

**Schedule X Instructions**  
**Reconciliation with the Federal Income Tax Return**  
**Villages of Arlington, Mount Cory, Vanlue, Carey, Mount Blanchard and Jenera**  
For Businesses Effective January 1, 2016

Ohio Revised Code 718.01(E): "Adjusted Federal taxable income," for a person required to file as a C corporation, or for a person that has elected to be taxed as a C corporation under division (D)(5) of Section 718.01 of the Ohio Revised Code, means a C corporation's Federal taxable income before net operating losses and special deductions as determined under the Internal Revenue Code, adjusted as follows:

Deduct intangible income [718.01(S)] to the extent included in the amount reported on line 1 of the Schedule X, except intangible income that is directly related to the sale, exchange, or other disposition of property described in Internal Revenue Code Section 1221. The deduction shall be allowed regardless of whether the intangible income relates to assets used in a trade or business or assets held for the production of income. [718.01(E)(1)]

Deduct income and gain included in the amount reported on line 1 of the Schedule X directly related to the sale, exchange, or other disposition of an asset described in Internal Revenue Code Sections 1221 or 1231, except to the extent the income and gains apply to those described in Internal Revenue Code Section 291 (for partnerships and S corporations), 1245, or 1250. [718.01(E)(4)(a) and (b); 718.01(E)(10)]

Deduct partnership, limited liability company, or S corporation Internal Revenue Code Section 179 expenses not already deducted in arriving at the amount reported on line 1 of the Schedule X. [718.01(E)(10)]

Deduct charitable contributions not already deducted in arriving at the amount reported on line 1 of the Schedule X, to the extent they would be deductible by a C corporation. [718.01(E)(10)]

Deduct other sources of non-taxable income included in the amount reported on line 1 of the Schedule X {e.g., other intangible income not reported on line 2 of the Schedule X above [718.01(E)(1)]}.

Deduct, to the extent not otherwise deducted or excluded in computing the amount reported on line 1 of the Schedule X, any income derived from a transfer agreement or from the enterprise transferred under that agreement under Section 4313.02 of the Ohio Revised Code. [718.01(E)(7)]

Deduct exempt income to the extent not otherwise deducted or excluded in computing the amount reported on line 1 of the Schedule X. [718.01(E)(8)]

Deduct any net profit of a pass-through entity owned directly or indirectly by the taxpayer and included in the taxpayer's Federal taxable income unless an affiliated group of corporations includes that net profit in the group's Federal taxable income in accordance with division (E)(3)(b) of Section 718.06 of the Ohio Revised Code. [718.01(E)(9)]

**Federal Tax Credits:** As a courtesy through tax year 2016, the City of Findlay allowed a deduction on the Schedule X for Federal tax credits to the extent that they reduced corresponding operating expenses, provided the municipal income tax return was filed timely. Because the starting point of the Schedule X is

the Federal taxable income before net operating losses and special deductions as determined under the Internal Revenue Code and because there is no further provision in Ohio Revised Code 718.01(E), the reduced expenses cannot be recouped on the municipal Schedule X Reconciliation.

Add five percent of intangible income reportable on line 2 of the Schedule X. [718.01(E)(2)]

Add losses deducted in arriving at the amount reported on line 1 of the Schedule X directly related to the sale, exchange, or other disposition of an asset described in Internal Revenue Code Sections 1221 or 1231. {e.g., Federal Form 4797, Part I, line 2} [718.01(E)(3)]

Add taxes on or measured by net income and deducted in arriving at the amount reported on line 1 of the Schedule X. Deductions for the Ohio commercial activity tax are deductible and do not have to be added back. [718.01(E)(5)]

Add all amounts with respect to dividends to, distributions to, or amounts set aside for or credited to the benefit of REIT or RIC investors and allowed as a deduction in arriving at the amount reported on line 1 of the Schedule X. [718.01(E)(6)]

Add guaranteed payments and other similar amounts paid or accrued to a partner, former partner, shareholder, former shareholder, member, or former member and deducted in arriving at the amount reported on line 1 of the Schedule X unless such payments are in consideration for the use of capital and treated as payment of interest under section 469 of the Internal Revenue Code or United States Treasury Regulations. [718.01(E)(10)]

Add amounts paid or accrued to a qualified self-employed retirement plan with respect to a partner, former partner, shareholder, former shareholder, member, or former member of the taxpayer (partnership or any other similar pass-through non-C corporation entity) and deducted in arriving at the amount reported on line 1 of the Schedule X. Despite the use of the terms "shareholder" and "former shareholder" in this portion of the Ohio Revised Code, this line may not impact S corporations. [718.01(E)(10)]

Add amounts paid or accrued to or for health insurance and life insurance for a partner, former partner, shareholder, former shareholder, member, or former member of a non-C corporation entity and deducted in arriving at the amount reported on line 1 of the Schedule X. [718.01(E)(10)] {Note that the value of health insurance benefits should be excluded from the municipal wages of S corporation employees who own more than two percent of the S corporation.}

Add rental real estate activities within the municipality and not included in the amount reported on line 1 of the Schedule X. If not subject to the Schedule Y apportionment percentage, report this income only on line 8 on the front of the municipal income tax return. [718.01(E)(10)]

Add Internal Revenue Code Section 291 gain, as applicable, for a non-C corporation entity, unless already included as taxable income on lines 1 or 3 of the Schedule X. [718.01(E)(10)] Typically, the lesser of the gain or the depreciation, multiplied by 20 percent.

Add any loss incurred by a pass-through entity owned directly or indirectly by the taxpayer and included in the taxpayer's Federal taxable income unless an affiliated group of corporations includes that loss in the group's Federal taxable income in accordance with division (E)(3)(b) of Section 718.06 of the Ohio Revised Code. [718.01(E)(10)]

The Schedule X Reconciliation and these instructions are not for a self-employed individual who files net profit income tax information on a Federal Schedule C.

**ORC 718.01(D)**

(2) "Net profit" for a person other than an individual means adjusted federal taxable income reduced by any net operating loss incurred by the person in a taxable year beginning on or after January 1, 2017, subject to the limitations of division (D)(3) of this section.

(3)(a) The amount of such net operating loss shall be deducted from net profit to the extent necessary to reduce municipal taxable income to zero, with any remaining unused portion of the net operating loss carried forward to not more than five consecutive taxable years following the taxable year in which the loss was incurred, but in no case for more years than necessary for the deduction to be fully utilized.

(b) No person shall use the deduction allowed by division (D)(3) of this section to offset qualifying wages.

(c)(i) For taxable years beginning in 2018, 2019, 2020, 2021, or 2022, a person may not deduct, for purposes of an income tax levied by a municipal corporation that levies an income tax before January 1, 2016, more than fifty per cent of the amount of the deduction otherwise allowed by division (D)(3) of this section.

(ii) For taxable years beginning in 2023 or thereafter, a person may deduct, for purposes of an income tax levied by a municipal corporation that levies an income tax before January 1, 2016, the full amount allowed by division (D)(3) of this section without regard to the limitation of division (D)(3)(b)(i) of this section.

(d) Any pre-2017 net operating loss carryforward deduction that is available may be utilized before a taxpayer may deduct any amount pursuant to division (D)(3) of this section.

(e) Nothing in division (D)(3)(c)(i) of this section precludes a person from carrying forward, for use with respect to any return filed for a taxable year beginning after 2018, any amount of net operating loss that was not fully utilized by operation of division (D)(3)(c)(i) of this section. To the extent that an amount of net operating loss that was not fully utilized in one or more taxable years by operation of division (D)(3)(c)(i) of this section is carried forward for use with respect to a return filed for a taxable year beginning in 2019, 2020, 2021, or 2022, the limitation described in division (D)(3)(c)(i) of this section shall apply to the amount carried forward.

**ORC 718.01(E)(10):** If the taxpayer is not a C corporation, is not a disregarded entity that has made the election described in division (L)(2) of Ohio Revised Code 718.01, is not a publicly traded partnership that has made the election described in division (D)(5) of Ohio Revised Code 718.01, and is not an individual, the taxpayer shall compute adjusted Federal taxable income under this section as if the taxpayer were a C corporation, except guaranteed payments and other similar amounts paid or accrued to a partner, former partner, shareholder, former shareholder, member, or former member shall not be allowed as a deductible expense unless such payments are in consideration for the use of capital and treated as payment of interest under Section 469 of the Internal Revenue Code or United States Treasury Regulations.

Amounts paid or accrued to a qualified self-employed retirement plan with respect to a partner, former partner, shareholder, former shareholder, member, or former member of the taxpayer, amounts paid or accrued to or for health insurance for a partner, former partner, shareholder, former shareholder, member, or former member, and amounts paid or accrued to or for life insurance for a partner, former partner, shareholder, former shareholder, member, or former member shall not be allowed as a deduction.

	<b>% Tax Rate</b>	<b>Effective Date</b>	<b>Carry-forward Loss through 2015</b>	<b>Are S Corporation Resident Shareholders Subject to the Tax?</b>
Findlay	1.00	January 1, 2013	5 years	Yes, the untaxed distributive share, to the extent apportioned within Ohio
Arlington	1.00	July 1, 1989	5 years	No
Mount Cory	1.00	January 1, 2016	not applicable*	No
Vanlue	1.00	January 1, 2016	not applicable*	No
Carey	1.50	September 1, 1987	0	No
Mount Blanchard	1.00	January 1, 2019	not applicable*	No

\* Also, not subject to the ORC 718.01(D)(3)(c)(i) fifty percent carry-forward loss limitation for tax years 2018 through 2022.

Mount Blanchard's one-percent village income tax was enacted January 1, 2019.  
 Jenera's one-percent village income tax was enacted January 1, 2022.

All six villages are prohibited from imposing tax on resident shareholders' distributive shares from S corporations. Bills originating in both the Ohio House and the Ohio Senate established voting requirements available only to communities that were imposing tax on this income by ordinance, rule, or regulation as of December 2002. Senate Bill 180 of the 124th Ohio General Assembly established a November 2003 voting requirement for distributions from *interstate* S corporations, followed by House Bill 127 of the 125th Ohio General Assembly that established a November 2004 voting requirement for distributions from *intrastate* S corporations. As a result of these bills, the six villages are limited to imposing tax on S corporations only at the entity level.