

# 2023 LANCASTER, OHIO CITY INCOME TAX BUSINESS RETURN INSTRUCTIONS

## WHO MUST FILE A RETURN

All corporations or other types of entities conducting business in, or deriving income (loss) from activities in the City of Lancaster.

Shareholders distributive share of non-resident S-Corporation income is not taxable at the individual level. S-Corporations doing business in the City of Lancaster must file a business return.

Pass Through Entities owned by two or more persons are taxed at the partner level. Pass Through Entities are to file on behalf of all owners members or partners, reporting all income taxable at the entity level. Such pass-through entities with business activity in Lancaster may choose ( if all partners, members or owners agree) to have the entity file on their behalf; if one partner, member or owner wants to file and report income at the individual level, all members, partners and owners must do so.

Sole Proprietorships should file an Individual Income Tax Return.

## WHEN AND WHERE TO FILE THIS RETURN

Business Returns must be filed by the 15th day of the 4th month of taxable year end.

City of Lancaster Income Tax Department  
104 E. Main St 2nd Floor  
Lancaster, OH 43130

## EXTENSIONS

File a copy of your Federal Extension request with the city by the original due date of your year-end tax return, including payment of any estimated tax due. An extension request does NOT apply to the tax due nor does it apply to the current year Declaration of Estimated Tax. An extension request will not be honored if you have delinquent tax matters and/or did not file an extension by the original tax return due date.

## REQUIRED ATTACHMENTS

Corporations must attach copies of pages 1-5 of their Federal Form 1120.

S-Corporations must attach copies of pages 1-5 of their 1120S and copies of K-1's. NOTE: Preparers should note each member's share of of city income tax paid on each member's behalf on their respective K-1's.

Partnerships/Associations must attach pages 1-5 of their Federal Form 1065 and copies of all K-1's. NOTE: Preparers should note each partners share of city income tax paid on each partners behalf on their respective K-1's.

Fiduciaries/Trusts/Estates must attach a copy of page 1 of their Federal Form 1041.

## NET PROFIT

Due to state mandated changes, net profit is defined as Adjusted Federal Taxable Income (AFTI) for a taxpayer other than an individual. Refer to Ohio Revised Code, Chapter 718.

## NET OPERATING LOSS

NOL's from 2017 have expired due to the 5 year carryforward limit. Any NOL's generated in tax years beginning in 2018, 2019, 2020, 2021 and 2022 that were not previously used may be used at 100% to offset AFTI in 2023. See ordinance beginning January 1, 2018.

## SCHEDULE Y BUSINESS ALLOCATION FORMULA FOR NON-RESIDENT BUSINESSES

Schedule X adjusts the federal net gain or loss for items where Lancaster city income tax applies differently from federal tax. Line I of Schedule X shows the starting figure to use. Business income attributable to interest, dividends, capital gains and losses are not subject to Lancaster city income tax. Expenses attributable to nontaxable income shall be added back in the amount of 5% of specified nontaxable amounts. City or state taxes based on income may not be deducted. For partnerships, guaranteed payments to partners are not deductible. Self-employed individuals and pass-through income recipients may NOT deduct one-half self-employment tax.

NOTE: Income of S corporations remains taxable as if they were C corporations. Schedule Y is used to determine the percentage of adjusted net business income to be allocated to Lancaster. It may be used only if business is conducted both within and outside the city of Lancaster. When this formula method is used, the following procedures must be observed.

Step 1. Determine the percentage which the average original cost of real and tangible personal property owned or used in the business, located within Lancaster during the period, is of the average original cost of all real and tangible personal property used in the business wherever located. The value of rented property is determined by multiplying the annual rentals by eight.  
Step 2. Determine the percentage which the total wages, salaries and other compensation paid during the period to employees for services performed in Lancaster is of the total wages, etc. to all employees located everywhere.

Step 3. Determine the percentage which the gross receipts of the business from sales made or services performed in Lancaster during the period is of the total gross receipts from all sales and services wherever made or performed.  
Step 4. Sum the percentages for each of the above steps used. Step 5. Divide total of Step 4 by the number of percentages used.

## AMENDED RETURNS

An amended return is necessary for any year in which an amended Federal return is filed or in which your Federal tax liability has changed. An amended return must be filed within 3 months of the filing date of any amended Federal return. Filing must include payment of any additional tax owed.

## DECLARATION OF ESTIMATED TAX

If the amount of tax due for the current year is estimated to be \$200, or more, a declaration of estimated tax must be filed by April 15th, or by the 15th day of the 4th month after the beginning of the fiscal year. The Declaration is located at the bottom of the income tax return. It must be filed by the due date of the prior year's final tax return without extension, and you must pay at least one-quarter of the tax due by that date. Failure of a taxpayer to file a Declaration of Estimated Tax and pay quarterly installments of estimated tax will result in interest and penalty charges.

## LATE FEE, PENALTY AND INTEREST

A late filing fee shall be imposed for failure to file by the original due date or extension due date. A penalty of twenty-five dollars (\$25) for each failure to timely file each return, regardless of the liability shown thereon during which the return remains unfiled. The first late filing penalty will be waived.