GENERAL INSTRUCTIONS

RETURN OR EXTENSION DUE APRIL 15th OR 3 ½ MONTHS FROM END OF FISCAL YEAR
MUST ATTACH COMPLETE COPY OF FEDERAL RETURN INCLUDING ALL SCHEDULES/FORMS/STATEMENTS

WHO MUST FILE A PARMA HEIGHTS BUSINESS RETURN PH-NP

Every Corporation, Pass-through entity (S corporation, Partnership, Limited Liability Company) Estate or Trust who conducts a business in Parma Heights as defined by the Parma Heights Income Tax Ordinance must file a Net Profit return on its business activity WHETHER OR NOT A TAX IS DUE.

WHERE AND WHEN TO FILE

File with the Tax Administrator, City of Parma Heights, 6281 Pearl Road, Parma Heights, Ohio 44130-3084 on or before the due date. Fiscal year taxpayers shall file on or before the 15th day of the fourth month following the close of their fiscal year. A short fiscal year (a fiscal year of less than twelve months) must file by the 15th day of the fourth month after the short fiscal year ends.

EXTENSION

The Administrator may extend the time for filing the annual return upon request of the taxpayer. The extended due date of the Parma Heights income tax return shall be the last day of the month following the month of the granted Federal Extension. A COPY OF YOUR FEDERAL EXTENSION OR FEDERAL CONFIRMATION NUMBER MUST BE SENT/POSTMARKED ON OR BEFORE THE ORIGINAL DUE DATE OF THE CITY TAX RETURN. AN EXTENSION TO FILE IS NOT AN EXTENSION OF TIME FOR PAYMENT. You will be assessed penalty and interest for late payments. Note: Even if you have zero liability, a minimum penalty ($25) will be charged if your extension is not received as specified above. The extension does not apply to your Declaration or first quarter payment for 2014.

DECLARATION OF ESTIMATED TAX – Who Must File

A Declaration of estimated tax must be filed by every business entity anticipating a net profit in the current year which is subject to the Parma Heights Income Tax.

PAYMENT OF ESTIMATED TAX

If the total amount of tax due for the year is less than $40.00, it may be paid in full when filing your tax return on or before the due date or the fourth month after the end of the fiscal year.

If the total amount of tax due for the year is $40.00 or more, payments must be made in quarterly installments. A PENALTY by quarter will be assessed for late payment, non-payment, or underpayment of estimated tax.

NET PROFITS

Net Profits shall be determined on the basis of the information used for Federal Income Tax purposes adjusted to the requirements of the Parma Heights City Income Tax Ordinance and ORC 718,01 – See Schedule X Instructions.

SCHEDULE X – Items not Deductible, Items not Taxable

Computation of Municipal Adjusted Federal Income: Begin with federal taxable income (FTI) as determined under the IRC for C Corporations line entitled: "Taxable income BEFORE net operating loss deduction and special deductions" and make the following adjustments.

In the case of a taxpayer that is not a C Corporation and is not an individual (i.e. pass-through entities), the taxpayer shall compute FTI as if the taxpayer were a C Corporation and make ALL the following adjustments.

Items not Deductible – Add

A. Add back any losses that relate to the sale, exchange or disposition of an asset reported as Section 1221 or 1231 loss on Fed Tax Return.
B. Add 5% of the amount deducted as intangible Federal income, but not the portion of the intangible income related to the sale, exchange or disposition of property described in section 1221 of the Internal Revenue Code (IRC).
C. Add back taxes, State, Local, Ohio Franchise and other taxes paid or accrued based on net income.
D. In the case of a real estate investment trust (REIT) or regulated investment company, add back all dividends, distributions, or amounts set aside for the benefit of investors.
E. Add back guaranteed payment to partners or former members.
F. Add back payments to a qualified/non-qualified self-employed retirement plan, payments for health or life insurance for an owner or owner-employee, or federal self-employment tax.
G. "Other" to include Depreciation Recovery for entities that are not C corporations, but are required by ORC 718 to file as C corporations, are subject to Section 291 depreciation recovery on Section 1250 property.

SCHEDULE X – Items not Taxable – Deduct

I. Deduct income or gain that relate to the sale, exchange or disposition of an asset reported as Section 1221 or 1231 of IRC. This does not apply to the recapture of depreciation described in section 1245 or 1250 of IRC. Depreciation Recapture on Tangible Personal Property and/or Real Property is Taxable.
J. Deduct intangible income to the extent it is included in FTI. "Intangible income" means income of any of the following types: income yield, interest, capital gains, dividends, royalties or other income arising from the ownership, sale, exchange, or other disposition of intangible property including, but not limited to, investments, deposits, money, or credits as those terms are defined in Chapter 5701 of the Revised Code, and patents, copyrights, trademarks, tradenames, investments in real estate investment trusts, investments in regulated investment companies, and appreciation on deferred compensation. "Intangible income" does not include prizes, awards, or other income associated with any lottery winnings or other similar games of chance.
L. Other Deductions: S Corporations and Partnerships may deduct items reported on Schedule K such as Section 179 depreciation and charitable contributions not to exceed 10% of the federal taxable income computed in accordance with federal regulations.

Note: To the extent that any particular item may fall into more than one adjustment, the taxpayer is prohibited from adding or deducting any amount more than once.

SCHEDULE Y – Business Apportionment

Net profits from a business or profession conducted both within and without the boundaries of Parma Heights shall use the three-factor apportionment formula to apportion profits to Parma Heights. This formula is equally weighted between property, payroll, and sales (as of tax year 2004 the property factor uses average original cost instead of net book value). If the apportionment formula does not produce an equitable result, another basis may be substituted, under uniform regulations. If books and records of the taxpayer are used as the basis for apportioning net profits rather than the business apportionment formula, a statement must accompany the return explaining the manner in which such apportionment is made.

SPECIAL NOTE: Sales and gross receipts in Parma Heights mean:

1. All sales of tangible personal property delivered within Parma Heights regardless of where title passes if shipped or delivered from a stock of goods within Parma Heights.
2. All sales of tangible personal property delivered within Parma Heights regardless of where title passes even though transported from a point outside of Parma Heights if the taxpayer is regularly engaged through its own employees in the solicitation or promotion of sales within Parma Heights and the sales result from such solicitation or promotion.
3. All sales of tangible personal property shipped from a place within Parma Heights to purchasers outside Parma Heights regardless of where title passes if the taxpayer is not, through its own employees, regularly engaged in the solicitation or promotion of sales at the place where delivery is made.

NET LOSS CARRY FORWARD

Operating Losses may be carried forward for a maximum period of five (5) years or until exhausted, whichever is earlier but may not be carried back. Taxpayers doing business both in and out of Parma Heights who are entitled to allocate profits must also allocate losses accordingly.

REFUND OR OVERPAYMENT

An overpayment less than $5.00 shall not be refunded but will be credited toward next year's tax liability. If you have no tax liability in subsequent years (Business terminated, sold, moved out of Parma Heights, etc.) any refund of over a $ 1.00 will be made.

PENALTIES AND INTEREST

Late Filing Penalty = 10% of tax due (minimum $25)
Late Payment Penalty = 10% per year (.00833/month)
Interest = 18% per year (.015/month)

LATE FILING PENALTY - If you file your tax return LATER than the due date, a late filing penalty will be charged.

LATE PAYMENT PENALTY AND INTEREST – If you file your tax return ON TIME (in person or postmarked on or before the due date) and **fail to pay the total tax due,** late Payment Penalty and Interest will be assessed.

PENALTY FOR UNDERPAYMENT OF ESTIMATED TAX

A penalty of 10% per year is imposed for failing to pay estimated tax or for the underpayment of estimated tax. The penalty is figured at .833% per month. The penalty is figured separately for each installment. (Extensions do not apply to payments of taxes due.) To avoid the penalty, 80% of the actual taxes due or an amount equal to your tax liability for the previous year, should have been paid ***quarterly***.