

Schedule Y Instructions
Business Allocation Formula
Villages of Arlington, Mount Cory, Vanlue, Carey, Mount Blanchard and Jenera
Effective January 1, 2016

Provisions for the business allocation formula are provided in Chapter 718.02 of the Ohio Revised Code. The formula is to be used by all entities that conduct business in the municipality, except by resident sole proprietors. Whether you use the division (A) business allocation formula or the division (B) reasonable alternative method, first determine the adjusted net income for Ohio municipal income tax purposes by completing the Schedule X Reconciliation with the Federal Income Tax Return referenced in Section 718.01(D) and (E) of the Ohio Revised Code.

The result of the business allocation formula is determined by taking the average of the following three percentages:

Step 1: The average original cost of the real property and tangible personal property owned or used by the taxpayer in the business or profession in the municipal corporation during the taxable period to the average original cost of all of the real and tangible personal property owned or used by the taxpayer in the business or profession during the same period, wherever situated. (Original cost versus net book value effective January 2004.)

As used in the preceding paragraph, tangible personal or real property shall include property rented or leased by the taxpayer and the value of such property shall be determined by multiplying the annual rental thereon by eight.

Step 2: Wages, salaries, and other compensation paid during the taxable period to individuals employed in the business or profession for services performed in the municipal corporation to wages, salaries, and other compensation paid during the same period to individuals employed in the business or profession, wherever the individual's services are performed, excluding compensation from which taxes are not required to be withheld under Section 718.011 of the Ohio Revised Code.

Step 3: Total gross receipts of the business or profession from sales and rentals made and services performed during the taxable period in the municipal corporation to total gross receipts of the business or profession during the same period from sales, rentals, and services, wherever made or performed.

(D) For the purposes of division (A)(3) of Section 718.02 of the Ohio Revised Code, receipts from sales and rentals made and services performed shall be situated to a municipal corporation as follows:

- (1) Gross receipts from the sale of tangible personal property shall be situated to the municipal corporation only if, regardless of where title passes, the property meets either of the following criteria:

- (a) The property is shipped to or delivered within the municipal corporation from a stock of goods located within the municipal corporation.
 - (b) The property is delivered within the municipal corporation from a location outside the municipal corporation, provided the taxpayer is regularly engaged through its own employees in the solicitation or promotion of sales within such municipal corporation and the sales result from such solicitation or promotion.
 - (c) Through December 31, 2017, the property is shipped from a place within the municipal corporation to purchasers outside the municipal corporation, provided that the taxpayer is not, through its own employees, regularly engaged in the solicitation or promotion of sales at the place where delivery is made. (Amended by the 132nd Ohio General Assembly. File No. TBD, HB 49, Section 101.01, effective September 29, 2017 applicable for tax years beginning on or after January 1, 2018.)
- (2) Gross receipts from the sale of services shall be situated to the municipal corporation to the extent that such services are performed in the municipal corporation.
 - (3) To the extent included in income, gross receipts from the sale of real property located in the municipal corporation shall be situated to the municipal corporation.
 - (4) To the extent included in income, gross receipts from rents and royalties from real property located in the municipal corporation shall be situated to the municipal corporation.
 - (5) Gross receipts from rents and royalties from tangible personal property shall be situated to the municipal corporation based upon the extent to which the tangible personal property is used in the municipal corporation.

For additional information, see Opinion No. 95-042 of the Attorney General of the State of Ohio dated December 20, 1995.

Step 4: Add the percentages determined in steps 1, 2, and 3.

Step 5: Divide the total obtained in step 4 by the quantity of percentages. Apply this average percentage to the adjusted Federal taxable income for Ohio municipal income tax purposes determined on Schedule X.

Effective January 1, 2016, the applicable carry-forward loss provisions for losses incurred after December 31, 2016 are a pre-apportionment application.

When calculating the average percentage, a factor should only be excluded when it does not exist anywhere. For example, if a sole proprietor does not have any employees, the average percentage should be determined by dividing the total of the percentages of Step 4 by two.

All provisions of these instructions are subject to and applicably superseded by Section 718.02 of the Ohio Revised Code or applicable case law.