

**Q: What is subject to Arlington's one percent (1%) income tax?**

**A:** Salaries, wages, tips, commissions, and other compensation earned by Arlington residents who are 16 years of age or older, regardless of where the work or services are performed.

Salaries, wages, tips, commissions, and other compensation earned by non-residents who are 16 years of age or older for work performed or services rendered within the Arlington village limits.

[See ORC 718.011]

Net profits from rental properties owned by Arlington residents, regardless of where each property is located.

Net profits from rental properties located inside Arlington, regardless of where the individual owner resides.

Net profits from other business activities performed anywhere by Arlington residents.

Net profits from other business activities performed within Arlington by any type of business.

**Q: Who must file income tax returns?**

**A:** Resident individuals who have income subject to the tax and who are 18 years of age or older during the year must file even if no tax is due.

Non-resident individuals whose Arlington taxable income was not fully withheld upon must file.

Non-residents do not need to file if all their tax has been properly withheld by their employer.

Non-resident individuals, sole proprietorships, partnerships, limited partnerships, limited liability companies, limited liability partnerships, associations, corporations, and S corporations that own rental properties, conduct business, perform services, solicit sales, operate, or maintain an office in Arlington must file, even if no tax is due.

See Ohio Revised Code Sections 718.01(A) and 718.02 for reconciling and apportioning business net income.

**Q: Should married couples file jointly or separately?**

**A:** A married couple should file a joint Arlington income tax return even if they file separately on their Federal and state income tax returns. There is no tax incentive for filing separate Arlington income tax returns.

**Q: How can a taxpayer request an extension to file?**

**A:** A taxpayer who has requested an extension to file their Federal income tax return may request an extension to file their Arlington income tax return. The initial request should be submitted by the original due date of the return and then a copy should also be attached to the actual return when it is filed. The extension is for filing the return, not for paying the tax. Interest is due on any tax not paid by the original payment due date(s).

**Q: Why do I have to make estimate payments?**

**A:** Tax is due as you earn the income throughout the year. It is necessary to make estimate payments if your tax due for the year, in addition to what is withheld from your wages, is \$100 or more. The tax is required to be paid on the estimate payment due dates of April 15, July 31, October 31, and January 31 for individuals and April 15, June 15, September 15, and December 15 for businesses. April 15 of each year is the due date for filing the annual income tax return and comparing your total tax with what has already been paid and withheld. The goal is to pay 100 percent of your prior year's tax or 90 percent of your current year's tax. If you do not make estimate payments, you may be charged interest at the annual rate of 24 percent. The estimate payment requirements have been part of the ordinance since the tax was enacted. The State of Ohio and the IRS also have estimate payment requirements.

**Q: What if an Arlington resident earns income and pays tax in another community?**

**A:** Arlington resident individuals who earn wages or profits and pay income tax in another community are allowed a non-refundable credit for the tax that is paid to the other community. The credit is determined by multiplying the income earned in the other community by one percent (.01) or by the other community's tax rate if their rate is less than one percent. The credit is not permitted for tax that was, will be, or can be refunded.

**Q: At what age do individuals become subject to Arlington income tax?**

**A:** Individuals are subject to the tax when they reach age 16.

**Q: How are partnerships, LLCs, LPs, & S corporations taxed?**

**A:** If the business owns rental properties, conducts business, performs services, solicits sales, operates, or maintains an office in Arlington, the tax is imposed first on the business based on the income that is attributable to Arlington. Resident individual general partners, members, and shareholders must then report their untaxed distributive shares. An LLC taxed as a corporation by the IRS will be taxed as a corporation by Arlington. An LLC owned by only one person will be taxed as a sole proprietorship.

For example, 78 percent of a pass-through entity's \$30,000 loss is attributable to Arlington. The pass-through entity has five individual owners who share losses equally. The entity is required to file a return and report a loss attributable to Arlington of \$23,400 ( $\$30,000 \times 78\%$ ). Each resident individual partner or member is permitted to report a loss of \$1,320 [ $\$30,000 \times 20\% \text{ share} \times (1 - 78\%)$ ].

**Q: What are employers' responsibilities?**

**A:** Any individual, business, or organization that employs one or more persons who work or perform services within the Arlington village limits is required to withhold and remit Arlington tax on the portion of each employee's wages earned in Arlington. [See ORC 718.03(A)] (Request Pub. 1635 from the IRS.)

Any individual or business that employs one or more persons within the Arlington village limits must withhold and remit Arlington tax on each Arlington resident employed by the business, regardless of where the resident performs his/her services, unless the employer is required to withhold for another municipality which has a tax rate of one percent or greater.

Quarterly withholding remittances are due April 30, July 31, October 31, and January 31.  
Monthly remittances are due on the 16th of each month.

Churches should withhold on their designated minister's entire housing allowance. The ministers are then permitted to deduct their personal home expenses and utilities on their income tax returns to the extent they are deductible for Federal income tax purposes. [See ORC 718.01(F)(7), IRC 107]

**Q: Why do individuals pay Ohio municipal income taxes in the cities and villages where they work?**

**A:** Municipal income tax exists in Ohio to assure financial independence for its communities. Moreover, cities and villages use municipal income tax revenues to provide personal and property protection and to build and maintain thoroughfares and infrastructure. These resources develop and strategically locate mutually beneficial places that attract businesses and consumers ensuring employment and entrepreneurial opportunities for all Ohio residents.

**Q: What common types of income are taxable?**

**A:** Taxable income includes, but is not limited to:

Medicare wages (W-2 Box 5) described in IRC 3121(a) without regard to limitations or exclusions [see ORC 718.03]  
Salaries, commissions, and bonuses  
Actual tips; allocated tips  
Third-party sick pay through June 2007, sick pay, vacation pay  
Severance pay, incentive pay  
Strike pay  
Contributions to deferred compensation plans such as IRC 401(k), 403(b), or 457  
Stock options even if not reported in the W-2 box 5 Medicare wages  
Salaries, wages, or stipends earned or received through college or university work-study programs, internships, and grant-funded programs even if not reported in the W-2 box 5 Medicare wages  
Supplemental unemployment compensation benefits described in IRC 3402(o)(2)(A)  
Employment-related prizes, awards, and gifts  
Cost of group term life insurance for active employees for protection in excess of the amount specified in IRC 79  
Net housing allowance (versus gross effective January 2000)  
Lottery winnings (effective January 2010)  
Fees received by: jurors, union stewards, directors, executors, executrixes  
Other income and non-employee compensation reported on Federal Form 1099-MISC  
Babysitting income  
Business income  
Farm income  
Rental income  
Covenants not to compete received by Arlington residents  
Oil & gas royalties (i.e., derived from land)  
Individuals' gains on sales of real estate and tangible personal property used in business to the extent of depreciation taken [see Article III(A)(6)(c)(.1)(.08) of the Rules & Regulations] effective January 2010  
IRC 1245, 1250, and 291 recapture for C corporations, S corporations, partnerships, LLCs, LPs, etc. effective January 2004 [see ORC 718.01(A)(1)(c), (d)(i) & (ii)]  
IRC 1221 and 1231 losses are not deductible  
Resident member's untaxed distributive share from an LLC or LLP  
Resident general partner's untaxed distributive share from a limited partnership  
Resident partner's untaxed distributive share from a partnership  
Partnership guaranteed payments (Federal Form 1065, page 1, line 10)

**Q: What common types of income are not taxable?**

**A:** Non-taxable income includes, but is not limited to:

IRC 125 cafeteria plan contributions (effective January 1, 2004)  
Sick pay described in IRC 3402(o)(2)(C), not reported in the W-2 box 5 Medicare wages  
Third-party sick pay (effective July 1, 2007) (subject to change)  
Interest  
Dividends  
Government-paid unemployment compensation  
Workers' compensation  
Social Security benefits, Government aid  
Pensions and qualified retirement benefits  
Income reported on a 1099-R, 1099-DIV, or 1099-INT  
Active and reserve military pay [ORC 718.01(H)(1)]  
Gambling winnings (gambling losses are not deductible)  
Alimony (payments are not deductible)  
Distributions from deferred compensation plans [See ORC 718.03(A)]  
Limited partner's distributive share from a limited partnership (losses are not deductible)  
Royalties derived from intangible property  
Patent and copyright income  
Value of a home or a parsonage furnished by a church to its designated minister  
Value of board and lodging as a condition of employment  
First \$1,000 of annual income for serving as a precinct election official [ORC 718.01(H)(4)]  
Income of individuals who are under age 16  
Life insurance proceeds  
Proceeds from inheritance

**Q: Can a self-employed individual deduct contributions to a health savings account, to a self-employed SEP, SIMPLE, or qualified plan, or deduct one-half of the self-employment tax?**

**A:** No, there is no provision for these Federal Form 1040 adjustments to Federal income to be deducted from Arlington taxable income.

**Q: Can members of an affiliated group file a consolidated return?**

**A:** See ORC 718.06 of the Rules and Regulations for information regarding consolidated returns.

**Q: How are trusts taxed?**

**A:** The tax is imposed on the trust if the trust operates a business within Arlington or owns rental property within Arlington. There is no provision for the tax to be imposed on a beneficiary.

**Q: What Federal Forms and schedules should I include with my Arlington return when I file?**

**A:** The required forms, but are not limited to:

<b>Individual</b>	<b>C Corporation</b>	<b>S Corporation</b>	<b>Partnership-LLC</b>
1040 pages 1-2 or equivalents (always)	1120 pages 1-5	1120S pages 1-4	1065 pages 1-5
W-2s	4562	Schedules K-1	Schedules K-1
Schedule(s) C pages 1-2	4797	4562	4562
Schedule E pages 1-2	Statements*	4797	4797
Schedule(s) K-1 from 1120-S		8825	8825
Schedule(s) K-1 from 1065		Statements*	Statements*
4797			
Schedule F			
4835			
Statements*			
Schedule A (if claiming 2106 expenses)			
2106 (if claiming unreimbursed employee business expenses and the form is required to be prepared by the IRS)			
1099-MISC (as payer—not as recipient; copies of Forms 1099-MISC issued to the IRS should also be sent to Arlington)			

\* Most of the return preparation software applications generate supporting or supplemental “statements” that should be included with the filing.

IRC = Internal Revenue Code, ORC = Ohio Revised Code