

2024 LANCASTER, OHIO CITY INCOME TAX INDIVIDUAL INSTRUCTIONS

WHO MUST FILE A RETURN

The following must file a return **WHETHER OR NOT ADDITIONAL TAX IS OWED TO LANCASTER**:

- A. Beginning with tax year 2024, every Lancaster resident age 18 or over that has taxable income, including pass-through income and rental income. **RESIDENT** includes a part-year resident and includes a legally domiciled resident temporarily living away, e.g. college student, construction worker, truck driver.
- B. Every sole proprietor, corporation, partnership, trust or other business entity operating in Lancaster more than 20 days of the tax year, and any owner of Lancaster rental property. Must file even if a loss.
- C. **NON-RESIDENTS** who have earned income in Lancaster for which the total and correct amount of Lancaster tax has not been withheld.

WHEN A RETURN IS NOT REQUIRED

- A. **RETIRED** individuals with no earned income at any time during the tax year are not required to file a return. If you were retired the entire year, check the box to deactivate your account and enter the reason as retired. Sign at bottom right and return to Tax Department.
- B. **NON-RESIDENTS** who did not live in Lancaster at any time during the year and who had earned income in Lancaster for which the total and correct amount of Lancaster income tax has been withheld.

WHEN AND WHERE TO FILE THIS RETURN

The annual income tax return must be filed and paid in full on or before April 15, 2025, with the Lancaster Income Tax Department, PO Box 128, Lancaster, Ohio 43130. Fiscal year businesses with accounting periods ending other than December 31 must file on or before the 15th day of the 4th month following taxable year end.

TAXABLE INCOME

The following items, although not all inclusive, are examples of income taxed by the city:

- A. Salaries, wages, commissions and other compensation. Use the greater of Box 5 or Box 18.
- B. Income from wage continuation plans, unless paid for by employee.
- C. Stock option income.
- D. Cost of group-term life insurance paid by employer for coverage in excess of \$50,000.
- E. Severance pay.
- F. Compensation paid in property (valued at fair market value).
- G. Tips.
- H. Deferred compensation such as contributions made by or on behalf of the employee to a tax-deferred annuity (including 401 k plan contributions, payments into teacher's retirement plans and government retirement plans).
- I. Stipends - if work is required.
- J. Bonuses.
- K. Prizes - if connected with employment.
- L. Directors fees.
- M. Income from jury duty.
- N. Supplemental unemployment compensation paid by employer.
- O. Union steward fees.
- P. Strike benefit paid by company.
- Q. Executor fees.
- R. Ordinary income from the sale or exchange of property.
- S. Net gains from business activity including farms.
- T. Income from non-qualified pension plans.
- U. Rental income.
- V. Portion of pass-through income to residents from all entities (except, S corporations) on which Lancaster tax is not paid at the entity level. No S corporation pass-through income is taxable to Lancaster residents regardless of source.
- W. Cumulative lottery and prize winnings.
- X. Royalties from tangible property.
- Y. Gambling winnings (effective October 1, 2012) losses not deductible, unless you are a professional gambler and file on Federal Schedule C.

PART-YEAR PRORATION OF WAGES

Wages earned working in Lancaster are subject to Lancaster tax regardless of where you lived. However, if you were a resident of Lancaster for only part of the year and earned any wages working outside of Lancaster while you were a non-resident, only wages earned while a resident of Lancaster are subject to Lancaster tax. The best way to determine Lancaster taxable wages is to use your pay stub closest to the date of your move in or out of Lancaster. If that's not available, calculate the non-resident portion for line 19 of your tax return as follows: If you worked outside of Lancaster for the same employer for the entire year, divide the entire wage from (greater of) Box 5 or 18 of your W-2 by 12. Then multiply that by the number of months **NOT** living in Lancaster. Enter the resulting figure on Line 19.

If you worked outside of Lancaster for an employer for only part of the year, divide the wages by the actual number of months you worked for that employer. Then multiply that by the number of months you worked for that employer while **NOT** living in Lancaster. Enter the resulting figure on Line 19.

CREDIT FOR INCOME TAXES PAID TO OTHER CITIES

Individual taxpayers who are residents of Lancaster are allowed a credit if their taxable income has been properly taxed by another city where it was earned.

The credit is the lesser of:

- (1) actual tax paid or withheld, or
- (2) portion of income actually taxed by another city (box18) multiplied by 1%.

In the computation you may not include income that wasn't taxed by another city, OR income that was taxed but for which a refund would be available from another city if properly applied for. Also, each source of income and each work city is looked at separately in the calculation.

EXAMPLE 1: An employee who lives in Lancaster earns \$20,000 working in Columbus. Since the Columbus tax rate is 2.5%, the employer withholds and pays to Columbus a tax of \$500.00 (\$20,000 x 2.5%). Lancaster gives tax credit on line 7b of the return of \$200.00 (1.0% times \$20,000 earned).

EXAMPLE 2: An employee who lives in Lancaster, earns \$20,000 working in Carroll. Since the Carroll tax rate is 0.75%, the employer withholds and pays to Carroll a tax of \$150.00 (\$20,000 x 0.75%). Lancaster gives tax credit on line 7b of the return of the full \$150.00 paid to Carroll.

NON-TAXABLE INCOME

The following items are not taxable to the city:

- AA. Military pay (including National Guard and reserve pay).
- BB. Income earned while under 18 years of age.
- CC. Income earned as an election poll worker, unless in excess of \$1,000
- DD. Alimony and child support.
- EE. Income from capital gains or losses.
- FF. Interest.
- GG. Dividends.
- HH. Social Security benefits and Income from qualified pension plans.
- II. Workers' Compensation benefits.
- JJ. State Unemployment Benefits.
- KK. Proceeds of life insurance plans.
- LL. Welfare payments.
- MM. Work studs or fellowships through collegiate programs.
- NN. Patent and copyright income.
- OO. Royalties from intangible property.
- PP. Annuity Distributions
- QQ. Housing allowances for clergy to the extent that the allowance is used to provide a home.
- RR. Short and Long-Term Disability Income (provided Box 5 of the W-2 is zero.
- SS. 3rd Party Sick pay

2024 LANCASTER, OHIO CITY INCOME TAX INSTRUCTIONS

SECTION C BUSINESS ALLOCATION FORMULA FOR NON-RESIDENTS

FORMULA(ScheduleY)

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.

NET OPERATING LOSS - "Net Operating Loss" does not include unutilized losses resulting from basis limitations, at risk limitations, or passive activity loss limitations.

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.

EXTENSIONS - Extension of time to file a Lancaster return will be granted provided you attached a copy of the City Extension Form or Federal Extension Form (4868 or other) to your return at the time it is actually filed. No prior approval is required or needed by the April due date.*Please note that a request for an extension is for the time to file only and not a request for an extension of time to pay the balance due. Interest and penalty will apply for every month or part month that the payment was made after the April due date.

MANDATORY DECLARATION OF ESTIMATED TAX - GENERAL INFORMATION

PURPOSE OF DECLARATION

If you expect to have any taxable income in 2024 on which the proper amount of Lancaster tax will not be withheld by your employer and the estimated amount due will be greater than \$200, you must file a Declaration of Estimated Tax. 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. Such taxpayers must also file an annual return of actual taxable income and pay any balance of tax due. For example for individuals, a Declaration of Estimated Tax for 2024 must be filed by April 15, 2024, including payment of the first quarterly amount due.

WHO MUST MAKE A DECLARATION:

- Every resident of the City of Lancaster, who expects to receive taxable income, wherever earned, from which the City of Lancaster Income Tax will not be withheld.
- Every non-resident of the City of Lancaster, who expects to receive taxable income, earned or derived from within the City, from which the City of Lancaster Income Tax will not be withheld.
- Every business entity, such as corporations, partnerships, fiduciary of active trusts, unincorporated businesses or professional entities conducting activities or producing income from within the City.

WHEN AND WHERE TO FILE DECLARATION

File on or before April 15, 2025, with the Income Tax Department, PO Box 128, Lancaster, Ohio 43130. All wage earners must file on a calendar year basis. Fiscal year taxpayers shall file on or before the 15th day of the 4th month measured from the beginning day of their fiscal year.

LATE FEE, PENALTY AND INTEREST

Beginning on or after January 1, 2024, a late filing fee shall be imposed for failure to file by the original due date or extension due date as follows: a penalty of twenty-five dollars (\$25) for each failure to timely file each return, regardless of the liability shown, during which the return remains unfiled regardless of the liability shown thereon.

Penalty for failure to timely pay will be assessed in the amount of fifteen percent (15%) of the amount not timely paid. With regard to withholding tax by an employer or Third Party Administrator, a penalty of fifty percent (50%) of the amount not timely paid will be assessed. Both penalties are assessed one time, per occurrence and no additional penalty will accrue.

Interest shall be imposed at the "Federal short-term rate" plus 6% per annum, on all unpaid income tax, unpaid estimated income tax and unpaid withholding tax. This imposition of interest shall be assessed per month, or fraction of a month.

SAFE HARBORS

Lancaster uses safe harbor approaches under which penalty and interest will not be charged. Safe harbors require that the annual tax return be timely filed (recognizing valid extensions) including both the 2024 return and 2025 Declaration of Estimated Tax (no extension allowed). All required payments must be timely paid in full including each quarterly estimate payment and the balance due by the original due date of the return. If those requirements are met, the safe harbor will apply and no penalty and interest will be charged if any one of the following conditions is met:

- if the final balance owing is less than \$200.00, or
- if credits total at least 100% of the preceding year's tax liability, or
- if at least 90% of the current year's tax liability has been timely prepaid and/or withheld by December 15th (individuals) or January 15th for businesses.

This section relates only to required declarations and payments, and not to the final amount due with the tax return for the year.

AMENDMENTS TO DECLARATION

If your income situation changes materially from the estimate made on your original declaration, an amended declaration is required.

DECLARATION OF ESTIMATED TAX PAYMENT DATES

April 15, 2025	- - - - -	File Declaration with 1st quarter pmt
June 17, 2025	- - - - -	Make 2nd quarter payment
September 16, 2025	- - - - -	Make 3rd quarter payment
December 16, 2025	- - - - -	Make 4th quarter payment (Business)
January 15, 2026	- - - - -	Make 4th quarter payment (Individual)