

Instructions for Fairfax Individual Income Tax Returns

All Fairfax residents age 18 & older including retirees are required to file a Village of Fairfax tax return each year regardless of whether or not any tax is due. All non-residents with income taxable to the Village of Fairfax that is not fully withheld by an employer are also required to file a Fairfax tax return.

Ohio state law now requires your Fairfax tax return to include a copy of your Federal form 1040 and all W-2s. To receive all available deductions and credits please attach all applicable federal schedules, forms, and any other filed local tax returns.

Taxable income includes:

-Qualifying wages per IRS tax code section 3121(a). It includes many different types of income, including but not limited to wages, sick pay, vacation pay, commissions, severance pay, settlements, bonuses, fringe benefits, short-term disability pay, stock options and deferred compensation. It is usually found in Box 5 (Medicare wages) on your W-2, however there are some exceptions.

-Other Income (generally listed on line 21 of your Federal 1040 Schedule 1) such as gambling winnings, H.S.A. and Scholarship Distributions, director's fees, jury duty income and prize winnings.

-The net of all profit and losses from profession and/or business operations.

Income which is NOT taxable includes interest, dividends, capital gains (unless considered ordinary income), alimony received, military pay and allowances, Social Security benefits, welfare benefits, unemployment insurance benefits, workers compensation, proceeds from qualified IRS defined retirement plans and income specifically prohibited from taxation.

Line 1 Enter total qualifying wages from all W-2 forms for the tax year (generally located in Box 5 of each W-2). If you filled out Worksheet 1 on page 2 enter the amount from box 7A.

Line 1a Enter 2106 Expense deduction ONLY if it is permitted as a deduction for Federal Purposes.

Line 2 If you have business income (Federal Schedules C, E, F, 4797, K-1) please complete Worksheet 2 on page 2 to calculate your taxable income. If you have other income (Lottery, Gambling, 1099s etc) Enter all other taxable compensation including, but not limited to, 1099-Misc income, gambling & prize winnings, and taxable H.S.A. withdrawals generally included on line 21 of the Federal 1040 Schedule 1 form. Please include copies of any forms which show the income reported. If you are not including income from Schedule 1, line 21 of your federal form, please provide an explanation as to why it is not taxable. Please complete Worksheet 3 on page 2 to calculate your taxable income. After completing Worksheet 2 and 3 and Lines 30 and 31, enter the total from Line 32 on this line.

Line 3 Total all income from lines 1-2; Subtract Line 1a from Line 1 and add Line 2 to the resulting number to get Line 3.

Line 4 Compute your Tax Liability for Fairfax by multiplying Line 3 by 1.75% OR .0175.

Line 5a Enter total withholdings to Fairfax from all W-2 forms for the tax year. If you filled out Worksheet 1 on page 2 enter the amount from box 7F.

Line 5b Enter total credits for taxes paid to other cities from all W-2 forms and Schedules for the tax year. If you filled out Worksheet 1 on page 2 enter the amount from box 7G, if you filled out Worksheet 2 on page 2 please also include the lesser of Lines 24 and 25.

Line 5c Enter the total amount of Estimated Payments for the Tax Year on this Return and Carryforwards from the previous tax year.

Line 5d Enter the total amount of Credits by adding up Lines 5a-5c.

Subtract Line 5d from Line 4 to calculate taxable income. If it is positive use Line 6, if it is negative then use Line 7.

Line 6 If Line 4 is greater than Line 5d, and is over \$10.00 enter in that number in Line 6 as your Balance due.

Line 7 If Line 5d is greater than Line 4, and is over \$10.00 enter in that number in Line 7 as your Overpayment.

Line 7a If Line 7 has a balance in it and you want it (all or partial) to be credited to the next tax year then Enter the amount here.

Line 7b If Line 7 has a balance in it and you want it (all or partial) to be refunded to you then Enter the amount here.

*Note Lines 7a+7b must equal 100% of Line 7.

Line 8a-c Penalty is calculated on 4/15,5/15,6/15 etc. Interest is calculated on the Month End.

8a. If filing late, a fee of \$25 per month, or portion thereof, is also due up to a maximum of \$150.

8b. If your return is being filed after 4/15, even if you have an extension you owe the monthly short term rate times the number of months it is late (round up even 1 day=1 month)

8c. If you have failed to meet safe harbor by paying the same amount as the prior year again in estimated payments and you owed over \$200.00 is amount is 15% of your balance due on 1/16 of the year following the tax year.

8d. If you failed to pay your taxes by 4/15, even if you have an extension you owe the monthly short term rate times the number of months it is late (round up even 1 day=1 month)

8e. Enter total Penalty and Interest by adding together Lines 8a-8d. If your calculations are correct, you **will not** be sent a letter confirming them.

Line 9 Estimated tax payments are required by every taxpayer who reasonably expects to have tax due of \$200 or more which will not be withheld by an employer, or is due based on business or other types of income. Enter all income on this line (Copy Line 3)

Line 10 Multiply Line 9 by 1.75% for your total estimated tax liability.

Line 11 Enter any expected Fairfax withholding credits or payments made to other municipalities (maximum of 1.75% of income taxed) (Lines 5a+5b)

Line 12 Enter any prior year over payments (Line 7a)

Line 13 Subtract Lines 11 and 12 from Line 10 for the amount of estimated taxes due for the year. To avoid penalties you must owe less than \$200, pay 100% of the prior year's liability, or pay 90% of the current year's liability by January 15 of the following year.

Line 14 Multiply Line 13 by 22.5% for the minimum estimate payment now due. If you would like to pay the total amount due (versus the minimum due) in four equal payments multiply Line 13 by 25%.

Line 15 Add Lines 6,8e and 14 together for the total balance due with your tax return. Failure to pay the full amount may result in interest & penalties.

Please sign & date the tax return on the right. If a preparer has completed the form they must sign & print their contact information on the left side of the form. Please check the box in the center to allow us to contact your preparer directly regarding any questions or missing information on your return.

Worksheet 1:

This worksheet is for the calculation of reportable wages & credits allowed for W-2 income. Each employer's W-2 must be listed separately. If your W-2 has multiple local taxes withheld only list the total qualifying wages **once** in Column A, and list each local tax, city & wages on separate lines in Columns B, C & D. The total in Column A should be entered on Page 1, Line 1, the total in Column F should be entered on Page 1, Line 5a and the total in Column G should be entered on Page 1, Line 5b.

County taxes are not Local Withholdings-Please do not include them in your calculations as it will throw off the amount due and can result in penalty and interest.

Worksheet 1 Example

| LINE | WORKSHEET 1: W-2 INCOME | A | B | C | D | E | F | G | Adjustment** |
|---|---|---------------------------------|------------------------------|-------------------------|--------------------------------|------------------------------------|---------------------|--|----------------------------|
| | Name of Employer | W-2 Qualifying Wages (Box 5) | City Withheld to (Box 20) | Local Wages (Box 18) | Local Tax Withheld (Box 19) | Maximum Credit (Col. C x 1.75%) | Withheld to Fairfax | Other City Credit Allowed (Lower of Column D, E) | Check if Adjustment needed |
| 1 | Carpenter Bob's | 20,000.00 | Cincinnati | 10,000.00 | 210.00 | 175.00 | | 175.00 | <input type="checkbox"/> |
| 2 | | | Fairfax | 10,000.00 | 175.00 | 175.00 | 175.00 | | <input type="checkbox"/> |
| 3 | Penny's Bakery | 30,000.00 | Blue Ash | 30,000.00 | 375.00 | 525.00 | | 375.00 | <input type="checkbox"/> |
| 4 | Andre's Pizza | 10,000.00 | Anderson Township | 10,000.00 | 0.00 | 332.50 | | | <input type="checkbox"/> |
| 5 | | | Fairfax | 1,000.00 | 17.50 | 17.50 | 17.50 | | <input type="checkbox"/> |
| 6 | | | | | | | | | <input type="checkbox"/> |
| 7 | TOTALS: | \$ 60,000.00 | Page 1, Line 1 | | | Page 1, Line 5a | \$ 192.50 | \$ 550.00 | Page 1, Line 5b |
| W-2 INCOME ADJUSTMENTS - For Use if Adjustment needed, Documentation is required. See Instructions: NOTE: ADJUSTING YOUR WAGES CAN CHANGE THE AMOUNT OF CREDIT FOR WITHHOLDINGS | | | | | | | | | |
| | | A | B | C | D | E | F | G | |
| | | Qualifying Wages | Local Wages | Allocation to Fairfax % | Adjusted Qualifying Wages | Local Tax Withheld | Maximum Credit | Credit Allowed | |
| | | (Box 5) | (Box 18) | See Instructions | Col A or Col B x Col C | (Box 19) | (Col. C x 1.75%) | (Lower of Column D, E or 100% of Tax W/H to Fairfax) | |
| 8 | W-2 INCOME EARNED AFTER TO MOVING INTO FFX | | | | | | | | |
| 9 | W-2 INCOME EARNED PRIOR TO MOVING OUT OF FFX | | | | | | | | |
| 10 | W-2 INCOME EARNED AFTER TURNING 18 YEARS OLD | | | | | | | | |
| 11 | W-2 WAGES EARNED BY NON RESIDENT OUTSIDE OF FFX** | | | | | | | | |
| 12 | TOTALS: | | | | | | *Alt Page 1, Line 1 | *Alt Page 1, Line 5a/b | |

***IF YOU ARE A NON-RESIDENT AND ARE JUST APPLYING FOR A REFUND A SIMPLER FORM IS AVAILABLE ON OUR WEBSITE TITLED INCOME TAX REFUND APPLICATION

Worksheet 2: Calculation of business income reported on an individual's return. S Corps located outside the Village of Fairfax are not taxable to Fairfax. All profit and loss from businesses, regardless of location, must be combined to a net amount for taxation. Losses carried forward from 2016 & prior app. years are allowed at 100%. 2017 losses are limited to the lesser of 50% of the loss or the remaining profit. **Credit for taxes** paid to other municipalities for these businesses will be calculated in the resident only section of **Worksheet 2**. Total income per type of Schedule can be combined for Worksheet 2.

Worksheet 2 Example

| WORKSHEET 2: SCHEDULES C, E, F NET PROFIT / LOSS FROM BUSINESS ACTIVITY | | | | | |
|---|--|--------------|-------------|-------------|------------------|
| | A | B | C | D | E |
| | AVAILABLE LOSS | PROFIT | LOSS | TOTAL | REMAINING LOSSES |
| 13 | SCHEDULES C AND OR SCHEDULE F INCOME | \$ 10,000.00 | | | |
| 14 | SCHEDULE E INCOME FROM RENTAL INCOME | | \$ 1,500.00 | | |
| 15 | OTHER SCHEDULE E INCOME* | | | | |
| 14 | ORDINARY INCOME OR LOSS (attach Fed. 4797) | | | | |
| 15 | TOTALS | \$ 10,000.00 | \$ 1,500.00 | \$ 8,500.00 | |
| 16 | LOSS CARRY FORWARD FROM 2016 & PRIOR APP YEARS | \$ 1,000.00 | | \$ 1,000.00 | |
| 17 | SUB TOTAL | | | \$ 7,500.00 | |
| 18 | 2017 & ON LOSSES (Lesser of 50% of Profit or Loss can be used) | \$ 2,000.00 | | \$ 1,000.00 | \$ 1,000.00 |
| 19 | TAXABLE PROFIT - | | | \$ 6,500.00 | |
| WORKSHEET 2 TOTAL \$ 6,500.00 | | | | | |

Losses prior to 2017 may be carried forward at 100% for four years. 2017 & On Losses may be carried forward for up to five years, however usage will be restricted to 50% per year during 2018 through 2021.
 *S Corps and Partnerships doing business within the Village of Fairfax must file a separate business return to report income earned in our municipality.
 (RESIDENTS ONLY) CREDIT FOR BUSI LIST EACH MUNICIPALITY SEPARATELY & ADD ANOTHER PAGE IF NEEDED, ATTACH COPIES OF ALL OTHER LOCAL TAX RETURNS FOR CREDIT.
 EARNINGS OR OTHER INCOME TAX PA

| MUNICIPALITY TAXES PAID TO | A | B | C | D | E |
|----------------------------|--|----------------|----------------------|---|-----------|
| TAX RATE | PROFIT | LOCAL TAX PAID | MAX CREDIT (B*1.75%) | CREDIT ALLOWED (LOWER OF C OR D) | |
| 20 Cincinnati | 2.10% | \$ 5,800.00 | \$ 123.90 | \$ 123.90 | \$ 123.90 |
| 21 Blue Ash | 1.25% | \$ 1,800.00 | \$ 22.50 | \$ 22.50 | \$ 22.50 |
| 22 | 0.00% | | | | |
| 23 | 0.00% | | | | |
| 24 | If Total Taxable Business Income is negative, no credits are allowed | | | Total Possible Credits | \$ 136.40 |
| 25 | | | | Maximum Credit Allowed (Worksheet 2 Line 19D x 1.75%) | \$ 113.75 |

PLACE THIS NUMBER ON PAGE 1, LINE 5b

Total profit (13B) minus total loss (13C) equals the taxable business income (15B). Enter 100% of losses carried forward from tax years 2016 and prior app. years under "Available loss" on line 16. You may use any amount up to 100% of the available loss on line 16. Enter the amount of loss you wish to use in 16D and subtract that amount from 15D for a subtotal on line 17. Enter 100% of your 2017 loss carried forward under "Available Loss" on line 18. You may use a maximum of 50% of the 2017 available loss, or 50% of the subtotal in 17D, **whichever is less**. Subtract Line 18 from Line 17 for your taxable profit.

(Residents Only) Each municipality must be listed separately. Enter the name of the municipality taxes were paid to in the first column. Taxes paid to Fairfax should only be entered in this worksheet if paid directly by a business entity. Payments made by you, the taxpayer, should be entered on Page 1, Line 5b. **Attach copies of all municipal tax returns listed in Worksheet 2 to receive credit. Failure to do so will result in denial of credit.**

- Lines 20-23: Column A – Enter the tax rate for the municipality
- Column B - Enter the taxed profit or "other income" earned for that municipality
- Column C - Insert the amount of tax paid to the municipality
- Column D – Multiply the profit in Column B x 1.75% Column E – Enter the smaller amount of Column C or D
- Line 24 – Total the amounts in Column E
- Line 25 – Multiply Worksheet C Line 19D x 1.75% and enter that amount. Enter the lesser of Line 24 or 25 on Page 1, Line 5b

Worksheet 3: For Other Income- Please use this worksheet for Income from lottery, gambling, etc.

Worksheet 3 Example (Including lines 30-32)

| WORKSHEET 3: OTHER INCOME (Attach copy of Federal Return and appropriate forms/schedules/statements.) Income from lottery, gambling, etc. to be included on this worksheet. | | |
|---|---|-------------|
| SOURCE OF INCOME | FOR (DESCRIPTION AND LOCATION) For gambling winnings report the amount after loss deduction (cannot be less than 0) | Amount |
| 26 Gambling | Cincinnati Horseshoe Slot Machines | \$ 1,000.00 |
| 27 | | |
| 28 | | |
| 29 | Worksheet 3 Total: | \$ 1,000.00 |

| CALCULATION FOR FRONT OF RETURN | | |
|---------------------------------|-------------|---|
| 30 WORKSHEET 2 TOTAL INCOME: | \$ 800.00 | (Cannot be less than Zero. If less than 0, Leave Blank) |
| 31 WORKSHEET 3 TOTAL INCOME: | \$ 1,000.00 | (Cannot be less than Zero. If less than 0, Leave Blank) |
| 32 TOTAL OF LINES 30 AND 31 | \$ 1,800.00 | PLACE THIS NUMBER ON PAGE 1, LINE 2 |

- Line 26-28: Fill in any additional Other Income (Income from lottery, gambling etc is to be included here, please be sure to fill out what the income is from and the place it was earned.
- Line 29- Add up Lines 26-28 for the total of Worksheet 3.
- Line 30 – Place Pg2, Line 19 here if positive.
- Line 31– Place Pg2, Line 29 here if positive.
- Line 32- Add Together lines 30+31, enter total here. This total will then be carried around to Page 1, Line 2.