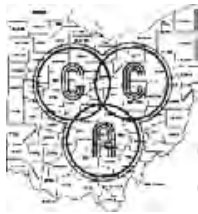


# MUNICIPAL INCOME TAX

## 2006

### NET PROFIT FORMS INSTRUCTION BOOKLET



CENTRAL  
COLLECTION AGENCY

The attached 2006 Municipal Income Tax Net Profit Return (CCA 120-17BR) is to be used for filing all business entity income tax returns. **All individuals, including anyone filing a Federal Schedule C, (including single member LLC's that file a Federal Schedule C) E or F with their individual federal income tax return, must use the CCA Individual Tax Return (CCA 120-16 IR).**

Overpayment from the prior tax year may be credited to the current tax year. Estimated payments may be made in full or in quarterly installments. First quarter estimates for the current tax year are due on or before April 15th, or the 15th day of the fourth month following the taxpayer's fiscal year-end. If paid quarterly, estimated payment bills will be sent to you beginning with the second quarter. For more information please see each community's income tax ordinance or CCA Rules and Regulations available on our website at:

<http://www.ccatax.ci.cleveland.oh.us>

If a balance due is indicated and/or you are making an estimated payment for the current tax year with your return, please make sure your remittance payment is enclosed. Make checks payable to the Central Collection Agency.

## GENERAL INSTRUCTIONS

### Who Must File Form CCA 120-17BR

Every entity doing business in a CCA community as defined by the Rules and Regulations must file a Net Profit Return and pay the tax due. Individuals, including sole proprietorships, must file an Individual Tax Return and pay the tax due.

### Taxpayer Identification Number

The federal employer identification number must be shown on all tax returns, payments and correspondence filed with CCA.

### Where to Get Forms

Tax Returns are mailed directly to the taxpayers of record. For calendar year taxpayers, estimate tax payments and prior year credits processed by CCA as of November 30th, 2006, will be shown in the upper right-hand corner of the Net Profit Return. The 4th Quarter 2006 estimate tax payment is due no later than December 15th, 2006. Additional forms are available on our website at <http://www.ccatax.ci.cleveland.oh.us>, or may be obtained from our office or member communities.

### When and Where to File

Tax returns must be filed on or before April 15th, or the 15th day of the fourth month following the taxpayer's fiscal year-end with the Central Collection Agency. The total amount of tax due as shown on line 6, Column 7A on the front page of the Net Profit Tax Return must be paid when the return is filed. All remittance must be made payable to the Central Collection Agency ("CCA").

### Declaration of Estimated Tax

If you expect to owe tax for the current tax year, tax year 2007, you must file and pay Net Profit Tax Estimates. A Net Profit Tax Estimate must be completed and paid by every business entity that has taxable income for the current tax year (to the extent the estimated tax due exceeds any available overpayment carried forward as a credit).

### Extensions

The time for filing the return may be extended to the end of the month following the month to which the return has received a valid federal extension, if a copy of the Federal extension (Form 7004) is attached to the tax return when filed. An extension only extends the time to file. Payment of the tax after the original due date will be assessed interest charges as provided for in the Rules and Regulations. If additional tax is due, the payment must be submitted with a copy of the Federal extension by the original due date to avoid interest charges.

### Penalties and Interest

Many CCA communities have monthly penalty and interest rates of 1.50% each, with a minimum penalty of \$25.00. Penalty and interest rates of CCA communities are available on our website at <http://www.ccatax.ci.cleveland.oh.us>. Failure to pay estimated tax payments totaling at least 90% of the current year tax due or 100% of the prior year tax due within 30 days of the end of your tax year will result in penalty and interest charges for underpayment of estimated tax in accordance with ORC section 718.08. See specific city ordinance.

### Signature

Sign and date your return before submitting it to the Central Collection Agency. A return is not "filed" within the meaning of the law, until signed by the taxpayer or an agent legally authorized to sign tax return for such taxpayer. If the return is prepared by someone other than the taxpayer, such person should also sign the return.

### What Constitutes Net Profits

Net profits are based on Adjusted Federal Taxable Income, as determined under Ohio law. Please see Ohio Revised Code Section 718.01 ("ORC 718.01"), available via the State of Ohio website at: [ohio.gov/government.stm](http://ohio.gov/government.stm) for more information.

### Net Loss Carried Forward

Losses may be carried forward for a maximum of 5 years, or until exhausted, whichever is earlier. Losses may not be carried back. Loss carryforwards for multiple community taxpayers must be allocated in the same manner as taxable net profits. Failure to allocate loss carryforwards and/or failure to timely file all tax returns will result in disallowance of loss carryforwards.

## Allocation of Net Profits

The business allocation percentage formula is to be used by all entities and corporations doing business within and without CCA communities. See ORC 718.02 for more information.

### Special Notes

1. Use Schedule Y, Part A if business activity is conducted in more than one city.
2. Complete the loss carry forward schedule on the front of the tax return to allocate the loss.
3. In determining the average percentage, if one of the factors is missing, the other two are added and the sum is divided by two.
4. Whenever a line is provided for a city name, enter name of city where business is conducted. Enter word "multiple" if business is conducted in more than one community, none of which are CCA communities.
5. The income from the net profit of a business and/or of rental property is assignable to the community where the business was conducted or the property located.
6. Attach all K-1 forms, to include partner or shareholder home address (or a separate schedule listing all required K-1 information).

### SPECIFIC INSTRUCTIONS

**HEADING** — Check pre-printed information. If not correct, make corrections by crossing out pre-printed information and entering correct data above the line(s).

Fiscal year and short period filers must indicate beginning and ending month/year of period covered by the return.

**LINE 1** — If your entity type is not listed on line 1, please refer to ORC 718.01 instructions to determine what amount to report as "Income per attached federal return."

**LINE 2-A** — Enter amount from line M of Schedule X.

**LINE 2-B** — Enter amount from line Z of Schedule X.

**LINE 2-C** — Difference between lines 2-A and 2-B. If line 2-A is larger add difference to line 1 figure, if line 2-B is larger the difference is subtracted from line 1.

**LINE 3-A** — The result of line 1 plus line 2-A less line 2-B.

**LINE 3-B** — If all your business income is allocable to one community, enter 100% and report the amount on line 3-A. If your business income is allocable to more than one community, please complete Schedule Y on page 2 of the return and report the total from Schedule Y on this line.

**LINE 3-C** — Enter the amount of the allowable prior year loss carryforward.

**LINE 4** — The result of line 3-B less line 3-C is the income subject to the city income tax this year.

**LINE 5** — If all income is earned in one city bring down the income from line 4 and complete line 5. If two or more cities are involved complete Schedule Y first.

**COLUMN 1** — List city name where profit/loss occurred.

**COLUMN 2** — List taxable income from each city by line.

**COLUMN 3** — Find tax rate in Tax Rate Schedule for each city in which income was earned.

**COLUMN 4** — Multiply column 2 by column 3.

**COLUMN 5** — Enter any overpayment carried forward as a credit from previous tax year.

**COLUMN 6** — Enter net profit estimated tax paid.

**COLUMN 7** — Column 4 less columns 5 and 6 which equals column 7a net tax due. An overpayment can be credited to next year, column 7b or refunded column 7c .

**LINE 6** — Total each column.

## SCHEDULE INSTRUCTIONS

### Adjustments to Income per Federal Tax Return as reported on Line 1 of this Form

**SCHEDULE X** This Schedule is used to determine how much of the income per your attached federal tax return is subject to the municipal net profits tax. The state of Ohio preempts cities from taxing intangible income (see ORC 718.01 (A) (5) for definition of intangible income). In addition to an add-back of all taxes based on income deducted on your attached federal return, if your Ohio Franchise Tax is paid on the net income basis this amount must also be included on line C. Depreciation recapture on tangible personal property and/or real property is taxable in accordance with sections 1245 and 1250 of the Internal Revenue Code. For purposes of determining Adjusted Federal Taxable income for non-C Corporations, the following adjustments shall also apply and be included in the amount reported on Schedule X, line E "Other-Attach Explanation":

1. IRC Sec. 291 recapture upon the sale or exchange of IRC Sec. 1250 property as applicable to a C Corporation.
2. Any limitations on IRC Sec. 179 depreciation expenses and/or charitable contributions as applicable to a C Corporation.

Loss on the sale, exchange or other disposition of depreciable property or real estate used in your business is not an allowable deduction for city net profit purposes. See ORC 718.01 for more information.

Meals and entertainment are limited to 50% in keeping with Federal Regulations. Do not show the other 50% as an item not taxable.

### Business Allocation Formula

**SCHEDULE Y** Taxpayers doing business in more than one community must use Schedule Y to allocate their net profits. See ORC 718.02 for more information.

Determine the ratio of each community's portion of the following:

- (1) Average original cost of real and tangible property used in the taxpayer's trade or business, and owned, rented or leased by the taxpayer. To determine the value of rented or leased property, multiply gross annual rental and/or lease payments by 8.
- (2) Total wages, tips and other employee and/or owner compensation deducted on the attached federal tax return.
- (3) Gross receipts from sales made and services performed, regardless of where made or performed.

Add the ratios obtained and divide by the number of ratios used to obtain the business allocation percentage for each community listed. The business allocation percentage is applied against Adjusted Federal Taxable Income as calculated on Page 1, Line 3A of this form for each community listed.

**Special note:** Sales and gross receipts in CCA municipalities (Step 3) are based on the following criteria:

- a. All sales of tangible personal property made by a manufacturer's representative, not an employee of the taxpayer, have a situs of the point of shipment regardless of where title passes or place of delivery.
- b. All sales of tangible personal property made by an employee of the taxpayer have a situs based on where the sale is consummated.
- c. All sales of tangible personal property initiated by a customer of the taxpayer have a situs of the point of shipment regardless of where title passes or place of delivery.
- d. Solicitation of customers outside taxing community by mail or phone from an office or place of business within a taxing community shall be considered a solicitation of sales within the taxing community.

# TAX RATE SCHEDULE

RATE OF TAX FOR CCA MEMBER COMMUNITIES ARE AS FOLLOWS

MUNICIPALITY	CODE	EFFECTIVE DATE OF ORDINANCE										
		.5%	.75%	1.0%	1.15%	1.25%	1.3%	1.5%	1.75%	2.0%	2.5%	2.85%
Ada	002			1-1-71	1-1-95							
Andover	006			1-1-87				1-1-97				
Antwerp	008			9-12-06								
Barberton	025							1-1-85	1-1-86	1-1-87		
Bradner	117			10-8-70								
Bratenahl	120			7-1-70				1-1-81				
Burton	176			1-1-71								
Cairo	177			4-1-06								
Chardon	185			1-1-70						1-1-05		
Cleveland	200	1-1-67		1-1-68				3-1-79		3-1-81		
Creston	238			1-1-94								
Cridersville	239			4-1-04								
Elida	276		4-1-06									
Gates Mills	330	1-1-68		7-1-68								
Geneva-on-the-Lake	347			4-1-88								
Grand Rapids	356			1-1-71								
Grand River	357							1-16-80		3-1-92		
Highland Hills	371			6-20-90						1-1-91	1-1-99	
Liberty Center	408			1-1-91								
Linndale	420			7-1-70				1-1-84		7-1-97		
Madison Village	455			1-1-84								
Medina	487	11-1-72				1-1-04						
Mentor	490	1-1-68		1-1-69				8-1-79		5-1-87		
Mentor-on-the-Lake	495			1-1-69						4-1-87		
Metamora	497			1-1-93								
Middlefield	510	4-1-69		7-1-76								
Munroe Falls	533			1-1-71						7-1-81		
New Franklin	537			9-1-05								
Northfield Village	545			10-1-68				1-1-95		1-1-05		
North Baltimore	548			1-1-82								
North Perry Village	555	1-1-80		1-1-83								
North Randall	560	7-1-67		7-1-68				7-1-84		9-1-92	7-1-97	
Norton	575							5-1-74		1-1-05		
Oakwood (Paulding County)	585			1-26-96								
Orwell	605	4-12-77		8-1-83								
Painesville	610			10-1-68				1-1-77		3-1-83		
Paulding	640	1-1-01										
Peninsula	645			4-1-89								
Perry	655			7-1-87				1-1-97*				
Rock Creek	698			1-1-87								
Rocky River	700	10-1-67		7-1-68				7-1-77				
Russells Point	703			1-1-05								
Seville	722	1-1-77		7-1-80								
South Russell	772			1-1-69								
Timberlake	788			10-1-68								
Wadsworth	815			1-1-71			7-1-81					
Warrensville Heights	830	1-1-67		7-1-68					10-1-85	1-1-02		
Willoughby	870			1-1-69				1-1-81		7-1-86		
Willoughby Hills	880			10-1-68				7-1-76				

\* Creston tax was repealed effective November 21, 2006

\* Perry reduced tax rate to 1% effective January 1, 2002