

INSTRUCTIONS FOR PREPARING INDIVIDUAL INCOME TAX RETURNS

FILING DEADLINE IS ON OR BEFORE APRIL 15, 2009. EXTENSIONS will be granted for good cause by the administrator if written request or Federal Extension is received on or before April 15, 2009 stating reason.

GENERAL INSTRUCTIONS

WHO MUST FILE: Every resident, 18 years or older. All earned income or net profit from any source is taxable. All earnings wherever earned are considered taxable. The location of the places from which payment is made or where payment is received is immaterial. Every business entity (individual, proprietorship, etc.) whether a resident or non-resident who conducts a business in this municipality must file a return and pay tax on the net profits.

PERSONS UNDER EIGHTEEN (18) YEARS OF AGE are not subject to the tax. If you worked in Eastlake and Eastlake city tax was withheld, a refund request form is available from the Tax Department. A copy of your birth certificate or drivers license and W-2's are required with the refund form.

RETIRED RESIDENTS on social security and pensions only with no other taxable income are required to check the box indicating retirement, include the date of retirement, sign the return and mail it to the Tax Department.

PARTIAL YEAR RESIDENT: If you were a resident of the City of Eastlake for only a portion of the year, you must file and report the income earned during the period of your residency. Attach worksheet.

INCOME TAXED BY CITIES: You must report all your income regardless of the income's origin or characteristics including: wages, salaries, commissions, other compensation including fees, sick pay, bonuses, tips, rents, profits from businesses including professional associations and partnerships, officers compensation, royalties, employer supplemental unemployment benefits (subpay), wage continuation plans, dismissal or severance pay, incentive payments, property in lieu of cash, lottery, gambling (schedule A losses not recognized), prizes, awards, depreciation recapture and other compensation earned, received or accrued. Your contribution to retirement plans, annuities or individual retirement plans (IRA's) and all other deferred compensation plans are taxable.

INCOME NOT TAXABLE includes dividends, interest, military pay and allowances, insurance proceeds, pensions, annuities, alimony, social security, Medicare, ADC, welfare, unemployment benefits, gifts, inheritances, and scholarships. Income of religious, fraternal, charitable or other non-profit associations are exempt from the tax if exempt from real estate tax or exempt by enumeration in section 718.01 of the Ohio Revised Code or section 501(a) of the Internal Revenue Code.

PENALTIES AND INTEREST are imposed for failure to file a return or pay the tax due by tax due date.

FULL CREDIT FOR MUNICIPAL TAX withheld or paid to other communities is given and you are not double taxed. Credit cannot exceed the present 2% rate on each W-2 form you receive or amounts paid to other communities that tax in excess of 2%.

UNREIMBURSED EMPLOYEE BUSINESS EXPENSES: You may deduct unreimbursed employee business expenses in excess of 2% of Federal Adjusted Gross Income. Business expenses are limited to the following items: Vehicle expense (standard mileage rate or actual expenses); parking fees, tolls and transportation, including train, bus or air travel expenses while away from home overnight. Vehicle and travel expenses for educational purposes or for the purpose of commuting to the place of employment are not permitted. (ALL OTHER BUSINESS EXPENSES ARE DISALLOWED.) REQUESTS ARE SUBJECT TO FEDERAL 2% FLOOR.

AMOUNTS WITHHELD FOR WORK-RELATED TRAVEL OUT OF THE GENERAL AREA has been repealed and will no longer be recognized.

SPECIFIC INSTRUCTIONS

HEADING - If form is blank, print your name, address and social security number clearly, or make needed corrections if already imprinted.

LINE 1 - Wages. List your gross city wages from box 5 on W-2 form or list your **highest gross wage** listed on the W-2 form. Each line represents the taxable wage received from each employer. Deferred compensation and fringe benefits are not exempt from city income tax. If these amounts are not reconcilable between the Medicare wages or federal wages as shown, and the city wages, the W-2 will be questioned.

LINE 2 - Is the total of schedules C, G & H on the reverse side of the tax form (other income subject to tax, self employment, rental income, etc.) brought forward from page 2. See instructions for schedules C, G & H (Other Income).

LINE 3 - Total of lines 1 (b) and line 2.

LINE 4 - Multiply line 3 by .02 (2%).

LINE 4(A) - If you have received refunds of taxes paid relating to travel outside of your work city, enter the amount here. This amount is to be added to line 4.

LINE 5(A) - Enter the total municipal income tax withheld by your employer as shown on 1(A). **This must not exceed 2% per W-2.** Note: **IMPORTANT MESSAGE:** Withholding in excess of 2% from one W-2 may not be used as credit towards another W-2 form for earnings withheld at less than 2%. For each municipality in which you are employed, you may take no more than 2% credit for each municipality.

LINE 5(B) - Payments made to other municipalities on income shown on Line 1(B) or Line 2. Do not list any tax withheld by employer as shown on W-2 form, since already included in Line 1(A). Show only payments made to other municipalities for this taxable year (not to exceed Eastlake Tax Rate). **Attach copy of Return.**

LINE 5(C) - Enter total estimated tax payments for **this** year.

LINE 5(D) - Enter credit from prior year(s), overpayments you indicated on the prior years return to be credited against this year's tax.

LINE 5(E) - Is the total of Lines 5(A), 5(B), 5(C) and 5(D).

LINE 6 - If line 4 is greater than Line 5(E) the difference should be entered here. Remittance in this amount must accompany the return when filed. If this amount is less than \$1.00, you do not have to pay.

LINE 7 - If Line 5(E) is greater than Line 4 the difference should be entered here. This amount will be transferred as a credit towards next year's tax unless you request a refund. Refunds of less than \$1.00 are not made.

LINE 8 - Enter the amount of Line 7 you want credited to your 2009 estimated tax.

LINE 10 - All taxes remaining unpaid after they become due shall bear interest at the rate of one and one half percent per month (1.5%). Penalty for failure to pay taxes due; one and one half percent (1.5%) per month or fraction thereof.

LINE 11 - Is the result of Lines 6, 9 and 10.

LINE 12 - If you owed more than \$60 in tax for 2008 filing estimated tax for 2009 is REQUIRED. You can use prior year's liability for current year's estimate or recompute an estimate using the format of the annual return. Failure to make required estimates of 90% of tax due or 100% of prior years tax, will be subject to penalty.

SEE OTHER SIDE FOR INSTRUCTIONS FOR PREPARING BUSINESS INCOME TAX RETURNS

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SCHEDULE C All business entities **must** complete this schedule. If you had more than one business, a separate schedule C must be completed for each business. An individual engaged in two or more taxable business activities in a single municipality may include them in the same return. The net loss of one may be used to offset net profit of another only if they are all located in Eastlake and are for same spouse. The loss from business activity may not be used to offset earned income such as salaries or wages. Business losses cannot offset rental income unless engaged in the business of rental investments.

***Rent expense** on line 20 of federal form Schedule C, line 26 of form 1120 or line 11 of form 1120S **will not be allowed** unless name(s), address(es) of landlord(s) are furnished. **EXPENSE DEDUCTIONS FOR "TAXES AND LICENSES" AND "OTHER EXPENSES" MUST BE ITEMIZED.**

SCHEDULE G Information on this schedule must correspond to schedule E, part II as filed with the Internal Revenue Service, using the same method of depreciation. Rental losses can only be netted against rental profit if both are located in the City of Eastlake. Rental losses may not be used to offset earned income such as salaries, wages, self employment income or partnership income. **Federal schedule E and supporting statements must be attached and contain complete address of each Eastlake property.**

SCHEDULE H This schedule is used to list all other taxable income not reported elsewhere on this return. Types of income to be reported here are: partnership, estates, trusts, fees, tips, prizes, gross gambling winnings (schedule A no longer recognized), awards, commissions, supplemental unemployment benefits, property in lieu of cash, excess business expense reimbursement, refunds of local taxes to business entities if deducted in a prior year, officers compensation if not claimed on W-2 wages, taxable income from all other sources deemed taxable by Federal and State government.

SCHEDULE X is used for the purpose of making adjustments when total income (line 2) includes income not taxable and/or items not deductible for city purposes i.e., interest, dividends, capital gains from the sale, exchange or other disposition of property shall not be taken into consideration in arriving at net profits earned. Items not deductible include federal, state, local or other taxes based on income including franchise tax. Capital losses from the sale, exchange or other disposition of property shall not be taken into consideration in arriving at net profits earned. Expenses incurred in the production of non-taxable income, net operating loss deduction per Federal Return, payments to partners, payments to "officers" unless included on W-2 forms, sick pay, contributions or any other items as prohibited by the Federal or State government. Amounts considered as "special" deductions on Federal are not considered for local tax. **NOTE: CHARITABLE CONTRIBUTIONS ARE NO LONGER CONSIDERED IN CALCULATING NET PROFITS.**

SCHEDULE Y Must be fully completed if business activity is proportionately less than 100%.

LOSS CARRIED FORWARD Loss carry forward will be recognized to the extent THE PRIOR YEAR HAS BEEN FILED TIMELY. No portion of a net operating loss shall be carried back against net profits of any prior year. Only a loss attributable to the City of Eastlake will be recognized on schedule Y line 22(C).

TOTAL FROM LINE 23 Enter on page 1, Line 2. If amount is negative, place allowable loss on Line 2.

DECLARATION OF ESTIMATED PAYMENTS are **REQUIRED** if balance due exceeds \$60.00 or if you anticipate taxable income which is not subject to withholding. The first quarter is also due April 15, 2008 when you file this return. You will be billed for remaining quarters. You will be penalized if you fail to file an estimate. Estimates can be amended if necessary.

***NOTE:** All Sub Chapter S Corporation Partnerships and Limited Liability Companies located within the city will be taxed at the entity level.

**PLEASE NOTE:
RETURNS WILL NOT BE PROCESSED COMPLETELY
UNLESS ALL APPROPRIATE FEDERAL SCHEDULES ARE ATTACHED.**

**EXTENSIONS MUST BE RECEIVED
IN THE TAX DEPARTMENT BY
THE DUE DATE OF THE RETURN.**

AN EXTENSION IS NOT A EXTENSION TO PAY TAX DUE, ONLY AN EXTENSION TO FILE

**CARRY FORWARD OF LOSSES ARE LIMITED TO ONE YEAR.
ONLY THE PRECEDING TAX YEAR, IF FILED TIMELY, WILL BE TAKEN INTO
ACCOUNT IN CALCULATING A NET OPERATING LOSS CARRY FORWARD.**