer: Definitions and instructions are illustrative only. The City of Kettering Income Tax Code and the Ohio Revised Code supersede any interpretation presented.

INSTRUCTIONS FOR PREPARING CITY OF KETTERING INDIVIDUAL INCOME TAX RETURN

Part A – Tax Calculation

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- LINE 1:** Enter total amount of qualifying wages, which generally includes amounts reported in the Medicare wage base (Box 5 of the Form W-2), with an exception to include compensation of Medicare-exempt employees hired before April 1, 1986. Though generally not reported on a Form W-2, income from the disqualifying disposition of stock options is also defined as qualifying wages and should be reported on Line 1. If you have multiple W-2's, complete Worksheet A on back of return. Attach all W-2's.
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- LINE 2:** Enter the amount of unreimbursed employee business expenses. You must include a copy of Federal Form 2106 or 2106EZ to support the deduction. If wages are allocated between cities, Form 2106 expenses should likewise be allocated, and tax credit reduced accordingly.
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- LINE 3:** Line 1 minus Line 2.
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- LINE 4:** Enter total other income (or loss) from Page 2. Complete sections 1-3 on Page 2 to determine net other income or loss. Please refer to the general information sheet for instructions and rules for calculating other income or loss. Attach all appropriate schedules and documentation.
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- LINE 5:** Line 3 plus Line 4. Note that losses reported on Line 4 cannot offset W-2 income from Line 3. Allowable losses as detailed in Line 4 above can be carried forward for a period of three (3) years.
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- LINE 6:** Multiply Line 5 by 2.25% (.0225).
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- LINE 7a:** Enter the amount of Kettering tax withheld from W-2's. If you have multiple W-2's, please refer to Worksheet A.
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- LINE 7b:** Enter the amount of tax withheld for or paid to another municipality, not to exceed 2.25%. Attach supporting documentation in the form of W-2's or tax returns submitted to other municipalities. If you have multiple W-2's, please refer to Worksheet A.
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- LINE 7c:** Enter the amount of estimated tax payments including any amounts paid with an extension.
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- LINE 7d:** Enter the amount of prior year credits.
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- LINE 8:** Add Lines 7a, 7b, 7c, and 7d.
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- LINE 9:** If Line 6 is greater than Line 8, enter the balance due. If Line 8 is greater than Line 6, skip lines 10, 11 and 12 and enter overpayment on Line 13.
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- LINE 10:** Enter the amount of penalty, if applicable. Penalty is assessed on the late payment or non-payment of tax due at the rate of 1-1/2% per month or fraction thereof, or 10%, whichever is greater.
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- LINE 11:** Enter the amount of interest, if applicable. Interest is assessed on all tax remaining unpaid after becoming due. The rate is adjusted annually based on the federal short-term rate + 3%. Please call our office at (937) 296-2502 for the current rate.
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- LINE 12:** Add Lines 9-11. This is your balance due. Make checks payable to the City of Kettering and mail to P.O. Box 293100, Kettering, OH 45429-9100. If you are required to pay estimated tax payments, you must continue and complete Part B of this return. The total amount due with this return will be shown on Line 22.
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- LINE 13:** If Line 8 is greater than Line 6, enter the overpayment.
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- LINE 14:** Enter the amount from Line 13 to be refunded. Note that if any portion of your overpayment is due to excess withholding, the Refund Request Form must be completed and submitted along with Form KR-1040. You may obtain the Refund Request Form by calling our office at (937) 296-2502 or by visiting our website at www.ketteringoh.org.
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- LINE 15:** Enter the amount from Line 13 to be credited to the 2012 estimated tax liability.
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- NOTE:** If you are fully withheld and not required to make estimated payments, STOP HERE, sign and date return and mail in the enclosed envelope.
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Part B – Declaration of Estimated Tax for 2012

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- LINE 16:** Enter the amount of estimated income for 2012. Multiply by tax rate (2.25%) to determine the total estimated tax due for 2012.
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- LINE 17:** Enter the total amount of Kettering and other allowable municipal taxes estimated to be withheld from wages.
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- LINE 18:** Line 16 minus Line 17.
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- LINE 19:** Divide Line 18 by 4 to determine the amount of estimated tax due for the first quarter.
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- LINE 20:** Enter the amount of credits from Line 15 above.
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- LINE 21:** Enter the net estimated tax due if Line 19 minus Line 20 is greater than zero.
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- LINE 22:** Line 12 plus Line 21. Make checks payable to the City of Kettering. Mail to P.O. Box 293100, Kettering, OH 45429-9100
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