

File this return with CANTON TAX DEPARTMENT on or before April 30, 2002 or within 4 months after close of a fiscal year or period. Requests for extensions must be submitted in writing and filed on or before April 30, 2002 or Fiscal Deadline.

City of Canton, Ohio Income Tax Return

For Calendar Year ending December 31, 2001, or

2001

for the _____ months ending _____

FOR USE OF ALL CORPORATE TAXPAYERS SUBJECT TO CANTON INCOME TAX

MAKE CHECK OR MONEY ORDER PAYABLE TO:

"CITY OF CANTON"

Has your Federal tax liability for any prior year been changed in the year covered by this return as a result of any examination by the Internal Revenue Service?

Yes _____ No _____

If yes, has an amended City return been filed for such year or years?

Yes _____ No _____

PHONE: (330) 430-7900
MAIL TO:

**ROBERT C. SCHIRACK
TREASURER
CITY OF CANTON**

INCOME TAX DEPARTMENT

**PO BOX 9951
CANTON, OH 44711-0951**

Indicate Filing Status: _____ Corporation _____ S Corporation
_____ Partnership _____ Other

Principal Business Activity:

CORPORATE RETURN

Is the business entity a resident () Yes () No

Moved INTO CANTON on _____

PREV. ADDRESS _____

OR Moved OUT OF CANTON on _____

PRESENT ADDRESS _____

MAKE NAME OR ADDRESS CORRECTION

ACCT. NUMBER

FEDERAL I.D. NUMBER

PHONE ()

FILING REQUIRED EVEN IF NO TAX DUE OR NET OPERATING LOSS



- | | |
|---|--------------|
| 1. Canton Taxable Income (Page 2 Line 6) | 1. \$ _____ |
| 2. Canton City Tax (2% of Line 1) | 2. \$ _____ |
| 3. CREDITS | |
| 3(A) Municipal tax paid to other cities | 3A. \$ _____ |
| 3(B) Payment of Declaration of Estimated Tax | 3B. \$ _____ |
| 3(C) Credit Adjustment | 3C. \$ _____ |
| 3(D) TOTAL CREDITS (A plus B less C) | 3D. \$ _____ |
| 4. BALANCE DUE (If Line 2 exceeds Line 3D enter difference here) | 4. \$ _____ |
| 5. Overpayment claimed (If Line 3D exceeds Line 2) | 5. \$ _____ |
| 6. Credit to 2002 Estimate (If no Estimate due, use Line 7) | 6. \$ _____ |
| 7. TO BE REFUNDED (If Estimate due, use Line 6) | 7. \$ _____ |
| 8. Late filing fine - (returns filed after Filing Deadline) enter \$25.00 fine | 8. \$ _____ |
| 9. Interest Penalty 3% per month, effective the first of each month | 9. \$ _____ |
| 10. Estimate less than 75% - Fine \$25.00 _____ Interest Penalty 9% per quarter _____ | 10. \$ _____ |
| 11. Total amount due - MUST BE PAID IN FULL WITH THIS RETURN | 11. \$ _____ |

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

MANDATORY DECLARATION OF ESTIMATED TAX FOR 2002

- | | |
|---|--------------|
| 1. TOTAL INCOME SUBJECT TO CANTON TAX \$ _____ CANTON TAX @ 2% | 1. \$ _____ |
| 2. LESS CREDITS: | |
| A. OVERPAYMENT ON PREVIOUS YEAR'S RETURN | 2A. \$ _____ |
| B. PREVIOUS PAYMENTS IF THIS IS AN AMENDED DECLARATION | 2B. \$ _____ |
| C. OTHER (SPECIFY) | 2C. \$ _____ |
| 3. NET TAX DUE (LINE 1 LESS TOTAL LINE 2) | 3. \$ _____ |
| 4. AMOUNT PAID WITH THIS RETURN (NOT LESS THAN 1/4 x line 3) REMITTANCE PAYABLE TO "CITY OF CANTON" | 4. \$ _____ |
| 5. BALANCE OF TAX (NOT MORE THAN 3/4 x line 3) | 5. \$ _____ |

METHOD OF PAYMENT

Check   _____

\$ _____ EXPIRATION DATE ____/____/____
(Amount Authorized)

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 _____

Address or Name and Address of Firm _____

Signature of Taxpayer or Agent Required _____ Date _____

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

LINE 1. NET PROFIT/LOSS (FORM 1041, 1065, 1120 1120S, ETC.)

1. \$ _____

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 From 4797) .. | | \$ _____ |
| 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. Charitable contributions | | _____ | | | _____ |
| f. Other (Explain) | | _____ | | | _____ |
| g. Total Additions | | \$ _____ | t. Total Deductions | | \$ _____ |

LINE 2. EXCESS INCOME/DEDUCTIONS (SCHEDULE X LINE g MINUS LINE t)

2. \$ _____

LINE 3. RECONCILED NET PROFIT/LOSS (LINE 1 PLUS LINE 2)

3. \$ _____

SCHEDULE Y BUSINESS ALLOCATION FORMULA

| | a. LOCATED EVERYWHERE | a. 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 3. A factor is applicable even though it may be allocable entirely in or outside THE CITY of CANTON). | | | _____ % |

LINE 4. ALLOCATED NET PROFIT/LOSS (LINE 3 MULTIPLIED BY STEP 5 SCHEDULE Y)

4. \$ _____

LINE 5. NET OPERATING LOSS CARRY FORWARD
ATTACH SCHEDULE

5. \$(_____)

LINE 6. CANTON TAXABLE INCOME (LINE 4 PLUS LINE 5)
IF LOSS ENTER ZERO AND CARRY FORWARD TO NEXT YEAR

6. \$ _____

ENTER LINE 6 ON PAGE 1 LINE 1

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 | \$ _____ | | | |

CANTON CITY INCOME TAX FORM INSTRUCTIONS FOR BUSINESS FILERS

Name, address, FID 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, AND RESIDENCY 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.

LINE INSTRUCTIONS

LINE 1 - TAXABLE INCOME: Enter amount from item 6 on the back of the return.

NOTE: The return is not complete unless all Forms, Schedules, Supporting Statements and Attachments from the Federal filing are included.

LINE 2 - CANTON CITY TAX Multiply taxable income on line 1 by 2%.

LINE 3 - CREDITS

- (a) Municipal tax paid to other cities.
- (b) Estimated tax payments.
- (c) Adjustments for local tax refunds, local taxes paid in error non-applicable taxes, etc.

LINE 3D - TOTAL CREDITS Add line 9 a, b, less c.

LINE 4 - BALANCE DUE If line 2 is larger than line 3D, you owe more tax. Subtract line 3D from line 2 and enter the balance due on line 4.

LINE 5 - OVERPAYMENT CLAIMED If line 3D is greater than Line 2, claim credit or refund on Line 6 or Line 7.

LINE 6 - CREDIT TO 2002 ESTIMATE If you have an estimate obligation for 2002 the over payment should be transferred to the declaration Line 2A.

LINE 7 - REFUND If you have an estimate obligation for 2002, the overpayment should be transferred using Line 6.

LINE 8 - LATE FILING FINE All returns filed after filing deadline will be assessed a \$25.00 fine.

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

LINE 9 - INTEREST PENALTY 3% per month will be assessed the first of each month on taxes remaining unpaid after filing deadline. Even if an extension is granted, interest penalties will still be assessed.

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

LINE 10 - ESTIMATE FINE & INTEREST PENALTY \$25.00 fine. 9% per quarter interest penalty for failure to file a bona fide declaration.

LINE 11 - TOTAL AMOUNT DUE Add lines 4, 7, 8 and 9. 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 CREDITS Enter total applicable credits from lines a, b, and c on the total.

LINE 3 - NET TAX DUE Subtract total credits from line 1. This is the net estimated balance due.

LINE 4 - AMOUNT PAID WITH THIS RETURN Make check or money order payable to "City of Canton" for not less than 1/4 x line 1 minus line 2 and remit by April 30, 2002, or fiscal filing deadline.

LINE 5 - BALANCE OF TAX This amount is due in three equal installments on July 31 and October 31, 2002 and January 31, 2003, or by the last day of the month following fiscal quarter's end. Please mark your calendar and remit installments using enclosed coupons. A statement will **NOT** be mailed.

General Information

Filing Requirement:

Any sales made, work done, services rendered, or other business activity in Canton, and/or contracts with the City, will make a business entity liable for the City income tax. Even if it has no office, plant, or regular place of business within Canton city limits, each corporation, S corporation, professional association, partnership, limited liability company, or other business entity is required to file an annual Canton city income tax return reporting the net profit/loss from any Canton business activities conducted in the year.

Filing Deadline:

The annual Canton city income tax return must be filed on or before April 30, 2002 for the 2001 calendar year.

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

✓ *Returns postmarked after April 30 or four months after the fiscal period are subject to a \$25.00 late filing fine.*

Extensions:

Canton will not recognize the Federal "Automatic" extensions of Form 4868, 7004, 8736, etc., unless a copy has been provided to the City on or before the original filing deadline. If a Federal extension has not been requested by the taxpayer, the Income Tax Director may allow an extension of up to three months for reasonable cause, but the extension request must be made in writing prior to the original filing deadline.

Additional extensions will be allowed only if the taxpayer has requested and received an additional extension of time to file with the IRS. An additional extension will be granted, not to exceed one month beyond additional extensions granted by the IRS. A request for additional time also must be filed with Canton in writing on or before the first extended filing date.

✓ *Even though an extension has been granted, interest penalty will be assessed on any unpaid tax. That interest penalty will accrue from the original due date, up through the date on which the return is filed and the balance of tax is paid.*

Accounting Methods, Accounting Periods, and Inventory Valuation:

The same accounting method, accounting period, and method of inventory valuation used for the purpose of the Federal income tax must be used to prepare the Canton city income tax return.

Rounding; "Whole Dollars" Reporting:

In preparing the Canton city income tax return, a taxpayer may opt to use a rounded, "whole dollars" reporting method. If amounts of less than fifty cents are disregarded, then amounts of fifty to ninety-nine cents should be rounded up to the next whole dollar value.

Reconciliation of Net Profits:

Net profits shall be determined on the basis of the information used for Federal income tax purposes, adjusted to the requirements of Canton's income tax 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 income tax purposes. For example, charitable contributions are not deductible on the Canton return and should be added back on the Schedule X. Likewise, 5% of any nontaxable income deducted on Schedule X should be added back, for expenses incurred in the production of that nontaxable income. Enter these and any other required items on the appropriate lines of Schedule X, and calculate the net adjustment amount.

Allocation of Net Profits:

If the taxpayer's books and records disclose with reasonable accuracy what portion of its entire net profits is

attributable to business activities inside the city limits of Canton, the separate accounting method may be used to prepare the Canton city income tax return. If the separate accounting method is used, an adjustment shall be required to reflect and appropriately attribute headquarters activities and other support activities related to the production of income inside and outside Canton. A written statement must accompany the Canton city income tax return, detailing the manner in which the separate accounting is made, and demonstrating that the net profits attributable to Canton have been allocated with reasonable accuracy.

At the option of the taxpayer, net profits attributable to business activities inside the city limits of Canton also may be determined by the following "Business Allocation Formula," which is reported on Schedule Y. Schedule Y must be used if the taxpayer has no bona fide records separately accounting for Canton business activities.

The Business Allocation Percentage shall be determined by computing the ratios of the Canton portion of:

1. The average value of real and tangible property owned, rented or leased by the taxpayer for use in the trade or business. For valuation of rented or leased property used in the business, multiply the gross annual rental by eight (8).
2. Gross receipts from sales made and services performed or rendered.
3. Gross payroll.

Add the ratios obtained and divide the total by the number of ratios used to obtain the Business Allocation Percentage. A ratio should not be excluded from the computation because it is allocable entirely within or entirely outside the city of Canton. The Business Allocation Percentage is applied to the Schedule X reconciled net profits, to determine Canton taxable income.

✓ *For the purposes of Step 2, sales made within the City shall be deemed to include,*

- (A) *All sales of tangible personal property which is delivered within the City, regard- less of where title passes if shipped or deliv- ered from a stock of goods within the City.*
- (B) *All sales of tangible personal property which is delivered within the City, regard- less of where title passes even though transported from a point outside the City, if the taxpayer is regularly engaged through its own employees in the solicitation or promotion of sales within the City, and the sales result from such solicitation or promotion.*
- (C) *All sales of tangible personal property which is shipped from a place within the City to purchasers outside the City regard- less of where title passes if title passes if the taxpayer is not, through its own employees, regularly engaged in the solicitation or promotion of sales at the place where delivery is made.*
- (D) *All sales of tangible personal property made through retail stores located within Canton to purchasers within or without Canton except such sales to purchasers out- side Canton that are directly attributable to regular solicitations made outside Canton personally by taxpayer's employees.*

Net Operating Losses (NOLs):

NOLs allocable to Canton may be carried forward for seven years. They may not be carried back to any prior year's filing.

Net losses reported on the Federal income tax return must be reconciled on Schedule "X" and allocated to Canton by separate accounting or Schedule "Y," before being carried forward to subsequent City income tax returns.

Estimated Tax Payments:

A business must file a Declaration of Estimated Tax within four months after the start of the tax year, and make quarterly installment payments of estimated tax if it expects its estimated tax (income tax minus credits) to be \$100 or more. Exclusive of taxpayers filing on a fiscal basis, installments are due by April 30, July 31, October 31, and January 31 of each year.

Fiscal taxpayers' installments are due by the last day of the fourth month after the start of each fiscal year, and last day of each three-month period thereafter.

Please note carefully: effective this year, the Canton city income tax department will not send a statement of estimated tax due every quarter. Instead, the quarterly statements are sent with the annual net profits return. Each remittance will be due on the last day of the month following Quarter end. Please mark your calendar and be sure to file the estimates timely.

The Declaration of Estimated Tax (the quarterly installment payments) plus any other credits must equal 75% of the final liability, to avoid a \$25 fine and substantial interest penalties. Estimate credits equal to at least 100% of the previous year's final liability will not be penalized.

Refunds:

Refunds are processed in order of receipt of the complete return (including all federal schedules). Normally refund checks are mailed within a maximum of ninety days. For a faster refund, file the completed return and all supporting documents as early as possible. A Federal Form 1099G will be issued to all recipients of refunds of \$10.00 or more.

✓ Supporting Documentation:

All sources of taxable and nontaxable income, expenses, and deductions must be documented. A copy of the taxpayer's entire Federal filing, including signatures, and all Forms, Schedules and supporting Statements and Attachments from the Federal filing should be attached to the Canton city income tax return. The return will not be complete unless all source documentation is provided.

For partnerships and S corporations, the Schedule "Z" may be completed in lieu of filing copies of the K-1s, but a copy of the complete 1065 or 1120S, and the Schedules A, B, K, L, M-1, and M-2 must be filed with the city regardless.

Amended Returns:

An amended Canton city income tax return must be filed to report any adjustments or amendments to a taxpayer's Federal income tax return, whether those amendments or adjustments are determined and calculated by the taxpayer or the IRS. An amended city income tax return must be filed within ninety days of the IRS' final determination of federal tax liability, or filing date of the amended Federal return.

Should you require filing assistance, or if you have any questions about the Canton city income tax, please contact our office. The Canton City Income Tax Department is located at 424 Market Ave., N, on the fourth floor of the old "Sears" Building, downtown. You may call 430-7900, Fax 430-7944, or write to PO Box 8876, Canton OH 44711-8876. Office hours are 8:00 a.m. to 4:00 p.m., Monday through Friday, with extended hours offered throughout the month of April.