

LOGAN CITY INCOME TAX – GENERAL INFORMATION & INSTRUCTIONS

1. PURPOSE OF TAX

To provide funds for the purpose of general municipal operations; maintenance of equipment; new equipment; extensions; enlargement, and improvement of municipal services and facilities; and capital improvements of the city, there is levied a tax upon earnings at the rate of 1½% upon the following:

- a) On all salaries, wages, commissions, and other compensation, including vacation pay, by resident individuals of the city;
- b) On all salaries, wages, commissions, and other compensation, including vacation pay, by nonresident individuals of the city for work done or services performed or rendered in the city;
- c) On the net profits attributable to Logan, all resident unincorporated businesses, professions, and other activities derived from work done or services rendered or performed and business or other activities conducted in the city;
- d) On the portion of the distributive share of the net profit of a resident individual, partner or owner of a resident unincorporated business entity attributable to Logan and not levied against such unincorporated business entity;
- e) On the net profits attributable to Logan earned of all nonresident unincorporated businesses, professions, or activities, derived from work done or services performed or rendered and business or other activities conducted in the city;
- f) On the portion of the distributive share of the net profits earned of a resident individual, partner or owner of a nonresident unincorporated business entity not attributable to Logan and not levied against such unincorporated business entity;
- g) On the net profits earned of all corporations derived from work done or services performed or rendered and business or other activities conducted in the city.

BUSINESS ALLOCATION PERCENTAGE FORMULA

- h) In the taxation of income which is subject to taxation by the provisions of this chapter, if the books and records of a taxpayer conducting a business or profession both within and without the boundaries of the city shall disclose with reasonable accuracy what portion of its net profit is attributable to that part of the business or profession conducted within the boundaries of the city then only such portion shall be considered as having a taxable situs in the city for purposes of income taxation. In the absence of such records, net profit from a business or profession conducted both within and without the boundaries of the city shall be considered as having a taxable situs in the city for purposes of income taxation in the same proportion as the average ratio of:

The average net book value of the real and tangible personal property owned or used by the taxpayer in the business or profession in the city during the taxable period to the property owned or used by the taxpayer in the business or profession during the same period, wherever situated. As used above, real property shall include property rented or leased by the taxpayer, and the value of such property shall be determined by multiplying the annual rental thereon by 8;

Wages, salaries, and other compensation paid during the taxable period to persons employed in the business or profession for services performed in the city to wages, salaries, and other compensation paid during the same period to persons employed in the business or profession, wherever their services are performed;

Gross receipts of the business or profession from sales made and services performed during the taxable period in the city to gross receipts of the business or profession during the same period from sales and services, wherever made or performed.

In the event that the foregoing allocation formula does not produce an equitable result, another basis may, under uniform regulations be substituted so as to produce such result.

“SALES MADE IN THE CITY” means:

All sales of tangible personal property which is delivered within the city of Logan regardless of where title passes even though transported from a point outside such city if the taxpayer is regularly engaged through its own employees in the solicitation or promotion of sales within the city of Logan and the sales result from such solicitation or promotion;

All sales of tangible personal property which is delivered within the city regardless of where title passes even though transported from a point outside such city if the taxpayer is regularly engaged through its own employees in the solicitation or promotion of sales within the city and the sales result from such solicitation or promotion;

All sales of tangible personal property which is shipped from a place within the city to purchasers outside such city 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.

2. FISCAL YEARS

Where the fiscal year of a trade, business, profession, enterprise, undertaking, or other activity differs from the calendar year, the tax shall be applicable to the net profits of the fiscal year, but for the first fiscal year with respect only to such portion thereof as was earned.

A fiscal year will be recognized only if it has been or may be recognized as such by the director of internal revenue for the purpose of federal income tax

3. NET BUSINESS PROFITS

Information and requirements for net business profits.

Where necessary to properly reflect income, inventories must be used. The basis of pricing used for the purpose of the federal income tax must in each instance be used.

Where the books and records are kept on an “accrual basis,” “long-term contract basis,” or “installment basis” or the “accrual basis,” “long-term contract basis,” or “installment basis” is used in the filing of federal income tax returns, such basis must be used for the purpose of this tax.

If the return is made on a “cash basis,” gross profit shall include receipts from commissions, fees, and interest, as well as the gross profit or loss from sales of merchandise, chattels, goods, wares, securities, notes, choses-in-action, and services, except as hereinafter provided.

If the return is made on an “accrual basis,” gross profit shall include commissions, fees, and interest earned; plus the gross profit or loss from sales of merchandise, chattels, goods, wares, securities, notes, choses-in-action, and services, except as hereinafter provided.

From gross profit there shall be subtracted allowable expenses to arrive at the net profits subject to tax.

All ordinary and necessary expenses of doing business, including reasonable compensation paid employees, shall be allowed, but no deduction may be claimed for “salary” or withdrawals of a proprietor or of the partners, members or other co-owners of an unincorporated business or enterprise.

If not claimed as part of the cost of goods sold or elsewhere in the return filed, there may be claimed and allowed a reasonable deduction for depreciation, depletion, obsolescence, losses resulting from theft or casualty not compensated for by insurance or otherwise, of property used in the trade or business, but the amount may not exceed that recognized for the purpose of the federal income tax. However, loss on the sale, exchange, or other disposition of depreciable property and real estate used in business, shall not be allowed as a deductible expense.

Bad debts in a reasonable amount may be allowed in the year ascertained worthless and charged off, or if the reserve method is used, a reasonable addition to the reserve may be claimed, but in no event shall the amount allowed exceed the amount recognized as a deduction for the purpose of the federal income tax.

TAXES. Only taxes directly connected with the taxpayer's business may be claimed as a deduction. If for any reason the income from property is not subject to tax, then the tax on the property is not deductible. In any event, the following taxes are not deductible from income:

- a. The tax under this chapter;
- b. Any federal taxes based upon income;
- c. Gifts, estate, or inheritance taxes; and
- d. Taxes for local benefits or improvements to property which tend to appreciate the value thereof.

Capital gains and losses, including gains or losses from the sale, exchange, or other disposition of depreciable business property, and real property used in the taxpayer's trade or business, shall not be taken into consideration in arriving at "net profits earned."

If the taxpayer is a nonresident, only the amount of net profits applicable to the activities of the business in Logan shall be subjected to tax. If the nonresident taxpayer's records do not disclose the actual net profits for the Logan branch, office, store, or activity separately, then the basis of allocation shall be disclosed in the return. If such basis of allocation is not deemed correct, in view of all the known circumstances, the city auditor will make a reallocation based upon gross receipts or any other basis which shall, under the circumstances of the case, more accurately reflect the net profits.

In general, all business expense recognized and to the extent allowed as such for the purpose of determining federal income tax will be recognized and allowed for determining Logan income tax under the provisions of this chapter. However, all expenses connected with the acquisition or carrying of securities, the income from which is not recognized as taxable under this chapter, may not be deducted in determining taxable net profits hereunder.

In general, unearned income is not to be included in computing the tax levied hereunder. Gain or loss from the sale, exchange, or other disposition of capital assets, including depreciable property and real estate used in business, shall not be included in determining net profits. Income from intangibles by way of dividends, interest and the like, should not be included if the property from which such income is derived is subject to taxation under the intangible personal property tax laws of the State of Ohio, or is specifically exempted from taxation under said laws.

Rentals received by the taxpayer are to be included only if and to the extent that the rental, ownership, management, or operation of the real estate from which such rentals are derived (whether so rented, managed or operated by taxpayer individually or through agents or other representatives) constitutes a business activity of the taxpayer in whole or in part. Following are the circumstances under which, in any instance, the rental of any real property shall or shall not be deemed to be a "business activity":

- a. Where the gross monthly rental of any and all real properties, regardless of number and value, aggregates in excess of properties, regardless of number value,

aggregates in excess of \$100 per month, it shall be prima facie evidence that the rental, ownership, management, or operation of such properties is a business activity of such taxpayer, and the net income of such rental property shall be subject to tax. However, in case of commercial property, the owner shall be considered engaged in a business activity when the rental is based on a fixed or fluctuating percentage of gross or net sales, receipts or profits of the lessee, whether or not such rental exceeds \$100 per month. In the case of farm property, the owner shall be considered engaged in a business activity when he shares in the crops or when the rental is based on a percentage of the gross or net receipts derived from the farms, whether or not the gross income exceeds \$100 per month. The person who operates a rooming house shall be considered in business whether or not the gross income exceeds \$100 per month.

- b. In determining the amount of gross monthly rental of any real property, periods during which by reason of vacancy or any other cause rentals are not received shall not be taken into consideration by the taxpayer.
- c. Rentals received by a taxpayer engaged in the business of buying and selling real estate shall be considered as part of business income.
- d. Real property, as the term is used herein, shall include commercial property, residential property, farm property, and any and all other types of real estate.
- e. In determining the taxable net income from rentals, the deductible expenses shall be of the same nature, extent and amount as are allowed by the Department of Internal Revenue for federal income tax purposes.
- f. Residents of Logan are subject to taxation upon the net income from rentals to the extent above specified regardless of the location of the real property owned. Nonresidents of Logan are subject to such taxation only if the real property is Situated within the city. Nonresidents, in determining whether gross monthly Rentals exceed \$100 shall take into consideration only real estate situated within Logan.
- g. Income from royalties or copyrights is not to be included.

4. RECONCILIATION WITH FEDERAL RETURN

There shall be submitted with each return filed by a taxpayer subject to the federal income tax, in a form satisfactory to the city auditor, a reconciliation between the amount shown in the return filed with the city auditor and the business income reported to the Federal Bureau of Internal Revenue.

If, as a result of a change made in business income by the Federal Bureau of Internal Revenue, or by a judicial decision, and additional amount will result as owing to the city, a report of such change shall be filed by the taxpayer within 30 days after receipt of the

final notice of such change from the federal authorities or after final decision of a court adjudicating any such federal income tax liability.

5. RETURN AND PAYMENT OF TAX

Each taxpayer whose earnings or profits are subject to the tax imposed by this chapter shall make and file a final return with the city auditor on a form obtainable from the city auditor, setting forth the aggregate amount of salary, wages, or other compensation and net profits earned by him during the preceding year or period and subject to the tax, together with other pertinent information as the city auditor may require. However, when the final return is made for a fiscal year or other period different from the calendar year, the return shall be made within 105 day from the end of the fiscal year or other period.

The return shall also show the amount of the tax imposed on such earnings and profits. The taxpayer making the return shall, at the time of the filing thereof, pay to the city treasurer the amount of taxes shown as due thereon. However, where any portion of the tax shall have been paid by such taxpayer or credit for the amount so paid shall be deducted from the amount shown to be due and only the balance, if any, shall be due and payable at the time of filing the final return.

The return of an employer or employers showing the amount of tax deducted by such employer or employers from the salaries, wages, or compensation of any employee, and paid by him or them to the city treasurer, shall be accepted as the return required of any employee whose sole income subject to the tax of 1½% is such salary, wages, or compensation.

Upon written request of the taxpayer, the city auditor may extend the time for filing the annual return for a period of not more than 6 months or not more than 30 days beyond any extension requested of and granted by the Federal Bureau of Internal Revenue for the filing of the federal income tax return.

6. COLLECTION AT SOURCE

Each employer within the city who employs within the city one or more persons on a salary, wage, commission or other compensation basis, excluding exempted incomes shall deduct at the time of the payment of such salary, wage, commissions, or other compensation due by the employer to the employee and shall make a return and pay to the city treasurer the amount of taxes so deducted as follows:

- a. For the 3 months ending March 31, on or before April 30;
- b. For the 3 months ending June 30, on or before July 31;
- c. For the 3 months ending September 30, on or before October 31;
- d. For the 3 months ending December 31, on or before January 31.

The return shall be on a form prescribed by the city auditor. Such employer, in collecting the tax, shall be deemed to hold the same as trustee for the benefit of the city until

payment is made by such employer to the city, and any such tax collected by such employer from his employees shall, until same is paid to the city, be deemed a trust fund in the hands of such employer.

7. LIABILITY OF EMPLOYEE

The failure of any employer, residing either within or outside the city, to collect the tax and to make any return prescribed herein, shall not relieve the employee from the payment of such tax in compliance with this chapter respecting the making of returns and the payments of taxes.

8. STATUS AND LIABILITY OF EMPLOYERS

Every employer is deemed to be a trustee of the city in collecting and holding the tax required under this chapter to be withheld, and the funds so collected by such withholding are deemed to be trust funds.

Every such employer required to deduct and withhold the tax at the source is liable directly to the city for the payment of such tax, whether actually collected by such employer or not.

9. DECLARATIONS

Every taxpayer who anticipates any income which is not subject to the provisions of #6, shall file a declaration of the estimated tax for the taxable year. Such declaration shall be filed on or before April 15 of each ensuing year for the duration of the taxes referred to herein.

Such declaration shall be filed upon a form prescribed by the city auditor, which form may simply state that the figures used in making such declaration are the figures used in making the declaration of the estimate for the federal income tax, provided that it is understood that such figures may be modified according to the provisions of this chapter so that the declaration required by this section shall set forth only such income as is taxable under the provisions of this chapter.

The declaration to be filed on April 15 of each year shall be accompanied by payment of at least one-fourth of the estimated annual tax, and at least a similar amount shall be paid on or before June 30, September 30, and December 31 of the year. However, such estimate may be amended at the time of the making of any quarterly payment: and on or before April 15 of the year following that for which declaration was filed, a final return shall be filed and any balance which may be due the city shall be paid therewith. Should it appear that such taxpayer has paid more than the amount of tax to which the city is entitled, a refund of the amount so overpaid shall be made, or the overpayment may be applied toward the declaration of tax due for the ensuing year. Claims for refunds shall be made on forms prescribed by and obtainable from the city auditor.

Those taxpayers on a fiscal year basis shall make quarterly payments on or before the 15th day of the fourth month and on or before the last day of the sixth, ninth and twelfth month following the beginning of such fiscal year. The first installment, equal to at least one-fourth of the estimated tax, must accompany the declaration.

10. RECIPROCITY; CREDIT FOR TAX PAID TO OTHER MUNICIPALITIES

Every individual taxpayer who resides in the city but who receives net profits, salaries, wages, commissions, or other personal service compensation, for work done or services performed or rendered outside of the city, who has paid a municipal income tax on such net profits, salary, wages, commission, or other compensation to another municipality, shall be allowed a credit against the tax imposed by this chapter of the amount so paid by him or in his behalf to such other municipality. The credit shall not exceed the tax assessed by this chapter on such net profit, salary, wages, commission or compensation earned in such other municipality or municipalities where such tax is paid.

11. INTEREST AND PENALTIES

All taxes imposed and all moneys withheld or required to be withheld by employers under the provisions of this chapter and remaining unpaid after they come due, shall bear interest at the rate of 1½% per month or fraction thereof.

In addition to the interest as provided in the paragraph above, penalties based on the unpaid tax are hereby imposed as follows;

- a. For failure to pay taxes due, other than taxes withheld: \$5.00 per month or fraction thereof for each \$100.00 or fraction thereof.
- b. For failure to remit taxes withheld from employees: 3% per month or fraction thereof.

12. COLLECTION OF DEFICIENCIES; CREDIT FOR OVERPAYMENT

If, as a result of investigation conducted by the city auditor, a return is found to be incorrect, the city auditor is authorized to assess and collect any underpayment of tax withheld at source or any underpayment of tax owing by any taxpayer with respect to earnings or net profits, or both. If no return has been filed and a tax is found to be owing, the tax actually owing may be assessed and collected with or without the formality of obtaining a delinquent return from the employer or taxpayer.

Should it be disclosed, either as a result of an investigation by the city auditor or through the medium of the filing of a claim or petition for refund or credit, that an overpayment has been made, the city treasurer will refund such overpayment.

The employer will in every instance be required to pay the full tax which should have been withheld, even though he may fail to withhold from the employee. If too much has

been withheld the excess shall be refunded by the employer to the employee. While the employer will be expected to maintain complete records of such adjustments with the employees, any such adjustment made during any month will not need to be reflected in the withholding return or disclosed by schedules or statements thereto attached.

In those cases in which too much has been withheld by an employer from an employee and remitted to the city treasurer and there has been a termination of the employee-employer relationship, the employee may obtain an adjustment by application to the city treasurer.

13. COLLECTION OF UNPAID TAXES

All taxes imposed and administered by this chapter shall be collectible, together with any interest and penalties thereon, by suit, as other debts of like amount are recoverable.

When a final return is filed hereof and a deficiency is determined to be due to the city, action to collect the same shall not be commenced after 2 years from the due date of the return; and when a taxpayer fails to file a return, or files a false or fraudulent return, action to collect tax due to the city shall not be commenced after 5 years from the due date of the return or the date the false or fraudulent return was filed.

All applications for refund shall be made within 6 months of the due date of a final return or shall be forever barred thereafter; however, an extension may be granted by the city auditor on written application.

14. WITHHOLDING STATEMENTS & PAYROLL RECONCILEMENT REQUIRED

The Logan Income Tax Department will require filing by the employer of employee earnings reports, resembling Federal Form W-2.

The employer shall also file with the Logan Income Tax Department a reconciliation of total payrolls, reconciled with payroll amounts reported subject to city income tax.

The reports and reconciliation herein required shall be made to the city income tax department for employees' earnings.

15. EXEMPTIONS

The provisions of this chapter shall not be construed as levying a tax upon the following:

a. Funds received from local, state, or federal governments because of service in the armed forces of the United States by the person rendering such service, or as a result of another person rendering such service.

b. Welfare payments, pensions, Social Security, unemployment compensation, and disability benefits received from private industry or local, state or federal governments, or from charitable, religious, or educational organizations.

c. Dues, contributions, and similar payments received by charitable, religious, educational or literary organizations, or labor unions, lodges, and similar organizations.

d. Receipts from casual entertainment, amusements, sports events, and health and welfare activities conducted by bona fide charitable, religious, and educational organizations and associations.

e. Any association, organization, corporation, club, or trust, which is exempt from federal taxes on income by reason of its charitable, religious, educational, literary, scientific purposes.

f. Gains from involuntary conversions, cancellation of indebtedness, interest on federal obligations, items of income already taxed by the State of Ohio, and income of a decedent's estate during the period of administration (except such income from the operation of a business.)

g. Earnings and income of all persons under 18 years of age, whether residents or nonresidents.