

**RULES AND REGULATIONS
FOR VILLAGE OF CARROLL
TAX ADMINSTRATOR**

06-01-97

ARTICLE I - PURPOSE

This Section of the Ordinance deals only with the purposes for which the tax collected will be used.

ARTICLE II - DEFINITIONS

As used in these rules and regulations, the following words shall have the meaning ascribed to them in this article, except as and if the context clearly indicates or requires a different meaning.

“ADMINISTRATOR” means the individual designated by the Ordinance, whether appointed or elected, to administer and enforce the provisions of the Ordinance, regardless of the particular title assigned such individual.

“ASSOCIATION” means a partnership, cooperative, limited partnership, or any other form of unincorporated enterprise owned by two or more persons.

“THE BOARD” means the Board of Review provided for by Section 13 of the Ordinance.

“BUSINESS” means an enterprise, cooperative activity, profession or undertaking of any nature conducted for profit or ordinarily conducted for profit whether by an individual, partnership, association, corporation or any other entity. The ordinary administration of a decedent's estate by the executor or administrator, and the mere custody, supervision and management of trust property under passive trust, whether inter vivos or testamentary, unaccompanied by the actual operation of a business as herein defined shall not be construed as the operation of a business.

“BUSINESS ALLOCATION” as used in these regulations, means the portion of net profits to be allocated to Carroll as having been made in Carroll, either under the separate accounting method, or under the three-factor formula of property, payroll, and sales, provided for in Section 3 of the Ordinance.

“CORPORATION” means a corporation or joint stock association organized under the laws of the United States, the State of Ohio, or any other state, territory, or foreign country or dependency.

“EMPLOYEE” means one who works for wages, salary, commission or other types of compensation in the service of an employer. Any person upon whom an employer is required to withhold for either federal income or social security or on whose account payments are made under the Ohio Workers' Compensation law shall prima facie be an employee.

“EMPLOYER” means an individual, partnership, association, corporation (including a corporation not for profit), governmental agency, board, body, bureau, department, sub-division, or unit or any other entity, that employs one or more persons on a salary, wage, commission or other compensation basis whether or not such employer is engaged in business. It does not include a person who employs only domestic help for such person's private residence.

“FISCAL YEAR” means an accounting period of twelve (12) months or less ending on any day other than December 31st. Only fiscal years accepted by the Internal Revenue Service for federal income tax purposes may be used for Carroll tax purposes.

“GROSS RECEIPTS” means total income from any source whatsoever.

“NET PROFITS” means a net gain from the operation of a business, profession, enterprise or other activity after provision for all ordinary, reasonable and necessary expenses either paid or accrued in accordance with the accounting system used by the taxpayer for federal income tax purposes, without deduction of taxes imposed by this Ordinance, federal, state, and other taxes based on income exclusive of the amount of Ohio franchise taxes computed on the net worth basis; and in the case of an association, without deduction of salaries paid to partners, and other owners; and otherwise adjusted to the requirements of this Ordinance.

“NONRESIDENT” means an individual domiciled outside Carroll.

“NONRESIDENT UNINCORPORATED BUSINESS ENTITY” means one not having an office or place of business within Carroll.

“THE ORDINANCE” means Ordinance No. (94-7) enacted by the Council of Carroll effective June 1, 1994 including any amendments and supplements thereto, and ending in accordance with the terms and conditions of Section 17 of the Ordinance for full termination of the Ordinance, both inclusive. (NOTE: hereinafter this will be referred to as "effective period of Ordinance".)

“PERSONS” means every natural person, partnership, fiduciary, association, corporation, or other entity. Whenever used in a clause prescribing or imposing a penalty, the term PERSON as applied to any unincorporated entity shall mean the partners or members thereof, and as applied to a corporation, the officers thereof, and in the case of any unincorporated entity or corporation not having any partner, member or officer within Carroll, any employee or agent of such unincorporated entity or corporation who can be found within the corporate limits of Carroll.

“PLACE OF BUSINESS” means any BONA FIDE office (other than a mere statutory office), factory, warehouse or other space which is occupied and used by the taxpayer in carrying on any business activity individually or through one or more of his regular employees regularly in attendance.

“RESIDENT” means an individual domiciled in Carroll.

“RESIDENT UNINCORPORATED BUSINESS ENTITY” means an unincorporated business entity having an office or place of business within Carroll.

“TAXABLE INCOME” means wages, salaries and other compensation paid by an employer or employers before deduction of any kind, and/or the net profits from the operation of a business, profession or other enterprises or activity adjusted in accordance with the provisions of the Ordinance and these regulations.

“TAXABLE YEAR” means the calendar year, or the fiscal year, used as the basis on which net profits are to be computed under the Ordinance, and in the case of a return for a fractional part of a year, the period for which such return is required to be made.

“TAXPAYER” means an individual, association, corporation or other entity required by the Ordinance to file a return and/or to pay a tax.

“VILLAGE” means the Village of Carroll.

In all definitions and these regulations the singular shall include the plural and the masculine shall include the feminine and the neuter.

ARTICLE III - IMPOSITION OF TAX

A. Bases

1. Resident Employee:

- a. In the case of residents of Carroll an annual tax of three-quarters of one percent (.75%) is imposed on all salaries, wages, commissions, and other compensation earned 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-1 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 that are subject to the tax imposed by Section 3, paragraph A-1 of the Ordinance:

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

- a. An officer, director or employees of a corporation (including charitable and other non-profit organizations), joint stock association, or joint stock company;
 - b. An employee (as distinguished from a partner or member) of a partnership, limited partnership, or any form of unincorporated enterprise owned by two or more persons;
 - c. An employee (as distinguished from a proprietor) of a business, trade or profession conducted by an individual owner;
 - d. 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;
 - e. An employee of any other entity or person, whether based upon hourly, daily, weekly, semi-monthly, monthly, annual, unit of production or piece work rates; and 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 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 where paid.
- a. 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.
 - b. Amounts received from an employer for expenses and used as such by the individual receiving them are not deemed to be compensation if the employer deducts such expenses or advances as such from his gross income for the purpose of determining his net profits taxable under federal law, and if the employee is not required to include such receipts as income on his federal income tax return.
 - c. If commissions are included in the net earnings of the trade, business, profession, enterprise, or activity, carried on by an unincorporated entity of which the individual receiving such commission is owner or part owner and therefore subject to the tax under paragraphs A-3 or A-4 of Section 3 of the Ordinance, they shall not be taxed under Section 3, paragraph A-1.
3. Fees, unless such fees are properly included 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 A-3 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 wages are taxable. Payments made to an employee by an employer under a wage continuation plan during periods of disability or sickness are taxable.
- c. Where compensation is paid or received in property, its fair market value, at the time of receipt, shall be - subject to the tax and to withholding. Board, lodging and similar items received by an employee in lieu of - additional cash compensation shall be included in earnings at their fair market value.

1. In the case of domestics and other employees whose duties require them to live at their place of employment or assignment, board and lodging shall not be considered as wages or compensation earned.
2. Nonresident Employee:
 - a. In the case of individuals who are not residents of Carroll, there is imposed under Section 3, paragraph A-2 of the Ordinance, a tax of .75% on all salaries, wages, commissions, and other compensation earned during the effective period of the Ordinance for work done or services performed or rendered within Carroll 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 A-2 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 Carroll, in cases involving compensation for personal services partly within and partly without Carroll, see Article VI-A-6.
3. Imposition of Tax – Resident Business
 - a. Imposition of Tax on Net Profits of Resident Unincorporated Businesses:
 1. In the case of resident unincorporated businesses, professions, enterprises, undertakings or other entities conducted, operated, engaged in, prosecuted or carried on, irrespective of whether such taxpayer has an office or place of business in Carroll, there is imposed an annual tax of .75% on the net profits earned, accrued or received during the effective period of the Ordinance attributable to Carroll, under the formula or separate accounting method provided for in Section 3 of the ordinance, derived from sales made, work done or services performed or rendered and business or other activities conducted in Carroll.
 - .2 The tax imposed on resident associations or other unincorporated entities owned by two or more persons is upon the entities rather than the individual members or owners thereof but the tax imposed on an unincorporated resident entity owned by one person is upon the individual owner. (For tax on that part of a resident owner's distributive share of net profits not taxed against the entity, see Article III-A-3b).
 - .3 The tax imposed by Section 3, paragraph A-3a of the Ordinance is imposed on all resident unincorporated entities having net profits attributable to Carroll under the method of allocation provided for in the Ordinance, regardless of where the owner or owners of such resident unincorporated business entity reside.
 - .4 Resident unincorporated entities owned by two or more persons all of whom are residents of Carroll shall disregard the method of allocation provided for in the Ordinance and pay the tax on their entire net profits thereof. In such case, the tax paid by the entity shall constitute all tax due from the owners or members of the entity for their distributive share of such net profits; however, an additional return shall be required from any such owner or member having taxable income other than the distributive share of the net profits from the entity.
 - b. Imposition of Tax on Resident's Distributive Share of Profits of a Resident Unincorporated Business Entity, Not Attributable to Carroll.
 - .1 A resident individual who is sole owner of a resident unincorporated entity shall disregard the business allocation formula and pay the tax on the entire net profits of this resident unincorporated business entity by this municipality.

2. In the case of a resident individual partner or part owner of a resident unincorporated entity, there is imposed an annual tax of .75% on such individual's distributive share of net profits earned, accrued or received during the effective period of the Ordinance not attributable to Carroll, under the method of allocation provided for in Section 3 of the Ordinance, and not taxed against the entity by this municipality.
 - c. Business Loss Limitation. Business losses may only be taken against an equal or greater amount of other unincorporated business income earned in the same village, or against other unincorporated business income taxed by the city of residence.
4. Imposition of Tax - Nonresident Businesses.
- a. Imposition of Tax on Net Profits of Nonresident Unincorporated Business (See Article XV for Credits)
 - .1 In the case of nonresident unincorporated businesses, professions, enterprises, undertakings, or other activities conducted, operated, engaged in, prosecuted or carried on, there is imposed an annual tax of .75% on the net profits earned, accrued or received during the effective period of the Ordinance attributable to Carroll, under the formula or separate accounting method provided for in the Ordinance.
 - .2 The tax imposed on nonresident unincorporated entities owned by two or more persons is upon the entities rather than the individual members or owners thereof. (For tax on that part of a resident owner's distributive share of net profits not taxed against the entity by this municipality, see Article III-A.4b).
 - .3 Nonresident unincorporated entities owned by two or more persons all of whom are residents of Carroll may elect to disregard the method of allocation provided for in the Ordinance and pay the tax on the entire net profits. In such case, the tax paid by the entity shall constitute all tax due from the owners or members of the entity for their distributive share of the net profits; however, a return shall be required from such owner or member having taxable income other than the distributive share of the net profit from the entity by this municipality.
 - b. Imposition of Tax on Resident's Share of Profits of a Nonresident Unincorporated Business Entity Not Attributable to Carroll. (See Article XV for Credits).
 - .1 A resident individual who is sole owner of a nonresident unincorporated business entity shall disregard the business allocation formula and pay the tax on the entire net profits of this unincorporated entity by this municipality.
 - .2 In the case of a resident individual partner or part owner of a nonresident unincorporated entity, there is imposed an annual tax of .75% on such individual's distributive share of net profits earned, accrued or received during the effective period of the Ordinance not attributable to the village under the method of allocation provided for in Section 3 of the Ordinance and not taxed against the entity by Carroll.
 - c. Business Loss Limitation. Business losses may only be taken against an equal or greater amount of other unincorporated business income earned in the same village, or against other unincorporated business income taxed by the city of residence.
5. Imposition of Tax on Net Profits of Corporations.
- a. In the case of corporations, whether domestic or foreign and whether or not such corporations have an office or place of business in Carroll, there is imposed an annual tax of .75% on the net profits earned, received or accrued during the effective period of the Ordinance attributable to this municipality under the formula or separate accounting method provided for in the Ordinance.

- b. In determining whether a corporation is conducting a business or other activity in this municipality, the provisions of Article III-B of these regulations shall be applicable.
- c. Corporations which are required by the provisions 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.

6. Amplification:

In amplification of the definition contained in Article II of these regulations but not in limitation thereof, the following additional information respecting net business profits is furnished.

a. NET PROFITS.

- .1 Net profits as used in the Ordinance and these regulations means net profits derived from any business, profession or other activity or undertaking carried on for profit or normally carried on for profit.
- .2 Net Profits as disclosed on any return filed pursuant to the provisions of the Ordinance shall be computed by the same accounting method used in reporting net income to the Federal Internal Revenue Service (providing such method does not conflict with any provisions of the Ordinance). Net profits, shown on returns filed pursuant to the Ordinance must be reconciled with the income reported to the Federal Internal Revenue Service.

b. GROSS RECEIPTS.

- .1 Gross Receipts shall include but not be limited to income in the form of commissions, fees, rentals from real and tangible personal property, and other compensation for work or services performed or rendered as well as income from sales of stock in trade.
- .2 From gross receipts there shall be deducted allowable expense to arrive at the net profit subject to tax.

c. EXPENSES.

- .1 All ordinary, reasonable and necessary expenses of doing business, including reasonable compensation paid employees, shall be allowed but no deduction may be claimed for salary or withdrawal of a proprietor or of the partners, members, or other owners of an unincorporated business or enterprise.
 - .01 If not claimed as part of the cost of goods sold or elsewhere in the return filed, there may be claimed and allowed a reasonable deduction for depreciation, depletion, obsolescence, losses resulting from theft or casualty, not compensated for by insurance or otherwise or property used in the trade or business, but the amount may not exceed that recognized for the purpose of the federal income tax. Provided, however, that loss on the sale, exchange or other disposition of depreciable property or real estate, used in the taxpayer's business shall not be allowed as a deductible expense.
 - .02 Current amortization of emergency facilities under the provisions of the Internal Revenue Code, if recognized as such for federal income tax purposes, may be included as an expense deduction hereunder.

- .03 Where depreciable property is voluntarily destroyed only the cost of such demolition and the - undepreciated balance thereof will be allowed as an expense in the year of such demolition, to the extent allowable for federal income tax purposes.
- .04 Bad debts in a reasonable amount may be allowed in the year ascertained worthless and charged off, or at the discretion of the Administrator (if the reserve method is used), a reasonable addition to the reserve may be claimed, but in no event shall the amount exceed the amount allowable for federal income tax purposes.
- .05 Only taxes directly connected with the business may be claimed as a deduction. If for any reason the income from property is not subject to the tax, then taxes on and other expenses of said property are not deductible. In any event, the following taxes are not deductible from income: (1) the tax under the Ordinance; (2) federal or other taxes based upon income exclusive of the amount of Ohio franchise tax computed on the net worth basis; (3) gift, estate or inheritance taxes; and (4) taxes for local benefits or improvements to property which tend to appreciate the value thereof.
- .06 In general, nontaxable income and expenses incurred in connection therewith are not to be - considered in determining net profits. Income from intangibles, by way of dividends, interest and the like, shall not be included if such income is subject to taxation under the intangible personal property laws of the State of Ohio or is specifically exempt from taxation under said law.
- .07 If the taxpayer reports income that is nontaxable under the Ordinance and such amounts are deducted in order to reconcile the return with the taxpayer's federal income tax return, expenses attributable to this nontaxable income shall not be allowed. In the absence of records showing the actual expenses attributable to such nontaxable income, and upon approval of the Administrator, such amount shall be deemed to equal five percent of such nontaxable income.
- .08 Capital gains and losses from sale, exchange or other disposition of property shall not be taken into consideration in arriving at net profits earned. Any amount received on a sale or other disposition of tangible personal property used in business, in excess of book value, shall be treated as taxable income under the Ordinance to the extent of depreciation allowable (under the Ordinance). The balance shall be treated as capital gain.

7. Rentals from Real Property

- a. Rentals received by the taxpayer are to be included only if and to the extent that the rental, ownership, management or operation of the real estate from which such rentals are derived (whether so rented, managed or operated by the taxpayer individually or through agents or other representatives) constitutes a business activity of the taxpayer in whole or in part.
- b. Where the gross monthly rental of any real properties, regardless of number and value, aggregate in excess of \$50.00 per month, it shall be prima facie evidence that the rental, ownership, management or operation of such properties is a business activity of such taxpayer, and the net income of such rental properties shall be subject to tax; provided that in case of commercial property the owner shall be considered engaged in a business activity when the rental is based on a fixed or fluctuating percentage of gross or net sales, receipts or profits of the lessee, whether or not such rental exceeds \$50.00 per month; provided further that in the case of farm property, the owner shall be considered engaged in a business activity when he shares in the crops or when the rental is based on a percentage of the gross or net receipts derived from the farm, whether or not the gross income exceeds \$50.00 per month; and provided further that the person who operates a rooming house of five or more rooms rented shall be considered in business whether or not the gross income exceeds \$50.00 per month.

- c. In determining the amount of gross monthly rental of any real property, periods during which (because of vacancy or any other cause) rentals are not received shall not be taken into consideration by the taxpayer.
- d. Rentals received by a taxpayer engaged in the business of buying and selling real estate shall be - considered as part of business income.
- e. Real property, as the term is used in this regulation, shall include commercial property, residential property, farm property, and any and all other types of real estate.
- f. In determining the taxable income from rentals, the deductible expenses shall be of the same nature, extent and amount as are allowed by the Internal Revenue Service for federal income tax purposes.
- g. Residents of this municipality are subject to taxation upon the net income from rentals (to the extent above specified), regardless of the location of the real property owned.
- h. Nonresidents of this municipality are subject to such taxation only if the real property is situated within this municipality. Nonresidents, in determining whether gross monthly rentals exceed two hundred fifty dollars (\$250.00), shall take into consideration only real estate situated within this municipality.

8. Patents and Copyrights:

- a. Income from patents or copyrights is not to be included in net profits subject to the tax if the income from such patents or copyrights is subject to the state intangible tax. Conversely, such a state intangible tax is not deductible in determining city tax. Such items shall be clearly disclosed on an attachment to be filed with the city tax return.

B. Allocation of Business Profits.

A request to change the method of allocation must be made in writing before the end of the taxable year.

1. Separate Accounting Method.

- a. The net profits allocable to this municipality from business, professional or other activities conducted in this municipality by corporations or unincorporated entities (whether resident or nonresident) may be determined from the records of the taxpayer if taxpayer has bona fide records which disclose with reasonable accuracy what portion of his net profits is attributable to the part of his activities conducted within this municipality.
- b. If the books and records of the taxpayer are used as the basis for apportioning net profits rather than the business allocation formula, a statement must accompany the return explaining the manner in which such apportionment is made in sufficient detail to enable the Administrator to determine whether the net profits attributable to this municipality are apportioned with reasonable accuracy.
- c. In determining the income allocable to this municipality from the books and records of a taxpayer an - adjustment may be made for the contribution made to the production of such income by headquarters activities of the taxpayer, whether such headquarters is within or without this municipality.

2. Business Allocation Percentage Method.

- a. STEP 1: Ascertain the percentage which the average net book value of real and tangible personal property, including leasehold improvements, owned or used in the business and situated within this municipality is of the average net book value of all real and tangible personal property, including leasehold improvements, owned or used in the business wherever situated, during the period covered by the return.

- .1 The percentage of taxpayer's real and tangible personal property within this municipality is - determined by dividing the average net book value of such property within this municipality (without deduction of any encumbrances) by the average net book value of all such property within and without this municipality. In determining such percentage property rented to the taxpayer as well as real and tangible personal property owned by taxpayer must be considered.
 - .01 The net book value of real and tangible personal property rented by taxpayer shall be determined by multiplying gross annual rents payable by eight (8).
 - .02 Gross rents means the actual sum of money or other consideration payable, directly or indirectly, by the taxpayer for the use or possession of property and includes:
 - .001 Any amount payable for the use or possession of real and tangible personal property or any part thereof, whether designated as a fixed sum of money or as percentage of sales, profits or otherwise;
 - .002 Any amount payable as additional rent or in lieu of rent such as interest, taxes, insurance, repairs or other amounts required to be paid by the terms of a lease or other arrangement.
- b. STEP 2. Ascertain the percentage that the total wages, salaries, commissions and other compensation of employees within this municipality is of the total wages, salaries, commissions and other compensation of all the taxpayer's employees within and without this municipality during the period covered by the return.
 - .1 Salaries and reasonable compensation paid owners or credited to the account of owners or partners during the period covered by the return are considered wages for the purpose of this - computation.
 - .2 Wages, salaries, and other compensation shall be computed on the cash or accrual basis in - accordance with the method of accounting used in the computation of the entire net income of the taxpayer.
 - .3 In the case of an employee who performs services both within and without this municipality the amount treated as compensation for services performed within the city shall be deemed to be:
 - .01 In the case of an employee whose compensation depends directly on the volume of business secured by him, such as a salesperson on a commission basis, the amount received by him for the business attributable to his efforts within this municipality.
 - .02 In case of an employee whose compensation depends on other results achieved, the proportion of the total compensation received which the value of his services within this municipality bears to the value of all his services; and
 - .03 In the case of an employee compensated on a time basis, the proportion of the total amount received by him, which his working time within this municipality is of his total working time.
- c. STEP 3: Ascertain the percentage which the gross receipts of the taxpayer derived from sales made and services rendered in this municipality is of the total gross receipts wherever derived during the period covered by the return.
 - .1 The following sales shall be considered this municipality's sales:

- .01 All sales made through retail stores located within this municipality to purchasers within or without this municipality except such of said sales to purchasers outside this municipality that are directly attributable to regular solicitations made outside this municipality personally by taxpayer's employees.
 - .02 All sales of tangible personal property delivered to purchasers within this municipality if shipped or delivered from an office, store, warehouse, factory, or place of storage located within this municipality.
 - .03 All sales of tangible personal property delivered to purchasers within this municipality even though transported from a point outside this municipality if the taxpayer is regularly engaged through its own employees in the solicitation or promotion of sales within this municipality and the sale is directly or indirectly the result of such solicitation.
 - .04 All sales of tangible personal property shipped from an office, store, warehouse, factory or place of storage within this municipality to purchasers outside this municipality if the taxpayer is not, through its own employees regularly engaged in the solicitation or promotion of sales at the places of delivery.
 - .05 Charges for work done or services performed incident to a sale, whether or not included in the price of the property shall be considered gross receipts from such sale.
- .2 In the application of the foregoing subparagraphs a carrier shall be considered the agent of the seller regardless of the FOB point or other conditions of the sale; and the place at which orders are accepted or contracts legally consummated shall be immaterial. Solicitation of customers outside this municipality by mail or phone from an office, or place of business within this municipality shall not be considered a solicitation of sales outside this municipality.
- d. STEP 4: Add the percentages determined in accordance with Steps 1, 2 and 3 or such of the aforesaid percentages as may be applicable to the particular taxpayer's business and divide the total so obtained by the number of percentages used in ascertaining said total. The result so obtained is the business allocation percentage. In determining the average percentage, a factor shall not be excluded from the computation merely because said factor is found allocable entirely outside this municipality. A factor is excluded only when it does not exist anywhere.
 - e. STEP 5: The business allocation percentage determined in Step 4 above shall be applied to the entire taxable net profits of the taxpayer wherever derived to determine the net profits allocable to this municipality.
3. Substitute Method:
- a. In the event a just and equitable result cannot be obtained under the formula, the Board, upon application of the taxpayer or the Administrator, may substitute other factors in the formula or prescribe other methods of allocating net income calculated to effect a fair and proper allocation.
 - b. Application to the Board to substitute other factors in the formula or to use a different method to allocate net profits must be made in writing before the end of the taxable year and shall state the specific grounds on which the substitution of factors or use of a different method is requested and the relief sought to be obtained. A copy thereof shall be served at the time of filing upon the taxpayer or Administrator as the case may be. No specific form need be followed in making such application. Once a taxpayer has filed under a substitute method, he must continue to so file until given permission to change by the Board of Review.

C. Operating Loss Carry Forward.

1. The portion of a net operating loss, based on income taxable under the Ordinance, sustained in any taxable year subsequent to effective date of "first" Ordinance permitting loss carry-forwards allocable to this municipality may be applied against the portion of the profit of succeeding year(s) allocable to this municipality, until exhausted but in no event for more than five (5) taxable years. No portion of a net operating loss shall be carried back against net profits of any prior year.
2. In the event net profits are allocated both within and without this municipality, the portion of a net operating loss sustained shall be allocated to this municipality in the same manner as provided herein for allocating net profits to this municipality. The portion of a net operating loss to be carried forward shall be determined in the year the net operating loss is sustained, on the basis of the allocation factors applicable to that year. The same method of accounting and allocation must be used in the year to which an operating loss is carried as was used in the year in which the operating loss was sustained.
3. In the case of fiscal years beginning prior to the effective date of the Ordinance, the net operating loss deduction will be that portion of the operating loss that the number of months of the fiscal year after the effective date of the Ordinance bears to the total number of months in such fiscal year.
4. A short fiscal year (a fiscal year of less than twelve (12) months) in cases where there has been a change in - accounting period, where a new taxpayer selects a short fiscal year, or where a new taxpayer operates in this municipality for less than his full accounting period, shall be considered as a full taxable fiscal year.
5. In any return in which a net operating loss deduction is claimed, a schedule should be attached showing:
 - a. Year in which net operating loss was sustained.
 - b. Method of accounting and allocation used to determine portion of net operating loss allocable to this municipality.
 - c. Amount of net operating loss used as a deduction in prior years.
 - d. Amount of net operating loss claimed as a deduction in current year.
6. The net operating loss of a business which loses its identify through merger, consolidation, etc., shall not be allowed as a carry-forward loss deduction to the surviving business entity.
7. In the case of a net operating loss in the filing of consolidated returns, see Article III, paragraph D.

D. Consolidated Returns:

1. Consolidated returns may be filed by a group of corporations who are affiliated through stock ownership. For a subsidiary corporation to be included in a consolidated return 80% of its stock must be owned by the other members of the affiliated group. A consolidated return must include all companies that are so affiliated.
2. Once a consolidated return has been filed for any taxable year, the consolidated group must continue to file - consolidated returns in subsequent years unless:
 - a. Permission in writing is granted by the Administrator to file separate returns.
 - b. A new corporation other than a corporation created or organized by a member of the group has become a member of the group during the taxable year.
 - c. A corporation member of the group is sold or exchanged. Liquidating a corporation or merging one of the corporations of the group into another will not qualify the group for filing separate returns.

3. If a corporation becomes a member of the group during the taxable year, the consolidated return must include the income from the entire taxable year of the common parent corporation and any subsidiaries which were members of the group for the entire year, plus the income of each subsidiary which becomes a member of the group during the year for the period beginning with the date it became a member of the affiliated group. For the period prior to the time any subsidiary became a member of the group, separate returns must be filed for the subsidiary. When a subsidiary ceases to be a member of the affiliated group, the consolidated return must include the income of such subsidiary for the period during which it was a member of the group, but for the period after it ceases to be a member, separate returns must be filed. If a corporation has been a member of the affiliated group for less than one month of the taxable year of the group, it may be considered as not being part of the group. Similarly, a subsidiary may be considered as being a member of the affiliated group during the entire taxable year of the group if the period during which it was not a member of the group does not exceed one month.

If a subsidiary is a member of the consolidated group for only part of a taxable year, the income considered to be earned in such fractional part of the year shall be that portion of the net income for the entire year which the number of days it was a member of the group bears to the total number of days in the taxable year.

4. In determining the allocation fraction where a corporation becomes a member of the group or ceases to be a member of the group during the taxable year, the property fraction (Step 1 of the formula) shall be determined on the basis of the average net book value of the property during the period such corporation was a member of the group. The rental portion of the fraction, however, shall be computed at 8 times the annual rent. The gross receipts and wage fractions shall be based on the actual figures.

E. Exceptions:

The following shall not be considered taxable:

1. Poor relief, unemployment insurance benefits, supplemental unemployment benefits, old age pensions or similar payments received from local, state, or federal government or charitable or religious organizations.
2. Proceeds of insurance, annuities, workers' compensation insurance, social security benefits, pensions, compensations for damages for personal injuries and like reimbursements, not including damages for loss of profits.
3. Compensation for damage to property by way of insurance or otherwise.
4. Military pay or allowance of active members of the Armed Forces of the United States.
5. Any charitable, educational, fraternal or other type of non-profit association or organization enumerated in Section 718.01 of the Revised Code of Ohio which is exempt from payment of real estate taxes is exempt from the tax imposed hereunder, but only to the extent enumerated in said section.
6. Any association or organization falling in the category listed in the preceding paragraph is required to file declarations and final returns and to remit the taxes levied hereunder on all net profits from activities, the income from which is not exempt from taxation in Section 718.01 of the Revised Code of Ohio.
7. Where such non-profit association or organization conducts income-producing business both within and without the corporate limits, it shall calculate its profits allocable to the municipality under the method or methods provided above.
8. The tax provided for herein shall not be levied on the personal earnings of any natural person under (18) eighteen years of age.

ARTICLE IV - EFFECTIVE PERIOD OF TAX

- A. The tax imposed by Section 3, paragraphs A-1 and A-2 of the Ordinance shall be levied, collected and paid with respect to salaries, wages, bonuses, incentive payments, commissions, fees, and other compensation earned on and after June 1, 1994.
- B. The tax imposed by Section 3, paragraphs A-3, A-4 and A-5 of the Ordinance, with respect to net profits of trades, businesses, professions, enterprises, undertakings and other activities is on the net profits earned on and after June 1, 1994.

ARTICLE V - RETURN AND PAYMENT OF THE TAX

A. Date and Requirement for Filing:

1. On or before April 30th of the year following the effective date of the Ordinance and each year thereafter, every person subject to the provisions of Section 3, paragraphs A-1 to A-5, inclusive, of the Ordinance shall, except as hereinafter provided, file a return with the Administrator on a form prescribed by and obtainable upon request from the Administrator, whether or not a tax be due.
2. If the return is made for a fiscal year or any period less than a year said return should be made within four (4) months from the end of each fiscal year or other period.
3. Every person subject to the provisions of Section 3 of the Ordinance shall, except as hereinafter provided, file a return setting forth the aggregate amount of salaries, wages, commissions and other personal service compensation, net profits from business or other activities, including the rental from use of real and personal property, and other income taxable under the Ordinance, received for the period covered by the return and such other pertinent facts and information in detail as the Administrator may require.
4. For Nonresidents Only: Where an employee's entire earnings for the tax period are paid by an employer or employers, and the .75 percent (%) 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 each 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.
5. An employee who is permitted to deduct business expenses from gross wages, salaries, or commissions must file a return in order to claim such deductions although all or part of such wages, salaries, or commissions is subject to withholding.
6. Any taxpayer that received taxable income not subject to withholding under the Ordinance must file a return.
7. Any taxpayer having income, wages, or other compensation, for which a return must be filed, and also having net profits from a business covering the same or a different period, is required to file only one return.
8. Trustees of active trusts are required to file returns and pay the tax on the taxable income thereof.
9. Except as provided for herein, the tax is on the partnership or association as an entity whether resident or - nonresident and a return is required disclosing the net profits allocable to this municipality and the tax paid thereon. However, any resident partner or resident member of the unincorporated entity is required to make a return and pay the tax in accordance with Article III-A3b.2 of these regulations.
10. A husband and wife may, in any tax year, elect to file separate or joint return.

11. Operating losses from business or professional activities, the profits of which would be taxable under the Ordinance, may not be offset against salaries, wages, commissions and other personal service compensation or against net profits from other business or professional activities.

B. Information Required and Reconciliation with Federal Returns.

1. In returns filed hereunder, there shall be set forth the aggregate amount of salaries, wages, bonuses, incentive payments, commissions, fees and other compensation earned from each employer, less reasonable allowable expenses incurred, taxable net profits and other pertinent information as the Administrator may require.
2. Where figures of total income, total deduction, and net profits are included, as shown by a federal return, any items of income as are not subject to this municipality's tax and unallowable expenses shall be eliminated in determining net income subject to this municipality's tax. In the absence of records showing the actual unallowable expenses, such expenses shall be determined in accordance with Article III A-6.c of these regulations. The fact that any taxpayer is not required to file a federal tax return does not relieve him from filing this municipality's tax return.
3. If a change in federal income tax liability, made by the Federal Internal Revenue Service, or by a judicial decision, results in an additional amount of tax payable to this municipality, a report of such change shall be filed by the taxpayer within three (3) months after receipt of the final notice from the Federal Internal Revenue Service or final Court decision; see Article XI-A of these regulations.
4. If a change in federal income tax liability results in a reduction of taxes owed and paid to this municipality, a claim for refund shall be filed with the Administrator as prescribed in Section 11 of the Ordinance and Article XI-B of these regulations.

B. Extensions.

1. Upon written request of the taxpayer made on or before the date for filing the return, and for good cause shown, or upon receipt of a copy of the Federal Internal Revenue Service extension granted the taxpayer, the Administrator may extend the time for filing such return for a period not to exceed six (6) months, or to one (1) month beyond any extension requested of and granted by the Federal Internal Revenue Service. Whenever he deems such necessary, the Administrator may require a tentative return accompanied by payment of the estimated tax. No penalty will be assessed in those cases in which the return is filed and final tax paid within the period as extended provided all other filing and payments requirements of the Ordinance have been met.
2. Information returns, schedules and statements needed to support tax returns are to be filed within the time limits set forth for filing the tax returns.

D. Payment With Return.

1. The taxpayer making a return shall, at the time of the filing thereof, pay to the Administrator the amount of taxes shown as due thereon; provided however, that where any portion of the tax so due shall have been deducted at the source pursuant to the provisions of Section 6 of the Ordinance, or where any portion of said tax shall have been paid by the taxpayer pursuant to the provisions of Section 7 of the Ordinance, or where an income tax has been paid to another municipality, credit for the amount so paid in accordance with Section XV hereof, shall be deducted from the amount shown to be due and only the balance, if any, shall be due and payable at the time of filing said return.
2. A taxpayer who has overpaid the amount of tax to which this municipality is entitled under the provisions of the Ordinance may have such overpayment applied against any subsequent liability hereunder or, at his election indicated on the return, such overpayment (or part thereof) shall be refunded, provided that no additional taxes or refunds of less than one dollar (\$1.00) shall be collected or refunded.

E. Amended Returns.

1. Where necessary an amended return must be filed in order to report additional income and pay any additional tax due, or claim a refund of tax overpaid, subject to the requirements and/or limitations contained in Section XI and XII. Such amended return shall be on a form obtainable on request from the Administrator. A taxpayer may not change the method of accounting or apportionment of net profits after the due date for filing the original return.
2. Within three (3) months from the final determination of any federal tax liability affecting the taxpayer's Carroll tax liability, such taxpayer shall make and file an amended Carroll return showing income subject to this municipality's tax based upon such final determination of federal tax liability, and pay any additional tax shown due thereon or make claim for refund of any overpayment.

ARTICLE VI - COLLECTION OF TAX AT THE SOURCE

A. Duty of Withholding.

1. Except as otherwise provided herein, it is the duty of each employer within or doing business within this municipality, who employs one or more persons whether as an employee, officer, director or otherwise, to deduct each time any compensation is paid the tax of .75 percent (%) from:
 - a. The gross amount of all salaries, wages, bonuses, incentive payments, fees, commissions or other forms of compensation paid to residents of this municipality, regardless of the place where the services are rendered; and
 - b. All compensation paid nonresidents for services rendered, work performed or other activities engaged in within this municipality.
2. All employers within or doing business within this municipality are required to make the collections and deductions specified in this article, regardless of the fact that the services on account of which any particular deduction is required, as to residents of this municipality, were performed outside this municipality.
3. Employers who do not maintain a permanent office or place of business in this municipality, but who are subject to tax on net profits attributable to this municipality, under the method of allocation provided for in the Ordinance, are considered to be employers within this municipality and subject to the requirement of withholding.
4. The mere fact that the tax is not withheld will not relieve the employee of the responsibility of filing a return and paying the tax on the compensation paid. If the employer has withheld the tax and failed to pay the tax withheld to the Administrator, the employee is not liable for the tax so withheld.
5. Commissions and fees paid to professionals, brokers and others who are independent contractors, and not employees of the payer, are not subject to withholding or collection of the tax at the source. Such taxpayers must in all instances file a declaration and return and pay the tax pursuant to the provisions of the Ordinance and Articles V and VII of the regulations.
6. Where a nonresident receives compensation for personal services rendered or performed partly within and partly without this municipality, the withholding employer shall deduct, withhold and remit the tax on that portion of the compensation which is earned within this municipality in accordance with the following rules of apportionment:

- a. If the nonresident is a salesman, agent or other employee whose compensation depends directly on the volume of business transacted or chiefly effected by him, the deducting and withholding shall attach to the portion of the entire compensation which the volume of business transacted or chiefly effected by the employee within this municipality bears to the total volume of business transacted by him within and outside this municipality.
 - b. The deducting and withholding of personal service compensation of other nonresident employees, - including officers of corporations, shall attach to the proportion of the personal service compensation of such employee which the total number of his working hours within this municipality is of the total number of working hours.
 - c. The fact that nonresident employees are subject to call at any time does not affect the allocation of pay for time worked within this municipality, which will be computed on the basis of a forty-hour week unless the employer notifies the Administrator that a greater or lesser number of hours per week is worked.
 - d. The occasional entry into this municipality of a nonresident employee who performs the duties, for which he is employed primarily outside the city, shall not be deemed to take such employee out of the class of those rendering their services entirely outside this municipality.
7. An employer shall withhold the tax on the full amount of any advances made to an employee because of - commissions.
 8. An employer required to withhold the tax on compensation paid to an employee shall, in determining the amount on which the tax is to be withheld, ignore any amount allowed and paid to the employee for expenses necessarily and actually incurred by the employee in the actual performances of his services, provided such expenses are incurred in earning compensation, including commissions, and are not deducted as a business expense by the employee under Article III of these regulations.
 9. An employer whose records show that an employee is a nonresident of this municipality and has no knowledge to the contrary, shall be relieved of the responsibility of withholding the tax on personal service compensation paid to such employee for services rendered or work done outside this municipality by such employee, provided, however, that such employer must withhold the tax on all personal services compensation paid such employee after the Administrator notifies said employer in writing that such employee is a resident of this municipality. All employees are required to notify the employer of any change of residence and the date thereof.
 10. A Carroll employer required to withhold the tax from a Carroll resident for work done or services performed in another municipality, and who does withhold and remit to such other municipality, shall be relieved from the requirement of withholding the Carroll tax from such Carroll resident, except where the rate of tax for such other municipality is less than the rate of tax imposed by this Ordinance. In such case the employer shall withhold and remit the difference to this municipality.
 11. No person shall be required to withhold the tax on the wages or other compensation paid domestic servants employed exclusively in or about such person's residence, but such employee shall be subject to all of the requirements of the Ordinance.
- B. Return and Payment of Tax Withheld and Status of Employers.
1. The required deductions from salaries, wages, and other compensation made by employers are to begin with the compensation earned on and after the effective date of the Ordinance.

The employer (in addition to any return required to be filed with respect to his own earnings or net profits) shall, on or before the last day of the month next following each quarterly period, make a return and pay to the Administrator the full amount of the tax so deducted or withheld with respect to compensation paid all of his employees subject to the tax under the Ordinance. Provided, however, the Administrator may require an employer to remit withholding taxes at more frequent intervals.

The return required under this article shall be made on a form furnished by or obtainable on request from the Administrator.

2. If more than the amount of tax required to be deducted by the Ordinance is withheld from an employee's pay, such excess may be refunded by the employer or the Administrator, depending upon the circumstances and the time when the over-withholding is determined, as follows:
 - a. Current employees:
 1. If the over-withholding is discovered in the same period, the employer shall make the necessary adjustment directly with the employee and the amount to be reported on the return as withheld shall be the corrected amount;
 2. If the over-withholding is discovered in a subsequent period of the same calendar year, the employer may make proper adjustment with the employee. In such case the return for the period in which the adjustment is made shall indicate the total amount actually withheld, the amount of the adjustment deducted therefrom, and the corrected amount reported on the return;
 - .3 If the over-withholding is discovered in the following year, the employer should notify the Administrator of such over-withholding and the circumstances thereof. Upon proper verification the Administrator shall refund to the employee the amount of such excess withholding;
 - b. Former employees:
 - .1 In case too much has been withheld from an employee who is no longer employed by the employer, the employer shall notify the Administrator of the amount and circumstances of such over-withholding and the Administrator shall then refund to the employee the amount of such excess withholding; or
 - .2 If the error is discovered by the employee, such employee shall file a claim with the Administrator and, upon verification thereof by the employer, the Administrator shall refund to the employee the amount of such excess withholding;
 - c. Nonresidents Employed Outside the City:
 - .1 When an employer has withheld the tax from all wages of a nonresident of this municipality and such nonresident has been employed outside of this municipality for all or a part of the time, such employee shall file a claim with the Administrator covering such erroneous withholding and the Administrator shall, upon verification thereof by the employer, refund to the employee the amount of such excess withholding;
 - d. Insufficient Withholding:
 - .1 If less than the amount of tax required to be deducted is withheld from an employee; such deficiency shall be withheld from subsequent wages. However, if the employee-employer relationship has terminated, the employer shall notify the Administrator of such deficiency and the reason therefor.
3. Every employer is deemed to be a trustee for this municipality in collecting and holding the tax required under the Ordinance to be withheld and the funds so collected by such withholding are deemed to be trust funds.

4. Every such employer required to deduct and withhold the tax at the source is liable directly to this municipality for payment of such tax whether actually collected from such employee or not.
 5. On or before the 31st day of January, following any calendar year in which such deductions have been made by any employer, such employer shall file with the Administrator, in the form prescribed by the Administrator, an information return for each employee from whom this municipality's income tax has been withheld, showing the name, address and social security number of the employee, the total amount of compensation paid during the year and the amount of this municipality's income tax withheld from such employee.
 6. The gross compensation to be reported for each employee shall be for the full twelve (12) calendar months of the year or such portion thereof as the employee reported on was employed.
 7. All payments not subject to withholding shall be reported on forms as required by the Administrator.
 8. In addition to such information returns, and at the time the same are filed, such employer shall file with the Administrator a form to enable the Administrator to reconcile the sum total of compensation paid and taxes withheld as disclosed by information return W-2, or list of employees, and prior returns and remittances made pursuant to the Ordinance.
- C. Fractional Parts of Cent: In deducting and withholding the tax at the source and in payment of any tax due under the Ordinance, a fractional part of a cent shall be disregarded unless it amounts to one-half cent (\$.01/2) or more in which case it shall be increased to one cent (\$.01).

ARTICLE VII - DECLARATIONS

A. Requirement of Filing:

- .1 A declaration of estimated tax shall be filed by every taxpayer who may reasonably be expected to have taxable income, the tax on which is not or will not be withheld by an employer or employers. Where required, such declaration shall be filed within six (6) months after the beginning of the taxable year.
- .2 A taxpayer's final return for the preceding year may be used as the basis for computing his declaration of estimated tax for the current year. In the event a taxpayer has not previously been required to file a return, a declaration of estimated tax on anticipated income shall be filed in good faith.
- .3 A declaration of estimated tax, which is less than 80% of the tax, as shown on the final return shall not be considered filed in good faith.

B. Date of Filing:

1. A person or other entity conducting a business not previously subject to the tax, or whose employer does not withhold the tax shall file a declaration within six (6) months after the date he becomes subject to the tax.
2. Those taxpayers having a fiscal year or period differing from the calendar year shall file a declaration within six (6) months after the start of each fiscal year or period.

C. Form for Filing:

1. Such declaration shall be filed upon a form or forms furnished by, or obtainable from the Administrator, provided, however, credit shall be taken for this municipality's tax to be withheld from any portion of such income. In accordance with the provisions of Section 15 of the Ordinance, credit may be taken for tax to be withheld and remitted to another taxing municipality.

2. The original estimate of tax liability or any subsequent amendment thereof may be increased or decreased by filing an amended declaration on or before any semi-annual payment date as set forth in Article VII-D.1. Such amendment may be made on the regular declaration form or on the back of any quarterly notice.

D. Dates of Payments:

1. The estimated tax may be paid in full with the declaration or in two equal installments on or before the last day of the sixth, and twelfth month after the beginning of the taxable year.
2. The declaration must be accompanied by at least one-half (1/2) of the estimated tax shown due thereon.
3. In the event an amended declaration has been filed the unpaid balance shown due thereon shall be paid with the second declaration.

E. Final Returns Required:

1. The filing of a declaration does not relieve the taxpayer of the necessity of filing a final return although there is no change in the declared tax liability. A final return must be filed to obtain a refund of any overpayment of one dollar (\$1.00) or more.

ARTICLE VIII - DUTIES OF THE ADMINISTRATOR

A. Collection of Tax and Retention of Records:

1. It shall be the duty of the Administrator to receive the tax imposed by the Ordinance in the manner prescribed herein from the taxpayers, to keep an accurate record thereof, and to report all monies so received.
2. It shall be the duty of the Administrator to enforce payment of all taxes owing this municipality, to keep accurate records for a minimum of five (5) years showing the amount due from each taxpayer required to file a declaration and/or make any return, including taxes withheld, and to show the dates and amounts of payments thereof.

B. Enforcement Provisions:

1. The Administrator is charged with the administration and enforcement of the provisions of the Ordinance and is, subject to the approval of the Board of Review, empowered to adopt, promulgate, and enforce rules and regulations or any amendment thereof relating to any matter or thing pertaining to the administration and enforcement of the Ordinance. The Administrator has the authority to correct or adjust any return submitted, when a correction or adjustment is necessary to accomplish the intent of the Ordinance.
2. Any taxpayer or employer desiring a special ruling on any matter pertaining to the Ordinance or these rules and regulations, should submit to the Administrator in writing all the facts involved and the ruling sought.
3. These regulations, together with all amendments and supplements hereto and all changes herein, will be on file at the office of the Administrator PO Box 399, Lancaster, OH 43130 and will be open to public inspection.
4. The administrator is authorized to arrange for the payment of unpaid taxes, interest and penalties on a schedule of installment payments, when the taxpayer has proved to the Administrator that, due to certain hardship conditions, he is unable to pay the full amount of the tax due. Such authorization shall not be granted until proper returns are filed by the taxpayer for all amounts owed by him under the Ordinance.
5. Failure to make any deferred payment when due shall cause the total unpaid amount, including penalty and interest, to become payable on demand and the provisions of Section 11 and 12 of the Ordinance shall apply.

C. Estimation of Tax by Administrator:

1. Whenever the Administrator has been unable to secure information from the taxpayer as to his taxable income for any year, he may determine the amount of tax appearing to be due and assess the taxpayer upon the basis of such determination, together with the interest and penalties as prescribed in Section 10 of the Ordinance.
2. Such determination of tax may be adjusted upon submission by the taxpayer of actual records from which his tax may be computed.

D. Subject to the consent of the Board of Review or pursuant to regulation approved by said Board, the Administrator shall have the power to compromise any interest or penalty, or both, imposed by Section 10 of the Ordinance.

ARTICLE IX – EXAMINATION OF BOOKS AND RECORDS, INFORMATION SO OBTAINED CONFIDENTIAL, PENALTY

A. Investigations by Administrator:

1. The Administrator, or his duly authorized agent is authorized to examine the books, papers, records and federal income tax returns of any employer, taxpayer or person subject to the Ordinance, or whom the Administrator believes is subject to the provisions of the Ordinance, for the purpose of verifying the accuracy of any return made; or, if no return was made, to ascertain the tax due under the Ordinance.
2. An employer or taxpayer shall furnish, within ten (10) days following a written request by the Administrator, or his duly authorized agent, the means, facilities and opportunity for making examinations and investigations authorized by the Ordinance.

B. Subpoena of Records and Persons:

1. The Administrator, or any person acting in his capacity, is authorized to examine any person, under oath, concerning any income which was, or should have been, returned for taxation, or any transaction tending to affect such income. The Administrator may compel the production of books, papers and records and the attendance of all persons who have knowledge of the facts concerning any supposed income or supposed truncation of the taxpayer.
2. The Administrator's order to examine any document mentioned in the preceding paragraph should state whether the examination is to be at the taxpayer's office or at the office of the Administrator.
3. The Administrator may order the appearance before him, or his duly authorized agent, of any party whom he believes to have any knowledge of a taxpayer's income or withholdings, or any information pertaining to the taxpayer under investigation, whether or not the individual so ordered has actual custody of the records of the taxpayer being investigated. The Administrator is specifically authorized to order the appearance of the local manager or representative of any taxpayer.
4. Persons required to attend any hearings shall be notified not less than ten (10) days prior to the time of the hearing. The notice shall show the time and place of the hearing and what books, papers or records the witness is to make available at such hearing.
5. The notice shall be served by the Administrator, or his duly authorized agent, by delivering it to the person named personally, or by leaving the notice at his usual place of business or residence, or by mailing it to the person by registered mail, return receipt requested, addressed to his usual place of business or residence.

C. Penalty for Non-Compliance:

Refusal by an employer, supposed employer, taxpayer, or supposed taxpayer, or the refusal of any such person to appear before the Administrator or his duly authorized agent, to submit to such examination and to produce the records requested constitutes a misdemeanor punishable by fine or imprisonment, or both, as prescribed by Section 12 of the Ordinance.

D. Confidential Nature of Examinations:

Any information gained as a result of any returns, investigations, verifications or hearings before the Administrator, required by the Ordinance or authorized by these rules and regulations shall be confidential and no disclosure thereof shall be made except for official purposes or as ordered by a court of competent jurisdiction. Any person divulging such information shall be guilty of a misdemeanor punishable by a maximum fine or Five Hundred Dollars (\$500.00) or imprisonment for not more than six (6) months, or both.

In addition to the above penalty, any employee of this municipality who violates the provisions of this section relative to the disclosure of confidential information shall be guilty of an offense punishable by immediate dismissal.

E. Retention of Records:

All employers and taxpayers are required to keep such records as will enable the filing of true and accurate returns whether of taxes withheld at the source or of taxes payable upon earnings or net profits, or both. Such records shall be preserved for a period of not less than five (5) years from the date the final return is filed and paid or the withholding taxes are paid.

ARTICLE X - INTEREST & PENALTIES

A. Interest:

1. Except as provided in paragraph C of this article, all taxes imposed and all monies withheld, or required to be withheld, by employers under the provisions of the Ordinance and remaining unpaid after they have become due shall bear interest, in addition to the amount of the unpaid tax or withholdings, at the rate of one-half of one percent (1/2%) per month or fraction thereof.

B. Penalties: In addition to interest as provided in paragraph A hereof, penalties based on the unpaid tax are hereby imposed as follows:

1. For failure to pay taxes due, other than taxes withheld: one and one-half percent (1 1/2%) per month or fraction thereof.
2. For failure to remit taxes withheld from employees: five percent (5%) per month or fraction thereof.

C. Exceptions:

1. No penalty shall be assessed on additional taxes found on audit to be due when a return was timely filed in good faith and the tax paid thereon within the prescribed time.
2. In the absence of fraud neither penalty nor interest shall be assessed on any additional taxes resulting from a federal audit for federal income tax purposes provided an amended return is filed and the additional tax paid within three (3) months after final determination of the federal tax liability.

3. A taxpayer or employer shall have thirty (30) days after receipt of notice of any proposed imposition of interest and penalties within which to file a written protest or explanation with the Administrator. If no protest or explanation is filed within the prescribed time, the proposed imposition of interest and penalties shall become and be the final assessment. Upon filing of a written protest or explanation, the Administrator shall withdraw the assessment or he shall adjust or reaffirm the assessment and it shall then become final.

D. Appeal from Assessment:

1. Upon recommendation of the Administrator, the Board of Review may abate penalty or interest, or both, or upon an appeal from the refusal of the Administrator to recommend abatement of penalty and/or interest, the Board may nevertheless abate penalty or interest, or both.

ARTICLE XI - COLLECTION OF UNPAID TAXES AND REFUND OF OVERPAYMENTS

A. Unpaid Sums - Civil Suit:

1. In addition to any criminal penalties which may be imposed pursuant to Section 12 of the Ordinance, all taxes imposed by Section 3 of the Ordinance and not paid when due, shall be collectible, together with any interest and penalties thereon, by civil suit. Employers who are required, under Section 6 of the Ordinance, to withhold and remit the taxes required to be withheld at the source, and who fail to withhold and/or remit, become liable to the municipality in a civil suit to enforce the payment of the deficiency created by such failure.
2. No additional assessment shall be made by the Administrator after three (3) years from the time the return was due or filed, whichever is later. Provided, however, there shall be no period of limitation on such additional assessments in the case of a return that omits a substantial portion of income, or filing a false or fraudulent return to evade payment of the tax, or failure to file a return. Failure to report 25% or more of income required to be reported shall be considered a substantial omission.
3. In those cases in which the Commissioner of Internal Revenue and the taxpayer have executed a waiver of the federal statute of limitations, the period within which an assessment may be made by the Administrator is extended to one (1) year from the time of final determination of federal tax liability.

B. Refunds and Overpayments:

1. Taxes erroneously paid shall not be refunded unless a claim for refund is made within three (3) years from the date the tax was due or the return was filed, or three (3) months after the determination of the federal income tax liability, whichever is later.
2. No refund shall be made to any taxpayer until he has complied with all provisions of the Ordinance and has furnished all information required by the Administrator.
3. Overpayments will be either refunded or credited to the taxpayer's current year's liability at his option. Where no election has been made by the taxpayer, overpayments of any year's taxes shall be applied as follows:
 - a. To taxes owed for any previous years in the order in which such taxes become due.
 - b. To his current estimated liability.

C. Limitation:

Where the total amount due or refund claimed, for a tax year is less than one dollar (\$1.00) such amount shall not be collected or refunded.

ARTICLE XII - VIOLATIONS, PENALTIES

A. Any person who shall:

1. Fail, neglect or refuse to make any return or declaration required by the Ordinance; or
2. Make any incomplete, false or fraudulent return; or
3. Willfully fail, neglect or refuse to pay the tax, penalties or interest imposed by this Ordinance; or
4. Willfully fail, neglect or refuse to withhold the tax from his employees or remit such withholding to the Administrator; or
5. Refuse to permit the Administrator or any duly authorized agent or employee to examine his books, records, papers and federal income tax returns relating to the income or net profits of a taxpayer; or
6. Fail to appear before the Administrator and to produce his books, records, papers or federal income tax returns relating to the income or net profits of a taxpayer upon order or subpoena of the Administrator; or
7. Refuse to disclose to the Administrator any information with respect to the income or net profits of a taxpayer; or
8. Fail to comply with the provisions of the Ordinance or any order or subpoena of the Administrator authorized hereby; or
9. Give to an employer false information as to his true name, correct social security number and residence address, or fail to promptly notify an employer of any change in residence address and date thereof; or
10. Fail to use ordinary diligence in maintaining proper records of employees' residence addresses, total wages paid and this municipality's income tax withheld, or to knowingly give the Administrator false information; or
11. Attempt to do anything whatever to avoid the payment of the whole or any part of the tax, penalties or interest imposed by the Ordinance; shall be guilty of a misdemeanor and shall be fined not more than Five Hundred Dollars (\$500.00) or imprisoned not more than six (6) months or both, for each offense.

B. Prosecutions:

Prosecutions for an offense made punishable under this Section or any other provision of this Ordinance shall be commenced within three (3) years after the commission of the offense, provided that in the case of fraud, failure to file a return, or the omission of twenty-five percent (25%) or more of income required to be reported, prosecutions may be commenced within six (6) years after the commission of the offense.

C. Failure to Receive Forms - Not a Defense:

The failure of any employer or person to receive or procure a return, declaration or other required form shall not excuse him from making any information return, declaration or return, from filing such form, or from paying the tax.

ARTICLE XIII - BOARD OF REVIEW OR APPELLATE AUTHORITY

Refer to Ordinance.

ARTICLE XIV - USE OF FUNDS

No regulation on this section as it is a policy matter for Council.

ARTICLE XV - CREDIT ALLOWED FOR TAX PAID IN ANOTHER MUNICIPALITY

A. Limitation.

1. When the taxable income of a resident of this municipality is subject to a municipal income tax in another municipality on the same income taxable under this Ordinance, such resident shall be allowed a credit of the amount of income tax paid on such taxable income to such other municipality, equal to one quarter (.25) of one percent of the amount obtained by multiplying the lower of the tax rate of such other municipality or for this municipality by the taxable income earned in or attributable to the municipality of employment or business activity. For the purposes of this section taxable income shall include the distributive share of net profits of a resident partner or owner of an unincorporated business entity.

B. Method of Applying for Credit:

1. No credit will be given unless the taxpayer claims such on his final return or other form prescribed by the - Administrator, and presents such evidence of the payment of a similar tax to another municipality, as the Administrator may require.
2. A statement satisfactory to the Administrator from the taxing authority of the municipality to which the taxes are paid that a Carroll resident or his employer is paying the tax shall be considered as fulfilling the requirements of this article.

ARTICLE XVI - SAVING CLAUSE

No regulation as this section pertains to the legality of the Ordinance and not to its administration.

ARTICLE XVII - COLLECTION OF TAX AFTER TERMINATION OF ORDINANCE

A. Authority to Collect after Termination of Ordinance:

The tax imposition provisions of the Ordinance are effective until the Ordinance is repealed, subject, however, to the provisions of Section 11 of the Ordinance with respect to the limitation of time within which an additional assessment may be made.

B. Payments of Taxes:

1. Taxes due and unpaid on account of compensation paid or received and on account of profits earned in the last effective year of the Ordinance or any part thereof which remains unpaid, are payable in full on or before the dates specified in Section 5 and 6 of the Ordinance and Articles V and VI of these regulations and all final returns and withholding reports must be filed on or before that date, unless extended by the Administrator.
2. For purposes of collection of delinquent or unpaid taxes, actions or proceedings for such collection and/or the - collection of interest and penalties thereon, or enforcing any provisions of the Ordinance (including prosecutions under the criminal sections of the Ordinance and including appeals before the Board of Review), the Ordinance remains in full force and effect until such time as all taxes accruing during the term of the Ordinance shall have been fully paid, and all actions, suits, prosecutions, appeals and other judicial or administrative proceedings relative to the collection or payment of such taxes, have been finally terminated.