

INSTRUCTIONS FOR CITY OF MIDDLETOWN – BUSINESS RETURN (Form BR)

Attach ALL applicable federal forms AND supporting statements

General Instructions

Who files this form?

Corporations, partnerships, and S-Corps file a Business Return as an entity doing business or located in Middletown. Individuals, such as sole proprietors, rental property owners, and partners report their income on Form IR – Individual Return.

What's new?

Please refer to Ohio Revised Code (ORC) Section 718 for a complete review of all changes.

Highlights include:

- Filing deadlines must conform to IRS deadlines, so our deadline is now April 15.
- Municipalities must decide to tax pass-through income at the entity or individual level. Middletown taxes the entity. S-Corp pass-through income may not be taxed at the individual level, even if not taxed at the entity level, unless municipalities take the issue to the ballot box. Middletown did not take this issue to the ballot. Partnership pass-through income remains taxable to Middletown residents if no taxes were paid at the entity level.

Specific Line Instructions

Line 1 – Proceed to Section A to calculate the federal taxable income before net operating losses and special deductions. For corporations, this figure is line 28 on Form 1120. S-Corps and partnerships are to be treated as though they were corporations. For them start with Form 1120S, line 21 or Form 1065, Line 22 and add and deduct the items listed from Schedule K. Total the far column.

Section B – Report any ordinary income from these forms, e.g., from property held less than a year.

Section C, D, Total – Enter rental and miscellaneous income, total Sections A through D and insert on page 1, line 1.

Line 2 – Proceed to Schedule X. These are the adjustments detailed in ORC 718. Item (h) is applicable to S-Corps or partnerships to limit their charitable deductions to the same amount allowed for corporations because we have to treat them as though they were corporations. Insert the totals on page 1, lines 2a and 2b.

Line 3 – Add (or subtract) the adjustments (line 2c) to line 1 to compute the Adjusted Federal Taxable Income. If you are a resident entity, all of your income is subject to Middletown tax, with credit given for taxes paid to other municipalities. If you are a non-resident entity doing business both within and without Middletown, use Schedule Y to determine the percentage of your income subject to Middletown tax. Common errors 1) failing to include wages paid on 1099s to subcontractors or casual labor. We must receive copies of the 1099s or we will not allow credit for this expense. 2) Failing to report property, sales or wages when filing a consolidated return because these expenses are reported at the subsidiary rather than the parent level. 3) Averaging by three when only two or one averages are used.

- Adjusted Federal Taxable Income – the amount all municipalities must use as the taxable income. Refer to the line instructions below to calculate this number.

Extensions

Extension requests must be postmarked on or before April 15. You may use a copy of the Federal Extension Request or any written format. An extension to file is not an extension to pay; if you expect to owe us tax, you have to pay that by April 15 as well. Late payments are subject to penalty and interest.

Forms

Forms and instructions may be downloaded from our website at www.ci.middletown.oh.us under Middletown City Services, City Income Tax.

Questions?

Call us at (513) 425-7862 between the hours of 8:00AM to 5:00PM, Monday through Friday.

Attach ALL applicable federal forms AND supporting statements