

# KETTERING BUSINESS INCOME TAX RETURN GENERAL INFORMATION



## Income Tax Rate Change

In May of 2006 the voters of the City of Kettering approved an increase in the city's income tax rate from 1.75% to 2.25% effective January 1, 2007. For business taxpayers filing a return with a calendar year end, this means that the net income earned or received after December 31, 2006 will be subject to the new tax rate of 2.25%. For business taxpayers with fiscal periods that straddle 2006 and 2007, either a blended tax rate may be applied to the entire net income for the fiscal period, or in cases where a taxpayer's income is earned unevenly throughout the year, the actual net income for each period may be calculated and the correct rate applied to each. Please attach a statement to your return showing your calculations. The fiscal year end blended rates are as follows:

Fiscal Year End	Rate	Fiscal Year End	Rate
01/31/2007	1.79%	07/31/2007	2.04%
02/28/2007	1.83%	08/31/2007	2.08%
03/31/2007	1.88%	09/30/2007	2.13%
04/30/2007	1.92%	10/31/2007	2.17%
05/31/2007	1.96%	11/30/2007	2.21%
06/30/2007	2.00%		

## Who Must File:

**C-Corporations:** C-Corporations are required to file as entities on the net profits earned that are derived from sales made, work done, services performed or rendered and business or other activities conducted in Kettering, whether or not such corporation has a place of business in Kettering.

**S-Corporations:** S-Corporations are required to file in the same manner as C-Corporations and report any income or loss. If the S-Corporation has net income, the corporation must pay the tax due rather than the individual shareholders. The individual shareholders of an S-Corporation do not include any gain or loss on their individual returns.

**Partnerships:** A partnership is required to file as an entity. If the partnership has net income, the partnership must pay the tax due.

Partners are required to include all partnership income and losses on their individual returns. If income, a credit may be claimed for tax paid by the partnership.

For loss carryforward purposes, a partnership loss does not remain at the partnership level. All losses flow down to the partners; therefore, nonresident partners need to file a Kettering return in order to use any loss carryforward.

Please note that there is one exception to the partnership filing requirements. A partnership may, with approval by the Tax Manager, elect to apply loss carryforwards at the partnership level if all partners agree not to include the income or loss at the individual level. This change has been made for the convenience of partnerships whose partners have no reason to file a Kettering return other than to claim a refund of their share of Kettering tax credit(s). Partnerships with partners who are Kettering residents may also request to use this method if all partners agree to exclude the income or loss at the individual level. The resident partner must still include the K-1 with his individual Kettering Income Tax Return and note that the income or loss has been taken at the partnership level. In either situation, all Schedule(s) K-1 must be included with the partnership return.

**LLC(s):** A limited liability company is required to file consistent with its federal filing. For example, if the LLC is recognized as a partnership at the federal level, it should file as a partnership at the local level.

**Miscellaneous Entities:** Any undertaking, not specifically defined above, conducting activities or producing income, including but not limited to, rental of real estate and personal property, and a business conducted by a trust or guardianship of an estate that produces a net profit shall be subject to city income tax and is required to file a return as an entity.

**Note: All taxpayers engaged in business, including S-Corporations and partnerships, must file an annual return even if a loss is claimed by the business.**

**Estimated Tax Payments:** Any entity anticipating taxable income is 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 by December 15 of the current year. Quarterly estimated tax payments are due on or before April 15, June 15, September 15, and December 15. Fiscal year taxpayers should substitute corresponding dates. 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 are included with your annual income tax return package or can be obtained from the city's website.

**When and Where to File Returns:** Your 2006 calendar year Kettering Income Tax Return (Form KBR-1040) must be filed on or before April 16, 2007. Fiscal year returns are due on the 15th day of the fourth month after the close of the period. 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.**

**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 due to an overpayment of estimated tax payments may be requested, provided any overpayment is \$1.00 or more and you have indicated on the return a desire to have a refund.

No refund or credit carryovers of overpayment to subsequent years shall be allowed unless a written request is presented to the Tax Manager within three (3) years of the date the taxes were due.

**Operating Losses:** The portion of any taxable year's net operating loss, allocable to the City of Kettering, may be CARRIED FORWARD and applied against a succeeding taxable year's net profit, allocable to the City of Kettering, until exhausted. In no event, however, may losses incurred in tax years after 2000 be carried forward for more than three (3) years immediately following the taxable year in which the loss occurred. No portion of a net operating loss shall be CARRIED BACK against the net profits of any prior taxable year.

**Note: For loss carryforward purposes, a partnership loss does not remain at the partnership level. All losses flow down to the partners; therefore, non-resident partners need to file a Kettering return in order to use any loss carryforward.**

## Attachments to be included with your return:

**Partnerships/Associations** should attach all pages of their Federal Form 1065 (including all schedules) and copies of all K-1s. NOTE: Preparers should note each partner's share of city income and city tax paid on each partner's behalf on their respective K-1s.

**Corporations** should attach copies of all pages of their Federal Form 1120 or 1120S (including all schedules), whichever is applicable. Corporations who file their Federal return using Form 1120A should attach copies of all pages of their 1120A.

**Fiduciaries/Trusts/Estates** should attach a copy of Page 1 of their Federal Form 1041 (including all schedules).

**Fiscal Year End Filers** should attach a statement showing the calculation of tax due using either a blended tax rate or the actual net income earned in each period in cases where the fiscal year straddles the effective date of the income tax rate increase, 1/1/07.

**All Taxpayers** should attach copies of all 1099-MISC forms issued to Ohio residents.

**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 2006 CITY OF KETTERING BUSINESS RETURN

If you are filing for any year other than 01/01/2006 through 12/31/06, indicate the year of the tax return with beginning and ending dates. Please enter your business name, address, Federal Identification Number, account number, phone number and filing status in the spaces provided and answer the general questions.

### Part A – Tax Calculation

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- LINE 1:** Enter the Adjusted Federal Taxable Income (AFTI). As defined by the Ohio Revised Code 718.01, AFTI means a C corporation's federal taxable income before net operating losses and special deductions. Other business entities must compute the AFTI as if they were a C corporation. Generally this is the line titled "Income/<Loss> Reconciliation" on the Schedule K of the Form 1120S for Subchapter S Corporations or Line 1, Page 4 of the Form 1065 Analysis of Net Income/<Loss> for partnerships and Limited Liability Companies.
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- LINE 2:** Enter the total adjustments from Schedule X.
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- LINE 3:** Line 1 plus or minus Line 2.
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- LINE 4:** Enter the apportionment percentage from Step 5 of Schedule Y. Used to determine the percentage of income conducted within and/or outside of Kettering.
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- LINE 5:** Multiply Line 3 by Line 4.
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- LINE 6:** Enter the amount of loss carryforward (if applicable).
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- LINE 7:** Line 5 minus Line 6.
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- LINE 8:** Multiply Line 7 by 1.75% (.0175). (Fiscal year end filers use blended rate. See General Information regarding rate increase to 2.25% effective 1/1/2007).
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- LINE 9a:** Enter the amount of estimated tax payments including any amounts paid with an extension.
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- LINE 9b:** Enter the amount of prior year credit, if any.
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- LINE 10:** Line 9a plus Line 9b.
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- LINE 11:** If Line 8 is greater than Line 10, enter the tax due. If Line 10 is greater than Line 8, skip lines 12, 13 and 14 and enter overpayment on Line 15.
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- LINE 12:** 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 13:** 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 14:** Add Lines 11-13. 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 23.
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- LINE 15:** If Line 10 is greater than Line 8, enter the overpayment.
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- LINE 16:** Enter the amount from Line 15 to be refunded.
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- LINE 17:** Enter the amount from Line 15 to be credited to tax year 2007 estimated liability.
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### Part B – Declaration of Estimated Tax for 2007

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- LINE 18:** Enter the amount of estimated income for 2007.
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- LINE 19:** Multiply Line 18 by Kettering's tax rate (2.25%) to determine the total estimated tax due for 2007.
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- LINE 20:** Divide Line 19 by 4 to determine the amount of estimated tax due for the first quarter.
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- LINE 21:** Enter the amount of credits from Line 17 above.
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- LINE 22:** Enter the net estimated tax due if Line 20 minus Line 21 is greater than zero.
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- LINE 23:** Line 14 plus Line 22. Make checks payable to the City of Kettering. Mail to P.O. Box 293100, Kettering, OH 45429-9100.
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