

INSTRUCTIONS FOR PREPARING INDIVIDUAL INCOME TAX RETURNS

FILING DEADLINE IS ON OR BEFORE APRIL 30, 2004. EXTENSIONS will be granted for good cause by the administrator if written request or Federal Extension is received on or before April 30, 2004 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, 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.

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 2 - Is the total of 2003 Worksheet Column H.

LINE 3 - Enter total estimated tax payments for **this** year. If entry already appears, make sure 4th quarter payment is included.

LINE 4 - Enter credit from prior year(s), overpayments you indicated on the prior years return to be credited against this year's tax.

LINE 5 - Is the total of Lines 3 and 4.

LINE 6 - If Line 2 is less than Line 5 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 any overpayment 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 2004 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 will owe more than \$60 in tax for 2004, filing estimated tax for 2004 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.

THE TAX DEPARTMENT IS AVAILABLE MONDAY THROUGH FRIDAY, 8:30 AM TO 4:00 PM, TO PREPARE YOUR CITY OF EASTLAKE TAX RETURN AT NO CHARGE.

SEE OTHER SIDE FOR INSTRUCTIONS FOR PREPARING BUSINESS INCOME TAX RETURNS

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, gambling winnings, 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 in excess of 10% of federal net profits or any other items as prohibited by the Federal or State government.

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

LOSS CARRIED FORWARD Loss carry forwards will be recognized to the extent ALL PRIOR YEARS HAVE BEEN FILED TIMELY. No portion of a net operating loss shall be carried back against net profits of any prior year. Only losses attributable to the City of Eastlake will be recognized.

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 30, 2004 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. Those located outside of Eastlake are subject to 1.75% credit if an Eastlake resident.

**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.**

2003 ORDINANCE CHANGES FOR TAX COLLECTIONS UNDER SECTION 183

**REFUND OF WITHHOLDING FOR WORKING OUT OF THE GENERAL AREA
HAS BEEN REPEALED AND WILL NO LONGER BE RECOGNIZED.**

**A CREDIT LIMIT OF 100% OF A MAXIMUM OF 2% WITHHOLDING IS IN PLACE
FOR TAX YEAR 2004.**