

City of Akron  
Income Tax Division  
**Instructions for  
Form BR**  
Akron Business Return



BR. If you report business income from self-employment, rental or farm activity using Schedules C, E or F, and file federal Form 1040, you must file Form IR, Akron's tax return for individuals and joint filers.

**WHEN TO FILE:**

File no later than APRIL 17, 2018 if you are a calendar year filer. Fiscal filers must file by the 15<sup>th</sup> day of the fourth month following the close of their fiscal tax year.

**DECLARATION OF ESTIMATED INCOME TAX:**

**Please note the due dates for Estimated Tax payments.** Due dates for calendar year-end taxpayers are:

<u>Tax Form</u>	<u>% of Estimated Tax Due</u>	<u>Due Date</u>
D-1 (Voucher 1)	22-1/2%	April 15, 2018
AQ-1 (Voucher 2)	45%	June 15, 2018
AQ-1 (Voucher 3)	67-1/2%	September 15, 2018
AQ-1 (Voucher 4)	90%	December 15, 2018

**Note:** The Income Tax rate increased from 2.25% to 2.50% effective January 1, 2018 for Akron, and the four Akron Joint Economic Development Districts (JEDDS).

For fiscal year-end filers, the corresponding voucher due dates are: the fifteenth day of the fourth month, the fifteenth day of the sixth month, the fifteenth day of the ninth month and the fifteenth day of the twelfth month.

If the amount payable as estimated taxes is at least two hundred dollars, payments must be at least 100% of the prior year tax liability or at least 90% of the current year tax liability to avoid penalty and interest charges.

**WHAT CONSTITUTES NET PROFITS:**

Net profits are based on Adjusted Federal Taxable Income, as is determined under the municipal code (Ohio Revised Code Section 718.01), which is available on-line at <http://codes.ohio.gov/orc/718>.

**SIGNATURES:**

A tax return has not been "filed," within the meaning of the law, until it is signed by the taxpayer or an agent legally authorized to sign it. If the return is prepared by someone other than the taxpayer, this preparer must also sign and date the return, along with the preparer's phone, address and Social Security Number or federal EIN. (Preparers who are pre-registered with the City of Akron may use their name and city-issued 3-digit Preparer ID instead.)

**EXTENSIONS:**

Any taxpayer that has duly requested an automatic six-month extension for filing the taxpayer's federal income tax return shall automatically receive an extension for the filing of a municipal income tax return. The extended due date of the municipal income tax return shall be the fifteenth day of the tenth month after the last day of the taxable year to which the return relates. An extension of time to file is not an extension of the time to pay.

**Note:** The Income Tax Ordinance for tax years through December 31, 2015 has not changed and is posted at [www.akronohio.gov/1040](http://www.akronohio.gov/1040). The required new Income Tax Ordinance, in accordance with the amended Ohio Revised Code Section 718, for tax years beginning January 1, 2016 is also posted on the website.

**For use in preparing 2017 Returns**

The 2017 income tax rate for the City of Akron is 2.25%. This tax applies to business net profits, employee wages and all income taxable to the City.

**The 2018 tax rate is 2.50%**

The Income Tax Division is located at 1 Cascade Plaza – 11<sup>th</sup> Floor, Akron, Ohio 44308. If you have any questions concerning this form or other municipal income tax matters, or if you need Akron tax forms, please call 330-375-2539 for assistance.

Forms, instructions, tax FAQs and lists of taxable & non-taxable income are also available **on-line** at [www.AkronOhio.gov/1040](http://www.AkronOhio.gov/1040).

1. The Akron income tax rate is 2.25% through December 31, 2017 and increased to 2.50% effective January 1, 2018. Fiscal year-end filers must use a blended tax rate to reflect the change.
2. Accompanying WORKSHEETS must be completed and used in your calculations on Form BR.
3. Loss carryforward amounts must be reported on WORKSHEET F, found on Page 1.
4. A business that is not a C corporation and is not an individual, must file as if it is a C corporation. [OH Revised Code 718.01(E)(10) WORKSHEET X is designed to help with those calculations.
5. Enter the federal Principal Business Activity Code on the bottom of Form BR, Page 1.
6. WORKSHEET W must be completed if you had employees working in Akron or if you leased any employees who worked in Akron. However, fiscal filers are exempted from filing WORKSHEET W.

**WHO MUST FILE THIS FORM:**

All associations (including S corporations), corporations, partnerships and any other entity that has income which is taxable to Akron must file Form

A taxpayer that has not requested or received a six-month extension for filing the taxpayer's federal income tax return may request that the tax administrator grant the taxpayer a six-month extension of the date for filing the taxpayer's municipal income tax return. If the request is received by the tax administrator on or before the date the municipal income tax return is due, the tax administrator shall grant the taxpayer's requested extension. Even if you are unable to pay your taxes owed when they are due, you should file your return timely to avoid Failure-to-file charges of \$25.00 to \$150.00.

### **LOSS CARRIED FORWARD:**

Losses may be carried forward for a maximum of 3 years or until exhausted, whichever is earlier. Loss carryforwards for multiple municipalities or JEDDs must be allocated in the same manner as taxable net profits. WORKSHEET F on the bottom of Page 1 must be completed to receive credit for losses carried forward. Losses cannot be carried back.

### **GENERAL INSTRUCTIONS**

1. Please review all of the pre-printed information on Form BR and make corrections or additions as needed.
2. Fiscal filers must indicate the beginning and ending dates of their fiscal year. THE TAX YEAR FOR A FISCAL YEAR FILER IS THE YEAR IN WHICH THE FISCAL TERM ***ENDS***. This differs from the tax year used for your federal tax return.
3. Those anticipating a city refund this tax year must check  the box marked REFUND, and also mark the return envelope appropriately. Note: Line 12 must also show that a refund is due.
4. If you are filing on extension, please check  the box marked EXTENSION ATTACHED, and staple a copy of your extension to the back of Form BR.
5. A block has been provided for indicating your tax filing status. Check the box that applies ... C Corp, S Corp, Partnership or Other.
6. If your business has moved into or out of Akron in 2017 mark the appropriate box and enter the date of your move.
7. If your mailing address is not the same as the physical location where the Akron business activity takes place, or if the mailing address is a P.O. Box, enter the street address of your Akron business activity in the box provided.
8. When using the services of a tax preparer, our office may need to discuss your tax matters with him or her. IF YOU WISH TO GRANT SUCH

PERMISSION, check  the box above Worksheet F, on Page 1 of Form BR.

9. If this is a final return, write the words FINAL RETURN on the top of Page 1. If the business was sold, provide the name, address and phone number of the purchaser on a separate attachment.
10. Enter your Principal Business Activity Code (as reported on your federal tax return) at the bottom of Page 1 under the signatures.
11. Finally, be sure to sign and date your return.

### **WORKSHEET INSTRUCTIONS**

#### **WORKSHEET X: Reconciliation with Federal Return**

When this worksheet is completed correctly, no amount should be added or deducted more than once to arrive at city net profits. Section 718.01 of the Ohio Revised Code (ORC) requires that all taxpayers that are not filing as individuals must file their city tax returns as if they are C corporations. This will mean that the "bottom line" of your federal tax return may not mirror the reportable taxable income for municipal purposes if your business is not a C corporation.

**Line 1** - Enter your BASE INCOME from the specific federal form or schedule line number that is listed below. For instance, **S corporations** must enter the figure found on Line 18 of Form 1120S - Schedule K; **partnerships**, enter the figure found on Line 1 of Form 1065 - Schedule K - "Analysis of Net Income (Loss)"; **LLC's filing as a C corporation**, enter the figure found on Line 28 of Form 1120 ... and so on.

**Line 2** - Enter the result from Line 7J. These are the items on your federal tax return that are not deductible on your Akron tax return. This amount will be added back to your federal BASE INCOME.

**Line 3** - Enter the result from Line 8D. These are the items on your federal tax return that are not taxable on your Akron tax return. This amount will be subtracted from your federal BASE INCOME.

**Line 4** - Subtract Line 3 from Line 2 to find the total adjustments to your BASE INCOME. If the result is a negative number, place it in parentheses to denote its value.

**Line 5** - If you have other income that is taxable to the City of Akron, enter it here.

**Line 6** - Total Lines 1, 4 and 5 to find your City Net Profit or Loss.

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If you have income that must be allocated between multiple taxing jurisdictions, complete WORKSHEET Y. If your income is allocated 100% to Akron and Line 6 is greater than zero, enter this figure on Page 1, Line 1 of the return. If Line 6 is a negative number, enter it in the "TAX YR OF FILING" column of WORKSHEET F on Page 1.

**Line 7 - ITEMS NOT DEDUCTIBLE** - these are amounts that must be *added* to the BASE INCOME.

**A** - Enter your capital losses, including losses directly related to the sale, exchange or other disposition of an asset described in Section 1221 or 1231 of the IRC. [ORC 718.01(E)(3)]

**B** - Add 5% of the amount deducted as intangible income (8B), but not the portion related to the sale, exchange or disposition of property described in IRC Section 1221. [ORC 718.01(E)(2)]

**C** - Include Guaranteed payments to partners, retired or former partners, members or other owners, only if not already included in "net profits."  
[ORC 718.01(E)(10)]

**D** - Add back all taxes that are based on income, such as state and local income taxes.  
[ORC 718.01(E)(5)]

**E** - Except for C corporations, amounts paid or accrued to qualified retirement plans (except S corporations), and health and life insurance plans on behalf of owners and owner employees must be totaled and entered here. [ORC 718.01(E)(10)]

**F** - As with C corporations, the deduction for charitable contributions is limited to 10%. Enter any amount claimed that exceeds this limit.

**G** - If business or rental property is sold, exchanged or otherwise disposed, you must calculate the city's "Recovery of Depreciation" as if the business were a C corporation. [ORC718.01(E)(4)(b)]

**H** - For real estate investment trusts and regulated investment companies, all dividends, distributions or amounts set aside or credited to the benefit of investors must be entered on this line. [ORC 718.01(E)(6)]

**I** - Enter other non-deductible expenses and attach documentation and/or explanation for this entry.

**J** - Total entries 7A thru 7I and enter this figure on Line 2 of Worksheet X.

**Line 8 - ITEMS NOT TAXABLE** - amounts that will be *deducted* from the BASE INCOME.

**A** - Enter the capital gains that directly relate to the sale, exchange or other disposition of Section 1221 and 1231 assets. [ORC 718.01(E)(4)(a)]

**B** - Include intangible income such as interest, dividends, patents, etc. [ORC 718.01(E)(1)]

**C** - Enter other exempt income and attach documentation and/or explanation for this entry.

**D** - Total entries 8A thru 8C and enter this figure on Line 3 of Worksheet X. (Do not include Schedule K-1 income.)

**WORKSHEET Y: Business Allocation**

All businesses that derive income from locations both inside and outside the corporate boundaries of the City of Akron must allocate their total net income (or loss) as to the portion attributable to Akron and to the portion attributable elsewhere. [ORC 718.02(A)] WORKSHEET Y must be used to arrive at these figures.

**Line 1** - Under column A, enter the figure that represents the total original cost of the real and tangible property that your company held during the current taxable year at all locations. Under column B, enter a similar figure representing only the original cost of properties located in Akron. On the second part of Line 1, multiply the gross annual rents paid by your company by 8 and enter the results under the appropriate columns. Finally, total Line 1, columns A and B.

**Line 2** - Under column A, enter the company's total wages, commissions and other compensation paid to all employees located everywhere. Under column B, enter only those wages, commissions and other compensation paid to employees working in Akron.

**Line 3** - Under column A, enter the company's gross receipts received from all sales and services performed everywhere. Under column B, enter only the gross receipts received from sales and services performed in Akron. (See "Sales" on Page 4.)

**Column C** - Calculate the allocation percentage of each of the three categories from Lines 1, 2 and 3 by

dividing the Akron figures (column B) by those from everywhere (column A). Since this is represented as a percentage, be sure to multiply the result by 100 before entering the figure in column C.

**Line 4** – Total the percentages from Lines 1, 2 and 3 of column C.

**Line 5** – Calculate the average percentage, dividing Line 4 by the number of percentages used. In determining the average percentage, a factor is not excluded from the computation merely because it is found to be allocable entirely outside Akron. A factor is excluded only when it does not exist anywhere.

Enter the resulting allocation percentage figure between the brackets on Line 2, Page 1. If the amount on Line 6 of Worksheet Y is a positive number, enter it on Page 1, Line 2. If this number is negative, you may be entitled to a loss carryforward to 2018.

**SALES** The following sales are attributable to Akron:

1. All sales made through retail stores within the City of Akron made to purchasers within the City.
2. Sales made through retail stores within the City made to purchasers outside the City, except those sales made by regular “on-site” solicitation by store employees at the place of delivery.
3. Sales of tangible personal property delivered to purchasers within the City, if shipped or delivered from an office, store, warehouse, factory or place of storage located within the City.
4. All sales of tangible personal property delivered to purchasers within the City even though transported from a point outside the City if the taxpayer is regularly engaged in “on-site” solicitation of such purchases.
5. All sales of tangible personal property shipped from an office, store, warehouse, factory or place of storage located within the City to purchasers outside the City if the taxpayer does not engage in “on-site” solicitation through its own employees at the place of delivery.

6. Charges for work done or services performed incidental to the sale, whether or not included in the price of the property, shall be considered gross receipts from such sale.
7. A transportation carrier is an agent of the seller, regardless of the delivery point or other considerations of the sale, and the place where orders are accepted or contracts legally consummated is immaterial.
8. Solicitation of customers outside the City by mail, phone, email, internet or any other electronic means from an office or place of business within the City shall be considered a solicitation of sales within the City.

### **WORKSHEET W: Reconciling Wages, Salaries & Other Compensation**

If you are a calendar year filer and if you had employees who worked in the City of Akron or if you leased employees who worked in the City, you must complete WORKSHEET W.

Line 1 - Enter the total wage figure from your attached federal return or from Line 2, column B of WORKSHEET Y.

Line 2 - Enter the total Akron wages that you reported on your 2017 Akron Withholding Reconciliation (Form AW-3). Also enter your Akron withholding tax account number, which starts with # 1 – \_\_\_\_\_ – \_\_\_\_

Please explain any differences between Lines 1 and 2 in this Worksheet.

Next, complete the employer information section concerning any leased employees you had during 2017 along with the leasing company name, address, Fed EIN, and approximate number of employees leased.

### **WORKSHEET F: Loss Carryforward Calculation (3-year limit for losses used on 2017 Akron return)**

If you have unused qualified loss carryforward amounts from the last three tax years, enter these in the first row of WORKSHEET F. If you wish to use all or a portion of these loss carryforward amounts against a profit in the current tax year, write the amount being used from each year, up to the total being used, and enter the result on Line 3 of Form BR, Page 1. You will be required to substantiate losses claimed.