

Personal and School District Income Tax Updates

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Personal & School District Income Tax Division



Department of
Taxation

Topics

- Tax Rate Reductions/Changes
- Form Changes
- New Legislation
- Electronic Filing Updates
- Business Income Deduction Changes



Stay Updated!



- Forms/information could change
- Keep an eye on the department's website
 - <http://tax.ohio.gov>
- Sign up for Ohio Tax Alert emails
 - <http://www.tax.ohio.gov/ohtaxalert.aspx>

Tax Rates

Ohio Taxable Nonbusiness Income (Ohio IT 1040, line 7)	2016 Ohio Nonbusiness Income Tax (Enter on Ohio IT 1040, line 8a)	
\$ 0 - \$ 5,250	0.495 %	of Ohio taxable income
\$ 5,250 - \$ 10,500	\$ 25.99 plus 0.990 %	of excess over \$ 5,250
\$ 10,500 - \$ 15,800	\$ 77.97 plus 1.980 %	of excess over \$ 10,500
\$ 15,800 - \$ 21,100	\$ 182.91 plus 2.476 %	of excess over \$ 15,800
\$ 21,100 - \$ 42,100	\$ 314.14 plus 2.969 %	of excess over \$ 21,100
\$ 42,100 - \$ 84,200	\$ 937.63 plus 3.465 %	of excess over \$ 42,100
\$ 84,200 - \$105,300	\$2,396.40 plus 3.960 %	of excess over \$ 84,200
\$105,300 - \$210,600	\$3,231.96 plus 4.597 %	of excess over \$105,300
\$210,600 and Over	\$8,072.60 plus 4.997 %	of excess over \$210,600

- No rate changes on nonbusiness income from 2015 to 2016
- Changes to business tax rate will be addressed later

Indexing of Tax Brackets

2015 Brackets

Ohio Taxable Nonbusiness Income (IT1040 Line 7)
\$ 0 - \$ 5,200
\$ 5,200 - \$ 10,400
\$ 10,400 - \$ 15,650
\$ 15,650 - \$ 20,900
\$ 20,900 - \$ 41,700
\$ 41,700 - \$ 83,350
\$ 83,350 - \$104,250
\$104,250 - \$208,500
\$208,501 and Over

2016 Brackets

Ohio Taxable Nonbusiness Income (Ohio IT 1040, line 7)
\$ 0 - \$ 5,250
\$ 5,250 - \$ 10,500
\$ 10,500 - \$ 15,800
\$ 15,800 - \$ 21,100
\$ 21,100 - \$ 42,100
\$ 42,100 - \$ 84,200
\$ 84,200 - \$105,300
\$105,300 - \$210,600
\$210,600 and Over

- Indexing of income brackets resumes in 2016 (first time since 2012 tax year)

School District Changes 2016 Tax Year Filing



<u>COUNTY</u>	<u>SD #</u>	<u>SCHOOL DISTRICT</u>	<u>BASE</u>	<u>RATE</u>
CLARK	1203	NORTHEASTERN LSD	EI	1.00%
ROSS	7107	ZANE TRACE LSD	EI	0.75%
WILLIAMS	8603	EDON-NORTHWEST LSD	EI	1.00%

Note: Withholding began January 2016; SD returns filed beginning January 2017

Reporting School District Withholding

Issue: W-2's not reflecting the 4-digit SD #

Impact: SD WH on returns incorrect, notices to taxpayers



Example:

- Sebring LSD 5008 1.00% City: Sebring Tax 2.00%

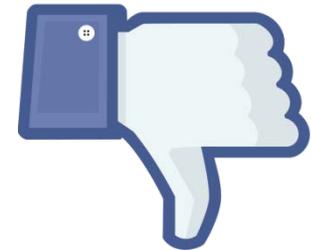
Action:

- Notification to Employers/Payroll providers (July & Oct 2016)
 - Strongly encourage 4-digit SD# reflected on SD WH

Reporting School District Withholding

Discouraged Method:

- Some taxpayers don't realize there's a difference
- Leads to city tax withholding being claimed as school district withholding
- Can lead to erroneous refund claims



f Employee's address and ZIP code				g		
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name
OH	51-999999	\$57,986.23	\$1,971.53	\$59,455.82	\$594.56	SEBRING SD
					\$1,189.12	SEBRING

Form **W-2** Wage and Tax Statement
Copy 1—For State, City, or Local Tax Department

2016

Department of the Treasury—Internal Revenue Service

Reporting School District Withholding

Encouraged Method:

- Hope is that taxpayers are more likely to distinguish between city tax and school district tax
- Increase accuracy and reduce return corrections



f Employee's address and ZIP code						
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name
OH	51-999999	\$57,986.23	\$1,971.53	\$59,455.82	\$594.56	SD 5008
					\$1,189.12	SEBRING

Form **W-2** Wage and Tax Statement
Copy 1 – For State, City, or Local Tax Department

2016

Department of the Treasury Internal Revenue Service

Form Changes – Schedule A

Deductions

(deduct income items only to the extent included on Ohio IT 1040, line 1)

11. Business income deduction (include Ohio Schedule IT BUS, line 11).....	11.							0	0
12. Employee compensation earned in Ohio by residents of neighboring states.....	12.							0	0
13. State or municipal income tax overpayments shown on the federal 1040, line 10.....	13.							0	0
14. Qualifying Social Security benefits and certain railroad retirement benefits.....	14.							0	0
15. Interest income from Ohio public obligations and from Ohio purchase obligations; gains from the sale or disposition of Ohio public obligations; public service payments received from the state of Ohio; or income from a transfer agreement.....	15.							0	0
16. Amounts contributed to an individual development account.....	16.							0	0
17. Amounts contributed to STABLE account: Ohio's ABLE Plan.....	17.							0	0

- Ohio STABLE account contributions
 - See New Legislation (covered later)

Form Changes - Schedule of Credits

13. Joint filing credit. See the instructions for eligibility and documentation requirements. This credit is for married filing jointly status only. _____% times amount on line 12 (limit \$650)	13.								0	0
14. Earned income credit	14.								0	0
15. Ohio adoption credit (limit \$10,000 per adopted child)	15.								0	0
16. Job retention credit, nonrefundable portion (include a copy of the credit certificate)	16.								0	0
17. Credit for eligible new employees in an enterprise zone (include a copy of the credit certificate)	17.								0	0
18. Credit for purchases of grape production property	18.								0	0
19. Invest Ohio credit (include a copy of the credit certificate)	19.								0	0
20. Technology investment credit carryforward (include a copy of the credit certificate)	20.								0	0
21. Enterprise zone day care and training credits (include a copy of the credit certificate)	21.								0	0
22. Research and development credit (include a copy of the credit certificate)	22.								0	0
23. Ohio historic preservation credit, nonrefundable carryforward portion (include a copy of the credit certificate)	23.								0	0
24. Total (add lines 13 through 23)	24.								0	0
25. Tax less additional credits (line 12 minus line 24; if less than -0-, enter -0-)	25.								0	0

Ethanol Credit removed (points to line 17)

Language changed (points to line 19)

Line added for credit carryforward (points to line 20)

Form Changes - Schedule of Credits

- Credit for certified ethanol plant investments removed
 - Credit has expired and is no longer available
- Changed language to “Invest Ohio credit”
 - Was “Credit for investing in an Ohio small business”
 - Some confused credit with the Business Income Deduction on Ohio Schedule A
- Added back line for “Technology investment credit carryforward”
 - Credit previously expired; carryforward caused confusion
 - Line added back just for carryforward amounts



Form Changes

- IT BUS
 - Changes will be discussed later in the presentation
- Cosmetic changes only
 - IT 1040
 - IT RE
 - Schedule J
 - SD 100
 - SD RE



New Legislation (Passed)

HB 182 – Changes to Donation Qualifications

- Prior to HB 182, Donation Dropped From Return If...
 - Total amount donated in each of 2 consecutive years less than \$150k
- After HB 182, Donation Dropped From Return If...
 - Total amount donated in each of 5 consecutive years less than \$50k



Stats on Donations

Calendar Year	2015		2016	
	<u>#</u> Returns	<u>\$\$</u>	<u>#</u> Returns	<u>\$\$</u>
Military	16,258	\$243,696	13,768	\$212,879
Ohio History	9,324	\$79,978	8,216	\$79,117
Scenic Rivers	17,705	\$185,663	16,949	\$202,132
Wildlife	16,371	\$155,969	14,378	\$148,377
Breast Cancer	10,683	\$88,339	8,992	\$79,383
Wishes for Sick Children			9,981	\$90,151
Totals	70,341	\$753,645	72,284	\$812,039

Federal ABLE

- Federal Achieving a Better Life Experience (ABLE) Act (H.R. 647)
- Allow people with disabilities and their families the opportunity to create a tax-exempt account that can be used to maintain a healthy and independent quality of life
- Limited to \$14k per year

STABLE: Ohio's ABLE plan

- HB 155 implements the federal ABLE Act in Ohio
- Legislation authorizes the Treasurer's Office to establish and offer STABLE accounts
- <http://stableaccount.com/>
- HB 358
 - New deduction line on Schedule A for TY 2016
 - \$2k for each beneficiary
 - Can be carried forward

STABLE: Ohio's ABLE plan



JOSH MANDEL
TREASURER OF OHIO

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STABLE ACCOUNT

- ✓ Nationwide enrollment for individuals with disabilities
- ✓ Tax-free savings plan for disability-related expenses
- ✓ Save and invest without losing needs-based benefits

[OPEN AN ACCOUNT](#)

Already Have An Account? [LOGIN](#)



2016 MeF Highlights



Get detailed information on software vendor requirements, a complete list of MeF error codes and more at:

http://www.tax.ohio.gov/ohio_individual/individual/software_developers.aspx

We will continue to require software vendors to support the items below:

- IT/SD 2210 Interest Penalty
- Late Filed/Late Paid interest and penalty

2016 MeF Highlights

Software vender requirements continued:

- Federal schedules on IT BUS (see the note below)

Note: Software products must support the IT BUS form in its entirety or not at all. If not all federal schedules are supported that could report business income, the product may not offer the deduction on the Ohio return.



MeF Changes for 2016 Return Filing

No e-filed form IT-DA (Domicile Affidavit) for tax year 2016

- Anticipated changes won't be final in time
- May return for tax year 2017

These items will be required for Tax Year 2016:

- Driver's license or State ID information required for both taxpayers.
- Option to indicate that that taxpayer does not have driver's license or state ID.

MeF Changes for 2016 Return Filing

New 2016 requirements continued:

- Pass Through Entity Credit and Financial Institution Tax Credit
 - K-1 information required – return will reject if not included in electronic file
 - Error Code, OHIND-116, issued if K-1 information missing (Reject)

MeF Changes for 2016 Return Filing

New 2016 requirements continued:

- Other Refundable Credits
 - Certificate information no longer part of electronic file; may be included as PDF attachment
 - Error code OHIND-068 sent if a refundable credit claimed and PDF is not attached
 - Will provide fax number to send certificate (alert – return will not be rejected)

MeF Changes for 2016 Return Filing

New 2016 requirements continued:

- Support ability to file school district returns
 - Must allow at least 2 SD returns (for different SD #'s) to be filed; encouraged to support an unlimited number
 - Not required to support a stand-alone school district return

New MeF Error Codes



OHIND-068	You claimed a nonrefundable credit that requires a credit certificate to verify. If you did not attach a PDF copy of the applicable certificate(s) issued by Ohio Development Services Agency, please fax a copy of the credit certificate(s) to fax # 253-234-1374.
OHIND-107	You are claiming a Net Operating Loss (NOL) carryback, but indicated this is not an amended income tax return. Please correct and retransmit.
OHIND-108	If the Ohio income tax base is less than \$30,000, the exemption credit must be present. Please correct and retransmit.
OHIND-109	There was a calculation error on the Total nonrefundable credits line on Schedule of Credits. Please correct and retransmit.
OHIND-110	There was a calculation error on the Tax liability after nonrefundable credits line. Please correct and retransmit.
OHIND-111	The limit for the Business Income Deduction on Schedule IT BUS for taxpayers who are single or married filing jointly is \$250,000. Please correct and retransmit.

New MeF Error Codes (cont'd)

OHIND-112	The limit for the Business Income Deduction on Schedule IT BUS for taxpayers who are married filing separately is \$125,000. Please correct and retransmit.
OHIND-113	The Business Income Deduction on Schedule IT BUS must equal the lesser of the following: <ul style="list-style-type: none">•All business income or;•\$250,000 if filing status is single or married filing jointly•\$125,000 if filing status is married filing separately Please correct and retransmit.
OHIND-114	The Business Income Tax liability on Schedule IT BUS must equal Taxable Business Income multiplied by 3%. Please correct and retransmit.
OHIND-115	You did not provide the spouse's driver's license or state ID. Please provide the data or indicate that it is not available.
OHIND-116	You are claiming a refundable credit that requires K-1 information to be entered. Please enter the K-1 information and retransmit. (Applies only to PTE credits and FIT credits.)
OH-SD-053	You are claiming a Net Operating Loss (NOL) carryback, but indicated this is not an amended school district income tax return. Please correct and retransmit.

Top MeF Rejection Reasons

Rule #	Error Message	Applicable Tax Years	# Rejections
OHCOM-064	You must provide at least one email address, may be taxpayer or the preparer's email. Please correct and retransmit.	2015	44,812
OHIND-079	You entered at least one amount on IT BUS, but no entities listed. Please correct and retransmit.	2015	26,737
OHCOM-063	You entered Ohio withholding more than once on the same W2. Please correct and retransmit.	2015	22,665
OHCOM-028	On one or more of W-2 forms, you claimed state withholding but did not provide state abbreviation, Employer's state ID # and/or state wages. Please correct/retransmit.	2013/2014/ 2015	19,918
OHCOM-012	Ohio and/or SD withheld claimed on return(s) but no income stmts indicating tax withheld included. Please correct/retransmit.	2013/2014/ 2015	13,894

2016 Calendar Year Stats



BID Amount	# Returns	Total Deductions
Over 100k	42,251	\$6,853,821,868.00
90k to 100k	5,477	\$518,736,459.00
80k to 90k	5,537	\$469,589,143.00
70k to 80k	7,221	\$540,477,747.00
60k to 70k	9,016	\$584,176,607.00
50k to 60k	11,797	\$646,034,672.00
40k to 50k	16,460	\$736,391,572.00
30k to 40k	24,024	\$832,097,386.00
20k to 30k	39,256	\$963,871,147.00
10k to 20k	79,852	\$1,136,051,890.00
5k to 10k	78,900	\$574,966,374.00
1k to 5k	133,781	\$353,669,312.00
0k to 1k	90,264	\$39,083,070.00
	543,836	\$14,248,967,247.00

Form Changes - 2016 IT BUS

Part 1 – Business Income From IRS Schedules

Note: Do not include amounts listed on these IRS schedules that are nonbusiness income. See R.C. 5747.01(C). If the amount on a line is negative, place a negative sign (“-”) in the box provided.

1. Schedule B – Interest and Ordinary Dividends	<input type="checkbox"/>	<input type="text"/>	0	0					
2. Schedule C – Profit or Loss From Business (Sole Proprietorship)	<input type="checkbox"/>	<input type="text"/>	0	0					
3. Schedule D – Capital Gains and Losses	<input type="checkbox"/>	<input type="text"/>	0	0					
4. Schedule E – Supplemental Income and Loss	<input type="checkbox"/>	<input type="text"/>	0	0					
5. Guaranteed payments, compensation and/or wages from each pass-through entity in which you have at least a 20% direct or indirect ownership interest. Note: Reciprocity agreements do not apply	<input type="checkbox"/>	<input type="text"/>	0	0					
6. Schedule F – Profit or Loss From Farming	<input type="checkbox"/>	<input type="text"/>	0	0					
7. Other items of income and gain separately stated on the federal Schedule K-1, gains and/or losses reported on the federal 4797 and miscellaneous federal income tax adjustments, if any	<input type="checkbox"/>	<input type="text"/>	0	0					
8. Total of business income (add lines 1 through 7)	<input type="checkbox"/>	<input type="text"/>	0	0					

- Separate line for guaranteed payments, compensation, wages paid by PTE to a 20% owner

Form Changes - 2016 IT BUS

Part 1 – Business Income From IRS Schedules

Note: Do not include amounts listed on these IRS schedules that are nonbusiness income. See R.C. 5747.01(C). If the amount on a line is negative, place a negative sign (“-”) in the box provided.

1. Schedule B – Interest and Ordinary Dividends	<input type="checkbox"/>	<input type="text"/>	0	0						
2. Schedule C – Profit or Loss From Business (Sole Proprietorship)	<input type="checkbox"/>	<input type="text"/>	0	0						
3. Schedule D – Capital Gains and Losses	<input type="checkbox"/>	<input type="text"/>	0	0						
4. Schedule E – Supplemental Income and Loss	<input type="checkbox"/>	<input type="text"/>	0	0						
5. Guaranteed payments, compensation and/or wages from each pass-through entity in which you have at least a 20% direct or indirect ownership interest. Note: Reciprocity agreements do not apply		<input type="text"/>	0	0						
6. Schedule F – Profit or Loss From Farming	<input type="checkbox"/>	<input type="text"/>	0	0						
7. Other items of income and gain separately stated on the federal Schedule K-1, gains and/or losses reported on the federal 4797 and miscellaneous federal income tax adjustments, if any	<input type="checkbox"/>	<input type="text"/>	0	0						
8. Total of business income (add lines 1 through 7)	<input type="checkbox"/>	<input type="text"/>	0	0						

- Line item instruction now specifies 4797 gains/losses
 - Inclusion of these amounts is not new

Form Changes - 2016 IT BUS

Part 3 – Taxable Business Income

Note: If Ohio IT 1040, line 5 equals -0-, do not complete Part 3.

12. Line 9 minus line 11	12.	<input type="text"/>	0	0					
13. Taxable business income (enter the lesser of line 12 above or Ohio IT 1040, line 5). Enter here and on Ohio IT 1040, line 6	13.	<input type="text"/>	0	0					
14. Business income tax liability – multiply line 13 by 3% (.03). Enter here and on Ohio IT 1040, line 8b	14.	<input type="text"/>	0	0					

- Taxable business income no longer subject to graduated rate
- Flat 3% tax rate for business income above the \$250,000/\$125,000 thresholds

Taxable Business Income

2015 Income Tax Table 3

The business income tax table reflects the maximum 3% rate.
You must round your tax to the nearest dollar.

Ohio Taxable Business Income (Ohio IT BUS, line 13)	2015 Ohio Business Income Tax (enter on Ohio IT BUS, line 14 and IT 1040, line 8b)
0 – \$ 5,200	0.495% of Ohio taxable business income
\$ 5,200 – \$ 10,400	\$ 25.74 plus 0.990% of the amount in excess of \$ 5,200
\$ 10,400 – \$ 15,650	\$ 77.22 plus 1.980% of the amount in excess of \$ 10,400
\$ 15,650 – \$ 20,900	\$ 181.17 plus 2.476% of the amount in excess of \$ 15,650
\$ 20,900 – \$ 41,700	\$ 311.16 plus 2.969% of the amount in excess of \$ 20,900
\$ 41,700 – or more	\$ 928.71 plus 3.000% of the amount in excess of \$ 41,700

- 2016 – No marginal tax table – all business income remaining after deduction taxed at 3% flat rate – NO TABLE

IT BUS Reminders

- Business income is not apportioned
 - Deduction is calculated on all sources of business income
- Only one IT BUS form should be completed
 - Business income from different sources, or received by different spouses (MFJ) all reported on one form
- The 20% ownership requirement only applies to guaranteed payments/compensation
 - Example: Other business income from a PTE in which a taxpayer owns 5% does qualify
- Report only amounts that are business income on the IT BUS
 - Example: Personal interest on federal Schedule B cannot be included on the IT BUS

Scenario 1 - Business/Non-business Income

- John files “Single” and reports the following income on his federal form 1040:

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	
8a	Taxable interest. Attach Schedule B if required	8a	10,000
b	Tax-exempt interest. Do not include on line 8a	8b	
9a	Ordinary dividends. Attach Schedule B if required	9a	5,000
b	Qualified dividends	9b	
10	Taxable refunds, credits, or offsets of state and local income taxes	10	
11	Alimony received	11	
12	Business income or (loss). Attach Schedule C or C-EZ	12	75,000
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	6,000
14	Other gains or (losses). Attach Form 4797	14	

Scenario 1 - Business/Non-business Income

- John reports that income on the Ohio IT BUS:

1. Schedule B – Interest and Ordinary Dividends.....	1.	4,000
2. Schedule C – Profit or Loss.....	2.	75,000
3. Schedule D – Capital Gain.....	3.	3,000
4. Schedule E – Supplemental Income.....	4.	
5. Guaranteed payments, compensation for services, or other income from a partnership, S corporation, or trust in which you have at least a 2% ownership interest. If you are a partner in a partnership or a shareholder in an S corporation and reciprocal agreements do not apply.....	5.	
6. Schedule F – Profit or Loss From Farming.....	6.	
7. Other items of income and gain separately stated on the federal Schedule K-1, gains and/or losses reported on the federal 4797 and miscellaneous federal income tax adjustments, if any.....	7.	
8. Total of business income (add lines 1 through 7).....	8.	82,000

John determines the portion of his Schedule B & D income that qualifies as business income

Scenario 2 – Guaranteed Payment, <20% Ownership

- Mary files “MFJ” and reports the following income on his federal form 1040:

11	Alimony received	11	
12	Business income or (loss). Attach Schedule C or C-EZ	12	
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ► <input type="checkbox"/>	13	
14	Other gains or (losses). Attach Form 4797	14	
15a	IRA distributions	15a	
		b	Taxable amount
15b		15b	
16a	Pensions and annuities	16a	
		b	Taxable amount
16b		16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	*175,000
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation	19	

*Includes \$125,000 of ordinary income and \$50,000 of guaranteed payments from PTE in which Mary owns 15%

Scenario 2 – Guaranteed Payment, <20% Ownership

- Mary reports that income on the Ohio IT BUS:

1. Schedule B – Interest and Ordinary Dividends	1.	
2. Schedule C – Profit or Loss from Business	2.	
3. Schedule D – Capital Gains and Losses	3.	
4. Schedule E – Supplemental Income and Loss	4.	125,000
5. Guaranteed payments, compensation and/or wages from each pass-through entity in which you have at least a 20% direct or indirect ownership interest. Note: Reciprocity agreements do not apply.	5.	
6. Schedule F – Supplemental Income and Loss	6.	
7. Other items of income, loss, deduction, or credit, including Schedule K-1, gains and/or losses, and adjustments, if any	7.	
8. Total of business income (add lines 1 through 7)	8.	125,000

Mary reports her ordinary income on line 4

Mary's guaranteed payments do not qualify

Scenario 3 – Guaranteed Payment, ≥20% Ownership

- Sam files “MFJ” and reports the following income on his federal form 1040:

11	Alimony received	11	
12	Business income or (loss). Attach Schedule C or C-EZ	12	
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ► <input type="checkbox"/>	13	
14	Other gains or (losses). Attach Form 4797	14	
15a	IRA distributions	15a	
		b	Taxable amount
15b		15b	
16a	Pensions and annuities	16a	
		b	Taxable amount
16b		16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	*175,000
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation	19	

*Includes \$125,000 of ordinary income and \$50,000 of guaranteed payments from PTE in which Sam owns 30%

Scenario 3 – Guaranteed Payment, $\geq 20\%$ Ownership

- Sam reports that income on the Ohio IT BUS:

1. Schedule B – Interest and Ordinary Dividends	1.	
2. Schedule C – Profit or loss from business	2.	
3. Schedule D – Capital gains and losses	3.	
4. Schedule E – Supplemental Income and Loss	4.	125,000
5. Guaranteed payments, compensation and/or wages from each pass-through entity in which you have at least a 20% direct or indirect ownership interest. Note: Reciprocity agreements do not apply.....	5.	50,000
6. Schedule F – Supplemental Income and Loss	6.	
7. Other items (including Schedule K-1, gains and/or losses, and federal income tax adjustments, if any)	7.	
8. Total of business income (add lines 1 through 7).....	8.	175,000

Sam reports his ordinary income on line 4

Sam's guaranteed payments qualify

Apportionment & Business Income Deduction

- For Form IT 1041 (Fiduciary Returns) – IT 2023
 - Still valid form for non-resident credit
- For Form IT 1040 (Individual Returns) – IT NRC
 - Replaced form IT 2023 in tax year 2015
 - Page 2 is business income apportionment
 - Still requires a separate page 2 for each entity



IT NRC Highlights

- Individual income tax deductions moved to the nonbusiness section (Part I); amounts are allocated to state of residence, not apportioned (see next slide)
- Business Income Deduction is reported on Part V, line 5 of IT NRC along with all other Ohio Schedule A deductions
- Business Income Deduction can never be allocated against Ohio nonbusiness income (Part V, Column A, line 2)
- Part V, Column B, Line 6: Nonresident portion of OAGI reported on IT 1040 to calculate the nonresident credit

Form IT NRC – Deductions Moved

Part I – Nonbusiness Income and Deductions

B. Deductions from Income

13. Educator expenses	13.	00	00	00
14. Certain business expenses	14.	00	00	00
15. Health savings account deduction	15.	00	00	00
16. Moving expenses	16.	00	00	00
17. Deductible self-employment tax	17.	00	00	00
18. Self-employed SEP, SIMPLE, and qualified plans	18.	00	00	00
19. Self-employed health insurance deduction	19.	00	00	00
20. Penalty on early withdrawal of savings	20.	00	00	00
21. Alimony paid	21.	00	00	00
22. IRA deduction	22.	00	00	00
23. Student loan interest deduction	23.	00	00	00
24. Tuition and fees	24.	00	00	00
25. Domestic production activities deduction	25.	00	00	00
26. Other deductions	26.	00	00	00
27. Total deductions (add lines 13-26)	27.	00	00	00
28. Net nonbusiness income (line 12 minus line 27; enter here and in Part V, line 2, columns A, B, and C, respectively)	28.	00	00	00

IT NRC – Ohio Schedule A Deductions

Part V – Summary of Business and Nonbusiness Income

	(A) Ohio Portion	(B) Non-Ohio Portion	(C) Total
1. Total business income from Part IV, line X (enter in A, B, and C respectively).....1.	00	00	00
2. Total nonbusiness income from Part I, line 28 (enter in A, B and C respectively)2.	00	00	00
3. Total business and nonbusiness <u>income</u> (add lines 1 and 2, by column)3.	00	00	00
4. Total Ohio Schedule A additions from form IT 1040, line 2a (see Note #1 below)4.	00	00	00
5. Total Ohio Schedule A deductions from form IT 1040, line 2b (see Note #1 below)5.	00	00	00
6. Line 3 plus line 4 minus line 5, by <u>column</u> (see Notes #2, #3 and #4 below).....6.	00	00	00

Scenario 4 – Entire Deduction Allocated to Ohio

- Taxpayer has \$400,000 business income from all sources
- Taxpayer qualifies for Business Income Deduction of \$250,000
- Taxpayer apportioned business income on Part II of IT NRC; calculated Ohio business income of \$300,000
- Business Income Deduction is allocated against Ohio business income first; full deduction amount can be reported in Column A as the 'Ohio Portion'

Scenario 4 – Entire Deduction Allocated to Ohio

Part V – Summary of Business and Nonbusiness Income

	(A) Ohio Portion	(B) Non-Ohio Portion	(C) Total
1. Total business income from Part IV, line X (enter in A, B, and C respectively).....1.	300,000	100,000	400,000
2. Total nonbusiness income from Part I, line 28 (enter in A, B and C respectively)2.	0	0	0
3. Total business and nonbusiness income (add lines 1 and 2, by column)3.	300,000	100,000	400,000
4. Total Ohio Schedule A additions from form IT 1040, line 2a (see Note #1 below)4.	0	0	0
5. Total Ohio Schedule A deductions from form IT 1040, line 2b (see Note #1 below)5.	250,000	0	250,000
6. Line 3 plus line 4 minus line 5, by column (see Notes #2, #3 and #4 below).....6.	50,000	100,000	150,000

Scenario 5 – Only Part of Deduction Allocated to Ohio

- Taxpayer has \$350,000 business income from all sources
- Taxpayer qualifies for Business Income Deduction of \$250,000
- Taxpayer apportioned business income on Part II of IT NRC; calculated Ohio business income of \$50,000
- Business Income Deduction is allocated against Ohio business income first; only \$50,000 should be reported in Column A as ‘Ohio Portion’

Scenario 5 – Only Part of Deduction Allocated to Ohio

Part V – Summary of Business and Nonbusiness Income

	(A) Ohio Portion	(B) Non-Ohio Portion	(C) Total
1. Total business income from Part IV, line X (enter in A, B, and C respectively).....1.	50,000	300,000	350,000
2. Total nonbusiness income from Part I, line 28 (enter in A, B and C respectively)2.	80,000	0	80,000
3. Total business and nonbusiness income (add lines 1 and 2, by column)3.	130,000	300,000	430,000
4. Total Ohio Schedule A additions from form IT 1040, line 2a (see Note #1 below)4.	0	0	0
5. Total Ohio Schedule A deductions from form IT 1040, line 2b (see Note #1 below)5.	50,000	200,000	250,000
6. Line 3 plus line 4 minus line 5, by column (see Notes #2, #3 and #4 below).....6.	80,000	100,000	180,000

Scenario 6 – None of Deduction Allocated to Ohio

- Taxpayer has \$300,000 business income from all sources
- Taxpayer qualifies for Business Income Deduction of \$250,000
- Taxpayer apportioned business income on Part II of IT NRC; calculated Ohio business income of \$0
- Because taxpayer has no Ohio business income, entire deduction amount should be reported in column B as 'Non-Ohio Portion'

Scenario 6 – None of Deduction Allocated to Ohio

Part V – Summary of Business and Nonbusiness Income

	(A) Ohio Portion	(B) Non-Ohio Portion	(C) Total
1. Total business income from Part IV, line X (enter in A, B, and C respectively).....1.	0	300,000	300,000
2. Total nonbusiness income from Part I, line 28 (enter in A, B and C respectively)2.	125,000	0	125,000
3. Total business and nonbusiness <u>income</u> (add lines 1 and 2, by column)3.	125,000	300,000	425,000
4. Total Ohio Schedule A additions from form IT 1040, line 2a (see Note #1 below)4.	0	0	0
5. Total Ohio Schedule A deductions from form IT 1040, line 2b (see Note #1 below)5.	0	250,000	250,000
6. Line 3 plus line 4 minus line 5, by <u>column</u> (see Notes #2, #3 and #4 below).....6.	125,000	50,000	175,000