

**INCOME SUBJECT TO TAX / INCOME EXEMPT FROM TAX  
DEDUCTIONS ALLOWED / NOT ALLOWED**

<b>INCOME / DEDUCTION</b>	<b>HOW WE TREAT IT</b>	<b>AUTHORITY GRANTED BY:</b>
½ Meals (above first ½)	NOT ALLOWED	For purposes of preparing the Troy City Income Tax Return, we will follow IRC guidelines and allow only ½ meals / entertainment. The additional ½ will not be allowed.
½ SE Tax deduction	NOT ALLOWED	This is a federal adjustment to federal taxable income, based on a federal tax, and is not an expense of the business. It is not deductible for city tax purposes.  Further, note 718.01(A)(7). “Net profit” for a taxpayer who is an individual means the individual’s profit required to be reported on Schedule C, Schedule E or Schedule F.  Troy Ordinance 171.01(20) defines “net profit” in the same terms. 171.03(A)(1) and (2) refers to taxable income for residents and nonresidents, and 171.01(42) defines taxable income.
2106 Expenses	ALLOWED, IF QAULIFIED	718.01(F) states as follows: <i>If an individual’s taxable income includes income against which the taxpayer has taken a deduction for federal income tax purposes as reportable on the taxpayer’s form 2106, and against which a like deduction has not been allowed by the municipal corporation, the municipal corporation shall deduct from the taxpayer’s taxable income an amount equal to the deduction shown on such form allowable against such income, to the extent not otherwise so allowed as a deduction by the municipal corporation.</i> (continued on next page)

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		<p>The key is “has taken a deduction for federal income tax purposes” an amount equal to the deduction shown on such form allowable against such income”. The deduction allowed for federal tax purposes is the amount on Schedule 1, Line 24 Therefore, we will allow an amount equal to the deduction allowed for federal tax purposes.</p>
2106 Expenses on LINE 4 ONLY	NOT DEDUCTIBLE	If 2106 only has line 4 expenses, no deduction is permitted.
Alimony	NONTAXABLE; NOT DEDUCTIBLE	Troy Ordinance 171.03(G) exempts alimony received from taxation, and it is not allowed as a deduction against income.
Administrator fees	TAXABLE	171.03(A)(5) Guardian, executor, conservator, trustee or administrator fees are taxable.
Cafeteria plans	NOT TAXABLE	Income included in wages attributed to a plan or program as described in section 125 of the Internal Revenue Code is exempt from municipal taxation per ORC 718.03(2)(a)(i).
Cancellation of Indebtedness	TAXABLE	Troy Ordinance 171.03(A)(4) includes as taxable income to extent included in federal taxable income
Conservator fees	TAXABLE	171.03(A)(5) Guardian, executor, conservator, trustee or administrator fees are taxable.

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Covenants not to Compete	TAXABLE	Troy Ordinance 171.03(A)(4) includes Covenants not to Compete as taxable income to extent included in federal taxable income.
Domicile / resident		<p>There is no longer a 183 day minimum requirement during a 12 month period for a person to be determined to be domiciled in the municipality. Proof of domicile may include:</p> <ul style="list-style-type: none"> <li>• Driver’s License</li> <li>• Voter registration</li> <li>• Vehicle registration</li> <li>• Federal tax return address</li> <li>• If a college student, are they claimed on parent’s return? If yes, they are domiciled w/parents</li> <li>• Closing papers / lease agreement</li> </ul> <p>Multiple records may be required to clearly identify domicile. A person can have more than one residence, but only one domicile. If they leave temporarily with the intent to return, they have not changed their domicile. If they are on temporary work assignment, and maintain their residence here, their intent is to return and they are domiciled here. Investigation may be required to determine domicile.</p>
Executor fees	TAXABLE	171.03(A)(5) Guardian, executor, conservator, trustee or administrator fees are taxable.

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Gambling / lottery	TAXABLE	171.03(A)(3) states that prizes, awards, gaming, wagering, lotteries, gambling or schemes of chance are taxable for all residents, and the same is taxable for non-residents if won or received from a source within the city of Troy.
Guardian fees	TAXABLE	171.03(A)(5) Guardian, executor, conservator, trustee or administrator fees are taxable.
Health Insurance Premiums by an individual	NO DEDUCTION ALLOWED	718.01(E)(3) states that a municipality may allow a deduction for an individual who has a business operated as a Sole proprietorship the amounts paid by the taxpayer for medical care insurance premiums for the taxpayer, the taxpayer's spouse and dependents, however, Troy has not adopted such legislation to allow the deduction.
HSA Account Contributions by an individual	NO DEDUCTION ALLOWED	718.01(E)(2) states that a municipality may allow a deduction by Ordinance or Resolution; however, Troy has not adopted such legislation to allow the deduction.
Jury Duty pay	TAXABLE	Jury duty income is not specifically exempted by either the ORC or Troy City Tax Ordinance.
Lottery / gambling	TAXABLE	171.03(A)(3) states that prizes, awards, gaming, wagering, lotteries, gambling or schemes of chance are taxable for all residents, and the same is taxable for non-residents if won or received from a source within the city of Troy.

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Military Pay – Active Duty	NONTAXABLE	Troy Ordinance 171.03(G) and ORC 718.01(H)(1) exempt military pay or allowances of members of the armed forces and members of reserve components, including Ohio National Guard.
Minister Housing Allowance	DEDUCTIBLE, with exception	Per ORC 718.01(H)(7), effective 1/1/03, an exclusion is allowed pursuant to section 107 of the Internal Revenue Code. This is minister’s housing allowance. Any excess reimbursement after expenses will be taxable.
Nonqualified Deferred Comp Or similar program	TAXABLE	718.01(E)(1)(b) states that a municipality may choose to exempt nonqualified deferred comp plan or program as described in Section 3121(v)(2)(c) of the Internal Revenue Code, however, Troy has chosen to not adopt legislation to exempt.  Further, nonqualified deferred comp plans or programs are taxable at the point at which it is deferred or granted. At this point it will appear in box 5. At the time of payout, the amount will appear in box 1 only and is not taxable.
Non-Compete Agreements		See “Covenants Not to Compete”
Poll Worker Income	NONTAXABLE	Income earned as a poll worker under \$1000 is exempt per Troy Ordinance 171.03(G) and ORC 718.01(H)(4).

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Royalties received by a resident	TAXABLE, with exception	<p>Royalties, reported on Schedule E, that are not intangible are considered part of net profits, and are taxable per Troy Ordinance 171.03(A)(6).</p> <p>Definition of “net profits” from Troy Ordinance states that “net profit for a taxpayer who is an individual means the individual’s profit, other than amounts described in section 171.03, required to be reported on Schedule C, Schedule E or Schedule F.”</p> <p>Intangible royalties, such as copyrights and patents are not taxable, as we are exempt from taxing intangible income as defined in ORC 718.01(A)(5), and as exempted in ORC 718.01(I). Oil, mineral rights, etc are considered tangible net profits, and therefore are taxable.</p> <p>Good rule of thumb to remember: Royalties that come from the ground are tangible and therefore taxable. Royalties from patents, copyrights, trademarks, trade names are intangible and specifically listed as exempt in the ORC.</p>
S Corp Shareholder’s Dist Share	NONTAXABLE	Troy Ordinance 171.03(G) and ORC 718.01(H)(9)(b) exempt an S Corp shareholder’s distributive share of net profits or losses of the S Corp from reporting on city return.

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Severance Pay	TAXABLE	Severance Pay or retirement incentive agreements are a wage continuation plan, and as such, are fully taxable. Severance Pay and retirement incentive agreements are not specifically exempted from taxation by either the ORC or Troy City Tax Ordinance.
Sick pay	TAXABLE	If paid by employer
Sick pay	NONTAXABLE	If paid by third party (effective 7/1/07)
Stock Options	TAXABLE	718.01(E)(1)(a) states that a municipality may choose to exempt from taxation the sale, exchange, or other disposition of a stock option, the exercise of a stock option, or the sale, exchange, or other disposition of a stock purchased under a stock option, however, Troy has not adopted such legislation to exempt this from taxation.
Supplemental unemployment Benefits (SUB pay)	TAXABLE	SUB pay is usually paid by a union in the event of a strike situation, and is paid as wages. SUB pay is taxable and is to be included in taxable wages per ORC 718.03(A)(2)(b)(iv).
Trustee fees	TAXABLE	171.03(A)(5) Guardian, executor, conservator, trustee or administrator fees are taxable.