CITY OF DELAWARE
BUSINESS – FORM R
GENERAL INSTRUCTIONS

WHO MUST FILE

All corporations or other types of business entities conducting business in, performing services in, or deriving income (loss) from activites in the City of Delaware. Pass through entities, owned by two or more persons, are taxed at the partner level. Pass through entities are to file on behalf of all owners, members or partners, reporting all income taxable on the entity filing.

WHEN AND WHERE TO FILE

Returns must be filed on or before the fifteenth day of the fourth month after the fiscal year end. Returns should be mailed to City of Delaware, P.O. Box 496, Delaware, Ohio 43015.

PAYMENTS & OVERPAYMENTS

Make checks payable to: CITY OF DELAWARE. Payment of net tax due of $10.00 or less is not required nor will overpayments of $10.00 or less be refunded or credited to your account against other liability. Payment due dates will not be extended for any reason; all taxes paid after the due date will be subject to late payment penalty, as well as, interest.

EXTENSIONS

Any business that has duly requested an automatic six-month extension for filing the business Federal income tax return shall automatically receive an extension for the filing of the city income tax return. The extended due date of the city income tax return shall be the fifteenth day of the tenth month after the last day of taxable year to which the return relates.

An extension of time to file is not an extension of time to pay tax due. Any tax estimated to be due should be paid with the extension request.

ATTACHMENTS REQUIRED

Corporations must attach copies of Pages 1 through 4 of their Federal Form 1120. Corporations who file their Federal return using Form 1120A should attach copies of Pages 1 and 2 of their 1120A.

S-Corporations must attach copies of Pages 1 through 4 of their Federal Form 1120S and copies of all K-1's. NOTE: Preparers should note each member's share of city income tax paid on each member's behalf on their respective K-1's.

Partnerships/Associations must attach Pages 1 through 5 of their Federal Form 1065 and copies of all K-1's. NOTE: Preparers should note each partner's share of city income tax paid on each partner's behalf on their respective K-1's.

Fiduciaries/Trusts/Estates must attach a copy of Page 1 of their Federal Form 1041.

NET PROFIT

Due to State mandated changes, net profit is defined as Adjusted Federal Taxable Income (AFTI) for a taxpayer other than an individual. Refer to the Ohio Revised Code, Chapter 718.

SCHEDULE X – Reconciliation with Federal Return

Complete Schedule X to reconcile Federal taxable income to city taxable income. The adjustments to be used on Schedule X are described as follows:

(a) Deduct intangible income to the extent included in Federal taxable income (allowed regardless of whether the intangible income relates to assets used in a trade or business or assets held for the production of income).

(b) Add an amount equal to 5% of intangible income deducted, excluding that portion of intangible income directly related to the sale, exchange, or other disposition of property described in section 1221 of the I.R.C.

(c) Add any losses allowed as a deduction in the computation of Federal taxable income if the losses directly relate to the sale, exchange, or other disposition of an asset described in section 1221 or 1231 of the I.R.C.

(d) Deduct income and gain included in Federal taxable income to the extent the income and gain directly relate to the sale, exchange, or other disposition of an asset described in section 1221 or 1231 of the I.R.C., except, this section does not apply to the extent the income or gain is income or gain described in section 1245 or 1250 of the I.R.C.

(e) Add taxes on or measured by net income allowed as a deduction in the computation of Federal taxable income.

(f) In the case of a R.E.I.T. or R.I.C., add all amounts with respect to dividends to, distributions to, or amounts set aside for or credited to the benefit of investors and allowed as a deduction in the computation of Federal taxable income.

(g) If the taxpayer is not a C corporation and is not an individual, the taxpayer shall compute adjusted Federal taxable income as if the taxpayer were a C corporation, except: (i) guaranteed payments and other similar amounts paid or accrued to a partner, former partner, member, or former member shall not be allowed as a deductible expense; and (ii) amounts paid or accrued to a qualified self-employed retirement plan with respect to an owner or owner-employee of the taxpayer, amounts paid or accrued to or for health insurance for an owner or owner-employee, and amounts paid or accrued to or for life insurance for an owner or owner-employee shall not be allowed as a deduction. NOTE: Nothing in this section shall be construed as allowing the taxpayer to add or deduct any amount more than once or shall be construed as allowing the taxpayer to deduct any amount paid to or accrued for purposes of Federal self-employment tax.

SCHEDULE Y – APPORTIONMENT FORMULA

A business apportionment formula consisting of the average original cost of property, gross receipts and wages paid must be used by business entities not required to pay tax on entire net profits, by reason of doing business both within and without the City of Delaware. Determine the average ratio of the following

(Step 1) Average original cost of the real and tangible property owned or used by the taxpayer in the business or profession in Delaware during the taxable period to the average original cost of all of the real and tangible personal property owned or used by the taxpayer in the business or profession during the same period, wherever situated. NOTE: Real property shall include property rented or leased by the taxpayer and the value of such property shall be determined by multiplying the annual rental thereon by eight.

(Step 2) Gross receipts of the business or profession from sales made and services performed in Delaware during the taxable period to gross receipts of the business or profession during the same period from sales made and services performed, wherever made or performed.

(Step 3) Wages, salaries and other compensation paid during the taxable period to persons employed in the business or profession for services performed in Delaware to the wages, salaries and other compensation paid during the taxable period to persons employed in the business or profession wherever their services are performed, excluding compensation exempt from taxation under section 718.011 of the Ohio Revised Code.

LOSS CARRY FORWARDS

For tax years beginning on or after 1/1/17, loss carry forwards are limited to 5 (five) consecutive years from the year of loss (2017-2021 limited to a 50% carryforward). For tax years beginning on or before 12/31/16, loss carry forwards are limited to 3 (three) consecutive years from the year of loss. Losses may not be carried back to any prior years. Schedule must be attached.

CONSOLIDATED RETURNS

A consolidated City tax return will be accepted from any affiliated group of corporations subject to Delaware city tax, if that group filed for the same tax reporting period, a consolidated return for Federal tax purposes pursuant to Section 1501 of the Internal Revenue Code.

AMENDED RETURNS

An amended return is necessary for any year in which an amended Federal return is filed or in which your Federal tax liability has changed. An amended return must be filed within 3 months of the filing date of any amended Federal return and must include a copy of the amended Federal return. Filing must include payment of any additional tax owed.

DECLARATION OF ESTIMATED TAX – CURRENT YEAR

Any entity anticipating Delaware city tax liability of $200.00 or more shall file a declaration of estimated tax and pay quarterly payments. The Estimate filing and first payment is due by the 15th day of the 4th month after the beginning of the fiscal year.