



CITY OF KETTERING INCOME TAX DIVISION ANNUAL UPDATE FOR TAX PRACTITIONERS

Issued January 6, 2011

Dear Tax Practitioner:

The City of Kettering Income Tax Division is providing this annual update letter for your use in preparing 2010 City of Kettering Income Tax Returns.

Note: The 2010 calendar year City of Kettering Income Tax Return is due **on or before April 18, 2011.** Fiscal year returns are due on or before the 15th day of the fourth month following the end of the tax year.

The Income Tax Division is Going Green In 2011

Each year more residents are opting to receive a reminder postcard in lieu of the Income Tax Return package. Many residents visit the City of Kettering website to obtain tax forms and complete their returns. By making these progressive choices, taxpayers are helping the Tax Division save paper, printing and postage costs. In 2011, the City of Kettering Tax Division is taking another step forward and accepting the e-filing of individual income tax returns for taxpayers who meet specific criteria. Individual income tax returns prepared by tax professionals using certain tax software packages may also be e-filed with the City of Kettering.

ELECTRONIC FILING / ONLINE TAX TOOL

Individuals

The City of Kettering offers an Online Tax Tool to assist in the preparation of individual tax returns. For individual taxpayers whose only income is from wages and from which tax was withheld equal to or greater than the City of Kettering's rate of 2.25%, the Online Tax Tool will offer the option to e-file their tax returns. The Online Tax Tool can be accessed from The City of Kettering website at www.ketteringoh.org.

Individuals not eligible for e-filing this year may use the Online Tax Tool to prepare their returns, which can then be printed and mailed to our office along with all supporting documents. Taxpayers may also take advantage of the "fill-in" forms currently available on our website. The "fill-in" forms do not perform any math calculations. Upon completion of the return, a taxpayer must print the form, attach all supporting documents and mail to the City of Kettering Income Tax Division. Forms and other information may be obtained by visiting our website at www.ketteringoh.org.

Tax Professionals

The City of Kettering Online Tax Tool enables a tax professional to verify their clients' estimated tax payments and credit carryovers. To gain access to client records, you must enter the correct City of Kettering account number and client last name. Please note that the last name must exactly match our records (including Jr., Sr., etc.)

Tax professionals using either Drake or Thomson tax software to prepare client returns may now opt to e-file client returns with the City of Kettering.

Withholding

Currently there are three options available by which an employer can electronically remit payment of tax withheld to the City of Kettering.

- The Webfile Program (ACH Debit) allows an employer to log onto our secure website and initiate a request for an ACH Debit (electronic check) from their bank account to remit payment of employee withholding taxes to the City of Kettering.
- The ACH Credit Program is designed for larger employers to remit payment of employee withholding tax by working directly with their financial institution to initiate a request for an ACH Credit payment from their bank account to be remitted to the City of Kettering.
- The Ohio Business Gateway provides a vehicle for employers already using the services of the Ohio Business Gateway (OBG) to choose to remit payment of municipal tax withheld.

Annual Withholding Reconciliations

New for tax year 2010, the City of Kettering requires employers filing 250 or more Forms W-2 with the Social Security Administration to also file their City of Kettering Annual Withholding Reconciliation electronically according to the media specifications as posted on our website.

For Tax year 2010, wage information will be accepted by the following methods:

- On CD-ROM or 3 1/2" Diskette using the Social Security Administration's (SSA) Specifications for Filing Forms W-2 Electronically (EFW2). Media specifications may be obtained by visiting our website.
- Employers who use the City of Kettering Webfile Program to file and pay their withholding tax via ACH Debit may also electronically submit their Annual Withholding Reconciliation and W-2 information using the Webfile Program.
- On CD-ROM or 3 1/2" Diskette using a spreadsheet program (such as Excel) that follows our proprietary comma delimited format. Layout specifications may be obtained by visiting our website.
- Employers who are *not* required to file their City of Kettering Annual Withholding Tax Reconciliation electronically may submit their wage information in paper format using the "fill-in" Annual Withholding Reconciliation (Form KW-3) found our website.

TAX RETURN PACKAGE

Return packages will be mailed to all active accounts that used Kettering's pre-printed form for 2009. Taxpayers that have previously filed their returns using a form other than the pre-printed form provided by our office will receive a postcard that contains pre-printed label that contains account identification information that is necessary for the efficient processing of their Kettering return.

Note: taxpayers who expect to receive taxable income, which is not subject to withholding at a rate equal to or greater than 2.25%, are required to make quarterly estimated tax payments if their tax liability will exceed \$200.00.

MISCELLANEOUS INFORMATION

Extensions:

Taxpayers can request an extension of time in which to file their Kettering Income Tax Return by submitting a copy of their Federal Extension Request to the Income Tax Division **on or before the original due date of the return**. Any extension by the Tax Manager shall be granted upon the condition that declaration filing and payment requirements have been fulfilled. If, upon further examination it then becomes evident that declaration filing and payment requirements have not been fulfilled, penalty and interest may be assessed full and in the same manner as though no extension had been granted.

Ohio Revised Code Section 718.01(A)(1)(g) states:

"If the taxpayer is not a C corporation, and is not an individual, the taxpayer shall compute adjusted federal taxable income as if the taxpayer were a C corporation". The following items relate to this requirement:

- Section 291 Adjustments: Subchapter S Corporations and Partnerships that have sold real estate must make a Section 291 adjustment as a C-Corporation would and report it as depreciation recovery on Schedule X of their Kettering Return.
- Federal Tax Credits: Effective for tax year 2010, the City of Kettering will no longer allow a Schedule X deduction for Federal Tax Credits.

Self-Employed Health Insurance Deduction:

The federal deduction for self-employed health insurance is taken on the Federal 1040, page 1, line 29 (not on the Federal Schedule C.) The ORC, Section 718.01(G)(1) states that cities must use the Schedule C net profit or loss. Therefore, the health insurance deduction is not allowed for city purposes.

Military Spouses Residency Relief Act:

Effective with tax year 2009, a civilian spouse's compensation for services performed in the City of Kettering is exempt from Kettering income tax if he or she meets certain criteria. To view all requirements visit our website at www.ketteringoh.org.

The information provided in this letter is a brief overview of our tax law and filing requirements. Please do not hesitate to call and request rulings on a specific tax situation. Please be sure to include your address and phone number on each return you prepare. This will enable us to contact you directly or copy you on correspondence.

If you have any questions or comments, you may contact us by phone at (937) 296-2502, by fax at (937) 296-3242, by e-mail at kettering.tax@ketteringoh.org, or by mail at the City of Kettering Tax Division, P.O. Box 293100, Kettering, Ohio 45429-9100.