

Instructions for Form JR

JEDD Business Return

For use in preparing

2011 Returns

The JEDD income tax is governed by the City of Akron Income Tax Ordinance, and tax issues are handled through the Akron Income Tax Division. The mailing address for JEDD forms and correspondence is JEDDS, P.O. Box 80538, Akron, Ohio 44308. If you have any questions or need JEDD forms, please call 330-375-2539. Forms, instructions, tax FAQs and lists of taxable & non-taxable income are also available at www.AkronOhio.gov/1040.

1. The JEDD income tax rate is 2.25% for all Akron JEDDs.
2. Accompanying WORKSHEETS must be completed and used in your calculations for Form JR.
3. Loss carryforward amounts must be reported on WORKSHEET F, found on Page 1.
4. A business that is not a C corporation and is not an individual, must file as if it is a C corporation [OH Revised Code 718.01(A)(1)(g)]. WORKSHEET X is designed to help with those calculations.
5. Enter the federal Principal Business Activity Code on the bottom of Form JR, Page 1.
6. WORKSHEET W must be completed if you had employees working in the JEDD or if you leased any employees who worked in the JEDD. However, fiscal filers are exempted from filing WORKSHEET W.

WHO MUST FILE THIS FORM:

Associations (including S corporations), C corporations, partnerships and any other entity that has income which is taxable to the JEDD must file Form JR. Also, individuals who file Form 1040 and have JEDD business income from self-employment or rental activity (reported on Schedules C, E or F), must file Form JR.

WHEN TO FILE:

File no later than APRIL 17, 2012 if you are a calendar year filer. Fiscal filers must file by the 15th day of the fourth month following the close of their fiscal tax year.

DECLARATION OF ESTIMATED INCOME TAX:

If you expect to owe more than \$120 in JEDD income tax by the end of 2012, you are required to file a "Declaration of Estimated Income Tax" (Form JD-1). Form JD-1 (Voucher 1) and one fourth of the estimated tax must be filed and paid by April 30, 2012 (fiscal filers by the end of the 4th month following the close of their fiscal tax year), followed by 3 equal quarterly payments using Vouchers 2 thru 4. Your Declaration and payments must equal 100% of the prior year's tax liability or 90% of your current year tax liability to avoid penalty and interest charges.

WHAT CONSTITUTES NET PROFITS:

Net profits are based on Adjusted Federal Taxable Income, as is determined under the municipal code (Ohio Revised Code Section 718.01), which is available on-line at <http://codes.ohio.gov/orc/718>.

SIGNATURES:

A tax return has not been "filed" within the meaning of the law, until it is signed by the taxpayer or an agent legally authorized to sign. If the return is prepared by someone other than the taxpayer, the preparer must also sign and date the return, along with the preparer's phone, address and Social Security Number or federal EIN. (Preparers who are pre-registered with the City of Akron may use their name and city-issued 3-digit Preparer ID instead.)

EXTENSIONS:

DO NOT SEND A COPY OF YOUR FEDERAL EXTENSION TO US FOR PRIOR APPROVAL.

An extension with the JEDD is conditionally approved as long as (1) your account is not delinquent in any manner (including unfiled tax returns), and (2) a copy of your Federal Extension is attached to Form JR when it is filed. The extended due date is the last day of the month following the extension month approved by the IRS. This applies only to the filing of the return, not the payment of the tax. Normal interest will be charged on tax payments received after the **original** due date. Conditions (1) and (2) above must both be met to avoid penalty charges. If filing through the Ohio Business Gateway, the extended due date is the end of the month approved by the IRS.

Even if you are unable to pay the taxes owed when they are due, you should file your return timely to avoid Failure-to-file charges of \$50.00 to \$100.00.

LOSS CARRIED FORWARD:

Losses may be carried forward for a maximum of 3 years or until exhausted, whichever is earlier. Loss carryforwards for multiple municipalities or JEDDs must be allocated in the same manner as taxable net profits. WORKSHEET F on the bottom of Page 1 must be completed to receive credit for losses carried forward. Losses cannot be carried back.

GENERAL INSTRUCTIONS

1. Please review all of the pre-printed information on Form JR and make corrections as needed.
2. Fiscal filers must indicate the beginning and ending dates of their fiscal year. THE TAX YEAR FOR A FISCAL YEAR FILER IS THE YEAR IN WHICH THE FISCAL TERM ***ENDS***. This differs from the tax year used for your federal tax return.
3. Those anticipating a JEDD refund this year must check the box marked REFUND. Note: Line 12 must also show that a refund is due.
4. If you are filing on extension be sure to check the box marked EXTENSION ATTACHED and staple a copy of your approved federal extension to the back of Form JR.
5. Next, check the box showing your tax filing status... Self-Employment, Rentals, C Corp, S Corp, Partnership or Other. An LLC should check the box showing how it files with the IRS.
6. If your business has moved into or out of the JEDD in 2011, mark the box and enter your move date.
7. If your mailing address is not the same as the physical location where the JEDD business activity takes place, or if the mailing address is a P.O. Box, enter the street address of your JEDD business activity in the box provided.
8. If your business has taxable business activity in more than one JEDD, you will need to file Form JR for each JEDD. Check the box showing the JEDD activity reported on this form.
9. When using the services of a tax preparer, our office may need to discuss your tax matters with him or her. IF YOU WISH TO GRANT SUCH PERMISSION, check the box above Worksheet F, on Page 1 of Form JR.
10. If this is a final return, write the words FINAL RETURN on the top of Page 1. If the business was sold, provide the name, address and phone number of the purchaser on a separate attachment.

11. Enter your Principal Business Activity Code at the bottom of Page 1 under the signatures. (Same number you report on your federal tax return)

12. Finally, be sure to sign and date your return.

WORKSHEET INSTRUCTIONS

WORKSHEET X: Reconciliation with Federal Return

When this worksheet is completed correctly, no amount should be added or deducted more than once to arrive at JEDD net profits. Section 718.01 of the Ohio Revised Code (ORC) requires that all taxpayers that are not filing as individuals must file their JEDD tax returns as if they are C corporations. This will mean that the "bottom line" of your federal tax return may not mirror the reportable taxable income for municipal purposes if your business is not a C corporation.

Line 1 – Enter the total of all self-employment and rental income reported on Schedules C – Line 31, C-EZ – Line 3 and E – Line 22. (If you have multiple self-employment or rental locations where various allocations apply, please call for assistance.)

JEDD income from federal Schedules C, E and F can be combined by a single taxpayer. All other businesses must file separate tax returns, as entities. (Check with the Income Tax Division concerning any filings of consolidated tax returns.)

Line 2 – Enter your BASE INCOME from the specific federal form or schedule line number that is listed below. For instance, **S corporations** must enter the figure found on Line 18 of Form 1120S - Schedule K; **partnerships**, enter the figure found on Line 1 of Form 1065 – Schedule K - "Analysis of Net Income (Loss)"; **LLC's filing as a C corporation**, enter the figure found on Line 28 of Form 1120 ... and so on.

Line 3 - Enter the result from Line 8J. These are the items on your federal tax return that are not deductible on your JEDD tax return. This amount will be added back to your federal BASE INCOME figure from Lines 1 or 2.

Line 4 - Enter the result from Line 9D. These are the items on your federal tax return that are not taxable on your JEDD tax return. This amount will be subtracted from your federal BASE INCOME figure from Lines 1 or 2.

Line 5 - Subtract Line 4 from Line 3 to find the total adjustments to your BASE INCOME. If the result is a negative number, place it in parentheses to denote its value.

Line 6 - If you have other income that is taxable to the JEDD, enter it here.

Line 7 - Add Line 1 or 2 to Lines 5 & 6 to find your taxable JEDD Net Profit or Loss.

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E** If you have income that must be allocated between multiple taxing jurisdictions, complete WORKSHEET Y. If your income is allocated 100% to the JEDD and Line 7 is greater than zero, enter this figure on Page 1, Line 1 of the return. If Line 7 is a negative number, enter it in the "TAX YR OF FILING" column of WORKSHEET F on Page 1.

Line 8 - ITEMS NOT DEDUCTIBLE - these are amounts that must be *added* to the BASE INCOME.

A - Enter your capital losses, including losses directly related to the sale, exchange or other disposition of an asset described in Section 1221 or 1231 of the IRC. [ORC 718.01(A)(1)(c)]

B - Add 5% of the amount deducted as intangible income (9B), but not the portion related to the sale, exchange or disposition of property described in IRC Section 1221. [ORC 718.01(A)(1)(b)]

C - Enter Guaranteed payments to partners, retired or former partners, members or other owners, if not included in "net profits." [ORC 718.01(A)(1)(g)(i)]

D - Add back all taxes that are based on income, such as state and local income taxes. [ORC 718.01(A)(1)(e)]

E - Except for C corporations, amounts paid or accrued to qualified self-employed retirement, health and life insurance plans on behalf of owners and owner employees must be totaled and entered here. [ORC 718.01(A)(1)(g)(ii)]

F - As with C corporations, the deduction for charitable contributions is limited to 10%. Enter any amount claimed that exceeds this limit.

G - If business or rental property is sold, exchanged or otherwise disposed, you must calculate the JEDD's "Recovery of Depreciation" as if the business were a C corporation. Also, even if you are not required to file a federal 4797, such as with a 1031 Like-Kind Exchange, you must complete a "JEDD-only" 4797 to arrive at the income figure that is taxable to the JEDD. "Net profits shall include any amount or value received, realized, or recognized in a sale or other disposition of tangible personal property or real property used in business, in excess of book value to the extent of depreciation taken." (Akron Ordinance No. 808-1994)

H - For real estate investment trusts and regulated investment companies, all dividends, distributions or amounts set aside or credited to the benefit of investors must be entered on this line. [ORC 718.01(A)(1)(f)]

I - Enter other non-deductible expenses and attach documentation and/or explanation for this entry.

J - Total entries 8A thru 8I and enter this figure on Line 3 of Worksheet X.

Line 9 - ITEMS NOT TAXABLE - amounts that will be *deducted* from the BASE INCOME.

A - Enter the capital gains that directly relate to the sale, exchange or other disposition of Section 1221 and 1231 assets. [ORC 718.01(A)(1)(d)(i)]

B - Include intangible income such as interest, dividends, patents, etc. [ORC 718.01(A)(1)(a)]

C - Enter other exempt income and attach documentation and/or explanation for this entry.

D - Total entries 9A thru 9C and enter this figure on Line 4 of Worksheet X. (Do not include Schedule K-1 income.)

WORKSHEET Y: Business Allocation

All businesses that derive income from locations both inside and outside the JEDD, must allocate their total net income (or loss) as to the portion attributable to the JEDD and to the portion attributable elsewhere. [ORC 718.02(A)] WORKSHEET Y must be used to arrive at these figures.

Line 1 - Under column A, enter the figure that represents the total original cost of the real and tangible property that your company held during the current taxable year at all locations. Under column B, enter a similar figure representing only the original cost of properties located in the JEDD. On the second part of Line 1, multiply the gross annual rents paid by your company by 8 and enter the results under the appropriate columns. Finally, total Line 1, columns A and B.

Line 2 - Under column A, enter the company's total wages, commissions and other compensation paid to all employees located everywhere. Under column B, enter only those wages, commissions and other compensation paid to employees working in the JEDD.

Line 3 - Under column A, enter the company's gross receipts received from all sales and services performed everywhere. Under column B, enter only the gross receipts received from sales and services performed in the JEDD. (See "Sales" on Page 4.)

Column C – Calculate the allocation percentage of each of the three categories from Lines 1, 2 and 3 by dividing the JEDD figures (column B) by those from everywhere (column A). Since this is represented as a percentage, be sure to multiply the result by 100 before entering the figure in column C.

Line 4 – Total the percentages from Lines 1, 2 and 3 of column C.

Line 5 – Calculate the average percentage, dividing Line 4 by the number of percentages used. In determining the average percentage, a factor is not excluded from the computation merely because it is found to be allocable entirely outside the JEDD. A factor is excluded only when it does not exist anywhere.

Enter the resulting allocation percentage figure between the brackets on Line 2, Page 1. If the amount on Line 6 of Worksheet Y is a positive number enter it on Page 1, Line 2. If this number is negative, enter the amount in the “Tax Year of Filing” column on WORKSHEET F, Page 1. You may be entitled to a loss carryforward to tax year 2012.

SALES The following sales are attributable to the JEDD:

1. All sales made through retail stores within the JEDD made to purchasers within the JEDD.
2. Sales made through retail stores within the JEDD made to purchasers outside the JEDD, except those sales made by regular “on-site” solicitation by store employees at the place of delivery.
3. Sales of tangible personal property delivered to purchasers within the JEDD, if shipped or delivered from an office, store, warehouse, factory or place of storage located within the JEDD.
4. All sales of tangible personal property delivered to purchasers within the JEDD even though transported from a point outside the JEDD if the taxpayer is regularly engaged in “on-site” solicitation of such purchases.
5. All sales of tangible personal property shipped from an office, store, warehouse, factory or place of storage located within the JEDD to purchasers outside the JEDD if the taxpayer does not engage in “on-site” solicitation through its own employees at the place of delivery.

6. Charges for work done or services performed incidental to the sale, whether or not included in the price of the property, shall be considered gross receipts from such sale.
7. A transportation carrier is an agent of the seller, regardless of the delivery point or other considerations of the sale, and the place where orders are accepted or contracts legally consummated is immaterial.
8. Solicitation of customers outside the JEDD by mail, phone, email, internet or any other electronic means from an office or place of business within the JEDD shall be considered a solicitation of sales within the JEDD.

WORKSHEET W: Reconciling Wages, Salaries & Other Compensation

If you are a calendar year filer and if you had employees who worked in the JEDD or if you leased employees who worked in the JEDD, you must complete WORKSHEET W.

Line 1 - Enter the total wage figure from your attached federal return or from Line 2, column B of WORKSHEET Y.

Line 2 - Enter the total JEDD wages that you reported on your 2011 JEDD Withholding Reconciliation (Form JW-3). Also enter your JEDD withholding tax account number, which starts with # **2** - _____ - ____

Please explain any differences between Lines 1 and 2 in this Worksheet.

Next, complete the employer information section concerning any leased employees you had during 2011, along with the leasing company name, address, Fed EIN, and approximate number of employees leased.

WORKSHEET F: Loss Carryforward Calculation (3-year limit)

If you have unused qualified loss carryforward amounts from the last three tax years, enter these in the first row of WORKSHEET F. If you wish to use all or a portion of these loss carryforward amounts against a profit in the current tax year, write the amount being used from each year, up to the total being used, and enter the result on Line 3 of Form JR, Page 1. You will be required to substantiate losses claimed. WORKSHEET F is also the place where a current year loss is shown.