



2016 Ohio Schedule IT BUS

Business Income

SSN of primary filer

□□□□ □□□□ □□□□



16260202

Part 4 – Business Entity

If you have more than 18 entities, complete additional copies of this page and include with your income tax return.

1. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
2. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
3. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
4. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
5. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
6. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
7. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
8. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
9. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
10. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
11. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
12. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
13. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
14. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
15. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
16. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
17. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□
18. Name of entity	FEIN/SSN	Percentage of ownership
□□□□□□□□□□□□□□□□□□□□	□□□□□□□□□□□□□□□□	□□□□□□□□

2016 Ohio Schedule IT BUS Instructions

Ohio Schedule IT BUS is solely for use in determining taxable business income and business income tax liability for purposes of completing the Ohio IT 1040 individual income tax return. See Ohio Revised Code sections (R.C.) 5747.01(A)(31), 5747.01(B) and 5747.01(HH).

This schedule and instructions apply to all individual taxpayers who have business income. This schedule is used for recording all business income that is reported on IRS schedules B, C, D, E and F as well as any other items of business income and gain separately stated on the federal Schedule K-1, on the federal 4797, and miscellaneous federal income tax adjustments, if any.

Enter on this schedule the combined business income amounts from all sources. List the separate business entities on Part 4 on the back of the schedule.

Submit the IT BUS with the paper-filed Ohio IT 1040. If you are filing electronically, the IT BUS will be included in your software package.

This schedule is only used for individual taxpayers filing the Ohio IT 1040. Pass-through entities and trusts should not use this schedule.

Definitions

Business Income and Nonbusiness Income

"Business income" means income, including gain or loss, arising from transactions, activities and sources in the regular course of a trade or business and includes income from real, tangible and intangible property if the acquisition, rental, management and disposition of the property constitute integral parts of the regular course of a trade or business operation (R.C. 5747.01(B)).

Business income can be determined by using either two tests:

Transactional Test: Looks to the nature, frequency and regularity of the transaction.

Functional Test: Was the property an integral part of the business? Did the property contribute to business income in the past?

See *Kemppel v. Zaino*, 91 Ohio St.3d 420 (2001).

Also, "business income" consists of income, including gain or loss, from a partial or complete liquidation of a business, including, but not limited to, gain or loss from the sale or other disposition of goodwill.

In general, income, deductions, gains and losses recognized by a sole proprietorship or a pass-through entity are items of business income.

"Nonbusiness income" means all income other than business income and may include, but is not limited to, compensation, rents and royalties from real or tangible personal property, capital gains, interest, dividends, distributions, patent or copyright royalties, and lottery winnings, prizes and awards (R.C. 5747.01(C)). Nonbusiness income should be excluded from the figures reported on this schedule.

Business Income From IRS Schedules (Part 1)

Important: Include on all lines only those items of business income that are included in the calculation of federal adjusted gross income. For example, losses that must be carried forward to future years due to federal rules should not be included on this schedule for the current year. **A taxpayer cannot simply list the amounts on these federal schedules on Ohio IT BUS.**

Line 1 – Schedule B, Interest and Ordinary Dividends

Enter on this line only taxable interest and ordinary dividends

reported on the federal Schedule B that qualify as business income. Generally, interest and dividend income can only qualify as business income if it is generated from the regular course of trade or business (i.e., the primary business purpose is investing) or if it is generated from working capital and reinvested into the business.

Example: John reports \$1,500 of interest income on his federal Schedule B. \$200 of this interest is reported to him on the Ohio K-1 from a pass-through entity in which he has an ownership interest. This entity's primary business purpose is generating income through investments. The remainder of John's interest income is from personal, nonbusiness sources. John may only report \$200 on line 1 of the Ohio IT BUS.

Line 2 – Schedule C, Profit or Loss from Business

Enter on this line the amount on your federal 1040, line 12. If the amount entered is negative, place a negative sign ("-") in the box provided.

Example: Sam has a sole proprietorship that reports a net loss of -\$15,000 on federal Schedule C. Sam's wife Suzy has a sole proprietorship that reports a net profit of \$10,000 on federal Schedule C. The net Schedule C income reported on Sam and Suzy's federal 1040, line 12 is -\$5,000. Sam and Suzy must report -\$5,000 on line 2 of the Ohio IT BUS.

Line 3 – Schedule D, Capital Gains and Losses

Enter on this line only capital gains or losses reported on the federal Schedule D that qualify as business income. Gains or losses reported on this line must be those that are generated in the ordinary course of business, from assets integral to the taxpayer's business operation, or from working capital and reinvested into the business. Gains or losses, from a partial or complete liquidation of a business, including, but not limited to, gain or loss from the sale or other disposition of goodwill should also be included on this line. If the amount entered is negative, place a negative sign ("-") in the box provided.

Example: A farmer sells a tractor used in his wheat farming operation that generates a capital gain. The wheat cannot be harvested without use of the tractor. Since the tractor was integral to the taxpayer's business operations, the capital gain can be reported on this line.

Example: Paul reports \$8,000 of capital gain income on his federal Schedule D. \$2,000 of this income is reported to him on the Ohio K-1 from a pass-through entity in which he has an ownership interest. This entity's primary business purpose is generating income through investments. The entity reports capital gains when selling its interest in an investment. The remainder of John's capital gain income is from personal, nonbusiness sources. John may only report \$2,000 on line 3 of the Ohio IT BUS.

Line 4 – Schedule E, Supplemental Income and Loss

Enter on this line your net business income or loss reported on the federal Schedule E.

If your net amount from the federal Schedule E includes guaranteed payments from a pass-through entity in which you have less than a 20% direct or indirect ownership interest, those payments **must** be deducted from the amount entered on this line.

Example: Jane owns 15% of a pass-through entity. Jane reports \$100,000 of income on federal Schedule E from this entity. This

amount consists of \$50,000 of ordinary income, a \$10,000 Section 179 depreciation deduction and \$60,000 of guaranteed payments. Generally, guaranteed payments are reported separately on the Ohio IT BUS on line 5 below (see the first example for line 5). So Jane reports the net amount of \$40,000 on line 4 of the Ohio IT BUS.

Example: An individual has set up a trust that acts as an investor in a company. Income generated from the company is then distributed to the trust, which is then passed through to the individual. Since the income was generated from business activities, the amount reported by the individual would be included on this line.

Note: To consider distributions received from a trust as business income, the distribution must have been business income when it was originally earned.

For additional information, see our Web site at www.tax.ohio.gov/Business/BusinessIncomeTaxDeduction/FAQs.aspx

Line 5 – Guaranteed Payments, Wages and/or Compensation
Guaranteed payments, wages and/or compensation paid to you by a pass-through entity (S corporation, partnership, limited liability company treated as a partnership for income tax purposes, etc.) in which you have at least a 20% direct or indirect ownership interest; I.R.C. section 318 attribution rules do not apply in making this ownership determination. Reciprocity agreements do not apply.

Example: Continuing from the above example for line 4, Jane has \$60,000 of guaranteed payments reported on the Ohio K-1 from a pass-through entity in which she has a 15% ownership interest. Generally, guaranteed payments are not business income. Also, because Jane does not own at least 20% of the entity, the guaranteed payment cannot be reclassified as business income for purposes of the Ohio IT BUS or reported on line 5.

Example: Jim has a 30% ownership interest in a pass-through entity. Jim received \$50,000 of wages reported on a W-2 from that same entity, which he reported on line 7 of the federal 1040. Because Jim owns 20% or more of the entity, the wages paid to him are considered business income for purposes of the Ohio IT BUS and are reported here on line 5.

Line 6 – Schedule F, Profit or Loss From Farming
Enter on this line the amount on your federal 1040, line 18. If the amount entered is negative, place a negative sign (“-”) in the box provided.

Example: Mary reports \$45,000 of farming income on her federal 1040. Generally, farming income qualifies as business income so Mary reports \$45,000 on line 6 of the Ohio IT BUS.

Line 7 – Other Business Income
Enter on this line any items of business income or loss included in your federal adjusted gross income that were not entered on lines 1 through 6. Include on this line any amounts reported on the federal 4797 that constitute business income. If the amount entered is negative, place a negative sign (“-”) in the box provided.

Example: Mary, in addition to the income from the above example for line 6, sells a tractor that was used in her wheat farming operation. The sale of the tractor generates a gain of \$2,000 reported on the federal 4797. This tractor was a piece of business property that was integral to the taxpayer’s business operations. Therefore, the gain from its sale is considered business income and should be reported on line 7 of the Ohio IT BUS.

For information about miscellaneous federal tax adjustments, see our Web site at www.tax.ohio.gov/other/Update.aspx.

Business Income Deduction (Part 2)

Line 9 – All Business Income
Enter on this line the lesser of line 8 from this schedule or your federal adjusted gross income (Ohio IT 1040, line 1).

If the amount entered on line 9 of this schedule is -0- or negative, stop here and do not complete the rest of the schedule. You do not have a business income deduction or any taxable business income.

Line 11 – Business Income Deduction
Enter on this line the lesser of line 9 or line 10. This is your business income deduction. Enter this amount on Ohio Schedule A, line 11.

Taxable Business Income (Part 3)

Line 13 – Taxable Business Income
Enter on this line the lesser of line 12 from this schedule or Ohio adjusted gross income less exemptions (Ohio IT 1040, line 5). Enter here and on Ohio IT 1040, line 6.

Line 14 – Business Income Tax Liability
Using the flat 3% business tax rate, calculate your tax on your taxable business income (line 13). Enter here and on Ohio IT 1040, line 8b.

Business Entity (Part 4)

List the name, FEIN/SSN, and your ownership percentage of each entity from which you received business income or loss. If you have more than 18 sources of business income, include additional pages with this schedule.

Federal Privacy Act Notice

Because we require you to provide us with a Social Security number, the *Federal Privacy Act of 1974* requires us to inform you that providing us with your Social Security number is mandatory. Ohio Revised Code sections 5703.05, 5703.057 and 5747.08 authorize us to request this information. We need your Social Security number in order to administer this tax.