



**Municipal Income Tax Project
Net Profit Return Forum
November 3, 2005**

Municipal Income Tax Project

Net Profit Return Forum



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Agenda

- Requirements Review – Process Flow
- 2006 Municipal Profile Certification
- Ancillary Net Profit Return Data
- Screen Mockups
- Project Status & Next Steps



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Opening Remarks

- Introductions
- Contact List
- Logistics
 - Restrooms
 - Cell Phones
- Today's Presentation Available on Project Web Site

<http://munitax.obg.ohio.gov>



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General Process

- Conceptual Design Analysis
- OBGSC Endorsement of Recommended Conceptual Designs
- Detailed Requirements Analysis
- Development
- Implementation



Constraints based on H.B. 95 Testimony

- State/Ohio Department of Taxation (ODT) does not centrally collect the tax.
- State/ODT does not administer the tax.
- State/ODT does not audit the tax.
- State/ODT does not charge any fees to cities.
- State/ODT does not hold the funds.



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Requirements Review

See Handouts



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Flow Modifications

- IRS 1245/1250 Gains
- Add backs for dividends or distributions to investors
- Conversion of entity filing as a partnership to the C-Corporation filing requirements
- Disallow pass-through losses through a tiered structured partnership for upper tier partners



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Flow Modifications

- Upper tiered partner of a tiered structured partnership can claim a credit for taxes already paid on behalf of the partner
- Guaranteed payments
- Add back to municipal taxable income for 5%



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2006 Municipal Profile Certification



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Why *ReCertify*?

- Validate existing data
 - Municipal Contacts
 - Banking Information
- Collect additional data necessary to administer the online application



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Certification Process

- May consolidate certification processes of OBG and ODT
 - Reduces municipal workload
 - Helps insure consistency
- Starts in early December
- **Must conclude by January 31, 2006**



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Additional NPR Data Elements

- Allow a Net Operating Loss carryforward deduction?
 - Number of years
 - NOL Effective Date
- Allow a Stock Option exemption for employees?
- Disallow the Intangible Income deduction?



Additional NPR Data Elements

- Allow overpayment amounts to be split between refunds and carryforwards?
- Have a minimum allowed refund amount?
 - Minimum Amount Allowed
- Have a minimum tax due amount?
 - Minimum Amount



Additional NPR Data Elements

- Require taxpayers to add back distributive share of losses from partnerships in which the taxpayer has invested? (718.01H)
- Exempt PTE from tax on account of 718.14(D) because the muni taxes the PTE income in the hands of the PTE owner?



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Additional NPR Data Elements

- Allow corporations, partnerships, and LLCs to claim the 718.14B credit?
- Exempt S corps from tax on account of ORC 718.01 (F)(9)(d) and 718.14(D)?



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Ancillary Data



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Ancillary Data

- New Taxpayer Profile Data
 - NAICS Number



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Ancillary Data

- Net Profits Return Data (Global)
 - Did a paid preparer assist in the preparation of this return?
 - May the preparer be contacted?
 - Preparer name
 - Preparer street address
 - Preparer city, state, zip
 - Preparer phone number
 - Preparer email address



Ancillary Data

- Net Profits Return Data (Muni Specific)
 - Did you file a <municipality> return last year?
 - Do you expect to file a <municipality> return next year?
 - Is this an amended return?
 - Did the business move?
 - Date moved into <municipality>
 - Date moved out of <municipality>



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Ancillary Data

- Net Profits Return Data (Muni Specific)
 - Withholding Reconciliation
 - Total wages allocated to <muni name>
 - Total wages shown on Form W-3 (Withholding Reconciliation)
 - Explain any difference (between previous two values)
 - Are there any employees leased in the year covered by this return?
 - Leasing Company information; name, address, FID#, Etc.



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Screen Mockups

See Handouts



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Introduction/Rules Page (Place Holder)

The business requires that a Rules Page exists which will explain and define who is and is not eligible to file a Net Profits Return through the OBG. It will contain no functionality other than text, the exact wording and content of which is to be developed in or after the Design phase.

Status of Returns

In Progress:

Ready to File:

02/02/2007

View

Submit for Payment

Delete

Already Filed:

2006

03/04/2006

View

03/02/2006

View

2005

04/05/2005

View

< Back

Cancel

Next >

Taxable Year

Instructions:

Select the Taxable Year from the list below for this Net Profits Return and click Next.

Taxable Year* ▼

*Return year as filed for federal purposes

< Back

Cancel

Next >



- Estimated Tax Payment
- Select Municipalities
- Estimated Annual Net Profit
- Estimated Tax Due
- Actual Payment
- Confirm Filing

Select Municipalities

Company Name: Steve's Fine Coffees
FEIN: 34-7777777
Fiscal Year End Date: 12/31, 2005

Build your list of municipalities to file with today by clicking on a municipality name from the Municipalities in your profile box and click on the arrow button (>) to add it to the Municipalities to file with today box. Click the Next button when you have completed adding all of the municipalities.

You must select at least one municipality in order to file your report.

Edit Municipal Profile



Municipalities in your profile

Cincinnati
Dublin

>>

>

<

<<

Municipalities to file with today

Next

Back

Cancel

Save

Save & Exit

If you need assistance with this page, please view our [help](#).

Supporting Data Wizard

Instructions:

Please answer the following questions to help OBG tailor your return...

- Do you have rental income not rising to the level of a business or profession this taxable year? Yes No
- Will you claim stock option expenses on this return? Yes No
- Will you claim, on this return, a net operating loss (NOL) carryforward deduction? Yes No
- Will you claim, on this return, the credit allowed under ORC 718.14(B)? Yes No
- Do you have, on this return, a distributive share of losses from partnerships in which you have an equity investment? Yes No
- Do you have, on this return, a distributive share of income or gain from pass through entities in which you have an equity investment? Yes No

< Back

Cancel

Next >

Computed Federal Taxable Income

Instructions:

Enter your Computed Federal Taxable Income (CFTI) in the blank below and click Next.

For an <Entity Type> filing in <Tax Year>, Computed Federal Taxable Income corresponds to line <line #> of Federal Form <Federal Form#>.

Computed Federal Taxable Income: \$

< Back

Cancel

Next >

Distributive Share of Losses from Partnerships

Instructions:
TBD

CFTI: \$ **9999.99**

Distributive share of losses from partnerships
in which taxpayer has an equity investment: \$

Distributive share of losses from partnerships Subtotal: + \$ **9999.99**

Running Total: \$ **9999.99**

Distributive Share of PTE Income and Gain

Instructions:
TBD

Previous Running Total: \$ **9999.99**

Distributive share of PTE (pass through entity)
income and gain, net of all expenses and losses, in
which taxpayer has an equity investment: \$

Distributive share of PTE income and gain Subtotal: - \$ **9999.99**

Revised Running Total: \$ **9999.99**

Intangible Income

Instructions: TBD

Note: Most municipalities allow Intangible Income to be deducted. For those that do not, this deduction will be added back later in the process.

Previous Running Total: \$ **9999.99**

Deduct Intangible Income

Income Yield: + \$

Interest: + \$

Capital Gains: + \$

Dividends: + \$

Certain Other Income: + \$

Intangible Income Deductions Subtotal: - \$ **9999.99**

Add back 5% of Intangible Income (other than capital gains)

[Intangible Income Deductions - Capital Gains] * .05 Subtotal: + \$ **9999.99**

Revised Running Total \$ **9999.99**

Update Totals

< Back Save Save and exit Cancel Next >

Add Certain Losses

Instructions:
TBD

Previous Running Total \$ **9999.99**

IRC Section 1221 Losses: + \$

IRC Section 1231 Losses: + \$

Losses Subtotal: + \$ **9999.99**

Revised Running Total \$ **9999.99**

Deduct Certain Items

Instructions:
TBD

Previous Running Total \$ **9999.99**

IRC Section 1221 Income and Gain: + \$

IRC Section 1231 Income and Gain: + \$

IRC Section 1245 Income and Gain*: - \$

IRC Section 1250 Income and Gain*: - \$

*Enter 1245 or 1250 amount only if amount is included in the 1221 or 1231 fields, above

IRC Section 291 "recapture" income**: - \$

**Enter the portion of IRC section 1221/1231 gain, if any, which under IRC section 291 would be treated as IRC section 1245/1250 "recapture" income if the taxpayer were treated as a C corporation for FTI purposes. Note to C corporations: Enter this amount here only if the C corporation has not already added this amount in the 1245/1250 fields, above.

Deduct Certain Items Subtotal - \$ **9999.99**

Revised Running Total \$ **9999.99**

Add Taxes

Instructions:
TBD

Previous Running Total \$ **9999.99**

Taxes on or Measured by Net Income: \$

Taxes Subtotal: + \$ **9999.99**

Revised Running Total \$ **9999.99**

Entity Type Adjustments

Instructions:
TBD

Previous Running Total \$ **9999.99**

Charitable Contribution add-back: + \$

Charitable Contribution deduction: - \$

Enter an add-back or a deduction value, but not both.

IRC section 179 add-back: + \$

IRC section 179 deduction: - \$

Enter an add-back, or a deduction value, but not both

Amounts paid to a retirement plan, health or life insurance,
with respect to owners and owner-employees:* + \$

Guaranteed payments to partners, former partners,
members and former members:* + \$

*Add only if these amounts have been deducted in determining CFTI

Can be positive
or negative

Entity Type Adjustments Subtotal: + \$ **9999.99**

Revised Running Total \$ **9999.99**

Update Totals

< Back Save Save and exit Cancel Next >

Rental Adjustments

Instructions:

Previous Running Total \$ **9999.99**

Net Profit from rental activity not constituting a
business or profession: \$

Municipality in which rental is located:

Name of municipality:

Add Another

Rental Activity Income Subtotal: - \$ **9999.99**

Revised Running Total \$ **9999.99**

Update Totals

< **Back**

Save

Save and exit

Cancel

Next >

Apportionable Taxable Income

The following is a summary of all entries and adjustments made to this point, the result of which is your calculated Apportionable Taxable Income. Press Next to provide information for the apportionment formula or click any of the categories to return to that page and make changes.

<u>Taxable Year</u>		2005
<u>Computed Federal Taxable Income</u>		\$ 9999.99
Add <u>distributive share of losses from partnerships</u>	+	\$ 9999.99
Deduct <u>distributive share of PTE income and gain</u>	-	\$ 9999.99
Deduct <u>Intangible Income</u>	--	\$ 9999.99
Add Certain <u>Losses</u>	+	\$ 9999.99
Deduct Certain Items of <u>Income and Gain</u>	--	\$ 9999.99
Add <u>Taxes</u>	+	\$ 9999.99
Apply <u>Entity-type Adjustments</u>	+	\$ 9999.99
Deduct <u>Rental Income</u> not constituting business	--	\$ 9999.99
		<hr/>
Apportionable Taxable Income		\$ 9999.99

< Back Save Save and exit Cancel Next >

Apportionment - Property

Instructions
 Enter the values indicated and press Update Totals. The system will calculate your property value.

Property							
Beg Cost		End Cost		Avg Property Cost	Rent Expense		Property
Canal Winchester	<input type="text"/>	+	<input type="text"/>	/2 = 9999.99	+	<input type="text"/>	x 8 = 9999.99
Dayton	<input type="text"/>	+	<input type="text"/>	/2 = 9999.99	+	<input type="text"/>	x 8 = 9999.99
Franklinton	<input type="text"/>	+	<input type="text"/>	/2 = 9999.99	+	<input type="text"/>	x 8 = 9999.99
Westerville	<input type="text"/>	+	<input type="text"/>	/2 = 9999.99	+	<input type="text"/>	x 8 = 9999.99
Everywhere	<input type="text"/>	+	<input type="text"/>	/2 = 9999.99	+	<input type="text"/>	x 8 = 9999.99

Update Totals

< Back Save Save and exit Cancel Next >

Apportionment--Payroll and Gross Receipts

Instructions
Enter the values indicated for Payroll and Gross Receipts and press Next.

Property

Compensation*

Gross Receipts

*Wages, salaries and other compensation paid. See ORC 718.02(A)(2)

Canal Winchester

9999.99

Dayton

9999.99

Franklinton

9999.99

Westerville

9999.99

Everywhere

9999.99

< Back Save Save and exit Cancel Next >

Apportionment--Preliminary Apportioned Tx Income

Instructions

The values on this screen have been calculated based on the values you entered on the previous one. Do not enter any information on this page. All calculations on this page are performed by the system and are provided for reference only.

	Muni Property / Everywhere Property		Muni Compensation / Everywhere Compensation		Muni Gr Receipts / Everywhere Gr Receipts		1 / Number of factors		Apportionment Ratio		Apportionable Taxable Income		Preliminary apportioned Tx Income
Canal Winchester	(.123456	+	.123456	+	.123456)	x	1/3	=	.364758	x	9999.99	=	9999.99
Dayton	(.123456	+	.123456	+	.123456)	x	1/3	=	.098273	x	9999.99	=	9999.99
Franklinton	(.123456	+	.123456	+	.123456)	x	1/3	=	.178302	x	9999.99	=	9999.99
Westerville	(.123456	+	.123456	+	.123456)	x	1/3	=	.222890	x	9999.99	=	9999.99

Municipality-level Adjustments

<MuniName> Preliminary Apportioned Taxable Income \$ 9999.99

<u>Type of Adjustment</u>	<u>Adjustment Amount</u>
Apportioned Intangible Income	+ \$9999.99
Rental Activity	+ \$9999.99
Stock Option	+ \$ <input style="width: 80px;" type="text"/>
Apportioned dist share of losses from ptrnships	- \$9999.99
Apportioned income and gain from PTEs	+ \$9999.99

Total adjustments for this municipality (not including NOL) + \$ **9999.99**

Income apportioned to <MuniName> before NOL carryforward deduction: \$ **9999.99**

Can be pos
or neg

Can be pos
or neg

Update Totals

< Back
Save
Save and exit
Cancel
Next >

NOL

Instructions

Income apportioned to <MuniName> before NOL carryforward deduction: \$ **2600.00**

Schedule

Year	Total apportioned NOL	Loss amount claimed by year					Carryforward to future yrs
		2001	2002	2003	2004	2005	
2000	<input type="text"/>						
2001	<input type="text"/>						
2002	<input type="text" value="3000"/>			<input type="text" value="400"/>	<input type="text" value="500"/>	<input type="text" value="2100"/>	\$0
2003	<input type="text"/>						
2004	<input type="text" value="1500"/>				<input type="text" value="500"/>	\$1000	

Total NOL carried forward and used in 2005: - \$ **2600.00**

Taxable Income for <MuniName> \$ **0**

NOL

Instructions

Income apportioned to <MuniName> before NOL carryforward deduction: \$ **2000.00**

Schedule

Year	Total apportioned NOL	Loss amount claimed by year					Carryforward to future yrs
		2001	2002	2003	2004	2005	
2000	<input type="text" value="4000"/>	<input type="text" value="200"/>	<input type="text" value="300"/>	<input type="text" value="400"/>	<input type="text" value="300"/>	<input type="text" value="2000"/>	NOL Expired
2001	<input type="text"/>						
2002	<input type="text"/>						
2003	<input type="text"/>						
2004	<input type="text"/>						

Total NOL carried forward and used in 2005: - \$ **2000.00**

Taxable Income for <MuniName> \$ **0**

Apportionment--Tax Before Credits

Instructions

Do not enter any information on this page. The values on this screen have been calculated based on the values you entered previously.

	Apportionment Ratio		Apportionable Taxable Income		Tot Adjustments <small>Including NOL carryforward, if any</small>		Rate		Tx Before Credits
Canal Winchester	[.364758	x	9999.99	+	9999.99]	x	2.0	=	9999.99
Dayton	[.098273	x	9999.99	-	9999.99]	x	2.1	=	9999.99
Franklinton	[.178302	x	9999.99	+	9999.99]	x	1.0	=	9999.99
Westerville	[.222890	x	9999.99	-	9999.99]	x	1.5	=	9999.99

Can be positive or negative

Calculated Payment Amount

Instructions
TBD

Tax Due*	718.14B Credit	Unpaid Penalty	Unpaid Interest	Pmnts rep'd through OBG	Other pmnts already made	Under- payment	Over- payment
----------	-------------------	-------------------	--------------------	----------------------------	-----------------------------	-------------------	------------------

*Before Payments, Credits,
Penalties and Interest

Canal Winchester	9999.99	-	0	+	<input type="text"/>	+	<input type="text"/>	-	<input type="text" value="9999.99"/>	-	<input type="text"/>	=	9999.99
Dayton	9999.99	-	<input type="text"/>	+	<input type="text"/>	+	<input type="text"/>	-	<input type="text" value="9999.99"/>	-	<input type="text"/>	=	9999.99
Franklinton	9999.99	-	0	+	<input type="text"/>	+	<input type="text"/>	-	<input type="text" value="9999.99"/>	-	<input type="text"/>	=	9999.99
Westerville	9999.99	-	<input type="text"/>	+	<input type="text"/>	+	<input type="text"/>	-	<input type="text" value="9999.99"/>	-	<input type="text"/>	=	9999.99

Show Detail

Calculate

< Back Save Save and exit Cancel Next >

Overpayments

Instructions
tbd

Overpayment	Disposition*	Carryforward Amount	Refund Amount
-------------	--------------	---------------------	---------------

*Some munis do not allow splits. In this case, the split option has been disabled.

Canal Winchester	9999.99	<input type="radio"/> Carryforward <input type="radio"/> Refund <input checked="" type="radio"/> Split	<input type="text"/>	<input type="text"/> Minimum Refund \$2
Franklinton	9999.99	<input type="radio"/> Carryforward <input checked="" type="radio"/> Refund <input type="radio"/> Split		9999.99
Westerville	9999.99	<input checked="" type="radio"/> Carryforward <input type="radio"/> Refund <input type="radio"/> Split	9999.99	

Update Totals

< Back Save Save and exit Cancel Next >

Supporting Data

(Placeholder)

Need to collect muni-specific data (from Ancillary Data collected)



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Final Summary (Placeholder)

Will include all tax data filed. Format TBD.

2.27 Final Report

The purpose of this final report is to serve as a cover sheet which the bpr can attach to the federal information required by the munis and send in regular mail. One such report should be produced for each muni selected in the user's session.

The general form of the report has been mocked up below, but it is not considered final.

I

Notes

- This rpt will be generated after the user has completed the payment pipeline. Its primary purpose is to serve as a cover sheet for sending required federal information to the munis.
- This rpt must include language telling user that he must include all relevant K-1s if he answered Y to any of the following questions:
 - Will you claim, on this return, the credit allowed under IRC 718.14(B)?
 - Do you have, on this return, a distributive share of losses from partnerships in which you have an equity investment?
 - Do you have, on this return, a distributive share of income or gain from pass through entities in which you have an equity investment?

On <Month DD, YYYY>, the taxpayer identified below used the Ohio Business Gateway to file a Net Profits Return with the municipality identified below.

Taxpayer Information	Municipality Information
Bob Smithers	The Village of South Bloomfield
123 Main St	c/o: Gladys Kravitz
Smithville, OH 44444	456 Maple Ave
614.999.9999	S Bloomfield, OH 43210
FEIN: 74738543	614.999.9999
UBG Confirmation #: 203450234875	GKravitz@Bloomers.gov

The municipality identified above requires taxpayers to submit copies of all federal tax data with the net profits return. Please attach a copy of this report along with copies of all federal tax forms and schedules and submit these to the municipality. **Timeframe?**

If you have requested a refund, this refund is payable within 90 days of the receipt of all data required by the muni.



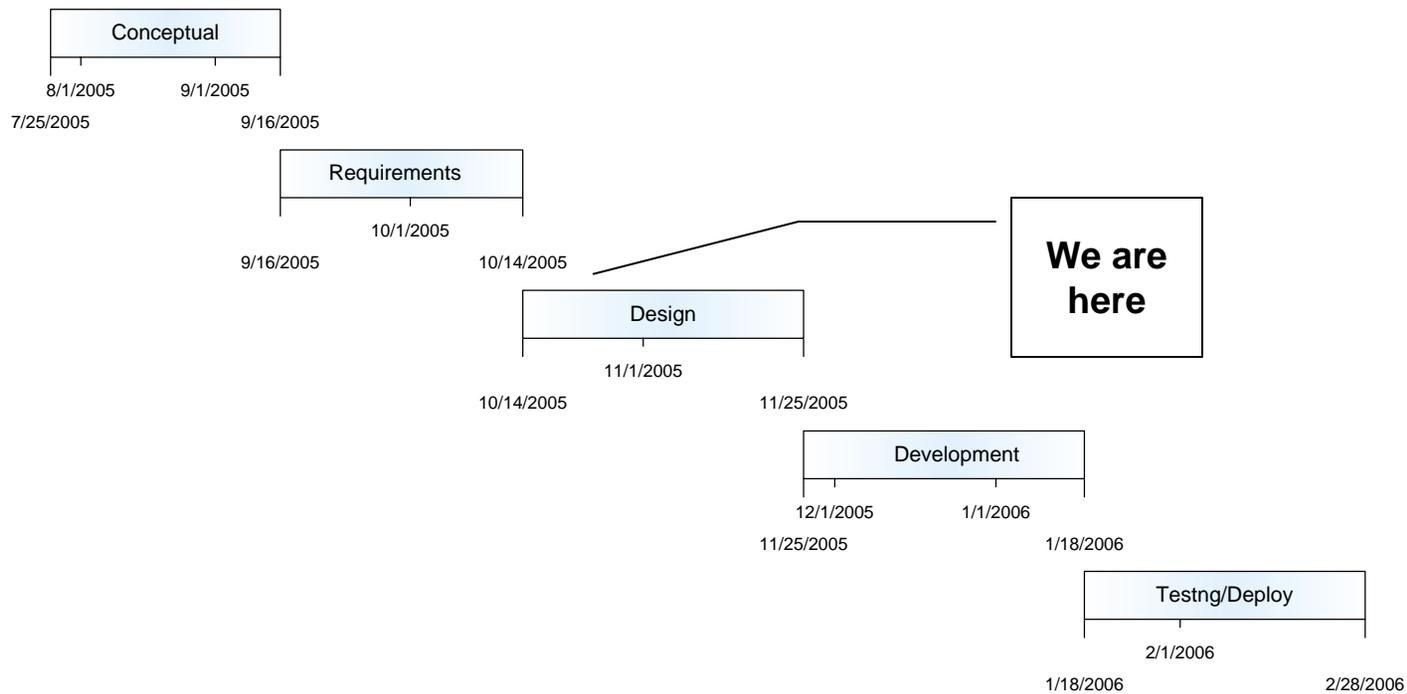
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Project Status & Next Steps



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Project Schedule





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Next Steps

- Finalize requirements - business rules, screens, ancillary data elements
- Update letter to all municipalities by November 10
- Certification process starts in early December
- Machine readable formats published by mid- December
- Test Planning initiated in early January.
- Schedule Outreach Opportunities (Jan/Feb)



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Next Steps

- Go Live date is late February – early March
- **All currently active municipalities will be automatically enabled for net profit return filing (certifications must be returned)**
- Remember...nothing changes with respect to existing applications, mailboxes, or funds transfer processes



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Closing Remarks

- Please provide written comments regarding today's event by November 10, 2005
- Forum materials can be viewed on the Municipal Tax Project Website at:

<http://munitax.obg.ohio.gov>



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Final Q/A

Immediate Comments



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Contact Information

<http://munitax.obg.ohio.gov>

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Thanks for Attending!