

**ARTICLE II-3**  
**Imposition of Tax**  
**Net Business Profits - Residents**

1. In the case of trades, businesses, professions, other activities, enterprises or undertakings conducted, operated, engaged in, prosecuted or carried on by residents of Smithville, there is imposed an annual tax of one and one-half percent on the net profits earned or accruing on and after January 1, 1969.
2. For the purpose of construing subsection (c) and (d) of Section 2 of the Ordinance, the term "Residents" in the phrase "conducted by residents of the Village of Smithville" will ordinarily be construed to have reference to the business entity itself, as distinguished from the partners, proprietors or other participants in its profits.
3. Generally, a partnership, association or other unincorporated enterprise owned by two or more persons will be taxed as an entity. However, in the case of a non-resident partnership, association or unincorporated enterprise which cannot be reached or taxed directly by the Village of Smithville, or if only part of its earnings may be directly taxed, then in either such case, resident partners, co-owners, proprietors or other participants in the profits thereof must include in their declaration and tax return or returns their distributive shares of such profits, or portion thereof not taxed to the business enterprise as an entity, and must pay tax thereon.
4. The tax imposed under Section 2 (c) of the Ordinance is levied upon the entire net profits of the resident trade, business, profession, other activity, enterprise, or undertaking, wherever earned, paid or accrued and regardless of the fact that any part of such business or professional activity may have been conducted at or through a place or places of business located outside the Village of Smithville.

**ARTICLE II-4**  
**Imposition of Tax**  
**Net Business Profits - Non-Resident**

1. In the case of a non-resident individual, partnership, association, fiduciary or other entity (other than a corporation) engaged in the conduct, operation or prosecution of any trade, business, profession, enterprise, undertaking or other activity, there is imposed an annual tax of one and one-half percent on the net profits (earned or accruing on and after January 1, 1969 of such trade, business, profession, enterprise, undertaking, or other activity if, and to the extent, conducted in or derived from activity in Smithville.
2. A non-resident entity within the meaning of subsection (e) of Section 2 of the Ordinance which has a branch or branches, office or officer and/or store or stores, warehouse, or other place or places in which the entity's business is transacted, located in the Village of Smithville shall be considered to be conducting, operating, prosecuting, or carrying on a trade, business, profession, enterprise, undertaking or other activity to the full extent of the sum total of all transactions originating or consummated in, by or through such Smithville branch, office, store, warehouse or other place of business, including (a) billings made on such transactions, or (b) services rendered, or (c) shipments made, (d) goods, chattels, merchandise, etc., sold, or (e) commissions, fees or other remuneration or payments earned.
3. In the case of the partnership, association, or other unincorporated business owned by one or more persons the tax, generally, shall be upon said partnership, association, or business enterprise as an entity and not ordinarily upon the partners or members thereof. However, the provisions of Article II-3 are applicable to render taxable against such resident partners or members their distributive share of any profits of such non-resident entity not taxable under this Ordinance.
4. In determining the proportion or amount of the taxable net profits of a non-resident business entity having a place or places of business within and outside Smithville, such business entity may at its option use and apply the Business Allocation Percentage Formula set forth in Section 2, subsection H of the Ordinance. For explanation of Formula, see Article II-6.

**ARTICLE II-5**  
**Imposition of Tax**  
**Net Business Profits - Corporation**

1. In the case of a corporation doing business in Smithville, whether domestic or foreign, and whether domiciled in Smithville, or elsewhere, there is imposed an annual tax of one and one-half percent on that part of the net profits, earned, or accruing on and after January 1, 1969 of such corporations, which is earned by such corporations as a result of work done or services performed or rendered and business or other activities conducted in the Village of Smithville.
2. The Provisions of Paragraph 2 of Article II-4 of these Regulations are applicable to such corporations.
3. A corporation doing business both within and outside the Village of Smithville may, in determining the part of the net profits which are taxable under the Ordinance, at its option:
  - a) Use the usual accounting system of the taxpayer corporation, so long as said usual accounting system shall be one acceptable to the Federal Internal Revenue Department as evidenced by acceptance and approval of income tax returns filed therein; or
  - b) Use the Business Allocation Percentage Formula set forth in Section 2, subsection H of the Ordinance.

**ARTICLE II-6**  
**Business Allocation Percentage**

1. At the option of a corporate taxpayer or of a nonresident business entity, such taxpayers may, but are not obliged to, use the formula set forth in Section 2 of the Ordinance to compute the percentage of their entire net profits (derived from activities both within and outside the Village of Smithville which is taxable under the Ordinance and to determine the tax payable to the Village of Smithville thereunder. If the taxpayer did not have a place of business outside Smithville during the period covered by any declaration and/or return required under the Ordinance, its business allocation percentage is 100 percent; in other words the taxpayer is required to pay a tax of one percent on the entire net profit of the business. If the taxpayer had a place of business outside Smithville and was doing business in Smithville during such period, the business allocation percentage shall be computed on the following basis:

**OHIO REVISED CODE SECTION 718.02**  
**Determination of Income Subject to Taxes**

“(A) In the taxation of income which is subject to municipal income taxes, if the books and records of a taxpayer conducting a business or profession both within and without the boundaries of a municipal corporation shall disclose with reasonable accuracy what portion of its net profit it attributable to that part of the business or profession conducted within the boundaries of the municipal corporation, then only such portion shall be considered as having a taxable situs in such municipal corporation for purposes of municipal income taxation. In the absence of such records, net profit from a business or profession conducted both within and without the boundaries of a municipal corporation shall be considered as having a taxable situs in such municipal corporation for purposes of municipal income taxation in the same proportion as the average ratio of:

- (1) The average net book value of the real and tangible personal property owned or used by the taxpayer in the business or profession in such municipal corporation during the taxable period to the average net book value of all of the real and tangible personal property owned or used by the taxpayer in the business or profession during the same period, wherever situated. As used in the preceding paragraph, real property shall include property rented or leased by the taxpayer and the value of such property shall be determined by multiplying the annual rental thereon by eight;
- (2) Wages, salaries, and other compensation paid during the taxable period to persons employed in the business or profession for services performed in such municipal corporation to wages, salaries, and other compensation paid during the same period to persons employed in the business or profession, wherever their services are performed;