



10107 Brecksville Road
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www.ritaohio.com

INSTRUCTION BOOKLET

FOR

NET PROFIT TAX RETURNS

2006

GENERAL INSTRUCTIONS

FILING REQUIREMENTS: Every corporation, partnership, trust, or estate whether a resident or non-resident that conducts business in a R.I.T.A. municipality must file a return and pay tax on the net profit.

WHEN TO FILE: On or before the fifteenth (15th) day of the fourth (4th) month following the end of the taxpayer's taxable year.

WHERE TO FILE: Forms may be mailed to R.I.T.A., P.O. Box 89475, Cleveland, Ohio 44101-6475, or delivered to the office of the Regional Income Tax Agency.

EXTENSIONS OF TIME TO FILE: A federal extension will extend the municipal due date to the last day of the month following the month to which the due date of the federal return has been extended. A copy of the federal extension must be filed on or before the original due date for filing the return. For good cause, an extension may be granted by the Administrator. Make written request on or before the due date stating reason for extension.

ROUNDING OFF TO WHOLE DOLLARS is permitted. Eliminate any amount less than fifty cents and increase any amount from fifty cents through ninety-nine cents to the next higher dollar.

PENALTY AND INTEREST, in accordance with the law, will be charged for failing to file a return and to pay taxes, including estimated taxes, when they are due.

A fee will be assessed to your account for a dishonored check or a check / electronic debit that cannot be processed. RITA may choose to redeposit your returned item electronically. Additionally, you understand and agree that we may collect a returned item processing fee as allowed by state law. Electronic filers assume all responsibility for the accuracy of the information submitted and are therefore subject to any assessed fees described above for any errors.

NEW UNIFORM DEFINITION OF NET PROFITS: Recently enacted law in Ohio creates a uniform definition of taxable income for net profits tax returns, effective for taxable year 2004, for filings that occur in 2005. This definition can be found on our website www.ritaohio.com under the heading of "HB 95 Amendments to Municipal Income Tax" or refer to Ohio Revised Code Section 718.01. A listing of the adjustments to the Federal Taxable Income (FTI) before net operating losses and special deductions is located below. Refer to the Adjusted Federal Taxable Income (AFTI) worksheet found on Page 3 of Form 27 or at www.ritaohio.com to determine the AFTI as it pertains to a taxpayer that is not a C corporation and is not an individual, and who shall compute FTI as if the taxpayer were a C corporation.

ADJUSTMENTS TO THE FEDERAL TAXABLE INCOME (FTI), BEFORE NET OPERATING LOSSES AND SPECIAL DEDUCTIONS

- i. Deduct intangible income to the extent it is included in FTI;
- ii. Add 5% of the amount deducted as intangible income, but not the portion of the intangible income related to the sale, exchange, or disposition of property described in section 1221 of the Internal Revenue Code;
- iii. Add any losses allowed in the computation of FTI if the losses relate to the sale, exchange, or disposition of property described in section 1221 or 1231 of IRC;
- iv. Except for depreciation recapture described in section 1245 or 1250 of IRC, deduct income and gain included in FTI to the extent the income and gain relate to the sale, exchange, or disposition of an asset described in section 1221 or 1231 of IRC;
- v. Add taxes on or measured by net income allowed as a deduction in the computation of FTI;
- vi. In the case of a real estate investment trust or regulated investment company, add all dividends, distributions, or amounts set aside for the benefit of investors and allowed as a deduction in the computation of FTI;
- vii. In the case of a taxpayer that is not a C corporation and is not an individual, the taxpayer shall compute FTI as if the taxpayer were a C corporation and, in addition to the above adjustments, shall not be allowed a deduction for guaranteed payments, payments to a qualified self-employed retirement plan, payments for health or life insurance for an owner or owner-employee, or federal self-employment tax.

Refer to the Adjusted Federal Taxable Income (AFTI) worksheet found on Page 3 of Form 27 or at www.ritaohio.com to determine the AFTI as it pertains to a taxpayer that is not a C corporation and is not an individual, and who shall compute FTI as if the taxpayer were a C corporation.

SPECIFIC INSTRUCTIONS

HEADING - Print your company name, address, federal identification number, or make needed correction if already imprinted.

LINE (1) - Indicate your Adjusted Federal Taxable Income (AFTI), or the equivalent on Line 1. (Refer to the AFTI worksheet found on Page 3 of Form 27 or at www.ritaohio.com to determine the AFTI, as it pertains to taxpayers that are not a C corporation and is not an individual, and who shall compute FTI as if the taxpayer were a C corporation).

LINES (2A), (2B), AND (2C) - Are used to make adjustments when Schedule X is used. Schedule X is used to reconcile income as used for federal purposes by subtracting such income items that are not taxable for municipal purposes and adding back deductions used for federal purposes that are not allowable for municipal purposes. Enter the amounts of any such items in Schedule X, and carry the totals of Schedule X, Lines (G) and (Q) respectively to Lines (2A) and (2B). The difference between Lines (2A) and (2B) is to be entered on Line (2C). Also see instructions for Schedule X.

RECONCILIATION WITH FEDERAL INCOME TAX RETURN

SCHEDULE X - This schedule is used for the purpose of making adjustments when total income (Line 1) includes income not taxable and/or items not deductible for municipal purposes. Enter the amounts of any such items in Schedule X and carry totals, Line G and Line Q, respectively to Lines (2A) and (2B). **LINE A** - All losses (ordinary & capital) directly related to the sale, exchange, or other disposition of an asset described in section 1221 or 1231 of the I.R.C. **LINE B** - Would include federal, state, local, and other taxes based on income. **Line C** - Add 5% of the amount deducted on Schedule X, Line O. **LINE D** - In the case of a taxpayer that is not a C corporation and is not an individual, the taxpayer shall compute FTI as if the taxpayer were a C corporation and, in addition to the above adjustments, shall not be allowed a deduction for payments to a qualified self-employed retirement plan, payments for health or life insurance for an owner or owner-employee, or federal self-employment tax. **LINE E** - In the case of a real estate investment trust or regulated investment company, add all dividends, distributions, or amounts set aside for the benefit of investors and allowed as a deduction in the computation of FTI. **LINE N** - All income and gains to the extent it directly relates to the sale, exchange, or other disposition of an asset described in section 1221 or 1231 of the I.R.C. (NOTE: Do not include income or gain described in section 1245 or 1250 of the I.R.C.). **LINE P** - Include items listed in the general instructions as Federal Income Not Taxable, as well as compensation or like reimbursement for damages, (except for loss of profits), involuntary conversion, cancellation of indebtedness, income of a decedent's income already taxable by the State of Ohio from which R.I.T.A. municipalities are specifically prohibited from taxing, and income which is prohibited from taxation by the Constitution of the United States and the State of Ohio or any Act of Congress or the Ohio General Assembly.

LINE (3A) - The result of Line 1 plus Line (2A) less line (2B).

LINE (3B) - The Ohio Revised Code recites a formula (Schedule Y) to determine the percentage of income attributable to R.I.T.A. municipalities by business entities conducting business activity both within and outside R.I.T.A. municipalities. Bring the average percentage from Step 5 of Schedule Y to the % line of Line (3B). Multiply Line (3A) by this percentage and enter the result on Line (3B).

BUSINESS APPORTIONMENT FORMULA

SCHEDULE Y - A Business Apportionment Formula consisting of the average original cost of real and tangible personal property, gross receipts, and wages paid must be used by business entities not required to pay tax on entire net profits, by reason of doing business both within and without of R.I.T.A. municipalities. However, if the Business Apportionment Formula does not produce an equitable result, another basis (for example the Books and Records) may be substituted, once approved by the municipality.

NOTE: Sales and gross receipts in R.I.T.A. municipalities (Step 3) means:

1. All sales of tangible personal property which is shipped from a R.I.T.A. municipality to purchasers outside of a R.I.T.A. municipality 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. All sales of tangible personal property which is delivered within a R.I.T.A. municipality regardless of where title passes, even though transported from a point outside a R.I.T.A. municipality, if the taxpayer is regularly engaged through its own employees in the solicitation and the sales result from such solicitation or promotion.
3. All sales of tangible personal property which is delivered within a R.I.T.A. municipality regardless of where title passes, if shipped or delivered from a stock of goods within a R.I.T.A. municipality.

LINE (3C) - Refer to the Special Notes section as to the specific municipal limitations on Net Operating Losses.

HOW TO TREAT A NET LOSS: The portion of a net operating loss sustained in any taxable year, allocable to a R.I.T.A. municipality may be applied against the portion of the profit of the succeeding year(s) allocable to a R.I.T.A. municipality until exhausted, but in no event for more than five (5) taxable years. (SEE SPECIAL NOTES). No portion of a net operating loss shall be carried back against net profits of any prior year. The portion of a net operating loss sustained shall be allocated to a R.I.T.A. municipality in the same manner as provided herein for allocating net profits to the taxing municipality. A worksheet or schedule is required to support an operating loss claimed on the return. The net operating loss of a business which loses its identity through merger, consolidation, etc. shall be allowed as a loss carry-forward deduction to the surviving business entity to the extent permitted by the Internal Revenue Code.

SPECIAL NOTES:

BEXLEY, CIRCLEVILLE, EAST PALESTINE, FREMONT, GALION, GIRARD, GRAFTON, GRANDVIEW HEIGHTS, GROVE CITY, LAKEMORE, LITHOPOLIS, MECHANICSBURG, NEW ALBANY, NEW WATERFORD, OBERLIN, PIKETON, PLYMOUTH, POWELL, REYNOLDSBURG, RICHWOOD, SANDUSKY, SHAWNEE HILLS, SHEFFIELD LAKE, SUNBURY, TORONTO, TWINSBURG, UHRICHSVILLE, UPPER ARLINGTON, URBANCREST, WELLSVILLE, WORTHINGTON, AND YELLOW SPRINGS: A net operating loss may not be carried forward.

MAPLE HEIGHTS: A net operating loss may be carried forward for a maximum of one (1) year.

BOSTON HEIGHTS, CORWIN, RIVERSIDE, SOUTH SOLON, and VERMILION: A net operating loss may be carried forward for a maximum of three (3) years.

JEWETT: A net operating loss may be carried forward for a maximum of (7) years.

LINE (4) - The result of Line (3B) less Line (3C).

LINE (5) - See back page for tax rates or use www.ritaohio.com to obtain current rates. NOTE: You must complete Schedule B for any amount on Line 5.

DISTRIBUTION OF PROFIT WITHIN R.I.T.A. MUNICIPALITIES

SCHEDULE B: This schedule must be used for the distribution of tax on Line 5. If the amount of tax shown on Line 5 of this form is to be allocated to any R.I.T.A. municipality, you must fill in the names of all the municipalities and the amount of taxable income and tax due to each one. The total distribution in Schedule B must equal total tax due (Line 5). Attach a schedule if you need more space.

LINE (6A) -Enter here estimated payments made to R.I.T.A. municipalities for this taxable year.

LINE (6B) -Enter credit from prior year(s). (Overpayment you indicated on the prior return to be credited against this year's tax.)

LINE (6C) -The total of Lines (6A) and (6B).

LINE (7A) - If Line 5 is greater than Line (6C) the difference should be entered here. Remittance in this amount must accompany the return when filed. If this amount is less than \$1, (for Macedonia \$2 and Ashville \$5), you do not have to pay.

LINE (7B) -If Line (6C) is greater than Line 5 the difference should be entered here. This amount will be transferred as a credit unless you request a refund. Refunds of less than \$1, (for Macedonia \$2 and Ashville \$5), are not made, per the income tax ordinance, but can be credited to your account. Do not split overpayment between credit and refund. Please check refund box on return envelope to expedite processing of the refund.

LINE (8) - COMPUTATION OF ESTIMATED TAX

THE ESTIMATE IS DUE ON THE FIFTEENTH (15th) DAY OF THE FOURTH (4th) MONTH FOLLOWING THE END OF THE FISCAL YEAR.

A. Enter the computed, estimated taxable income and taxes for each municipality in the space provided next to the name of that municipality listed on the bottom part of the Estimated Tax Distribution section. Then place the total taxes on Line (8A).

B. Credit from prior year. If upon completion of your annual net profit Form 27 you have accrued a credit and did not request a refund, you may take that credit on Line (8B). Otherwise, place a zero on this line.

C. Subtract Line (8B) from Line (8A) and place the difference on Line (8C).

D. Enter the amount of estimated tax to be paid with this return on Line (8D). **LINE (9)** -Enter the total tax (Line 7A) plus total estimate paid (Line 8D). **For your convenience, you may pay the full amount of total estimated tax due, (Line 8C), with this declaration. Otherwise, 1/4 of the estimated tax due must be remitted with this declaration and the remaining amount will be billed to you in three equal installments.**

For each R.I.T.A. municipality owed, if your estimated payments are not 90% of the tax due or are not equal to or greater than your prior year's total tax liability, you will be subject to penalty and interest assessments.

QUARTERLY PAYMENTS OF ESTIMATED TAX MUST BE MADE TO EACH R.I.T.A. MUNICIPALITY REGARDLESS OF THE AMOUNT OWED, EXCEPT FOR THE FOLLOWING CITIES:

IF AMOUNT IS AT LEAST:

\$10	AVON BENTLEYVILLE BOSTON HEIGHTS BROADVIEW HEIGHTS BROOKLYN HEIGHTS CUYAHOGA HEIGHTS EAST CLEVELAND	FAIRVIEW PARK HIGHLAND HEIGHTS INDEPENDENCE KIRTLAND LYNDHURST MAPLE HEIGHTS MAYFIELD VILLAGE	MORELAND HILLS NEWBURGH HEIGHTS NORTH OLMSTED OLMSTED FALLS OLMSTED JEDD PEPPER PIKE REMINDERVILLE	REMINDERVILLE/ TWINS. TWP. JEDD SEVEN HILLS SHEFFIELD VILLAGE STREETSBORO VALLEY VIEW WOODMERE
\$40	AVON LAKE	SANDUSKY		
\$50	AURORA BEREA GALENA GLENWILLOW	HUDSON MAYFIELD HEIGHTS MIDDLEBURGHEIGHT S NORTH ROYALTON	OAKWOOD VILLAGE POWELL SHAKER HEIGHTS STRONGSVILLE	SUNBURY UNIVERSITY HEIGHTS WELLSTON WILLOWICK
\$60	MARTINS FERRY			
\$75	BRECKSVILLE			
\$100	BAY VILLAGE BEDFORD HEIGHTS CARDINGTON CENTERBURG CIRCLEVILLE ELYRIA ELYRIA TWP. / CITY JEDD FORT JENNINGS	FREMONT GALION GRANDVIEW HEIGHTS GROVE CITY MAINEVILLE MECHANICSBURG NEW ALBANY	ORANGE VILLAGE OTTAWA PIKETON REYNOLDSBURG RICHMOND HEIGHTS RIVERSIDE SAINT PARIS	SILVER LAKE SOUTH EUCLID STEUBENVILLE TWINSBURG UPPER ARLINGTON WESTLAKE WORTHINGTON
\$200	BEXLEY	HASKINS		
\$300	OBERLIN			
\$400	ARLINGTON HEIGHTS			
NOTE: POWHATAN POINT - NO MINIMUM ESTIMATES ARE REQUIRED TO BE MADE.				

PARTNER'S DISTRIBUTIVE SHARES OF NET INCOME

SCHEDULE Z - Must be completed by all partnerships and associations filing returns. Amounts shown in this schedule must correspond with amounts reported on your Federal Partnership Return. Attach a schedule if you need more space.

SIGN AND DATE FORM 27 IN THE SPACE PROVIDED. PRINT YOUR FEDERAL EMPLOYER'S IDENTIFICATION NUMBER ON YOUR CHECK OR MONEY ORDER AND MAKE IT PAYABLE TO R.I.T.A. ENCLOSE YOUR CHECK OR MONEY ORDER WITH ORIGINAL FORM 27 ALONG WITH A COPY OF THE FEDERAL RETURN AND/OR SUPPORTING SCHEDULES.

2006 NET PROFIT TAX TABLE

<u>CODE</u>	<u>MUNICIPALITY</u>	<u>RATE</u>	<u>CODE</u>	<u>MUNICIPALITY</u>	<u>RATE</u>
013	ARLINGTON HEIGHTS	2.10	528	MOUNT STERLING	1.00
006	ASHVILLE	0.50	535	NEW ALBANY	2.00
010	AURORA	2.00	504	NEW BLOOMINGTON	1.00
020	AVON	1.50	525	* NEW WATERFORD	1.00
021	AVON LAKE	1.50	540	NEWBURGH HEIGHTS	2.00
040	BAY VILLAGE	1.50	561	NEWTOWN	1.00
050	BEACHWOOD	1.50	549	NORTH LEWISBURG	1.00
065	BEDFORD HEIGHTS	2.00	550	NORTH OLMSTED	2.00
090	BENTLEYVILLE	1.00	570	* NORTH ROYALTON	1.00
100	BEREA	2.00	580	OAKWOOD VILLAGE	2.00
104	BEXLEY	2.00	585	OBERLIN	1.90
110	BOSTON HEIGHTS	2.00	590	OLMSTED FALLS	1.50
130	BRECKSVILLE	2.00	589	OLMSTED JEDD	1.50
140	BROADVIEW HEIGHTS	2.00	600	ORANGE VILLAGE	2.00
160	BROOKLYN HEIGHTS	2.00	606	OTTAWA	1.00
167	CAMPBELL	2.50	650	PEPPER PIKE	1.00
168	* CARDINGTON	1.00	637	PIKETON	1.00
195	CECIL	1.00	640	PLAIN CITY	1.00
192	CEDARVILLE	1.00	635	PLYMOUTH	0.50
194	CENTERBURG	1.00	648	POWELL	0.75
180	CHAGRIN FALLS	1.50	645	* POWHATAN POINT	0.75
190	CIRCLEVILLE	1.50	660	REMINDERVILLE	1.50
193	CLAYTON	1.50	661	REMINDERVILLE /	
223	* CORWIN	0.50		TWINSBURG TOWNSHIP JEDD	1.50
250	CUYAHOGA HEIGHTS	2.00	662	REYNOLDSBURG	1.50
270	EAST CLEVELAND	2.00	670	RICHMOND HEIGHTS	2.00
268	* EAST PALESTINE	1.00	671	RICHWOOD	1.00
277	ELYRIA	1.75	669	RIDGEWAY	0.50
282	ELYRIA TOWNSHIP /		680	RIVERSIDE	1.50
	CITY OF ELYRIA JEDD	1.75	704	SABINA	1.00
291	FAIRPORT HARBOR	2.00	707	SAINT PARIS	1.00
300	FAIRVIEW PARK	2.00	712	SALINEVILLE	1.00
304	FORT JENNINGS	1.00	710	SANDUSKY	1.00
310	FREMONT	1.50	720	SEVEN HILLS	2.00
319	GALENA	1.00	750	SHAKER HEIGHTS	1.75
317	* GALION	2.00	749	SHAWNEE HILLS	2.00
320	GARFIELD HEIGHTS	2.00	751	* SHEFFIELD LAKE	1.50
346	GIRARD	2.00	752	SHEFFIELD VILLAGE	1.50
347	GLENWILLOW	2.00	748	SHERWOOD	1.00
350	* GRAFTON	1.50	756	SILVER LAKE	2.00
357	GRANDVIEW HEIGHTS	2.50	770	* SOUTH EUCLID	2.00
358	GROVE CITY	2.00	769	SOUTH SOLON	1.00
364	HASKINS	1.00	776	STEUBENVILLE	2.00
370	* HIGHLAND HEIGHTS	1.50	775	STREETSBORO	1.00
378	HUDSON	2.00	780	STRONGSVILLE	2.00
390	INDEPENDENCE	2.00	779	SUNBURY	1.00
377	JEWETT	1.00	794	* TONTOGANY	1.00
394	KIRTLAND	2.00	792	* TORONTO	2.00
398	LAGRANGE	1.50	790	* TWINSBURG	2.00
401	LAKEMORE	2.00	797	* UHRICHSVILLE	1.75
424	* LITHOPOLIS	1.00	800	* UNIVERSITY HEIGHTS	1.50
426	LOCKLAND	2.10	802	UPPER ARLINGTON	2.00
440	LYNDHURST	1.50	806	URBANCREST	2.00
450	MACEDONIA	2.00	810	VALLEY VIEW	2.00
451	MACEDONIA / NORTHFIELD		815	VERMILION	1.00
	CENTER TWP. JEDD	2.00	821	WAKEMAN	1.00
454	MAINEVILLE	1.00	834	WELLSTON	1.00
460	MAPLE HEIGHTS	2.00	839	WELLSVILLE	1.00
466	MARTINS FERRY	0.75	841	* WEST ELKTON	1.00
480	MAYFIELD HEIGHTS	1.00	840	WESTLAKE	1.50
485	MAYFIELD VILLAGE	1.50	842	* WESTON	1.00
486	MECHANICSBURG	1.00	890	WILLOWICK	2.00
500	* MIDDLEBURG HEIGHTS	1.75	894	WINTERSVILLE	1.00
505	MILAN	0.50	900	WOODMERE	2.00
513	* CITY OF MILFORD	1.00	901	* WOODSTOCK	1.00
507	MILFORD CENTER	1.00	904	WORTHINGTON	2.00
509	MINERVA PARK	1.00	906	YELLOW SPRINGS	1.50
515	MOGADORE	2.00	907	* YOUNGSTOWN	2.75
520	MORELAND HILLS	1.00			

*CARDINGTON NEW MEMBER AS OF 1-1-06
 *CORWIN NEW MEMBER AS OF 1-1-07
 *EAST PALESTINE NEW MEMBER AS OF 6-1-06
 *GALION TAX RATE CHANGE FROM
 1.50% TO 2.00% AS OF 7-1-06
 *GRAFTON NEW MEMBER AS OF 12-1-06
 *HIGHLAND HEIGHTS TAX RATE CHANGE FROM
 1.50% TO 2.00% AS OF 1-1-07
 *LITHOPOLIS NEW MEMBER AS OF 1-1-07
 *MIDDLEBURG HEIGHTS TAX RATE CHANGE FROM
 1.75% TO 2.00% AS OF 1-1-07
 *CITY OF MILFORD NEW MEMBER AS OF 1-1-07
 *NEW WATERFORD NEW MEMBER AS OF 10-1-06
 *NORTH ROYALTON TAX RATE CHANGE FROM
 1.00% TO 2.00% AS OF 1-1-07
 *POWHATAN POINT NEW MEMBER AS OF 1-1-06

*SHEFFIELD LAKE TAX RATE CHANGE FROM
 1.25% TO 1.50% AS OF 7-1-06
 *SOUTH EUCLID TAX RATE CHANGE FROM
 1.50% TO 2.00% AS OF 1-1-06
 *TONTOGANY NEW MEMBER AS OF 9-1-06
 *TORONTO TAX RATE CHANGE FROM
 1.50% TO 2.00% AS OF 1-1-06
 *TWINSBURG NEW MEMBER AS OF 1-1-07
 *UHRICHSVILLE NEW MEMBER AS OF 9-1-06
 *UNIVERSITY HEIGHTS TAX RATE CHANGE FROM
 1.50% TO 2.50% AS OF 1-1-07
 *WEST ELKTON NEW MEMBER & NEW TAX AS OF 1-1-06
 *WESTON NEW MEMBER AS OF 1-1-07
 *WOODSTOCK NEW MEMBER & NEW TAX AS OF 7-1-06
 *YOUNGSTOWN NEW MEMBER AS OF 1-1-06