

# INCOME TAX BOARD

City of Findlay  
February 6, 2013

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## MINUTES

### **ATTENDANCE**

Members Present: Mayor Lydia L. Mihalik, Don Rasmussen, Susan Hite, Jim Staschiak II, Randy Ward.

Staff Present: Andrew Thomas and Kathy Launder.

### **APPROVAL OF MINUTES**

Motion to approve minutes of the November 7, 2012, meeting as presented, by Ward, second by Staschiak. Motion passed 5-0.

### **OLD BUSINESS**

Ohio Municipal Income Tax Uniformity: Thomas reported that this issue is now House Bill 5. Thomas will read and put out analysis. Thomas reported that 770 people signed the petition. A new petition has been created since the issue became House Bill 5. The Income Tax Board approved the language in the new petition.

### **NEW BUSINESS**

2012 Year-To-Date Collections: Thomas reported collections were down 2.766%.

Proposed Change to Rules and Regulations: Thomas stated that due to the change in the rate of income tax to be collected, Articles III, V, and VI of the Income Tax Rules and Regulations need to be changed. The changes are as such that the Rules and Regulations will no longer need to be changed if the income tax rate changes in the future. See attached proposed Resolution.

Motion to adopt changes as proposed by Rasmussen, second by Ward. Motion passed 3-2 with Staschiak and Hite casting dissenting votes.

Tax Consequences of Real Estate Sales: Thomas reported that he was approached by email advising him of mortgage companies hiring out of town companies to assist in the clean up and rehabilitation of properties that have gone into foreclosure. The only way to track this is to hire an attorney to investigate.

### **OTHER BUSINESS**

Capital Improvements Plan: Mayor Mihalik inquired as to what type of potential windfall the City may receive to use for the Capital Improvements Plan. Thomas estimated that the income tax from business net profits could be from \$500,000 to \$4 million. Auditor Staschiak mentioned that if we know that we are going to receive these funds which are over and above his original estimate, he would have grounds to change the business tax estimate which will eliminate the windfall going to capital improvements.

Next Meeting: Meeting schedule for 2013: February 6, May 8, August 7, and November 6. All meetings will be held at 8:30 a.m. in the third floor conference room of the Municipal Building.

Being no further business, the meeting adjourned.

Respectfully submitted,

Kathy K. Launder, City Clerk

## RESOLUTION NO. 0\_\_-2013

### A RESOLUTION AMENDING ARTICLES III, V, and VI OF THE INCOME TAX RULES AND REGULATIONS APPROVED BY THE INCOME TAX BOARD.

WHEREAS, The City Income Tax Board, on February 6, 2013, pursuant to authority granted in 193.08(e) of the Codified Ordinances of the City of Findlay, approved amendments to Articles III, V, and VI of the Rules and Regulations, which complement Ordinance No. 1976-106, as amended.

WHEREAS, Council desires to approve said amendments to Articles III, V, and VI of the Rules and Regulations.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Findlay, Hancock County of the State of Ohio:

SECTION 1: That paragraph (A)(1) of Article VI of the Rules and Regulations, which reads as follows:

VI(A)(1.) Except as otherwise provided herein, it is the duty of each employer within or doing business within Findlay, who employs one or more persons whether as an employee, officer, or director or otherwise, to deduct each time any compensation is paid the tax of one and one-quarter percent (1.25%) from:

Be and the same is hereby amended to read as follows:

VI(A)(1.) Except as otherwise provided herein, it is the duty of each employer within or doing business within Findlay, who employs one or more persons whether as an employee, officer, or director, or otherwise, to deduct each time any compensation is paid the tax levied under Section 193.03 of the Codified Ordinances of the City of Findlay from:

SECTION 2: That paragraph (A)(4) of Article V of the Rules and Regulations, which reads as follows:

V(A)(4.) Where an employee's entire earnings for the tax period are paid by an employer or employers, and the one and one-quarter percent (1.25%) tax thereon has in each instance been withheld and deducted by the employer or employers from the gross amount of the entire earnings of such employee-taxpayer, and where the employer of such employee has filed a return or returns in which such employee's entire and only earnings are reported to the Administrator, and where such employee has no taxable income other than such earnings and the tax so withheld has been paid to the Administrator, the Administrator is hereby authorized to accept such report or returns provided by the employer, unless otherwise specified, as the return required of any such employee.

Be and the same is hereby amended to read as follows:

V(A)(4.) Where an employee's entire earnings for the tax period are paid by an employer or employers, and tax thereon, at the rate specified in Section 193.03 of the Codified Ordinances of the City of Findlay, has in each instance been withheld and deducted by the employer or employers from the gross amount of the entire earnings of such employee-taxpayer, and where the employer of such employee has filed a return or returns in which such employee's entire and only earnings are reported to the Administrator, and where such employee has no taxable income other than such earnings and the tax so withheld has been paid to the Administrator, the Administrator is hereby authorized to accept such report or returns provided by the employer, unless otherwise specified, as the return required of any such employee.

SECTION 3: That paragraphs (A)(1) – (A)(5) of Article III of the Rules and Regulations, which read as follows:

Article III: Imposition of Tax

A. Bases

1. Resident employee

a. In the case of residents of the City of Findlay an annual tax of 1.25% is imposed on all qualifying salaries, wages, commissions, and other compensation, as defined in section 718.03 of the Ohio Revised Code (Am. Sub. H.B. 95, 125<sup>th</sup> Ohio General Assembly, effective January 1, 2004), earned or received during the effective period of the Ordinance. For the purpose of determining the tax on the earnings of resident taxpayers taxed under Section 3, paragraph A of the Ordinance, the source of the earnings and the place or places in or at which the services were rendered, are immaterial. All such earnings wherever earned or paid are taxable.

b. The following are items which are subject to the tax imposed by Section 3, paragraph A of the Ordinance:

.1 Salaries, wages, bonuses and incentive payments earned or received by an individual whether directly or through an agent and whether in cash or in property for services rendered during the tax period as:

.01 An officer, director or employee of a corporation (including charitable and other non-profit organizations), joint stock association, or joint stock company;

.02 An employee (as distinguished from a partner or member) of a partnership, limited partnership, or association;

.03 An employee (as distinguished from a proprietor) of a business, trade or profession conducted by an individual owner;

.04 An officer or employee (whether elected, appointed or commissioned) of the United States Government or of a corporation created and owned or controlled by the United States Government, or any of its agencies; or of the State of Ohio or any of its political subdivisions or agencies thereof; or any foreign country or dependency except as provided in Section 3 of the Ordinance.

.05 An employee of any other entity or person, whether based on hourly, daily, weekly, semi-monthly, monthly, annual, unit of production or piece work rates; whether paid by an individual, partnership, association, corporation (including charitable and other non-profit corporations), governmental administration, agency, authority, board, body, branch, bureau, department, division, sub-division, section or unit, or any other entity.

.2 Commissions earned or received by a taxpayer whether directly or through an agent and whether in cash or in property for services rendered during the effective period of the Ordinance, regardless of how computed or by whom or wheresoever paid.

.01 If amounts received as a drawing account exceed the commissions earned and the excess is not subject to the demand of the employer for repayment, the tax is payable on the amounts received as a drawing account.

.02 Amounts received from an employer for expenses and used as such by the individual receiving them are not deemed to be compensation if the employee deducts such expenses of advances as such from his gross income for the purpose of determining his net profits taxable under federal law, and the employee is not required to include such receipts as income on his federal income tax return.

.3 Fees, unless such fees are properly includable as part of the net profits of a trade, business, profession, or enterprise regularly carried on by an unincorporated entity owned or partly owned by said individual and such net profits are subject to the tax under Section 3, paragraph C of the Ordinance.

.4 Other compensation, including tips, bonuses or gifts of any type, and including compensation paid to domestic servants, casual employees and other types of employees.

.5 Payments made to employees by an employer as vacation pay, accumulated sick leave pay, severance pay, back pay, retroactive pay increases, or other supplemental wages are taxable. Payments made to an employee by an employer under a wage continuation plan during periods of disability or sickness are taxable as in third party sick pay and third party disability where the premium is paid by the employer.

c. Where compensation is paid or received in property, its fair market value at the time of payment or receipt, shall be subject to the tax imposed by this Ordinance and Article VI of these Rules and Regulations. Except in the case of a home or parsonage furnished by a church or an integral agency of a church to a duly ordained, commissioned, licensed, or designated minister, board, lodging, utilities, and similar items received by an employee in lieu of additional cash compensation shall be subject to the tax.

.1 The gross parsonage or housing allowance paid by a church or an integral agency of a church to a duly ordained, commissioned, licensed, or designated minister shall be subject to the tax. A deduction or exclusion shall be allowed to the minister for personal home expenses and utilities as reported for federal income tax purposes and properly allocable to the income and expenses subject to these Rules and Regulations.

.2 Board and lodging provided by the employer on the employer's premises shall not be considered wages or compensation if the employee is required to accept the board and lodging as a condition of employment.

.3 Meals provided by the employer on the employer's premises for the convenience of the employer shall not be considered wages or compensation to the employee.

## 2. Non-resident Employee:

a. In the case of individuals who are not residents of Findlay, there is imposed under Section 3, paragraph B of the Ordinance, a tax of 1.25% on all qualifying salaries, wages, commissions, and other compensation, as defined in section 718.03 of the Ohio Revised Code (Am. Sub. H.B. 95, 125<sup>th</sup> Ohio General Assembly, effective January 1,

2004), earned or received during the effective period of the Ordinance for work done or services performed or rendered within Findlay whether such compensation or remuneration is received or earned directly or through an agent and whether paid in cash or in property. The location of the place for which payment is made is immaterial.

b. The items subject to tax under Section 3, paragraph B of the Ordinance are the same as those listed and defined in Article III(A)(1). For the methods of computing the extent of such work or services performed within Findlay, in cases involving compensation for personal services partly within and partly without Findlay, see Article VI(A)(6).

3. Imposition of Tax on Net Profits of Associations, General Partnerships, Limited Partnerships, Limited Liability Companies (recognized or taxed as partnerships by the Federal Internal Revenue Service), Limited Liability Partnerships and other unincorporated entities:

a. In the case of associations, general partnerships, limited partnerships, limited liability companies (recognized or taxed as partnerships by the Federal Internal Revenue Service), limited liability partnerships, and other unincorporated entities that conduct business in, operate in, engage in, prosecute in, or carry on activities in Findlay, irrespective of whether such association has an office or place of business in Findlay, there is imposed an annual tax of 1.25% on the net profits earned, accrued, or received during the effective period of the Ordinance. The income attributable to Findlay shall be determined using the formula or separate accounting method provided for in Section 3 of the Ordinance and Article III(B) of the Rules and Regulations derived from sales made, work done, or services performed or rendered and business or other activities conducted in Findlay.

b. In the case of a non-resident individual who is the sole owner of a limited liability company, sole proprietorship, or other unincorporated entity that conducts business in, operates in, engages in, prosecutes in, or carries on activities in Findlay, irrespective of whether such individual maintains an office or place of business in Findlay, there is imposed an annual tax of 1.25% on the net profits earned, accrued, or received during the effective period of the Ordinance. The income attributable to Findlay shall be determined using the formula or separate accounting method provided for in Section 3 of the Ordinance and Article III(B) of the Rules and Regulations derived from sales made, work done, or services performed or rendered and business or other activities conducted in Findlay.

.1 A net loss sustained by an association, a non-resident individual, or other unincorporated entity shall be allocated to Findlay in the same manner as provided in Article III(A)(3)(a) or (b) for allocating net profits to Findlay.

.2 In such case where the entire net profits of an association or other unincorporated entity are fully attributable to Findlay, the tax imposed on the entity shall constitute all the tax due from the entity's owners, partners, or members for their distributive shares of the net profits. Provided, however, the tax due must be paid by the association or other unincorporated entity and received by the Administrator. A tax return and payment of tax shall be required from any individual, owner, partner, or member having income subject to Findlay tax, other than their distributive share of the net profits from the association. [For tax on that part of a resident owner's distributive share of net profits not taxed against the entity by Findlay, see Article III(A)(4)].

4. Imposition of Tax on Resident Individual's Distributive Share of Profits of an Association, General Partnership, Limited Partnership, Limited Liability Company (recognized or taxed as a partnership by the Federal Internal Revenue Service), Limited Liability Partnership, or Other Form of Unincorporated Entity, Not Attributable to Findlay: (See Article XVII for Credits)

a. A resident individual who is the sole owner of a limited liability company, sole proprietorship, or other unincorporated entity shall disregard the business allocation formula set forth in paragraph (B)(2) of this Article and section 718.02 of the Ohio Revised Code and pay the tax on the entire net profits of the business entity regardless of whether such entity has an office or place of business in Findlay or conducts business, derives sales, performs services, or performs work in Findlay.

b. In the case of a resident individual who is a partner in a general partnership, limited liability partnership, or limited partnership, a member in a limited liability company (recognized or taxed as a partnership by the Federal Internal Revenue Service) or part owner of an association, or other form of unincorporated entity, there is imposed an annual tax of 1.25% on such individual's distributive share of net profits earned, accrued or received during the effective period of the Ordinance that is not attributable to Findlay under the method of allocation provided for in Section 3 of the Ordinance and Article III(B) of the Rules and Regulations, and not otherwise taxed against the entity by Findlay.

.1 The distributive share of a net loss sustained by an association or other unincorporated entity shall be reported by the resident individual owner, partner, general partner, or member in the same manner prescribed in Article III(A)(4)(b).

.2 If an association has an office or place of business in Findlay or conducts business, derives sales, performs services, or performs work in Findlay or is otherwise required to report income under the Ordinance, no tax is imposed on the distributive shares of the association's income to partners, general partners, and/or members that are not individuals. [See Article III(B) for proper allocation methods.]

5. Imposition of Tax on Net Profits of C Corporations, S Corporations, and Resident Individual Shareholders' Distributive Shares of S Corporations.

a. In the case of C corporations and S corporations, whether domestic or foreign, that conduct business in, operate in, engage in, prosecute in, or carry on activities in Findlay, irrespective of whether such entity has an office or place of business in Findlay, there is imposed an annual tax of 1.25% on the net profits earned, accrued, or received during the effective period of the Ordinance. The income attributable to Findlay shall be determined using the formula or separate accounting method provided for in Section 3 of the Ordinance and Article III(B) of the Rules and Regulations derived from sales made, work done, or services performed or rendered and business or other activities conducted in Findlay.

.1 A net loss sustained by any corporation shall be allocated to Findlay in the same manner as provided in Article III(A)(5)(a) for allocating net profits to Findlay.

.2 In such case where the entire net profits of an S corporation are fully attributable to Findlay, the tax imposed on the entity shall constitute all the tax due from the entity's

owners and shareholders for their distributive shares of the net profits. Provided, however, the tax due must be paid by the entity and received by the Administrator. A tax return and payment of tax shall be required from any individual or entity having income subject to Findlay tax, other than their distributive share of the net profits from the S corporation.

b. In the case of a resident individual who is a shareholder of an S corporation, there is imposed an annual tax of 1.25% on such individual's distributive share of net profits earned, accrued, or received during the effective period of the Ordinance that is not attributable to Findlay under the method of allocation provided for in Section 3 of the Ordinance and Article III(B) of the Rules and Regulations, and not otherwise taxed against the entity by Findlay to the extent the S corporation's income is apportioned to Ohio (S.B. 180, 125<sup>th</sup> Ohio General Assembly). (See Article XVII for Credits)

.1 The distributive share of a net loss sustained by an S corporation shall be reported by the resident individual shareholder in the same manner prescribed in Article III(A)(5)(b).

.2 If an S corporation has an office or place of business in Findlay or conducts business, derives sales, performs services, or performs work in Findlay or is otherwise required to report income under the Ordinance, no tax is imposed on the distributive shares of the S corporation's income to shareholders that are not individuals. [See Article III(B) for proper allocation methods.]

c. Corporations which are required by the provision of Section 5727.38 to 5727.41, inclusive, of the Revised Code of Ohio, to pay an excise tax in any taxable year as defined by the Ordinance, may exclude that part of their gross receipts upon which the excise tax is paid. In such case, expenses incurred in the production of such gross receipts shall not be deducted in computing net profits subject to the tax imposed by the Ordinance.



Be and the same are hereby amended to read as follows:

### Article III: Imposition of Tax

#### A. Bases

##### 1. Resident employee

a. In the case of residents of the City of Findlay an annual tax, at the rate specified in Section 3 of the Ordinance, is imposed on all qualifying salaries, wages, commissions, and other compensation, as defined in section 718.03 of the Ohio Revised Code (Am. Sub. H.B. 95, 125<sup>th</sup> Ohio General Assembly, effective January 1, 2004), earned or received during the effective period of the Ordinance. For the purpose of determining the tax on the earnings of resident taxpayers taxed under Section 3, paragraph A of the Ordinance, the source of the earnings and the place or places in or at which the services were rendered, are immaterial. All such earnings wherever earned or paid are taxable.

b. The following are items which are subject to the tax imposed by Section 3, paragraph A of the Ordinance:

.1 Salaries, wages, bonuses and incentive payments earned or received by an individual whether directly or through an agent and whether in cash or in property for services rendered during the tax period as:

.01 An officer, director or employee of a corporation (including charitable and other non-profit organizations), joint stock association, or joint stock company;

.02 An employee (as distinguished from a partner or member) of a partnership, limited partnership, or association;

.03 An employee (as distinguished from a proprietor) of a business, trade or profession conducted by an individual owner;

.04 An officer or employee (whether elected, appointed or commissioned) of the United States Government or of a corporation created and owned or controlled by the United States Government, or any of its agencies; or of the State of Ohio or any of its political subdivisions or agencies thereof; or any foreign country or dependency except as provided in Section 3 of the Ordinance.

.05 An employee of any other entity or person, whether based on hourly, daily, weekly, semi-monthly, monthly, annual, unit of production or piece work rates; whether paid by an individual, partnership, association, corporation (including charitable and other non-profit corporations), governmental administration, agency, authority, board, body, branch, bureau, department, division, sub-division, section or unit, or any other entity.

.2 Commissions earned or received by a taxpayer whether directly or through an agent and whether in cash or in property for services rendered during the effective period of the Ordinance, regardless of how computed or by whom or wheresoever paid.

.01 If amounts received as a drawing account exceed the commissions earned and the excess is not subject to the demand of the employer for repayment, the tax is payable on the amounts received as a drawing account.

.02 Amounts received from an employer for expenses and used as such by the individual receiving them are not deemed to be compensation if the employee deducts such expenses of advances as such from his gross income for the purpose of determining his net profits taxable under federal law, and the employee is not required to include such receipts as income on his federal income tax return.

.3 Fees, unless such fees are properly includable as part of the net profits of a trade, business, profession, or enterprise regularly carried on by an unincorporated entity owned or partly owned by said individual and such net profits are subject to the tax under Section 3, paragraph C of the Ordinance.

.4 Other compensation, including tips, bonuses or gifts of any type, and including compensation paid to domestic servants, casual employees and other types of employees.

.5 Payments made to employees by an employer as vacation pay, accumulated sick leave pay, severance pay, back pay, retroactive pay increases, or other supplemental wages are taxable. Payments made to an employee by an employer under a wage continuation plan during periods of disability or sickness are taxable as in third party sick pay and third party disability where the premium is paid by the employer.

c. Where compensation is paid or received in property, its fair market value at the time of payment or receipt, shall be subject to the tax imposed by this Ordinance and Article VI of these Rules and Regulations. Except in the case of a home or parsonage furnished by a church or an integral agency of a church to a duly ordained, commissioned, licensed, or designated minister, board, lodging, utilities, and similar items received by an employee in lieu of additional cash compensation shall be subject to the tax.

.1 The gross parsonage or housing allowance paid by a church or an integral agency of a church to a duly ordained, commissioned, licensed, or designated minister shall be subject to the tax. A deduction or exclusion shall be allowed to the minister for personal home expenses and utilities as reported for federal income tax purposes and properly allocable to the income and expenses subject to these Rules and Regulations.

.2 Board and lodging provided by the employer on the employer's premises shall not be considered wages or compensation if the employee is required to accept the board and lodging as a condition of employment.

.3 Meals provided by the employer on the employer's premises for the convenience of the employer shall not be considered wages or compensation to the employee.

## 2. Non-resident Employee:

a. In the case of individuals who are not residents of Findlay, there is imposed under Section 3, paragraph B of the Ordinance, a tax at the rate specified in Section 3 of the Ordinance, on all qualifying salaries, wages, commissions, and other compensation, as defined in section 718.03 of the Ohio Revised Code (Am. Sub. H.B. 95, 125<sup>th</sup> Ohio

General Assembly, effective January 1, 2004), earned or received during the effective period of the Ordinance for work done or services performed or rendered within Findlay whether such compensation or remuneration is received or earned directly or through an agent and whether paid in cash or in property. The location of the place for which payment is made is immaterial.

b. The items subject to tax under Section 3, paragraph B of the Ordinance are the same as those listed and defined in Article III(A)(1). For the methods of computing the extent of such work or services performed within Findlay, in cases involving compensation for personal services partly within and partly without Findlay, see Article VI(A)(6).

3. Imposition of Tax on Net Profits of Associations, General Partnerships, Limited Partnerships, Limited Liability Companies (recognized or taxed as partnerships by the Federal Internal Revenue Service), Limited Liability Partnerships and other unincorporated entities:

a. In the case of associations, general partnerships, limited partnerships, limited liability companies (recognized or taxed as partnerships by the Federal Internal Revenue Service), limited liability partnerships, and other unincorporated entities that conduct business in, operate in, engage in, prosecute in, or carry on activities in Findlay, irrespective of whether such association has an office or place of business in Findlay, there is imposed an annual tax, at the rate specified in Section 3 of the Ordinance, on the net profits earned, accrued, or received during the effective period of the Ordinance. The income attributable to Findlay shall be determined using the formula or separate accounting method provided for in Section 3 of the Ordinance and Article III(B) of the Rules and Regulations derived from sales made, work done, or services performed or rendered and business or other activities conducted in Findlay.

b. In the case of a non-resident individual who is the sole owner of a limited liability company, sole proprietorship, or other unincorporated entity that conducts business in, operates in, engages in, prosecutes in, or carries on activities in Findlay, irrespective of whether such individual maintains an office or place of business in Findlay, there is imposed an annual tax, at the rate specified in Section 3 of the Ordinance, on the net profits earned, accrued, or received during the effective period of the Ordinance. The income attributable to Findlay shall be determined using the formula or separate accounting method provided for in Section 3 of the Ordinance and Article III(B) of the Rules and Regulations derived from sales made, work done, or services performed or rendered and business or other activities conducted in Findlay.

.1 A net loss sustained by an association, a non-resident individual, or other unincorporated entity shall be allocated to Findlay in the same manner as provided in Article III(A)(3)(a) or (b) for allocating net profits to Findlay.

.2 In such case where the entire net profits of an association or other unincorporated entity are fully attributable to Findlay, the tax imposed on the entity shall constitute all the tax due from the entity's owners, partners, or members for their distributive shares of the net profits. Provided, however, the tax due must be paid by the association or other unincorporated entity and received by the Administrator. A tax return and payment of tax shall be required from any individual, owner, partner, or member having income subject to Findlay tax, other than their distributive share of the net profits from

the association. [For tax on that part of a resident owner's distributive share of net profits not taxed against the entity by Findlay, see Article III(A)(4)].

4. Imposition of Tax on Resident Individual's Distributive Share of Profits of an Association, General Partnership, Limited Partnership, Limited Liability Company (recognized or taxed as a partnership by the Federal Internal Revenue Service), Limited Liability Partnership, or Other Form of Unincorporated Entity, Not Attributable to Findlay: (See Article XVII for Credits)

a. A resident individual who is the sole owner of a limited liability company, sole proprietorship, or other unincorporated entity shall disregard the business allocation formula set forth in paragraph (B)(2) of this Article and section 718.02 of the Ohio Revised Code and pay the tax on the entire net profits of the business entity regardless of whether such entity has an office or place of business in Findlay or conducts business, derives sales, performs services, or performs work in Findlay.

b. In the case of a resident individual who is a partner in a general partnership, limited liability partnership, or limited partnership, a member in a limited liability company (recognized or taxed as a partnership by the Federal Internal Revenue Service) or part owner of an association, or other form of unincorporated entity, there is imposed an annual tax, at the rate specified in Section 3 of the Ordinance, on such individual's distributive share of net profits earned, accrued, or received during the effective period of the Ordinance that is not attributable to Findlay under the method of allocation provided for in Section 3 of the Ordinance and Article III(B) of the Rules and Regulations, and not otherwise taxed against the entity by Findlay.

.1 The distributive share of a net loss sustained by an association or other unincorporated entity shall be reported by the resident individual owner, partner, general partner, or member in the same manner prescribed in Article III(A)(4)(b).

.2 If an association has an office or place of business in Findlay or conducts business, derives sales, performs services, or performs work in Findlay or is otherwise required to report income under the Ordinance, no tax is imposed on the distributive shares of the association's income to partners, general partners, and/or members that are not individuals. [See Article III(B) for proper allocation methods.]

5. Imposition of Tax on Net Profits of C Corporations, S Corporations, and Resident Individual Shareholders' Distributive Shares of S Corporations.

a. In the case of C corporations and S corporations, whether domestic or foreign, that conduct business in, operate in, engage in, prosecute in, or carry on activities in Findlay, irrespective of whether such entity has an office or place of business in Findlay, there is imposed an annual tax, at the rate specified in Section 3 of the Ordinance, on the net profits earned, accrued, or received during the effective period of the Ordinance. The income attributable to Findlay shall be determined using the formula or separate accounting method provided for in Section 3 of the Ordinance and Article III(B) of the Rules and Regulations derived from sales made, work done, or services performed or rendered and business or other activities conducted in Findlay.

.1 A net loss sustained by any corporation shall be allocated to Findlay in the same manner as provided in Article III(A)(5)(a) for allocating net profits to Findlay.

.2 In such case where the entire net profits of an S corporation are fully attributable to Findlay, the tax imposed on the entity shall constitute all the tax due from the entity's owners and shareholders for their distributive shares of the net profits. Provided, however, the tax due must be paid by the entity and received by the Administrator. A tax return and payment of tax shall be required from any individual or entity having income subject to Findlay tax, other than their distributive share of the net profits from the S corporation.

b. In the case of a resident individual who is a shareholder of an S corporation, there is imposed an annual tax, at the rate specified in Section 3 of the Ordinance, on such individual's distributive share of net profits earned, accrued, or received during the effective period of the Ordinance that is not attributable to Findlay under the method of allocation provided for in Section 3 of the Ordinance and Article III(B) of the Rules and Regulations, and not otherwise taxed against the entity by Findlay to the extent the S corporation's income is apportioned to Ohio (S.B. 180, 125<sup>th</sup> Ohio General Assembly). (See Article XVII for Credits)

.1 The distributive share of a net loss sustained by an S corporation shall be reported by the resident individual shareholder in the same manner prescribed in Article III(A)(5)(b).

.2 If an S corporation has an office or place of business in Findlay or conducts business, derives sales, performs services, or performs work in Findlay or is otherwise required to report income under the Ordinance, no tax is imposed on the distributive shares of the S corporation's income to shareholders that are not individuals. [See Article III(B) for proper allocation methods.]

c. Corporations which are required by the provision of Section 5727.38 to 5727.41, inclusive, of the Revised Code of Ohio, to pay an excise tax in any taxable year as defined by the Ordinance, may exclude that part of their gross receipts upon which the excise tax is paid. In such case, expenses incurred in the production of such gross receipts shall not be deducted in computing net profits subject to the tax imposed by the Ordinance.

SECTION 4: That the amended paragraphs to Articles III, V, and VI of the Rules and Regulations approved by the City Income Tax Board on February 6, 2013 and to be adopted by the Income Tax Administrator, be and the same hereby approved by this Council as written herein and shall be effective February 20, 2013 at 12:01AM.

SECTION 5: This Resolution shall be in full force and effect from and after the earliest period provided by law.

\_\_\_\_\_  
PRESIDENT OF COUNCIL

\_\_\_\_\_  
MAYOR

PASSED \_\_\_\_\_

ATTEST \_\_\_\_\_  
CLERK OF COUNCIL

APPROVED \_\_\_\_\_