

**MARION INCOME TAX DEPARTMENT
233 WEST CENTER STREET
MARION, OHIO 43302
(740) 387-6926**

BUSINESS INCOME TAX RETURN INSTRUCTIONS

LINE 1. Enter your adjusted federal taxable income(loss) excluding income from pass-through entities. Please read the section titled "ADJUSTED FEDERAL TAXABLE INCOME". C corporations enter the amount from line 14 of schedule 1. Other non-individual entities enter the amount from line 22 of schedule 3. If you are a sole proprietor, please contact our department so that we can send you an individual income tax return.

LINE 2. Enter income earned within Marion from pass-through entities (excluding S corporations) which you own. The pass-through entity should include information on your share of income earned within Marion on your schedule K-1.

LINE 3. Add lines 1 and 2.

LINE 4. Multiply line 3 by 2% (.02). If line 3 is a loss, enter -0-. If you are a pass-through entity (other than an S corporation) and are filing an information return, write "INFO ONLY" on line 4. Please read the section titled "PASS-THROUGH ENTITIES".

LINE 5. Enter Marion income tax paid on your behalf by pass-through entities (excluding S corporations) which you own.

LINE 6. Enter any estimated tax payments and credit carryovers from prior tax years. If you are unsure of the amount of payments and credits, please contact our office.

LINE 7. Add lines 5 & 6.

LINE 8. Subtract line 7 from line 4. If the result is a negative number, enter the result in ().

LINE 9. If line 8 shows an overpayment, indicate whether you want the overpayment credited to next year or refunded.

LINE 10. The tax return and the payment of tax is due by the 15th day of the 4th month following the end of your tax year. You may request a 6 month extension to file your return.

Federal extension requests will be honored by the City of Marion; however, extensions of time to file do not extend the time to pay the tax. If you estimate that you will have tax due, you should submit a written request for an extension with payment of the estimated tax due. Taxes not paid by the original due date may be subject to a late payment penalty of \$5.00 and will incur interest charges. Past due taxes will accrue interest at a rate of 3% per annum. Returns filed after the due date (including any extensions) may be subject to a late filing penalty of \$5 for each month or part of a month late up to \$50. Any unpaid taxes, interest and penalties may be referred to the City Law Director for collection.

DECLARATION OF ESTIMATED TAX

You are required to pay your current year tax in quarterly estimates if your prior year tax less credit for tax paid on your behalf by pass-through entities (excluding S corporations) is \$200.00 or more. To avoid penalties, your current year estimate must be based on 90% of your prior year tax liability.

LINE 11. Enter your total estimated taxable income for current year and multiply by 2.0% (.02).

LINE 12. Enter your estimated Marion tax paid on your behalf by pass-through entities (excluding S corporations) which you own.

LINE 13. Subtract line 12 from line 11.

LINE 14. Multiply line 11 by 25% (.25).

LINE 15. Subtract any overpayment credit on line 9A from line 14 to determine the balance of your 1st quarterly estimated payment for current year. The first quarterly payment is due the same day as the prior year tax return. The remaining estimates are due:

2nd quarter	15th day of the 6th month of the tax year
3rd quarter	15th day of the 9th month of the tax year
4th quarter	15th day of the 12th month of the tax year

The amount due with the return is the sum of line 10 and line 15. Please make checks payable to: Marion City Income Tax.

SCHEDULE 1. C CORPORATIONS, REAL ESTATE INVESTMENT TRUSTS, AND REGULATED INVESTMENT COMPANIES

NOTE: If the amounts on your federal return include amounts from pass-through entities you own, adjust the amounts you report on Schedule 1 to eliminate the pass-through amounts. Your share of taxable income from a pass-through entity attributable to Marion should be reported to you by the pass-through entity and reported on line 2 of your return.

LINE 1. Enter your federal taxable income before net operating loss and special deductions.

LINE 2A - 2D. Enter your dividend income on line 2A, interest income on line 2B, and royalty income on line 2C. Enter the sum of 2A, 2B and 2C on line 2D.

LINE 3. Enter capital gains.

LINE 4. Enter gain reported on line 12 of federal form 4797.

LINE 5. Add lines 2D, 3 & 4.

LINE 6. Subtract line 5 from line 1.

LINE 7. Enter 5% (.05) of line 2D.

LINE 8. Enter loss reported on line 11 of federal form 4797.

LINE 9. Enter all taxes based on income deducted on the federal income tax return.

LINE 10. If you are a real estate investment trust or a regulated investment company, enter amount of dividends or distributions to owners allowed as a deduction on the federal return.

LINE 11. Add lines 7, 8, 9 & 10.

LINE 12. Add lines 6 & 11.

LINE 13. Complete the allocation formula (Schedule 2) and enter the result. If all of the business was conducted within the city, enter 100%.

LINE 14. Multiply line 12 by line 13. Enter the result on line 1 of your return.

SCHEDULE 2. BUSINESS ALLOCATION FORMULA

Non-individual entities whose business is conducted both inside and outside the city are to use an allocation formula based on property, sales and wages to determine the portion of their net business income (loss) subject to Marion income tax.

If the business is located entirely within the city or if the business is owned by a resident, the allocation percentage is 100%.

SCHEDULE 3. PARTNERSHIPS, S CORPORATIONS AND OTHER ENTITIES

NOTE: If the amounts on your federal return include amounts from other pass-through entities you own, adjust the amounts you report on Schedule 3 to eliminate the pass-through amounts. Your share of taxable income from another pass-through entity attributable to Marion should be reported to you

by the other pass-through entity and reported on line 2 of your return.

LINE 1. Enter your ordinary income(loss) from your federal return.

NOTE: If you are using the allocation formula (Schedule 2) for your business activities but using an actual accounting for your rental activities, skip lines 2 & 3 and go to line 4.

LINE 2. Enter the net profit (loss) from rental real estate.

LINE 3. Enter the net profit (loss) from other rentals.

LINE 4. Enter guaranteed payments to owners.

LINE 5. Enter other income from your federal schedule K.

LINE 6. Add lines 1, 2, 3, 4 & 5.

LINE 7. Enter your charitable contributions.

LINE 8. Enter your Section 179 deduction.

LINE 9. Enter your deductions related to portfolio income.

LINE 10. Enter your other deductions if they would be deductible by a C corporation.

LINE 11. Add lines 7, 8, 9 & 10.

LINE 12. Subtract line 11 from line 6.

LINE 13 A-F. Enter interest income on line 13A, dividends on line 13B, royalties on line 13C, and other portfolio income on line 13D. Enter the sum of 13A, 13B, 13C and 13D on line 13E. Enter 5%(.05) of line 13E on line 13F.

LINE 14. Enter all taxes based on income deducted on the federal income tax return.

LINE 15. Enter amounts deducted on the federal return for retirement plans, health insurance, and/or life insurance for an owner-employee.

LINE 16. Add lines 13F, 14 & 15.

LINE 17. Add lines 12 & 16.

LINE 18. Complete the allocation formula (Schedule 2) and enter the result. If all of the business was conducted within the city, enter 100%.

LINE 19. Multiply line 17 by line 18.

NOTE: If you used the allocation formula (Schedule 2) for your rental activities, skip lines 20 & 21 and enter the amount on line 19 on line 22.

LINE 20. Enter your net profit or loss from rental real estate activities located within the city.

LINE 21. Enter your net profit or loss from other rental activities located within the city.

LINE 22. Add lines 19, 20 & 21. Enter the result on line 1 of your return.

ADJUSTED FEDERAL TAXABLE INCOME

Ohio Revised Code section 718.01 (A)(1) and Marion Codified Code section 193.02(B) define "adjusted federal taxable income" as follows:

A C corporation's federal taxable income before net operating losses and special deductions as determined under the Internal Revenue Code, adjusted as follows:

(1) Deduct intangible income to the extent included in federal taxable income. The deduction shall be allowed regardless of whether the intangible income relates to assets used in a trade or business or assets held for the production of income.

(2) Add an amount equal to five per cent of intangible income deducted under division (B)(1) of this section, but excluding that portion of intangible income directly related to the sale, exchange, or other disposition of property described in § 1221 of the Internal Revenue Code.

(3) 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 § 1221 or § 1231 of the Internal Revenue Code.

(4) (a) Except as provided in division (B)(4)(b) of this section, 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 § 1221 or § 1231 of the Internal Revenue Code.

(b) Division (B)(4)(a) of this section does not apply to the extent the income or gain is income or gain described in § 1245 or § 1250 of the Internal Revenue Code.

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

(6) In the case of a real estate investment trust and regulated investment company, 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.

(7) 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:

(a) 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.

(b) 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.

Nothing in this definition shall be construed as allowing the taxpayer to add or deduct any amount more than once or shall be construed as allowing any taxpayer to deduct any amount paid to or accrued for purposes of federal self-employment tax.

PASS-THROUGH ENTITIES:

S-CORPORATIONS: S-corporations are taxed at the corporation level. S-corporation income does not pass through to the shareholders.

OTHER PASS-THROUGH ENTITIES: For tax years ending on or after January 1, 2003, all other pass-through entities (partnerships, limited partnerships, limited liability companies, etc.) will be taxed at the owner level. The owner will be liable for tax on his/her distributive share of the pass-through entity's income. If the pass-through entity does business within the city, the entity needs to file an informational return reporting its profits subject to tax and each owner's distributive share of those profits. The entity may elect to pay the tax due on behalf of the owners. The entity needs to notify each owner of the owner's distributive share of income earned within Marion and any tax paid to Marion on the owner's behalf.

QUESTIONS AND ASSISTANCE

Marion City Income Tax Department
233 W. Center Street
Marion, Ohio 43302
(740) 387-6926

Monday through Thursday
Friday

8 a.m. to 5 p.m.
8 a.m. to 3 p.m.

Information about the Marion income tax as well as the income taxes for other cities in Ohio can be found on the internet at:
www.tax.ohio.gov/divisions/municipalities/index.stm