

# INSTRUCTIONS FOR PREPARING CITY OF KETTERING BUSINESS INCOME TAX RETURN

Please complete Page 2, Schedules X and Y before completing Part A – Tax Calculation.

## PART A – TAX CALCULATION

**LINE 1:** Enter Federal Taxable Income from the appropriate federal form as follows:

- Form 1120 – Line 28
- Form 1120-S – Schedule K, Line 18
- Form 1065 – Analysis of Net Income (Loss), Line 1
- Form 1041 – Line 23

**LINE 2:** Complete the Schedule X on page 2 of the return using the instructions below and enter the total net adjustments.

### ITEMS NOT DEDUCTIBLE (ADDITIONS)

Line A – Enter the amount of non-deductible losses incurred from the sale or exchange of capital or other assets (IRC Section 1231 Losses).

Line B – Enter the amount of taxes paid based on net income, including any state and local tax.

Line C – Enter the amount of guaranteed payments to partners or members, only if not already included in net profits.

Line D – Enter the amount equal to 5% of the expenses attributable to total intangible income (excluding capital gains).

Line E – Enter the amount of Real Estate Investment Trust (REIT) distributions.

Line F – Enter the amount paid or accrued for qualified retirement plans on behalf of partners, shareholders or members.

Line G – Enter the amount paid or accrued for health and/or life insurance plans on behalf of partners, shareholders or members.

Line H – Enter the amount of net loss from pass-through entities owned directly or indirectly by the taxpayer and included in the taxpayer's federal taxable income, unless the net loss is included in the net profit of an affiliated group in accordance with ORC 718.06(E)(3)(b).

Line I – Other (Please provide an explanation, ie. charitable contributions limitations, Section 179 add-back, etc.)

TOTAL ADDITIONS – Add lines A through I and enter the amount on Line J

### ITEMS NOT TAXABLE (DEDUCTIONS)

Line K – Enter the amount of non-taxable gains from the sale or exchange of capital or other assets (IRC Section 1231 gains). Do not include IRC Section 1245 or 1250 gains.

Line L – Enter the amount of dividend income.

Line M – Enter the amount of interest income.

Line N – Enter the amount of other intangible income including patents, trademarks, copyrights and royalties (unrelated to gas, oil or land) as defined by ORC 718.01(S)).

Line O – Enter the amount of net profit from pass-through entities owned directly or indirectly by the taxpayer and included in the taxpayer's federal taxable income, unless the net profit is included in the net profit of an affiliated group in accordance with ORC 718.06(E)(3)(b).

Line P – Other (Please provide an explanation) **(Do not include any deductions for federal tax credits.)**

TOTAL DEDUCTIONS – Add lines J through O and enter the amount on Line Q

**NET ADJUSTMENTS – Subtract the total on Line Q from Line J and enter the total on Page 1, Line 2.**

**LINE 3:** Line 1 plus Line 2.

**LINE 4:** Calculate the allowable pre-apportionment net operating loss (NOL) using the Net Operating Loss worksheet on page 3 of the instructions. Enter the allowable amount on Line 4.

Note that for tax years 2018-2022, only 50% of the available loss carryforward may be deducted in subsequent tax years; such limitation applies only to losses incurred in tax years 2017 and after. Losses incurred in tax years 2017 and after are also applied on a pre-apportionment basis.

Note: For loss carryforward purposes, a partnership loss shall remain at the partnership level for taxable years beginning on or after January 1, 2016.

**LINE 5:** Line 3 plus Line 4.

**LINE 6:** Complete the Schedule Y on page 2 of the return using the instructions below and enter the apportionment percentage. Column A relates to total property, wages and gross receipts as reported on the federal return. Column B should be completed for property situated, compensation paid to employees for services performed, and gross receipts from sales made or services performed in the City of Kettering.

**STEP 1:** Enter the average original cost of real and tangible personal property owned by the taxpayer everywhere (column A) and in Kettering (column B). Then, enter the total amount of rents deducted on your federal return multiplied by 8 (column A) and Kettering rents multiplied by 8 (column B). Total each column and then divide the total for Column B by the total for Column A, enter the percentage.

**STEP 2:** Enter the wages, salaries and other compensation paid to employees for services performed everywhere (column A) and specifically in Kettering (column B). Divide Column B by Column A, enter the percentage.

**STEP 3:** Enter the gross receipts from sales made or services performed everywhere (column A) and gross receipts from sales made or services performed in Kettering (column B). Divide Column B by Column A, enter the percentage.

**STEP 4:** Add the percentages from Steps 1-3.

**STEP 5:** Divide the percentage total from Step 4 by the number of factors used. (For example, if all three factors are used, divide Step 4 by 3. If only two factors were used, divide Step 4 by 2, etc.) Enter the resulting percentage on Page 1, Line 6.

**LINE 7:** Multiply Line 5 by Line 6.

**LINE 8:** Multiply Line 7 by 2.25% (.0225).

**LINE 9a:** Enter the amount of estimated tax payments including any amounts paid with an extension.

**LINE 9b:** Enter the amount of prior year credit, if applicable.

**LINE 10:** Line 9a plus Line 9b.

**LINE 11:** Line 8 minus Line 10.

**LINE 12:** Enter the amount of penalty, if applicable. A 15% penalty will be imposed on the balance of unpaid tax due as of the first day after the original due date of the return.

**LINE 13:** Enter the amount of interest, if applicable. Interest will be imposed on the balance of unpaid tax due beginning with the first day after the original due date of the return. The interest rate is adjusted annually based on the federal short-term rate + 5%. Please visit our website ([www.ketteringoh.org](http://www.ketteringoh.org)) for the current interest rate.

**LINE 14:** If the return is past due, a \$25.00 late filing penalty is imposed. This penalty is due in addition to all other penalties even if no tax is due. Enter the applicable amount.

**LINE 15:** Add Lines 11-14. This is your balance due. If Line 15 reflects an overpayment, enter this amount on Line 16.

**LINE 16:** Overpayment from Line 15.

**LINE 17:** Enter the amount from Line 16 to be refunded.

**LINE 18:** Enter the amount from Line 16 to be credited to your 2023 estimated tax liability.

**Note:** If you are required to pay estimated tax payments, you must continue and complete Part B of this return.

## **PART B – DECLARATION OF ESTIMATED TAX FOR 2023**

**LINE 19:** Enter the amount of estimated income for 2023.

**LINE 20:** Multiply Line 19 by 2.25% (.0225) to determine the total estimated tax due for 2023.

**LINE 21:** Multiply Line 20 by 22.5% (.225) to determine the amount of estimated tax due for the first quarter.

**LINE 22:** Enter the amount of credit from Line 18 above.

**LINE 23:** Enter the net estimated tax due if Line 21 minus Line 22 is greater than zero.

**LINE 24:** Line 15 plus Line 23. **Make checks payable to City of Kettering.** Online payments can be made on our website via electronic check, credit card or debit card. A convenience fee will be added to all credit card and debit card payments.

## **MAIL COMPLETED RETURNS TO:**

**City of Kettering Income Tax Division  
P.O. Box 639409  
Cincinnati, OH 45263-9409**

**Phone: 937-296-2502 Fax: 937-296-3242**

**Email: [ketteringtax@ketteringoh.org](mailto:ketteringtax@ketteringoh.org)**

**Website: [www.ketteringoh.org](http://www.ketteringoh.org)**

**CITY OF KETTERING INCOME TAX DIVISION  
 BUSINESS NET OPERATING LOSS WORKSHEET  
 TAX YEAR \_\_\_\_\_**

**STEP 1: COMPLETE THE NET OPERATING LOSS WORKSHEET**

YEAR LOSS WAS INCURRED	ORIGINAL NET OPERATING LOSS (A)	- AMOUNT OF NOL USED PRIOR TO 2022 (B)	= AVAILABLE NET OPERATING LOSS (C) = (A) - (B)	AMOUNT OF LOSS UTILIZED ON 2022 RETURN FROM STEP 2(C) BELOW (E)	REMAINING LOSS CARRIED TO 2023 CF= (A) - (B) - (E)
2017	-	-	=		<b>EXPIRED</b>
2018	-	-	=		
2019	-	-	=		
2020	-	-	=		
2021	-	-	=		
2022	-	-	=		
<b>TOTALS</b>	-	-	=		

(D)

**STEP 2: CALCULATE ALLOWABLE AMOUNT OF NET OPERATING LOSS**

(Limited to the lesser of 50% of Net Income OR 50% of Net Operating Loss)

(A) Form KBR-1040, Line 3 \_\_\_\_\_ × 50% = \_\_\_\_\_

(B) Amount from Step 1(D) above \_\_\_\_\_ × 50% = \_\_\_\_\_

(C) Lesser of Step 2(A) or Step 2(B) \_\_\_\_\_

**STEP 3: ENTER AMOUNT FROM STEP 2(C) ON FORM KBR-1040, LINE 4**