

2011

City of Troy

Individual Income Tax Return

**** IMPORTANT ****

THIS RETURN IS DUE BY APRIL 15, 2012, however, due to the extension of the Federal tax return due date to TUESDAY, APRIL 17, 2012 we will honor all returns received or postmarked by 4/17/12 as timely filed.

In this packet you will find the forms and information necessary to file your CITY OF TROY INDIVIDUAL INCOME TAX RETURN for tax year 2011. To view the City's Income Tax Ordinance Chapter 171, please visit our website at www.troyohio.gov. Additional information regarding who must file and what income is reportable and taxable is included. If you are married, you may elect to file either a joint return with your spouse, or file individually, regardless of how your Federal return is filed. Be sure to indicate your filing status on the enclosed tax form.

Filing of this return is MANDATORY for all residents who are 18 years of age or older.

The filing and payment of 2012 Estimated Income Tax Quarterly Payments is MANDATORY and will be enforced. First quarter is due with the filing of the 2011 tax return, and vouchers for second, third and fourth quarters are included in this packet.

We will gladly prepare your return for you, and **THERE IS NO CHARGE FOR THIS SERVICE.** Simply bring your tax records and print out these forms to bring to our office prior to February 29, 2012.

APPOINTMENTS REQUIRED: To have your tax return prepared in March or April 2012, an appointment will be required. Contact our office early to schedule your appointment. Late arrivals for appointment will result in cancellation of the appointment. Be sure to bring all pertinent tax information with you. Rescheduling may not be possible as the deadline approaches. **There will be no walk-in service from March 1, 2012 through April 17, 2012.**

OFFICE HOURS 8:00 am to 5:00 pm Monday through Friday
OFFICE LOCATION: 100 S Market St, Troy OH 45373
PHONE: (937) 339-3861 FAX: (937) 440-1352
WEBSITE: www.troyohio.gov E-MAIL: income.tax@troyohio.gov

GENERAL INCOME TAX INFORMATION

For additional information, contact (937) 339-3861

WHO MUST FILE	All residents of Troy age 18 and older are required to file an annual income tax return. There is no maximum age limit for reporting and paying on taxable income, however, earnings for individuals under the age of 16 are exempt from Troy tax. Please refer to the listing below to determine whether or not specific types of income / compensation are taxable. Non-residents with reportable income (rental property, self-employment, underwithheld wages, etc.) must also file a return. As a resident, you must file even if you did not work or did not have taxable income. Contact our office if you are unsure as to whether you are required to file.
PART YEAR RESIDENTS	All income earned in Troy is fully taxable and reportable, regardless of residency. All income earned while a resident is reportable. Any proration of income results in proration of other city tax credits. Calculations must be supported by documentation. For clarification, part year residents should include copies of pay stubs from each employer closest to the date of move.
EXTENSIONS	Extension requests must be postmarked by 4/17/12 (special Federal extended due date), accompanied by a copy of your Federal Extension Request and payment in full of the balance of any 2011 income tax liability. AN EXTENSION OF TIME TO PAY A BALANCE DUE WILL NOT BE GRANTED. Penalty and interest will be assessed for failure to pay by the original due date.
DECLARATIONS	Filing and paying quarterly estimated tax payments is required. First quarter declaration for 2012 is calculated on the 2011 city tax return, and is due by 4/15/12. Second quarter is due 7/31/12; third quarter is due 10/31/12; and fourth quarter is due by 1/31/13. Vouchers for 2nd, 3rd and 4th quarter payments are included, and will not be mailed to you separately. Penalty and interest will be assessed for failure to file and pay timely.
DOCUMENTATION	Supporting documentation is necessary to verify all amounts of taxable income, expenses, deductions and credits. Federal schedules (including page 1 of your federal tax return), forms, W-2's, 1099's, etc., are required for your return to be complete. Failure to include all documentation may result in your return being sent back to you, and deemed as not filed.
AMENDED RETURNS	An amended return is needed for any year in which an amended Federal return is filed, or in which your Federal liability has changed. An amended return must be filed within ninety (90) days of the filing of any amended Federal return.
PAYMENT METHOD	Payment in full is required by April 15, 2012. Due to the extension of the Federal tax return due date to 4/17/12, we will honor returns / payments received or postmarked by 4/17/12 as timely filed. You may pay by cash (in person), check, or money order.
BUSINESS ENTITIES	Business entities that are required to file as such must use a Business Income Tax Return, obtainable from the Income Tax Department, or on our website at www.troyohio.gov . Business entities include, but are not limited to, corporations, partnerships, S-corporations, limited liability companies, limited liability partnerships, etc.
REFUNDS	When Troy tax is overpaid, a refund request may be submitted. All supporting documentation must be attached. When a refund request is due to days worked out of Troy (for a non-resident of Troy), or for tax withheld in error by an employer, or for any other employment-related withholding issue, the completion of a REFUND REQUEST FORM and certification of employer is required. This form is available on our website at www.troyohio.gov . Refunds are processed in the order received, and will be issued within 90 days after a completed return is submitted. Any missing documentation or information will result in delays in processing. During tax season, refunds can take up to 90 days to be

TAXABLE INCOME

1. Wages, salaries, and other compensation.
2. Bonuses, stipends, and tip income.
3. Commissions, fees, and other earned income.
4. Sick pay.
5. Employer supplemental unemployment benefits (SUB Pay).
6. Strike pay.
7. Vacation pay.
8. Employee contributions to retirement plans and tax deferred annuity plans (including Section 401k, 403b, 457b, etc.)
9. Pre-retirement distributions from retirement plans.
10. Profit-sharing.
11. Contributions made on behalf of employees to tax deferred annuity programs.
12. Net rental income.
13. Uniform, automobile, moving and travel allowances.
14. Farm net income.
15. Lottery, gambling, prizes, games of chance, etc.
16. Stock options.
17. Employer paid premiums for group term life insurance over \$50,000.00.
18. Compensation paid in goods or services or property usage.
19. Income from wage continuation plans (including retirement incentive plans and severance pay).
20. Income from guaranteed annual wage contracts.
21. Prizes and gifts if connected with employment.
22. Director fees, Executor fees.
23. Income from jury duty.
24. Royalties derived from tangible sources (i.e. gas, oil, etc)
25. Union steward fees.
26. Income from partnerships, estates and trusts.
27. Net profits of businesses, professions and proprietorships.
28. Ordinary gains as reported on Federal form 4797.
29. Reimbursements in excess of deductible expenses.
30. Employer provided educational assistance, taxable to the same extent as for Federal taxation.

NON-TAXABLE INCOME

1. Interest or dividend income.
2. Welfare benefits, social security.
3. Income from qualified pension plans.
4. State unemployment benefits.
5. Worker's compensation.
6. Proceeds of life insurance.
7. Alimony.
8. Active duty military pay (including active duty National Guard).
9. Capital gains.
10. Income from election day poll work (under \$1,000.00).
11. Section 125 Cafeteria Plans.
12. Compensatory insurance proceeds derived from property damage or personal injury settlements.
13. Patent and copyright income.
14. Royalties derived from intangible income.
15. Annuity distributions.
16. Housing allowances for clergy to the extent that the allowance is used to provide a home.
17. Health and welfare benefits distributed by governmental, charitable, religious or educational organizations.

Above lists are not all-inclusive. For more information, contact (937) 339-3861.

Troy Income Tax Educational Pages

DECLARATION OF ESTIMATED INCOME TAX DUE - Understanding the requirements to file and pay

WHO MUST FILE AND PAY ESTIMATED INCOME TAX FOR THE CURRENT YEAR?

Any individual who has income that is subject to Troy tax, and any of the following apply:

- You are a resident of Troy and work in a city or village that is subject to either no tax withholding or a lower tax rate withheld (or work in a township where no tax is withheld);
- You are a resident of Troy and are self employed (filing a Schedule C on your Federal Tax Return) and perform work in Troy or work in a city or village where you are paying a lower rate of city tax on income earned (or no tax at all for work performed in a township); or a non-resident of Troy with self-employment income earned in Troy;
- You own rental property in Troy, regardless of residency;
- You have any similar type of situation where your income is not fully withheld on and you have a tax balance due to Troy.

You are required to pay estimated tax due for the current year as you earn income. For every person who anticipates taxable income during the current year which is not fully withheld on (or may be from self-employment, rental activity, or other business activity) resulting in a tax due to Troy, a Declaration must be filed by April 15th of each year which shows the amount anticipated to be due. The estimated tax due must be paid in quarterly installments, with at least 90% of the total amount anticipated to be due PAID IN FULL by the final installment date. The payment due dates are as shown below:

DUE DATE	QUARTER	PERIOD COVERED
April 15	1st Quarter	Income earned January through March
July 31	2nd Quarter	Income earned April through June
October 31	3rd Quarter	Income earned July through September
January 31	4th Quarter	Income earned October through December

Methods of calculating estimated tax due:

- A. You may pay an amount equal to the amount due in the previous tax year. By paying 100% of the previous year liability in quarterly estimated tax payments, you will not be penalized for underpayment should your income be increased in the current year. (Known as "safe harbor").
- B. If you know what your anticipated income will be for 2012, you can base your estimate on that anticipated income amount. Using that figure, you can determine an equal quarterly amount for remittance for each period.
- C. You may calculate your quarterly amount due based on wages or income earned during the quarter. For example, you can calculate what you would owe for first quarter based on actual income from January, February and March. Each quarterly amount remitted may not be equal, depending upon the amount of income earned during each period.

THE CALCULATION FOR ESTIMATED TAX AND FIRST QUARTER DUE FOR 2012 is part of the 2011 tax return, lines 10-13. You must complete this section to determine if you owe estimated tax. Your first quarter payment will be remitted with your tax return, along with payment in full for tax due for 2011. **IMPORTANT! FAILURE TO FILE AND PAY QUARTERLY ESTIMATED TAX DUE WILL RESULT IN PENALTY AND INTEREST ASSESSED.** This is a mandatory requirement of the Income Tax Ordinance.

For further information regarding the requirement for filing and paying the Declaration of Estimated Tax, visit our website at www.troyohio.gov. Click on the link for Income Tax. You may download a copy of the Income Tax Ordinance Chapter 171 for your review. Section 171.07 explains the Declaration requirements.

IMPORTANT TROY TAX FACTS:

- Lottery, gambling, games of chance, prizes, etc. are city taxable and should be reported on the City of Troy Income Tax return.
- Losses from federal schedules cannot be used to offset wages or other compensation.
- 2106 expenses are limited to the amount deducted from Schedule A after the 2% AGI. You must include pages 1 and 2 of your 1040, Schedule A and your 2106 form. If the 2106 is attributed to income earned in another city with a tax, the amount of credit taken for the other city tax paid must be reduced accordingly. For assistance with calculating the allowable 2106 amount, or calculating the other city credit allowable, please bring your documentation and return to our office for assistance, or visit our website at www.troyohio.gov for specific information regarding 2106 expense deductions.
- Deduction for 1/2 SE tax is not allowable.
- Deduction for self-employed health insurance is not allowable. Per the Ohio Revised Code, our Ordinance has not included self-employed health insurance as a deductible item.
- Deduction for the additional 1/2 meals and entertainment is not allowable. We adhere to the IRS standard of 50% deduction only.

WHAT IS QUALIFYING WAGES?

Qualifying wages represents the city taxable wage figure from a W-2, as defined by the Ohio Revised Code, Section 718.03. When an employer withholds city tax from wages, they are required to withhold on “qualifying wages”. In trying to determine “qualifying wages”, an employer begins with wages as defined in Section 3121(a) of the Internal Revenue Code, and adjusts as follows:

- Deduct amounts that constitute a contribution to a Section 125 plan
- Deduct amounts that are included in wages if they reflect actual disability payments (not sick leave)
- Add amounts not included in wages because the employee was employed by the same employer since prior to April 1, 1986
- Add amounts not included in wages due to sale, exchange or other disposition of a stock option, exercise of a stock option, or the sale, exchange or other disposition of stock purchased under a stock option. This applies only to amounts constituting ordinary income
- Add amounts not included in wages if the amount represents a section 401(k) or 457 plan of the Internal Revenue Code. This applies only to employee contributions and employee deferrals, not employer contribution portions.
- Add any amount that represents supplemental unemployment compensation benefits described in section 3402(o)(2) of the Internal Revenue Code and not included in wages.

When an employer has correctly withheld tax on wages, and if 100% of the wages reported are taxable to one taxing jurisdiction, the correct taxable wage figure should appear in box 18 of the W-2. When an employer does not list an amount in box 18, please use box 5 and make any adjustments as shown above to determine city taxable income. Please keep in mind that our staff is available to assist with the preparation of your City of Troy Income Tax Return!

MOST FREQUENT ERRORS MADE WHEN FILING A TAX RETURN

10. Failure to sign tax return (and to have spouse sign if joint filing).
9. Failure to complete estimated tax portion of return and pay estimate.
8. Failure to report address changes.
7. Failure to file return for the year taxpayer moves in or moves out.
6. Failure to properly allocate wages (by including pay stub closest to date of move) when allocating income for move-in / move-out year.
5. Using School District Tax withheld as a credit on the City tax return. (School District Tax is collected by the State of Ohio, credit is not used on the City of Troy tax return.)
4. Failure to mail return / failure to timely mail return.
3. Failure to pay total balance due as shown on tax return / Failure to pay quarterly estimated tax due.
2. Failure to attach W-2's and/or Federal Schedules, forms and statements to support income and deductions. (Including Failure to include W-2's which show all Federal, State and City wage information, and City withholding information).
1. Failure to use correct wage figure from W-2's.

Tax returns received by the City of Troy that do not have the appropriate documentation will be returned to the taxpayer, and deemed to be non-filed until resubmitted with all complete information. If your tax return is sent back to you for additional information, it is important to resubmit the return within the time frame given to avoid penalties for failure to file or failure to timely file your tax return.

AVOID LATE FILING PENALTIES BY FILING YOUR CITY OF TROY TAX RETURN TIMELY

Even if you do not owe tax, all residents are required to file an annual income tax return. Failure to file this return timely may subject you to a Late Filing Fee of \$25.00 (if filed within 30 days), and \$50.00 (if filed after 30 days from the due date.) Avoid this penalty—File your tax return by April 15th! Remember, returns must be postmarked by the due date to be considered timely filed.