

## INSTRUCTIONS FOR NORWOOD FORM N7

PLEASE NOTE: EXTENSIONS REQUESTS MUST BE FILED IN WRITING WITH THE NORWOOD TAX OFFICE ON OR BEFORE THE DUE DATE OF THE TAX RETURN.

## 1. WHO MUST USE FORM N77

- (a) Every individual engaged in any enterprise, profession or other business activity for profit.
- (1) As an employee with income from business activity (other than incidental rental property) in addition to their personal service compensation;
  - (2) As a sole proprietor of a business;
  - (3) As a professional person.
- (b) Every group of two or more persons engaged in any enterprise, profession or other business activity for profit, organized as partnership, limited partnership, association or any other unincorporated business or enterprise. The business entity shall file the return and pay the tax as an entity.
- (c) Every estate or trust engaged in any business activity for profit.
- (d) Every corporation with a Norwood place of business and engaged in business activity for profit.

## 2. AMOUNT OF INCOME SUBJECT TO THE TAX.

- (a) Individuals.
- (1) Residents shall include all taxable income wherever earned;
  - (2) Non-residents should exclude all taxable income earned outside Norwood;
- (b) Partnerships, associations and other unincorporated entities;
- (1) If a resident, the entity must include all taxable net profits wherever earned.
  - (2) If a non-resident, the entity should exclude all taxable net profit earned outside City of Norwood.
- (c) Corporations must include all taxable net profits earned within the City of Norwood.

## 3. PERIOD COVERED BY RETURN AND DATE DUE.

- (a) If the taxpayer is reporting on a calendar year basis this return should cover the entire period of the tax January 1, 2007 through December 31, 2007 and should refer to income earned during this period. Return is due on or before April 15, 2008.
- (b) If the taxpayer has established a fiscal year basis, this return shall cover the fiscal year that ends within the tax period January 1, 2007 through December 31, 2007 and shall refer to the income earned during that period covered by the report. The return is due 105 days after the close of the fiscal period.

## 4. CREDIT FOR EARNINGS TAX PAID TO ANOTHER CITY OR COUNTY.

RESIDENTS of Norwood who have paid tax in another city or county on income also taxable by the City of Norwood shall be allowed a credit to the extent of the tax due and paid to another city or county. However, credit is not to exceed 2% of the income taxable to another city or county. Claims of credit must be substantiated.

## 5. RATE AND PAYMENT OF TAX.

- (a) Effective January 1, 1981, and thereafter, the rate of the tax is 2%.
- (b) If tax is shown to be owing and unpaid on this return, the taxpayer must remit such tax when filing this return.

## 6. INTEREST.

Taxes remaining unpaid after they have become due shall bear interest in addition to the unpaid tax at the rate of 1% per month or fraction thereof.

## 7. VIOLATIONS - PENALTIES.

If a taxpayer fails, neglects or refuses to file any return or declaration required by the Ordinance, or fails or refuses to pay the tax and interest, or knowingly makes any incomplete, false or fraudulent return, he is subject to penalties.

## 8. PROTECTION OF TAXPAYER'S INFORMATION.

The Ordinance provides that any information gained as the result of returns, investigations, etc., shall be confidential. No disclosures shall be made except for official purposes or as ordered by a court of competent jurisdiction or where disclosure is necessary to the conduct of a hearing before the Board Of Appeals or strict official tax purposes.

## Line 5

Compute the 2% tax on the amount shown on line 5(c).

## Line 6

Insert the total amount of tax paid-in on declarations of estimated tax.

## Line 7

Insert the total amount of tax withheld for the City of Norwood on income of taxpayer from Schedule C.

## Line 8

Insert the total amount of credits for income tax paid to another city or county (limited to 2% of income taxable to another city or county). Extend the total of paid-in taxes withheld on your income and credits allowed on line 8.

## Line 9

Subtract the amount shown on lines 6, 7, and 8 from the amount shown on line 5 and insert on line 10. This is the unpaid balance of Norwood Tax, which must be paid with this return.

## Line 10

Overpayment will be returned to taxpayer or credited to 2008 earnings tax liability as indicated on line 10, page 1. Amounts of less than one dollar (\$1.00) shall not be collected or refunded.

## SCHEDULE X

The taxpayer must use this schedule to reconcile the amount reported for Federal Income Tax with the amount subject to Norwood Earnings Tax.

1. Additions – certain items are deductible in computing Federal net income, but not deductible in computing the amount subject to the Norwood Earnings Tax. They must be added to Federal total income.
  - (a) Amounts taken as a net operating loss carry-over on the Federal return must be added.
  - (b) Capital losses are not deductible under the City tax and shall not be taken into consideration in arriving at net profits earned.
  - (c) Where the taxpayer has expenses or other charges for carrying securities, etc., the amount of such expenses and charges must be shown. Since the income is not taxable by the City, the carrying expenses may not be deducted.
  - (d) Income Taxes may not be deducted in computing amount subject to this tax. Such deductions on the Federal return must be added to the amount shown on line 1.
  - (e) If the taxpayer has taken any other deductions on his Federal return which are not allowed for this tax, the amount must be shown and source explained.
  - (f) All of the above items must be totaled and inserted on line 2 to be added to the amount shown on line 1, on page 1.
2. Deductions – certain income taxable on the Federal return is not taxable by the City and must be deducted from Federal total income (line 1).
  - (a) Dividends and interest (intangibles) per current state law.
  - (b) Any other income specifically excluded from Norwood Earnings Tax by Ohio or Federal Law should be shown.
  - (c) Capital gains are not taxable under the Norwood Earnings Tax and shall not be taken into consideration in arriving at net profits earned. Such capital gains shall be excluded through Schedule X but only to the extent they are added to Earnings per Federal return.
  - (d) Any other income not subject to Norwood Earnings tax must be shown and deducted from Federal total income, but deduction of related expenses to non-taxable sources of income is not permissible. Such expenses must be shown in left half of Schedule X. Businesses subject to allocation and using the allocation formula must use Schedule Y on page 2 to compute such allocation. If such taxpayer has books which accurately reflect the amount of net profits earned within and without the City of Norwood, he shall show in Schedule X the amount earned outside and explain the accounting method on an attachment. Any other non-resident taxpayer earning income within and without the City of Norwood may show the non-taxable portion here and explain the computation thereof.

TAX RETURN MUST BE SIGNED AS INDICATED BY THE APPROPRIATE PERSON.

## INSTRUCTIONS FOR PAGE 1

## SUPPLY ALL INFORMATIONAL QUESTIONS FIRST.

## Line 1

The income referred to in line 1, page 1, of this return is the total amount received or earned, during the period of January 1, 2007 through December 31, 2007 regardless of where earned. It can be reduced by all deductions and cost of doing business as allowed by Federal income tax laws.

(Although some factors in determining Federal Tax liability are not to be considered in determining Norwood Earnings Tax (and vice-versa) the same rules may be used in calculating "income" as shown on line 1 of this return since Schedule X of this return provides for the reconciliation between Federal Law and Norwood Earnings Tax Ordinance).

## Line 2

The total amount of items deductible for Federal Income Tax purposes but not deductible under Norwood Earnings Tax, is to be inserted on this line from the left half of Schedule X.

## Line 3

The total amount of items taxable for Federal Income Tax purpose but not subject to the Norwood Earnings Tax, is to be inserted on line 4 from the right half of Schedule X.

## Line 4

Add the amount shown on line 2 to line 1. From this amount subtract line 3 and enter as adjusted net income on line 4. This will be the amount subject to tax unless the corporation or non-resident unincorporated business is within the provisions of the Business Allocation Percentage Formula (see 4a). Show the data on which the fiscal period, covered by this return, ends.

- (a). This is the amount subject to tax where the Business Allocation Percentage Formula is used. Line 5, page 2 - Allocation of Net Profits.
- (b). Insert operating loss per previous returns. Limit on net operating loss carry forward is three (3) taxable years.
- (c). Line 4 or 4(a) less line 4(b).

## INSTRUCTIONS FOR PAGE 2

## SCHEDULE A.

A copy of the taxpayer's Profit and Loss Statement based on his Federal Return must be attached. No segregation of taxable and non-taxable items should be made. Any operating loss deduction in schedule A or D should be shown on the left side of schedule X, page 1.

## SCHEDULE B.

A resident taxpayer must show the location of all rental property exceeding \$250.00 per month and include income therefrom regardless of where located. (Exception: All income from commercial and farm properties are taxable). A non-resident taxpayer should show only the property located in the City of Norwood. Gross rental income, depreciation, repairs and other expenses must be listed in the columns provided. Losses can be carried forward only.

## SCHEDULE C.

Taxpayers who have earned any personal service compensation are required to show the employer or other source. Column 3 is provided for City Tax withheld on all income. Column 4 for Gross income earned. **LOSS FROM BUSINESS ACTIVITIES MAY NOT BE DEDUCTED FROM INCOME IN SCHEDULE "C"**.

## SCHEDULE D.

The taxpayer must itemize, by source, all income not included in Schedules A, B and C. The taxpayer is required to total amounts of income (or loss) from all sources and insert sum on line 6.

## SCHEDULE Y.

This schedule is for taxpayers with business operations both within and without Norwood to achieve a fair and equitable allocation of Net Profits to the city. To receive a detailed discussion of this formula, please contact the Norwood Tax Office, (513) 458-4590.