

# CITY OF MIDDLETOWN – INDIVIDUAL RETURN (IR)

## GENERAL INFORMATION

All City returns must include a copy of page 1 of IRS Form 1040, along with a copy of all W-2's and 1099's. We do not require copies of 1040-A or 1040-EZ. If you complete the "income other than wages" section of the return, you must provide copies of the federal schedules relating to this income. **A return is not considered filed until all necessary information is received.**

### Who must file?

- All residents, 16 years or older whether or not any income is earned or tax due. A resident is anyone who maintains a home in Middletown.
- College students – Students who are dependents of a parent or parents living in Middletown are considered residents.
- Sole proprietors – If you are the sole proprietor of a business and file a Schedule C, you may report all your income on the individual return (Form IR).
- Rental property owners (resident and non resident) – If you are an individual and own rental property you must complete Federal Schedule E. You may report all of your income on your individual return (Form IR).

**SENIORS**– If you are 65 years or older and have no income other than pension, dividend, or interest, you do not need to file. However, your account will stay active until we are notified. Contact our office if you have questions.

Taxable Income This list is not inclusive. If in doubt, call us for an answer at (513) 425-7862. We DO tax stock options, including the disqualifying disposition of an incentive stock option, and nonqualified deferred compensation.

1. Wages, salaries and other compensation
2. Bonuses, stipends and tip income
3. Commissions, fees and other earned income
4. Sick pay (including third party sick pay)
5. Supplemental unemployment benefits (sub pay)
6. Employee contributions to retirement plans and tax deferred annuity plans (including 401K, Sec 403b, sec 457b, etc.)
7. Income from wage continuation plans (retirement incentive, severance pay, short term disability, etc.)
8. Income from nonqualified pension plans
9. Vacation pay
10. Uniform, automobile and travel allowances
11. Reimbursement in excess of deductible expenses
12. Cost of group term life insurance over \$50,000
13. Prizes and gifts connected to employment to the same extent taxable for the Feds
14. Profit sharing

### Non-Taxable Income

1. Interest or dividend income
2. Welfare benefits
3. Social Security
4. Unemployment benefits
5. Workers compensation
6. Insurance proceeds
7. Income from qualified pension plans

**CORPORATIONS, S-CORPS AND PARTNERSHIPS**– If you are an owner/partner, your business will file a return on Form BR and you will file an individual return on Form IR.

### Short form or IR EZ

If your only source of income is from an employer and is reported on a W-2 or 1099-Misc., just staple the copies to the tax form you received in the mail and mail it back to us.

We will complete the return and let you know if you owe any additional tax. Return the tax form that has your name printed. The blank copy is for your records.

### Extensions

If you need an extension to file, you must request it directly with the City of Middletown. Extension requests must be postmarked on or before April 15<sup>th</sup>. 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 15th as well. Late payments are subject to penalty and interest.**

### Questions?

Call us at (513) 425-7862 or visit us at the City Building, One Donham Plaza, Middletown OH 45042. We are located on the second floor. Our hours are 8:00AM to 5:00PM, Monday through Friday. You can e-mail us on our website at [www.ci.middletown.oh.us](http://www.ci.middletown.oh.us) under Contacting City Hall. You may also download forms from the same website: go to Middletown City Services, then City Income Tax.

15. Director fees
16. Strike pay
17. Stock options (taxed when exercised, usually valued at market price less option price on the date the option is exercised)
18. Net rental and farm income
19. Net profits of sole proprietors
20. Income from partnerships, estates or trusts
21. Income from jury duty
22. Union steward fees
23. Compensation paid in goods, services or property usage (taxed at fair market value)
24. Royalties generated by tangible property (gas, oil, etc.)
25. Gross gambling winnings, including sweepstakes, prizes, lotteries and any wagering transactions
26. Ordinary income from Form 4797 and the gain from the disposition of Sec 1245 or 1250 property

8. Annuity distributions
9. Alimony received
10. Military pay (including reserve pay)
11. Capital gains (losses not deductible)
12. Royalties generated by intangible property (copyrights, trademarks, etc.)
13. Housing allowances for clergy

**You must include a copy of all W-2's, 1099's, and page 1 of your 1040**

**LINE INSTRUCTIONS**

**Line 1** - Include "Qualifying Wages," which should be reported in Box 18 on your W-2s. Qualifying wages are detailed in IRS Code Section 3121. Usually qualifying wages are the same as Medicare wages, which appear in Box 5 on your W-2. Some employees are exempt from Medicare taxes, so your Box 5 is blank. In that case, your employer calculates what your Medicare wages would be if you were not exempt to use for your local wages in Box 18. The City Tax Division can complete your tax return for you if your only source of income is W-2 wages. Just staple your W-2s to your tax form, and mail in the return envelope. We will complete your City of Middletown tax form and advise you if you owe any additional tax.

Whether you complete the return or you let us complete the return, you must attach copies of all your W-2s. If you worked in more than one city, you may have more than one W-2 per employer. Be sure you send copies of each W-2 showing your total earnings, and the breakdown of local wages and local taxes paid to each city. Some employers, instead of listing each city on the W-2, combine all the city payments under the heading "local" or "various." We must know the wages and taxes withheld for each city. If your employer does not provide you with that information, you will have to request it. If you do not provide us a breakdown, we will not allow a credit for the taxes paid to other cities.

**Line 2** - Refer to the worksheet on page 2 of the return for Income Other Than Wages.

A. If you provide goods or services to others for compensation, you are a business owner and must report your income on a Schedule C. You may work at this full time, part time, or only on occasion; however, continued Schedule C losses may be considered a hobby rather than a business. Be sure to complete the information at the top of Schedule C, line A, describing the nature of your business or profession and the product or service you provide. Also include the name and address of your business, your social security number and EIN (if you have one.)

B. If you are reporting rental income on a Schedule E, you must list the address of each property and breakout the income and expenses by property. If you have partnership income, you report your share unless the partnership has already been taxed elsewhere. In that case, send us a copy of the partnership filing in another municipality and we will allow credit.

C. Other income can include fees or compensation reported on Form 1099-Misc., fees, gambling winnings, etc. Gambling winnings may not be offset by gambling losses. Personal earnings (gambling winnings, lock out pay, etc.) cannot be offset against other schedules.

D. If the sum of boxes A, B, and C is a loss, place the loss in Box 2a on the front of the return so that we can record it; however, you may not offset W-2 wage earnings or gambling winnings with the loss. You may use the losses in future years to offset business profits.

E. If you had losses in the last five years, you may use the losses to offset profits in the current year. If you do not use your losses because you did not have any, or enough, profits within the five years, the loss expires.

**You must provide a copy of all federal schedules relating to other income (ex. Schedule C, Schedule D, Schedule 4797, Schedule E).**

**A return is not considered filed until we have received all necessary schedules.**

**Line 5**

a. Enter the total tax withheld for Middletown on your W-2s.

b. Go to the worksheet on page 2 of the return, and fill out the columns, following the examples below.

Column 1	Column 2	Column 3	Column 4	Column 5
List all cities except Middletown	Qualifying Wages (usually box 18 of the W-2)	Tax Withheld	1.5% of Column 2	Lesser of Column 3 or Column 4
Anytown	\$10,000.00	\$210.00	\$150.00	\$150.00
Sometown	2,000.00	20.00	30.00	20.00
			Total credit allowed:	\$170.00

You may not take credit for all the tax withheld for other cities as listed in Column 3. We allow credit for taxes paid to other cities for the same amount you would have paid us, but we do not allow you to offset taxes withheld at a rate higher than ours against taxes withheld at a rate lower than ours. Cities don't share revenues collected, so the tax dollars you pay in the city in which you work stay there.

**Line 8-Declaration of Estimated Tax**

Any individual anticipating that their tax liability at the end of 2008 will be more than \$100 must make estimated tax payments. Taxpayers must have 90% of their current year tax liability or 100% of their previous year's tax liability paid through quarterly estimated tax payments to avoid penalty and interest. Estimated taxes must be paid in full by January 31. If you wait until you file your return, you will be subject to penalty and interest.

**DECLARATION AND RETURN PAYMENT CALENDAR**

APRIL 15*	JULY 31	OCT 31	JAN 31	APRIL 15*
File Declaration	2nd quarter payment	3rd quarter payment	4th quarter payment	File return
1st quarter payment				

\*The filing deadline for your is April 15<sup>th</sup>

Sign your completed return at the bottom and mail in the envelope provided. The return and tax due must be postmarked or paid by April 15. If you are unable to pay the tax in full by April 15, send the tax return so that you can avoid a \$25 late filing penalty. You may request a pay plan for a balance due, but we will assess penalties and interest for paying late.

**You must include a copy of all W-2's, 1099's, and page 1 of your 1040**