

File this return with CANTON TAX DEPARTMENT on or before April 15, 2005 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 15, 2005 or Fiscal Deadline.

METHOD OF PAYMENT - IF PAYING BY CHECK OR MONEY ORDER
 MAKE PAYABLE TO:
 "Robert C. Schirack,
 Canton City Treasurer"
 PHONE: (330) 430-7900
 MAIL TO:
 ROBERT C. SCHIRACK
 TREASURER
 CITY OF CANTON
 INCOME TAX DEPARTMENT
 PO BOX 9951
 CANTON, OH 44711-9951
 cantonincometax.com

City of Canton, Ohio Income Tax Return

For Calendar Year ending December 31, 2004, or

2004

for the _____ months ending _____

FOR USE OF ALL INDIVIDUAL TAXPAYERS SUBJECT TO CANTON INCOME TAX

SIGNATURE _____
 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 _____
 BIRTH DATE _____

MAKE NAME OR ADDRESS CORRECTION

ACCT NO. _____ Your Social Security No. _____ SPOUSE SS# _____ PHONE _____

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

- 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 Form 2106, Detail Line 4, & 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) 11. \$ _____
- 12. Credit to 2005 Estimate (If no estimate due use Line 13) 12. \$ _____
- 13. TO BE REFUNDED (If estimate due use Line 12) 13. \$ _____
- 14. Late filing fine - (returns filed after filing deadline), enter \$25.00 fine 14. \$ _____
- 15. Interest Penalty 3% per month, effective the sixteenth of each month 15. \$ _____
- 16. Estimate less than 75% - Fine \$25.00 _____ Interest Penalty 9% per quarter _____ 16. \$ _____
- 17. Total amount due - **MUST BE PAID IN FULL WITH THIS RETURN** 17. \$ _____

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

MANDATORY DECLARATION OF ESTIMATED TAX FOR 2005

Must be filed if a local tax, of at least 1½% is not withheld by your employer	1. Total income subject to Canton tax \$ _____ Canton tax @ 2%.	1. \$ _____
	2. LESS TAX TO BE WITHHELD	2. \$ _____
	3. Balance estimated Canton tax	3. \$ _____
	4. Less Credits: a. Overpayment on previous year's return 4a. \$ _____	Total Credits \$ _____
	b. Other (Specify) 4b. \$ _____	
	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: Robert C. Schirack, Canton City Treasurer	6. \$ _____
7. Balance of Tax	\$ _____	

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 2004

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 2005 _____

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 2005 _____

ENTER LINE H ON LINE 2 ON FRONT OF FORM

TY 2004

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 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. Sick pay/3rd party insurance payment	-----	_____	-----	_____
f. Other (Explain)	-----	_____	-----	_____
g. Total Additions	-----	\$ _____	t. Total Deductions	\$ _____

NET ADJUSTMENTS (g-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 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. Sick pay/3rd party insurance payment	-----	_____	-----	_____	
f. Other (Explain)	-----	_____	-----	_____	
g. Total Additions	-----	\$ _____	t. Total Deductions	\$ _____	

NET ADJUSTMENTS (g-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 were 65 years old or older on or before December 31, 2004, and whose sole income was 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, 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 were 65 years old or older on or before December 31, 2004, and whose salary or wage income was \$10,000 or less do not have to file a return; however, you must fill out the Exemption Form. **To receive a refund of 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 15, 2005 for the calendar year 2004.

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, on the fourth floor.**

Regular Office Hours Monday through Friday 8:00 a.m. to 4:00 p.m.

Extended April Hours

Saturday April 9, 2005: 8:00 a.m. - 1:00 p.m.

Thursday April 14, 2005: 8:00 a.m. to 6:00 p.m.
Friday April 15, 2005: 8:00 a.m. - 6:00 p.m.

FAILURE TO FILE PENALTY

RETURNS POSTMARKED AFTER APRIL 15TH 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 Department on or before the April 15th 2005. Send extension requests to P.O. Box 8876, Canton, OH 44711-8876.

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: We will contact you only if your extension request is denied. 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. The first payment is due April 30 2005. At least a similar amount shall be paid on or before July 31, 2005, October 31, 2005, and January 31, 2006. Please note carefully. 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 income tax 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.*

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, MULTIPLIED BY THE NUMBER OF QUARTERS UNPAID, 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 profits, net profits from rental property, natural resource royalties, salaries, wages, qualified and nonqualified deferred compensation, plans, stock options, 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, supplemental unemployment benefits (SUB 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, compensation paid to precinct election officials (poll workers) up to one thousand dollars (1,000.00), ministers housing allowances, lump-sum insurance proceeds, annuities, alimony, medicare, gifts, inheritances, scholarships, involuntary conversions, income from intangible property, qualified relocation costs of any employee that are reimbursed by the employer; and, poor relief, pensions, unemployment compensation, social security benefits, disability payments, and/or similar payments.

Effective 2004, pre-tax contributions to a qualified "cafeteria plan," pursuant to Section 125 of the Internal Revenue Code are not taxable by Canton.

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.

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

(1) Average original cost of real and tangible property owned, rented or leased by the taxpayer for use in the trade or business.

To determine the value of rented or leased property used in business, multiply the gross annual rental by 8.

(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.

Individuals who are residents of Canton are subject to the tax, regardless of where their income is earned. Credit will be given for tax imposed by another municipality on income earned within its city limits, up to the 2% which is also assessed by Canton.

HOW ARE NET OPERATING LOSSES TREATED?

Passive or non-passive net losses may not be utilized to off set 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.

Effective 2004, net operating losses not used in the current year may be carried forward for three years. Net operating losses may not be carried back to prior years.

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 the 1040 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 has not been filed with IRS.

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 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 and pay 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, assessed on the 16th of each month.

(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.

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, visit us online: www.cantonincometax.com, or write to PO Box 8876, Canton OH 44711-8876. Office hours are 8:00 to 4:00, Monday through Friday, with extended hours offered throughout the month of April.

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 total amount reported in "box 5" of federal form W-2, and add any ordinary income from the exercise of stock options and supplemental unemployment compensation ("sub-pay") excluded from Medicare wages. 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. Enter zero for loss.

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, 2004, 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. - Not to exceed 2%.

(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 - OVERPAYMENT CLAIMED If line 9e is greater than Line 8, claim credit or refund on Line 12 or Line 13.

LINE 12 - CREDIT TO 2005 ESTIMATE If you have an estimate obligation for 2005, the over payment should be transferred to the declaration Line 4a.

LINE 13 - REFUND If you have an estimate obligation for 2005, the over payment should be transferred using Line 12.

LINE 14 - 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 15 - INTEREST PENALTY 3% per month will be assessed the sixteenth 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 16 - ESTIMATE FINE & INTEREST PENALTY See general information.

LINE 17 - TOTAL AMOUNT DUE Add lines 10, 14, 15 and 16. 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 amount, to be withheld by employer.

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

LINE 4 - LESS CREDITS Enter total applicable credits from lines a and b 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 "Robert C. Schirack, Canton City Treasurer" for not less than 1/4 x line 3 minus line 4.

LINE 7 - BALANCE OF TAX This amount is due in three equal installments on July 31 and October 31, 2005 and January 31, 2006.

Please mark your calendar and remit installments using enclosed coupons. A statement will **NOT** be sent.

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 (*).

EXEMPTION FORM 2004
(See General Information)

CITY OF CANTON
INCOME TAX DEPARTMENT

You may not be required to file a city income tax return. Complete this form and return it to our office by April 15th, **and you will not be considered a delinquent taxpayer.**

ACCOUNT # _____

SOCIAL SECURITY # _____ NAME _____

SOCIAL SECURITY # _____ SPOUSE _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

TELEPHONE NO. _____

Upon turning 65 years old, please submit this form and proof of age.
(Copy of Birth Certificate, Driver's License)

Please indicate birthdate: Yours _____

Spouse _____

I am not required to file a 2004 return because:

1. My sole income is derived from the following source(s):

- | | |
|---|--|
| A. <input type="checkbox"/> Social Security Benefits | J. <input type="checkbox"/> Military Service |
| B. <input type="checkbox"/> Pension | K. <input type="checkbox"/> A.D.C. |
| C. <input type="checkbox"/> Interest Income | L. <input type="checkbox"/> General Public Assistance |
| D. <input type="checkbox"/> Dividend Income | M. <input type="checkbox"/> Unemployment Compensation |
| E. <input type="checkbox"/> Total Permanent Disability | N. <input type="checkbox"/> 65 yrs. old or older with wages,
commission or other compensation
earning less than \$10,000. |
| F. <input type="checkbox"/> Workers Compensation | * O. <input type="checkbox"/> 65 yrs. old or older with rental and/or
business activity earning less than
\$10,000. (Attach Schedule E and/or
Schedule C as filed.) |
| G. <input type="checkbox"/> Alimony | |
| H. <input type="checkbox"/> No Income | |
| I. <input type="checkbox"/> Other (Please Explain)
_____ | |

2. Taxpayer Deceased in previous year

Date Deceased _____

3. Did not live in city of Canton in previous year.

Date Moved Out _____

Signature _____ Date _____

Spouse _____ Date _____

*PLEASE NOTE: The Exemption Form may be used only if a senior citizen's net income is less than ten thousand dollars (\$10,000). Seniors will need to continue filing tax returns or Exemption Forms as long as they engage in rental and/or business activity.

Dear Taxpayer:

Enclosed, you will find your 2004 City of Canton Income Tax Return and 2005 quarterly estimate statements.

WE ADVISE YOU TO FILE AS EARLY AS POSSIBLE. THE NEW FILING DEADLINE IS APRIL 15th.

All returns must be filed by April 15, 2005. If you mail your City of Canton tax return after 5:00 pm on the deadline, your filing may be postmarked on the next business day, and thus be delinquent. **APRIL 16th POSTMARKS WILL BE CONSIDERED LATE, AND THE RETURNS WILL BE ASSESSED WITH A \$25.00 LATE FILING FINE.** Be sure to mail the return early!

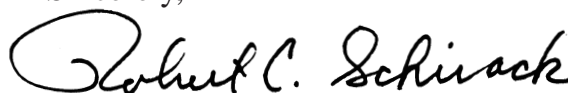
The following are points to which you should pay particular attention:

- ✓ **1. By state law, the filing deadline has been changed to April 15th.**
2. Any part-year resident who lived in the city 30 days or more in 2004 must file a city income tax return.
3. Any return not signed will be returned to the taxpayer. If it is not resubmitted with proper signatures by April 15, 2005, it will be considered delinquent.
4. Be sure that all necessary documentation, including W-2s, Federal Schedules and statements, proof of age (if you are under 18 or over 65), etc., is attached.
5. All requests for extensions must be submitted, in writing, to our office by April 15, 2005, to avoid paying the \$25.00 late filing penalty.
6. **EXEMPTION FORM** - If your income is derived solely from the following nontaxable sources, you can simply fill out an Exemption Form to fulfill your filing requirement: social security benefits, interest and dividend income, military pay, total permanent disability benefits, pensions, unemployment compensation, general or dependent's relief, alimony and child support.
7. The Declaration of Estimate Tax is not due until April 30. A question and answer sheet is on the back of this letter.
8. ***Please note carefully: each of the quarterly statements for your 2005 Declaration of Estimated Tax are in this package. The Canton city income tax department does not send a statement of estimated tax due every quarter. Instead, the quarterly statements have been included with this mailing. The remittances will be due April 30, 2005, July 31, 2005, October 31, 2005, and January 31, 2006. Please mark your calendar and be sure to file your estimates timely.***
9. All residents' "other income" derived from gambling, wagering, lotteries (including the Ohio State Lottery) and games or schemes of chance are subject to Canton tax. Church Bingo, Raffles, and the like are exempt.
10. **Effective 2004, net operating losses from business activities reported on Schedules 1040 C,E,F, 1065 K-1, 1120S K-1, etc., may only be carried forward for THREE years to offset future net profits. Net operating losses may not be carried back to prior years.**

The tax department will make every effort to efficiently serve all Canton residents who are required to file a city tax return. Our Auditors are available to assist you in filling out your tax return, at no charge. No appointments are necessary, simply walk in to our office during regularly scheduled hours. If you have any questions, please call us at (330) 430-7900, or visit us online: www.cantonincometax.com.

Thank you for your cooperation and compliance.

Sincerely,



Robert C. Schirack, Treasurer

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 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. The estimate remittance forms are mailed with the tax returns as well. 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, and a letter and this FAQs sheet will be sent 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; however, it may be filed separately, as late as April 30, without incurring any penalty.

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 15.

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. Please note carefully: The Canton city income tax department will not send a statement of estimated tax due every quarter. Instead, the quarterly statements have been included with the annual tax return. For individuals, the remittances will be due April 30, 2005, July 31, 2005, October 31, 2005, and January 31, 2006. For businesses, the remittances will be due on the 15th day of April, June, September, and December (the fourth, sixth, ninth and twelfth month for Fiscal Year filers). Please mark your calendar and be sure to file your estimates timely.

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. Simply adjust the amount due on your next quarterly statement of estimated tax by writing in your amended figures, and send it in by the next quarterly deadline.

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.