



Individual Income Tax Return: General Information

Notice: The State of Ohio made significant changes to the Ohio Municipal Income Tax laws (Chapter 718 of the Ohio Revised Code) effective January 1, 2016. Please read below to learn how these changes may impact you.

REQUIRED ATTACHMENTS	Ohio State law requires that your Montgomery return include a copy of page 1 of your Federal 1040 form, the Federal Schedule 1 form (if applicable) and all W-2 forms. Please attach a supporting document to verify each income, loss or deduction item reported on your city return. Examples include Federal Schedules C, E, F, K-1, Form 4797 and/or 1099-Misc.
ESTIMATED TAX	Taxpayers who anticipate a net tax liability of \$200.00 or more are required under Ohio law to remit estimated tax payments. Quarterly estimated tax payments are due on April 15, June 15, September 15 and January 15. A minimum of 90% of tax liability must be received by the January 15 due date to avoid possible penalties.
LOSS CALCULATION	All income or loss from self-employment, rentals, partnerships, fees, ordinary gains and losses reported on Form 4797, and any other business activity must be netted together to arrive at an overall net profit or loss for the current year. If the netting results in an overall loss, the loss may be carried forward for a period not to exceed five (5) years. Please note: The methodology for computing overall net profit or loss has changed effective January 1, 2016. Please refer to the worksheets and instructions on page 4 for calculation details. Note: Losses previously allocated to Montgomery for tax years 2014 through 2016 may be used at 100% to offset any profits. Credit for losses incurred in 2017 and 2018 will be limited to the lesser of 50% of the loss or 50% of the remaining 2019 profit.
REFUNDS AND CREDITS	Refunds are allowed only when city income tax has been paid to or withheld for Montgomery. Note: There is a three (3) year statute of limitations for claiming a refund or credit of any overpayment of city tax. Overpayments of \$10.00 or less will not be refunded or carried forward.
PAYMENTS	Make checks or money orders payable to the City of Montgomery. The Tax Office accepts VISA, Mastercard, Discover and American Express cards with no processing charge. If the balance due with your return is \$10.00 or less, payment need not accompany your return.
EXTENSIONS	Taxpayers who have requested a 6-month extension for filing their federal income tax return shall automatically receive a 6-month extension for the filing of their city tax return. Taxpayers who have not requested a 6-month extension for their federal income tax return may be granted a 6-month extension by submitting a request to the Tax Administrator by the due date of the return. An extension of time to file is not an extension to pay tax due. Penalty and interest charges will apply to all payments received after the return due date. A copy of your Federal extension form must be attached to your return when filed. Only those extension requests received in duplicate with a self-addressed, postpaid envelope will have a copy returned after being appropriately marked.
PENALTY AND INTEREST	Effective beginning the 2016 tax year: Late filing penalty will be imposed for the failure to timely file a return (regardless of liability shown) at the rate of \$25.00 <u>per month or fraction thereof</u> , up to a maximum of \$150.00. Penalty will be imposed on all tax remaining unpaid after becoming due. The penalty rate is 15% of the amount not timely paid. Interest will be imposed on all tax remaining unpaid after becoming due. The rate is adjusted annually based on the federal short-term rate plus 5%.
MAILING ADDRESS	If you are requesting that your account be inactivated due to your moving from the jurisdiction with no intent to return, although retaining a mailing address within the jurisdiction as your address of record, please enter the date of your move, the reason and attach supporting documentation with regard to your relocation.
EXEMPTIONS TO MANDATORY FILING	Any person under 18 years of age who has not previously filed a return and has no earned income. Any permanently disabled or retired person with only non-taxable sources of income; and who has previously filed a return establishing their status with the City's tax office and who will continue to have no earned income.
DISCLAIMER	Definitions and instructions are illustrative only. The City of Montgomery Income Tax Ordinance and the Ohio Revised Code supersede any interpretation presented.

Instructions for Individual Income Tax Returns

(For complete line-by-line instructions in more detail, visit our website at www.montgomeryohio.org and click on Tax Forms)

This form is to be used by individuals who receive income reported on Federal Forms W-2, W-2G, Form 4797, 1099-MISC, or Federal Schedules C, E, F or K-1. Individuals who file as Sole Proprietors of Single Member LLCs should also use this form.

- LINE 1:** List the total of qualifying wages from all W-2 forms. Qualifying wages generally include amounts reported in the Medicare wage Base (Box 5 of W-2); however, there are exceptions. Qualifying wages include, but are not limited to: Deferred Compensation, i.e. 401(k) and 457(b), Deferred annuity plans and stock options.
****Interest, dividends, pension/retirement, alimony received, active military pay and allowances, unemployment, workers compensation and Social Security income are not taxable. Capital gains are not taxable unless considered ordinary income.****
- LINE 2:** Other taxable income: Includes, but is not limited to, Federal 1040 Schedule 1, Line 8 income, gambling and prize winnings, director's fees, taxable HSA withdrawals and scholarship distributions.
- LINE 3:** Less non-taxable income: Part-year residents: Income may be pro-rated for residents who move into or out of Montgomery during the current year. It is also necessary to adjust any credit claimed for other city tax withheld or paid. Please indicate move-in or move-out date on the front of the tax form.
- LINE 5:** Total Business income: To calculate total taxable business income from Schedules C, E, F; Form 4797 and K-1, please complete Worksheet A. Enter the total from Column D, Line 7 of the worksheet. See example on the following page.

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LINE 8c: Enter credit for tax paid to other municipalities. Credit for tax withheld and paid to another municipality may not exceed 1% of those wages actually taxed. Tax withheld at a rate higher than 1% must be reduced to the percent allowable (e.g., tax paid to Cincinnati divided by 2.1 equals Montgomery credit). Residents with income or loss from business activity should complete Work sheet B (see example below) and add the total from Line 12F to the allowable credit from W-2 forms and other income. If a refund was issued from another city, please adjust credit accordingly and provide documentation, such as the city tax return or refund form.
****No credit is given for taxes paid to counties or for school district taxes.****

LINE 9: If amount on Line 9 is \$10.00 or less, no payment needs to be remitted. If tax due is \$10.01 or greater, balance of tax due must accompany return. If paying by credit card, please include full 16-digit card number, expiration date, and verification code.

LINE 10: Overpayment of \$10.01 or greater may be credited to the 2020 tax year or refunded. Overpayments will be applied to the 2020 estimate unless a refund is requested in writing. By law, all refunds and credits in excess of \$10.00 are reported to IRS.

LINE 11 Estimated tax payments are required by every taxpayer who reasonably expects to have a tax liability of \$200 or greater which will not be withheld by an employer; or is due based on business or other types of income. Estimate 2020 income: multiply estimated income by 1%. If no declaration is submitted, the Tax Office will post a declaration based on preceding full year's tax liability.

LINE 12 a-b: Enter any expected withholding credits for payments to Montgomery (Line 12a) or other municipality (Line 12b).

LINE 13: Enter the net 2020 estimated tax due. You may pay the full amount of estimated tax with the filing of this form.

LINE 14a: First quarter payment of at least 22.5% of amount calculated on Line 13 must be entered on this line. (See Page 3 instructions)

LINE 14b: Enter the amount of any credit carried over from the prior year and subtract from Line 14a.

LINE 14c: Enter the amount of first quarter payment. Subsequent payments will be due the 15th of June, September and January 2021.

LINE 15: Total of payment accompanying return (Line 9 plus Line 14c).

PAGE 2: Complete Worksheet A if you have income from business activity. Attach copy(s) of Federal Schedule(s) C, E, F and/or K-1 form(s). All income and loss must be netted together to arrive at overall profit or loss for the current year. Enter amount from Column D, Line 7 on Page 1, Line 5. If the total is a loss, this amount may be carried forward for up to five years to offset gain.

Worksheet A, Line 6: Losses allocated to Montgomery from 2014—2016 are available at 100% to offset any profits.

Line 7: 2017 and 2018 available losses will be limited to the lesser of 50% of the loss or 50% of the remaining 2019 profit.

Business losses may not be used to offset W-2 wages or other compensation.

EXAMPLE

WORKSHEET A		B	C	D
NET PROFIT / LOSS FROM BUSINESS		PROFIT	LOSS	TOTAL
1	Schedule C Business Income (Form 1040, Schedule 1, Line 3)	5,000	200	4,800
2	Ordinary Income or Loss (Form 1040, Schedule 1, Line 4 (attach Federal 4797)		3,000	(3,000)
3	Schedule E, Rental, Partnership, or Other Income (Form 1040, Schedule 1, Line 5)	1,000		1,000
4	Schedule F Income (Form 1040, Schedule 1, Line 6)			
5	Total prior year losses carried forward and applied in current year 2014 _____ 2015 _____ 2016 <u>\$1,000</u> TOTAL LOSSES		1,000	(1,000)
6	2017-2018 Loss: (Amount of 2017-2018 losses being used cannot exceed 50% of either the amount of the loss or the remaining 2019 income not offset by 2014-2016 losses) 2017 Loss: \$2000		1,000	(1,000)
7	TOTALS	6,000	5,200	\$800

Enter total from Column D, Line 7 on Page 1, Line 5. Current year losses may be carried forward for five years.

EXAMPLE

WORKSHEET B: Credit for tax paid to other cities on business income. (For residents only)		List each municipality separately and add another page if needed. Attach copies of all other local tax returns for credit			
A	B	C	D	E	F
Municipality where taxes were paid:	Tax Rate	Profit	Local taxes paid	Maximum Credit Column B x 1%	Credit Allowed—Lower of Column D or E
8 Cincinnati	2.1%	2,000	42.00	20.00	20.00
9 Blue Ash	1.25%	1,000	12.50	10.00	10.00
10 Loveland	1%	1,000	10.00	10.00	10.00
11 Total possible credit		4,000	64.50	40.00	40.00
12	Maximum credit allowed: (Worksheet A, Column D total x 1%)				8.00

INCLUDE WITH YOUR RETURN: Copies of all W-2 forms. Be sure copies include information shown in Boxes 5, 18, 19, and 20. If tax was withheld and paid to multiple cities, submit copies showing tax paid to each individual locality. (Boxes 18-20). Include copy of Federal form 1040, page 1 and copy of Federal Schedule 1. Include copies of Federal Schedules C, E, F, Form 4797, and K-1 forms if applicable. If married filing separately, include documents for both spouses.

Note: Unless accompanied by the above documents, payment (if any) of the balance of 2019 tax due (Line 9) and at least 22.5% of the estimated tax for 2020, this form is not a complete, legal final return or declaration.