

File this return with CANTON TAX DEPARTMENT on or before April 30, 1999 or within 4 months after close of a fiscal year or period. Requests for extensions must be submitted in writing on or before the filing deadline.

City of Canton, Ohio Income Tax Return

For Calendar Year ending December 31, 1998, or

1998

for the _____ months ending _____

FOR USE OF ALL INDIVIDUAL TAXPAYERS SUBJECT TO CANTON INCOME TAX

METHOD OF PAYMENT - IF PAYING BY CHECK OR MONEY ORDER
MAKE PAYABLE TO:
 "CITY OF CANTON"
 Check Amt _____
 ACCT. # _____
 EXP. DATE: _____
 SIGNATURE _____

PHONE: 430-7900
 MAIL TO:
ROBERT C. SCHIRACK
TREASURER
CITY OF CANTON
 INCOME TAX DEPARTMENT
 PO BOX 9951
 CANTON, OH 44711-0951

Indicate Filing Status: Individual Joint Return Other
 Occupation or Principal Business Activity: _____
 Are you or the business entity a resident () Yes () No
 Moved INTO CANTON on _____
 PREV. ADDRESS _____
 Moved OUT OF CANTON on _____
 PRESENT ADDRESS _____
 IF 65 OR OLDER / 18 OR YOUNGER
 INDICATE BIRTH DATE _____

MAKE NAME OR ADDRESS CORRECTION

Social Security Nos. _____ SPOUSE _____ PHONE _____
 YOURS _____

1. TOTAL WAGES		FILING REQUIRED EVEN IF NO TAX DUE OR NO INCOME EARNED			
ALL W-2's MUST BE ATTACHED		TAX PAID OTHER CITIES	CANTON TAX WITHHELD	TOTAL W-2 WAGES	

- 2. Total adjustments from Back of Form (if applicable) 2. \$ _____
- 3. Wages earned outside Canton by part year non-resident or prior to 18th birthday 3. Deduct \$ _____
- 4. Allowable Employee Business Expense (attach federal form 2106 & schedule A filed) 4. Deduct \$ _____
- 5. Taxable Income (Add Lines 1 and 2 subtract Lines 3 and 4) 5. \$ _____
- 6. Canton City Tax (2% of Line 5) 6. \$ _____
- 7. Senior citizen tax credit (see instruction sheet) 7. Deduct \$ _____
- 8. Canton city tax liability (Line 6 less line 7) 8. \$ _____
- 9. CREDITS
 - (a) Canton income tax withheld by employer(s) 9a \$ _____
 - (b) Municipal tax paid to other cities 9b \$ _____
 - (c) Payment of Declaration of Estimated Tax 9c \$ _____
 - (d) CREDIT ADJUSTMENT 9d \$ _____
 - (e) TOTAL CREDITS (add a, b, c, less d) 9e \$ _____
- 10. BALANCE DUE (If Line 8 exceeds Line 9e enter difference here) 10. \$ _____
- 11. Overpayment claimed (If line 9e exceeds Line 8 enter amount credited to 1999 Estimate) 11. \$ _____
- 12. TO BE REFUNDED 12. \$ _____
- 13. Late filing fine - (returns filed after filing deadline), enter \$25.00 fine 13. \$ _____
- 14. Interest Penalty 3% per month, effective the first of each month 14. \$ _____
- 15. Estimate less than 75% - Fine \$25.00 _____ Interest Penalty 9% per quarter _____ 15. \$ _____
- 16. Total amount due - **MUST BE PAID IN FULL WITH THIS RETURN** 16. \$ _____

NO TAXES OF LESS THAN \$1.00 SHALL BE COLLECTED OR REFUNDED

Must be filed if a local tax, of at least 1 1/2%, is not withheld by your employer	MANDATORY DECLARATION OF ESTIMATED TAX FOR 1999	
	1. Total income subject to Canton tax \$ _____ X 2%.	1. \$ _____
2. LESS TAX TO BE WITHHELD		
a. By a Canton Employer	2a. \$ _____	
b. By an employer in _____ (name of city)	2b. \$ _____	
3. Balance estimated Canton tax	3. \$ _____	
4. Less Credits:		
a. Overpayment on previous year's return	4a. \$ _____	
b. Previous payments, if this is an amended declaration	4b. \$ _____	
c. Other (Specify)	4c. \$ _____	Total Credits \$ _____
5. Net Tax due (line 3 less total of line 4)	5. \$ _____	
6. Amount paid with this return (not less than 1/4 X line 3 minus line 4) Make remittance payable to: City of Canton	6. \$ _____	
7. Balance of Tax (not more than 3/4 X line 3)	\$ _____	

I CERTIFY I HAVE EXAMINED THIS RETURN (INCLUDING ACCOMPANYING SCHEDULES AND STATEMENTS) AND TO THE BEST OF MY KNOWLEDGE, I BELIEVE IT IS TRUE, CORRECT, AND COMPLETE.

Signature of Person Preparing, If Other Than Taxpayer _____ Date _____ Signature of Taxpayer or Agent Required _____ Date _____

Address or Name and Address of Firm _____ Spouse _____ Date _____

THIS SPACE FOR TAX OFFICE USE ONLY
 AUDITED BY _____ NEW ACCOUNT _____ SUSP _____ M/M _____ POSTED TO _____ BANKING DATE _____ REFUND CK. NO. _____

TY 1998

ATTACH COPIES OF ALL FEDERAL SCHEDULES

PART I PASSIVE ACTIVITIES

FEDERAL SCHEDULES	DESCRIPTION	AMOUNT
TOTAL	a.	

- b. Schedule X Adjustment (Attach Schedule X) b. + _____
 - c. (a + b) c. = _____
 - d. Allocation Percentage (Attach Schedule Y) d. X _____ %
 If business conducted entirely in Canton enter 100%
 - e. (c x d) e. = _____
 - f. Loss carry forward (Attach Schedule of Losses) f. - _____
 - g. Passive net profit (if less than zero, **enter zero** and carry loss forward) g. = _____
- *Passive loss carry forward to 1999 _____

PART II NON PASSIVE ACTIVITY

FEDERAL SCHEDULES	DESCRIPTION	AMOUNT
A. TOTAL	A.	

- B. Schedule X Adjustment (Attach Schedule X) B. + _____
- C. (A + B) C. = _____
- D. Allocation Percentage (Attach Schedule Y) D. X _____ %
 If business conducted entirely in Canton enter 100%
- E. (C X D) E. = _____
- F. Loss Carry Forward (Attach Schedule of Losses) F. - _____
- G. Non Passive Net Profit/Loss G. = _____
 IF LESS THAN ZERO, **ENTER LOSS**

TAXABLE/INCOME FROM BUSINESS ACTIVITIES

H. NET AGGREGATE INCOME (g + G) H. _____
 IF LESS THAN ZERO ENTER ZERO AND CARRY LOSS FORWARD

*NON-PASSIVE LOSS CARRY FORWARD TO 1999 _____

ENTER LINE H ON LINE 2 ON FRONT OF FORM

SCHEDULE Z

Partners' Distributive Shares of Net Income - From Federal Schedules 1065 K-1 and 1120S K-1

1. NAME AND MUNICIPALITY OR TOWNSHIP OF EACH PARTNER	Partner's Social Security No.	2. Resident		3. Distributive Shares of Partners		4. Other Payments	5. Taxable Percentage	6. Amount Taxable
		Yes	No	Percent	Amount			
					\$	\$		\$
7. TOTALS				100	\$			

TY 1998

PASSIVE

SCHEDULE X

RECONCILIATION WITH FEDERAL INCOME TAX RETURN - Attach Schedules

ITEMS NOT DEDUCTIBLE		ADD	DEDUCT	
a. Capital Losses	_____	\$ _____	p. Capital gains (Excluding Ordinary Gains)	\$ _____
b. Expenses incurred in the production of non-taxable income (At least 5% of Line t)	_____	_____	q. Interest income	_____
c. Taxes based on income	_____	_____	r. Dividends	_____
d. Payments to partners	_____	_____	s. Other (Explain)	_____
e. Sick pay/3rd party insurance payment	_____	_____	_____	_____
f. Charitable Contributions	_____	_____	_____	_____
g. Other (Explain)	_____	_____	_____	_____
h. Total Additions	_____	\$ _____	t. Total Deductions	\$ _____

NET ADJUSTMENT (h-t) _____

SCHEDULE Y BUSINESS ALLOCATION FORMULA

	a. LOCATED EVERYWHERE	b. LOCATED IN THIS MUNICIPALITY	c. PERCENTAGE (b÷a)
STEP 1. AVG. VALUE OF REAL & TANG. PERSONAL PROPERTY GROSS ANNUAL RENTALS PAID MULTIPLIED BY 8 TOTAL STEP 1.	_____	_____	_____ %
STEP 2. GROSS RECEIPTS FROM SALES MADE AND/OR WORK OR SERVICES PERFORMED (SEE INSTRUCTIONS).	_____	_____	_____ %
STEP 3. WAGES, SALARIES, AND OTHER COMPENSATION PAID.	_____	_____	_____ %
4. TOTAL PERCENTAGES.	_____	_____	_____ %
5. AVERAGE PERCENTAGE (Divide Total Percentages by number of percentages used. A factor is applicable even though it may be allocable entirely in or outside THE CITY of CANTON).	_____	_____	_____ %

NON-PASSIVE

SCHEDULE X

RECONCILIATION WITH FEDERAL INCOME TAX RETURN - Attach Schedules

ITEMS NOT DEDUCTIBLE		ADD	ITEMS NOT TAXABLE		DEDUCT
a. Capital Losses	_____	\$ _____	p. Capital gains (Excluding Ordinary Gains)	_____	\$ _____
b. Expenses incurred in the production of non-taxable income (At least 5% of Line t)	_____	_____	q. Interest income	_____	_____
c. Taxes based on income	_____	_____	r. Dividends	_____	_____
d. Payments to partners	_____	_____	s. Other (Explain)	_____	_____
e. Sick pay/3rd party insurance payment	_____	_____	_____	_____	_____
f. Charitable Contributions	_____	_____	_____	_____	_____
g. Other (Explain)	_____	_____	_____	_____	_____
h. Total Additions	_____	\$ _____	t. Total Deductions	_____	\$ _____

NET ADJUSTMENT (h-t) _____

SCHEDULE Y BUSINESS ALLOCATION FORMULA

	a. LOCATED EVERYWHERE	b. LOCATED IN THIS MUNICIPALITY	c. PERCENTAGE (b÷a)
STEP 1. AVG. VALUE OF REAL & TANG. PERSONAL PROPERTY GROSS ANNUAL RENTALS PAID MULTIPLIED BY 8 TOTAL STEP 1.	_____	_____	_____ %
STEP 2. GROSS RECEIPTS FROM SALES MADE AND/OR WORK OR SERVICES PERFORMED (SEE INSTRUCTIONS).	_____	_____	_____ %
STEP 3. WAGES, SALARIES, AND OTHER COMPENSATION PAID.	_____	_____	_____ %
4. TOTAL PERCENTAGES.	_____	_____	_____ %
5. AVERAGE PERCENTAGE (Divide Total Percentages by number of percentages used. A factor is applicable even though it may be allocable entirely in or outside THE CITY of CANTON).	_____	_____	_____ %

GENERAL INFORMATION

DO I HAVE TO FILE A CITY INCOME TAX RETURN?

Every Canton, Ohio resident between the ages of 18 and 65 must file a city income tax return; even if there is no tax due. (Any resident who only has non-taxable income may simply fill out the Exemption Form to fulfill the filing requirement).

Taxpayers who are 65 years old or older on or before December 31, 1998, and whose sole income is derived from non-taxable sources such as social security, pension, etc., do not have to file a tax return. Please fill out and return the Exemption Form provided, informing us of your exempt status so that you no longer receive a tax form. **FAILURE TO DO THIS WILL RESULT IN OUR CONSIDERING YOUR ACCOUNT DELINQUENT.**

Taxpayers who are 65 years old or older on or before December 31, 1998, and whose salary or wage income is \$10,000 or less do not have to file a return; however, you must fill out the Exemption Form. **To receive a refund on Canton taxes withheld by an employer, you must file a tax return.**

Taxpayers who are 65 years old or older and have no earned income (W-2 wages) but who engage in rental and/or business activity must continue to file an Exemption Form if \$10,000, or less was earned. **If more than \$10,000 is earned from rental and/or business activity a return must be filed.**

Any non-resident who has Canton business or rental activities must file a City return and estimate. Non-residents who are employed in Canton, but have not paid the correct amount of income tax by payroll deduction, also must file a return and remit the tax due.

Any part-year resident who has lived in the city 30 days or more must file a city return.

WHEN AND WHERE DO I FILE?

File as early as possible but no later than April 30, 1999 for the calendar year 1998.

For a fiscal year or any period less than a year, file within four (4) months from the end of the fiscal year or other period.

You may have your city tax return prepared free of charge by city **Income Tax Department** staff auditors at the office at **424 Market Ave., North.**

Extended April Hours

Tuesday & Thursday 8:00a.m. - 6:00 p.m.

Saturday (April 10, 17 & 24) 8:00a.m. - 1:00p.m.

FAILURE TO FILE PENALTY

RETURNS POSTMARKED AFTER APRIL 30TH or four months after the end of the fiscal period are subject to a \$25.00 late filing penalty.

WHAT IF I NEED MORE TIME TO FILE?

Submit a written request for an extension or copy of the federal extension form to the Canton Income Tax Director on or before the April 30th or fiscal deadline for filing annual returns.

If you need even more time, submit a written request before the extended deadline. An additional extension may be granted, not to exceed one (1) month beyond additional extensions granted by the Internal Revenue Service.

NOTE: Even though an extension has been granted, interest will be charged on any unpaid tax. The interest will be charged from the date the tax should have been paid.

DO I HAVE TO PAY ESTIMATED TAX?

Any individual who will owe \$100 or more of Canton income tax which is not being withheld by an employer is required to file a Declaration of Estimated Tax and make quarterly payments. PAYMENTS on estimated taxes PLUS any other CREDITS must EQUAL at least SEVENTY-FIVE (75%) of the FINAL LIABILITY to avoid interest penalty. Estimated payments on a Declaration greater than or equal to the prior year's final liability are sufficient and will not be subject to interest penalty.

Each Declaration shall be accompanied by a payment of at least one fourth (1/4) of the estimated tax. At least a similar amount shall be paid on or before July 31 (this year), October 31 (this year), and January 31 (next year).

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

A Declaration can be amended at any time during the year by written request to the tax department.

WHAT IS TAXABLE INCOME?

In general, taxable income is earned income. It includes, but is not limited to: business

net profits, net profits from rental property, natural resource royalties, salaries, wages, deferred compensation, commissions, other compensation, bonuses, incentive payments, directors fees, executor's fees, property in lieu of cash, tips, severance pay, tax shelter plans, vacation pay, sick pay, third party sick pay, and pre-tax programs that reflect a reduction from salaries, wages, commissions, and other compensation as reported on W-2 and/or similar wage reporting forms under Federal and State tax regulations unless specifically exempted in the Canton city ordinance and/or under state statutes.

All income derived from gambling, wagering, lotteries, (including Ohio state lottery), and all games of chance are taxable.

WHAT IS NON-TAXABLE INCOME?

In general, non-taxable income is unearned income and income specifically exempted by the Canton city ordinance. It includes: dividends, interest, military pay and allowances, ministers housing allowances, lump-sum insurance proceeds, annuities, alimony, medicare, gifts, inheritances, scholarships, involuntary conversions, revenue from intangible property, strike benefits, qualified relocation costs of any employee that are reimbursed by the employer; and, poor relief, pensions, unemployment compensation, sub pay, social security benefits, disability payments, and/or similar payments.

HOW ARE BUSINESS NET PROFITS DETERMINED? (SCHEDULE X)

Net profits shall be determined on the basis of the information used for Federal Income Tax purposes, adjusted to the requirements of Canton's Ordinance.

Schedule X is used to reconcile the Federal return with the city return by making adjustments for items not taxable and/or items not deductible for city tax purposes. Enter the amounts of any such items on the appropriate lines of Schedule X, and calculate the net adjustment amount. **SCHEDULE X MUST BE ATTACHED TO CITY RETURN.**

HOW ARE NET PROFITS ALLOCATED? (SCHEDULE Y)

The business allocation percentage formula is to be used by all business enterprises doing business within and outside of the City of Canton if actual records of their Canton business are not maintained.

The business allocation percentage shall be determined by the ratio of the Canton portion of:

- (1) Average value of real and tangible property owned, rented or leased by the taxpayer for use in the trade or business.
- (2) Gross receipts from sales made and services performed, regardless of where made or performed.
- (3) Total Payroll

Add the ratios obtained and divide the total by the number of ratios used to obtain the business allocation percentage. A ratio shall not be excluded from the computation because it is allocable entirely within or entirely outside the City of Canton. The business allocation percentage is to be applied against the total net profits adjusted in accordance with the provisions of the Ordinance, to determine the taxable portion. **SCHEDULE Y MUST BE ATTACHED.**

SCHEDULE Z. When a partnership or Subchapter S Corporation conducts all or part of its business activity inside the city limits, Schedule Z must be completed. The name, city or township of residence, social security number, and distributive share of each partner or shareholder must be provided. Attach a separate Schedule if necessary. Attach a copy of Form 1065 or 1120S. A copy of all K-1s may be provided in lieu of Schedule Z.

HOW ARE NET OPERATING LOSSES TREATED?

Passive or non-passive net losses may not be utilized to offset income from salaries, wages, commissions and/or other compensation for the purposes of this tax.

Net aggregate non-passive net losses may be offset against net aggregate passive net profits. Net aggregate passive net losses may not be offset against net aggregate non-passive net profits.

WHAT DEDUCTIONS FROM COMMISSIONS AND OTHER COMPENSATION ARE ALLOWED?

2106 - Employee Business Expenses. Any taxpayer claiming employee business expenses must attach a copy of Form 2106 and a copy of Schedule A. The City of Canton will allow only those expenses that are required to **have been reported to the IRS** on Form 2106.

TAXPAYER MUST ATTACH FORM 2106, SCHEDULE A, AND DETAIL OF LINE 4. 2106 Expenses will not be allowed if schedule A is not attached.

WHAT ATTACHMENTS ARE REQUIRED TO THE CITY RETURN?

All W-2's, (no exceptions) 1099's and copies of all Federal Schedules. The return is not complete and will not be accepted unless this source data is provided. For taxpayers under 18 or over 65, proof of age required.

PENALTIES

A fine of \$25.00 for:

- (1) Failure to file returns when due.
- (2) Failure to file a bona fide declaration of estimated tax.

Interest Penalty of 3% per month will be charged on:

- (1) All unpaid taxes after the due date.
- (2) The difference paid and due each month between any estimated tax which is less than 75% of the tax shown on the final return.

CANTON CITY INCOME TAX FORM INSTRUCTIONS

Name, address, social security number.

Please check your address on the tax return.

IS ALL THE INFORMATION CORRECT?

If all information is not correct, please make the necessary corrections.

FILING, INCOME, RESIDENCY AND AGE STATUS (REQUIRED INFORMATION)

Filing - Mark the box next to your filing status.

Residency - Give the exact date that you moved in or out of Canton. It may affect your taxable income.

Please note previous or current address after residency line.

Age - Citizens 65 and over can receive a tax credit up to \$200.00. Write in birthdate and attach a copy of your birth certificate, driver's license, or any document that lists your birthdate. This is only necessary for the first time you claim the credit. Taxpayers under age 18, claiming a refund, must write in birthdate and submit a copy of proof of age. (driver's license or birth certificate).

LINE INSTRUCTIONS

LINE 1 - TOTAL WAGES AND SALARIES Enter the gross earnings from Federal Form W-2. Include all "pre-tax" amounts deducted from wages, tips and other compensations for 401(K), 125 plans (flexible benefits), etc. Enter the tax paid to other cities and the Canton City tax withheld as indicated.

NOTE: The return is not complete unless all W-2's are attached.

LINE 2 - TOTAL ADJUSTMENTS FROM BACK OF FORM, LINE H Enter the total combined net taxable income from sole proprietorships, rentals, partnerships, S corporations, corporations and other compensation. Only net taxable income is brought forward from back of form.

LINE 3 - WAGES AND SALARIES EARNED OUTSIDE THE CITY OF CANTON BY A PART YEAR RESIDENT, OR PRIOR TO 18th BIRTHDAY If you moved into or out of Canton during the taxable year, you may deduct wages earned while you were a non-resident working outside the city of Canton. You also may deduct wages earned prior to your 18th birthday.

LINE 4 - EMPLOYEE BUSINESS EXPENSES Only those expenses that have been properly reported to the IRS on Form 2106 are allowed. Attach a copy of Form 2106, Schedule A, and itemized detail of "Other Business Expenses" on 2106 Line 4.

LINE 5 - TAXABLE INCOME Add lines 1 and 2 and subtract lines 3 and 4.

LINE 6 - CANTON CITY TAX Multiply taxable income on line 5 by 2%.

LINE 7 - SENIOR CITIZEN TAX CREDIT If 65 or older on December 31, 1998, deduct the amount of Canton tax due or \$200.00 whichever is less. If not applicable to you, enter zero. (The credit is applied only to seniors' income, it does not transfer to spouses on joint filings.)

LINE 8 - CANTON CITY TAX LIABILITY Line 6 less line 7.

LINE 9 - CREDITS

(a) Canton city income tax withheld by employers.

(b) Municipal tax paid to other cities.

(c) Estimated tax payments.

(d) Adjustments for local tax refunds, local taxes paid in error, non-applicable taxes, etc. No credit will be given for taxes paid to another city on income not taxable by Canton.

(e) Total credits (a+b+c+d)

LINE 10 - BALANCE DUE If line 8 is larger than line 9e, you owe more tax. Subtract line 9e from line 8 and enter the balance due on line 10.

LINE 11 - AMOUNT OF OVERPAYMENT TO BE CREDITED TO 1999 TAX If line 9e is larger than line 8, you may apply part or all of your overpayment to your 1999 city income tax. To do this, enter the amount you want to apply.

LINE 12 - REFUND If Line 9e is larger than Line 8, you may claim a refund.

LINE 13 - LATE FILING FINE All returns filed after filing deadline will be assessed a \$25.00 fine.

NOTE: Make certain that returns are postmarked on or before filing deadline. File early to avoid this fine.

LINE 14 - INTEREST PENALTY 3% per month will be assessed the first of each month on taxes remaining unpaid after filing deadline.

NOTE: Send a check or money order for the balance due with your return before filing deadline, to avoid this interest penalty.

LINE 15 - ESTIMATE FINE & INTEREST PENALTY See general information.

LINE 16 - TOTAL AMOUNT DUE Add lines 10, 13, 14 and 15. This amount must be paid in full when you file your return.

MANDATORY DECLARATION OF ESTIMATED TAX

LINE 1 - TOTAL INCOME SUBJECT TO CANTON TAX Multiply total estimated income from all sources subject to Canton tax by 2%.

LINE 2 - LESS TAX TO BE WITHHELD Enter the amounts to be withheld by Canton employers on line 2a and by the other employers on line 2b.

LINE 3 - BALANCE ESTIMATED CANTON TAX Subtract the amounts on lines 2a and 2b from line 1. This is your gross Canton estimated tax due.

LINE 4 - LESS CREDITS Enter total applicable credits from lines a, b, and c on the total credits line.

LINE 5 - NET TAX DUE Subtract total credits from line 3. This is the net estimated balance due.

LINE 6 - AMOUNT PAID WITH THIS RETURN Make check or money order payable to "City of Canton" for not less than 1/4 x line 3 minus line 4 and remit by April 30, 1999.

LINE 7 - BALANCE OF TAX This amount is due in three equal installments on July 31 and October 31, 1999 and January 31, 2000.

INSTRUCTIONS FOR BACK OF TAX RETURN

PART I FOR PASSIVE ACTIVITIES ONLY

PART II FOR NON-PASSIVE ACTIVITIES ONLY

LINE a/A. - Aggregate net profit/loss from activities.

LINE b/B. - Net adjustment from Schedule X (attach schedule).

LINE d/D. - For business conducted inside and outside city by non residents, apply allocation percentage from Schedule Y (attach schedule).

LINE f/F. - Loss carried forward from previous years (please detail).

LINE g. - Taxable passive Income Only: If loss, enter zero and carry forward at asterisk (*).

LINE G. - Taxable non passive income or loss: If loss, enter loss amount.

PART III NET AGGREGATE INCOME FROM BUSINESS ACTIVITIES

LINE H. - Net aggregate Income Only: Add lines g and G. If net loss, enter zero and carry forward at asterisk (*).

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 in the year 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 2%) 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. 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. Auditors then will file the Declaration of Estimated Tax on those taxpayers' behalf (based on the previous year's tax obligations), and a letter and this FAQs sheet will be sent to each, 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. A calendar year taxpayer must file it no later than April 30.

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 30. For calendar year taxpayers, the remaining quarterly payments are due July 31, October 31, and January 31.

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.

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. If you pre-paid the entire estimate (all 4 quarters) when you filed the Declaration, you will not receive any statements in the mail, so you must file a new, "amended" Declaration. Otherwise, simply adjust the amount due on your next quarterly statement of estimated tax by writing in your amended figures.

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.