

City of Montgomery Individual Tax Form Instructions  
Revised January 2017  
Lines 1 through 21, Pages 1 and 2

The State of Ohio made significant changes to ORC718 with legislation known as House Bill 5 (HB5). As a result, municipalities throughout the State were required to pass new income tax ordinances to be in compliance with the new laws. Changes to municipal income tax went into effect with the 2016 tax year.

**Notable changes:** The new law has mandated that quarterly estimate payments reach a minimum of 90% of the declaration by December 15<sup>th</sup>, which equates to 22.5% due per quarter. Payments of 25% may still be made; however, the City statements will reflect the 22.5% minimum amount due as stated in the law.

**\*\*CHANGE TO LATE FILING PENALTY:** Returns not timely filed will be charged a late filing penalty of **\$25.00 per month**, up to a maximum of \$150.00.

**Remember!! The Tax Office offers assistance preparing Montgomery returns at no cost and no appointment is necessary. Contact the Tax Office at 513-891-2424 for information.**

This form is to be used by individuals who receive income reported on Federal Forms W-2, W-2G, Form 5754, 1099-MISC, and/or Federal Schedules C, E, F or K-1. Individuals who file as Sole Proprietors of Single Member LLC's should also use this form.

Per Ohio State law, the following forms must be provided in order for tax return to be considered complete: Copies of all W-2 forms and the front page of the Federal 1040 form. If applicable, please submit all supporting Federal Schedules for income shown on Lines 12, 17, 18 and 21 of the Federal 1040 form. Please help us use your tax dollars wisely by including this information with your Montgomery tax form.

**LINE 1:** List total of all qualifying wages from all W-2 forms. "Qualifying wages" generally includes amounts reported in the Medicare wage base (the amount in Box 5 of the W-2); and compensation of pre-1986 employees exempt from Medicare solely because of the Medicare grandfathering provision. Qualifying wages include, but are not limited to: Commissions, tips, settlements, 401-K contributions (Deferred Compensation), deferred annuity plans, stock options and third party sick pay.

**Attach all W-2 Form(s), page one of the applicable Federal form (1040, 1040A or 1040EZ) and Federal Schedules for income shown on Lines 12, 17, 18 and 21 of Federal 1040 Form, if any.**

**LINE 2:** All other taxable income. Other taxable income includes, but is not limited to: Federal 1040 Line 21 income, 1099 Misc income not reported on Schedule C, lotteries and gambling winnings, director's fees, taxable HSA withdrawals and taxable scholarship distributions. Please provide documentation such as copies of Federal schedules or Forms 1099-Misc not already reported on Schedule C. (Jury Duty pay and Poll Workers' income, interest, dividends, capital gains, and/or pension/retirement income are not taxable). **\*\*NOTE:** Business losses may not be used to offset this income.\*\*

**LINE 3:** Less non-taxable income. Deductible employee business expenses: Allowable only on **W-2 wages** that are taxable to Montgomery, and applicable on same percentage basis as wages allocated, and tax paid to the City of Montgomery. Attach Federal Form 2106 and/or other supporting documentation. Moving expense deduction may not be taken unless reimbursement is included in Line 1. Attach Federal Form 3903.

**Part year residents:** Deduct the amount of gross wages included on Line 1 that were earned outside of Montgomery during the period when you were not a resident. Income may be pro-rated for residents who move into or out of Montgomery during the current year. It is also necessary to pro-rate any credit claimed for other city tax withheld or paid. You may pro-rate your taxable income and credit by dividing the number of days lived in Montgomery by the total days in the year. Please provide documentation showing calculations.

**Non residents working in and out of the City limits:** Determine the tax liability by taking the total number of days worked in Montgomery divided by the total number of days worked during the year. Multiply the resulting

percentage by the total annual income from wages, including sick leave and vacation pay. Include a schedule of calculations and an itinerary of days worked outside Montgomery, listing the dates and the location of the work site. Where no record can be substantiated for number of days worked, the number 254 is to be used as the total number of days worked.

**LINE 4: Total taxable qualifying income:** Amounts on Line 1 and 2, minus deductions from Line 3.

**LINE 5: Total Business income: Please note: The methodology for computing overall net profit or loss has changed effective January 1, 2016 as a result of changes made to Chapter 718 of the Ohio Revised Code.** All income or loss from self-employment, rentals, partnerships, fees, ordinary gains and losses reported on Form 4797, and any other business activity must be netted together to arrive at an overall net profit or loss for the current year. If the netting results in an overall loss, the loss may be carried forward for a period not to exceed five (5) years

Residents are subject to Montgomery tax on all business income no matter where earned. You may combine the profits and losses from all businesses reported on Schedules C, E, F, Form 4797 and K-1. Montgomery residents must report all profits or losses from rental property. The resident taxpayer may claim a credit for taxes paid to other localities. Attach copy of other city return for credit.

Schedule E – Flow-through Profits or Losses: The tax is levied on the partners, members or other owners of a flow-through entity, excluding S-Corporations. Montgomery does not tax S-Corp pass-through income. S-Corporations located within the Montgomery taxing jurisdiction are required to file a business return at the entity level. Residents of Montgomery are to report their distributive shares of income (or loss) that was not withheld on by the business. The resident taxpayer may claim a credit for taxes paid to other municipalities by the business.

Non-residents of Montgomery must report profits or losses only from properties located within Montgomery.

**\*\*Note:** If rental property is located within the City of Montgomery, a current tenant listing must accompany this tax filing. A tenant listing includes name, address, move in/move out date, and phone number, if available.

**\*\*Business losses may not be used to offset W-2 wages or other compensation.\*\***

To calculate total taxable business income from Schedules C, E, F, Form 4797 and K-1, please complete Worksheet A. Do not report Partnership or S-Corp income from businesses located within Montgomery on this worksheet as businesses operating in the city are required to file at the entity level and to remit the tax on behalf of all their partners. Enter the total from Column D, Line 7 of the worksheet on Line 5. See following example:

	WORKSHEET A	B	C	D
	NET PROFIT / LOSS FROM BUSINESS	PROFIT	LOSS	TOTAL
1	Schedule C Income (Loss) (Form 1040, Line 12)	5,000	200	4,800
2	Schedule F Income (Loss) (Form 1040, Line 18)	500		500
3	Schedule E Income (Loss) from Rental Property	1,000		1,000
4	Other Schedule E Income (Loss)		3,000	-3,000
5	Ordinary Income or Loss (attach Federal 4797)		100	-100
6	Prior Year Loss Carry-Forward (Limited to 5 prior years)		1,000	-1,000
7	<b>TOTALS</b>	6,500	-4,300	<b>\$2,200</b>

If Column D total is positive, enter total on Page 1, Line 5  
If Column D total is negative, no credit allowed. Current year losses may be carried forward for five years.

To calculate total credit for taxes paid to other municipalities on business income from Schedules C, E, F, Form 4797 and K-1. Add the total from Line 12E to the total W-2 credits and enter on Line 8c. See following example:

<b>WORKSHEET B (for residents only) Credit for <u>business</u> earnings tax</b>		List each municipality separately and add another page if needed. Attach copies of all other local tax returns for credit				
		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Municipality where taxes were paid:</b>		<b>Tax Rate</b>	<b>Profit</b>	<b>Local taxes paid</b>	<b>Maximum Credit Column B x 1%</b>	<b>Credit Allowed Lower of Column C or D</b>
8	Cincinnati	2.1%	2,000	42.00	20.00	20.00
9	Blue Ash	1.25%	1,000	12.50	10.00	10.00
10	Loveland	1%	1,000	10.00	10.00	10.00
11			Total Possible Credits			<b>40.00</b>
12	Maximum credit allowed: (Worksheet A, Column D total x 1%)					<b>22.00</b>

**LINE 6:** Total taxable income (Line 4 plus Line 5). **\*\*If Line 5 is a loss, enter only the amount on Line 4.**

**LINE 7:** Montgomery tax: 1% of Line 6.

**LINE 8a:** Enter the amount of Montgomery tax withheld by employer(s). This amount is generally shown in Boxes 19 and 20 of the W-2 form.

**LINE 8b:** Enter the total amount of paid estimated tax payments, including any amounts paid with extension.

**LINE 8c:** Enter the amount of taxes withheld for, and paid to another city, subject to the following limitations: Residents of Montgomery may claim a credit for taxes paid to another city, JEDD, or JEDZ up to 1% of those wages actually taxed on the W-2. The amount of tax credited against the obligation due Montgomery shall only apply to that portion of the taxpayer's income reported to and taxed by the other municipality. Any excess credit may not be applied against other income that would otherwise be taxable by Montgomery. For example: The City of Cincinnati tax rate is 2.1%. The 1.1% excess may not be used to offset other W-2 income.

Calculating credit: Tax withheld at a rate higher than 1% must be reduced to the 1% allowable by Montgomery. For example: The amount of tax withheld and paid to Cincinnati must be divided by 2.1 to determine the amount of allowable Montgomery credit. If a refund was issued from another city, please provide documentation, such as the city tax return or refund request. If a resident is only partially taxable to the municipality where employed, that portion of income which is not taxed by another municipality becomes taxable to the City of Montgomery at a rate of 1%. Montgomery allows credit for taxes paid to a JEDD or JEDZ (reduced to the 1% allowable); however, no credit is given for county taxes or school district taxes. Add any credits for tax paid on business from Worksheet B, Line 12E.

Partners claiming credit for taxes withheld or otherwise paid to another municipality by a partnership must provide documentation to support this credit. Note: Credit for taxes paid to other municipalities on business income may not exceed 1% of the net business income reportable elsewhere.

**\*\*Please note** – if a wage base is used other than Qualifying Wages (Box 5 of W-2), and/or it is not fully withheld at that municipality's tax rate, adjustments could be made to your return.

**LINE 8d:** Enter any overpayment or credit that was carried over from a prior year.

**LINE 8e:** Total credits (Lines 8a through 8d)

**LINE 9:** Balance of tax due must accompany return. If paying by credit card, please include full card number, expiration date, and 3 or 4-digit code verification code. Payment is not required if amount due is less than \$10.00. No refund or credit will be given for amounts less than \$10.00.

**Any balance greater than \$10.00 must be received on or before the due date of the return. Any tax remaining unpaid after the due date will be subject to penalty and interest charges as prescribed by Ordinance.**

**LINE 10:** Overpayments will be applied to following year's estimate unless a refund is requested in writing. By law, all refunds and credits in excess of \$10.00 are reported to IRS, and a 1099-G will be issued.

**LINE 11:** Enter the amount of estimated taxable income for the next year. Multiply estimated income by 1%, and enter total estimated tax due for next year.

**LINE 12a:** Enter the estimated amount of Montgomery tax to be withheld by employer.

**LINE 12b:** Enter the estimated amount of allowable payments to another municipality, not to exceed 1% of that portion taxed.

**LINE 13:** Enter the net estimated tax due for next year (Line 11 less Line 12a and 12b.)

**LINE 14a:** Enter the amount of estimated tax due for first quarter (not less than 22.5% of Line 12).

**LINE 14b:** Enter any credit that was carried over from the prior year (from Line 9 above)

**LINE 14c:** Subtract Line 13b from 13a and enter the amount of the net first quarter payment. This is the first of four quarterly estimated tax payments and should be remitted with your current year return. Subsequent estimated payments are due on the 15<sup>th</sup> of June, September and December. Statements are based on your declaration, and will be sent prior to due date of each payment. The full amount of estimated tax may be paid with this filing or at any time throughout the year. Due to changes mandated by the passage of Substitute House Bill 5 by the Ohio General Assembly, 90% of tax liability is due by December 15, or the 15<sup>th</sup> day of the 12<sup>th</sup> month.

**LINE 15:** Enter and remit the total amount due (Line 8 plus Line 13c).

**Extension Policy:** An extension may be requested by any business or individual unable to complete their tax return by the deadline. Forms are available online. Beginning with tax year 2016, obtaining a federal extension will automatically extend your Montgomery due date to the approved federal date. However, the federal government does not share information with the City of Montgomery, so it is recommended that a Montgomery extension form be completed and submitted to the City. If you do not have a federal extension you must send a written extension request to the Montgomery tax office by the due date of the return. Only those extension requests received in duplicate with a self-addressed, postpaid envelope will have a copy returned.

**Filing an extension does not grant an extension of time to pay.**

**Exemptions from filing:** Any person who has not previously filed a return; is under 18 years of age and has no earned income; or any retired person who has previously filed a return establishing retired status with the City's Tax Office and who will continue to have no earned income.

**Statute of Limitations Requirements:** Refund requests must be made within three years from the date of your tax payment, the date the tax return was due, or within three months after the final determination of your federal income tax liability, whichever is later.

Sign and date your return. **In order to be considered a complete legal final return, you must include all W-2 forms, (showing amounts listed in Box 5, 18, 19 and 20, if applicable), the front page of the Federal 1040 form, supporting schedules for income shown on Lines 12, 17, 18 and 21 of the Federal 1040 form, and all other appropriate copies of federal forms and other documentation.** Please include payment of any tax due. If you wish to pay by check, please make it payable to the City of Montgomery.

**Returns and payment should be mailed to:**

City of Montgomery Income Tax Office  
10101 Montgomery Road  
Montgomery, OH 45242

**\*\*The City of Montgomery does not currently have the capability to accept electronically filed returns.**

Phone: 513-891-2424 Ask for the Tax Office  
Website: [www.montgomeryohio.org](http://www.montgomeryohio.org)

Fax: 513-891-2994  
Email: [cabner@ci.montgomery.oh.us](mailto:cabner@ci.montgomery.oh.us)