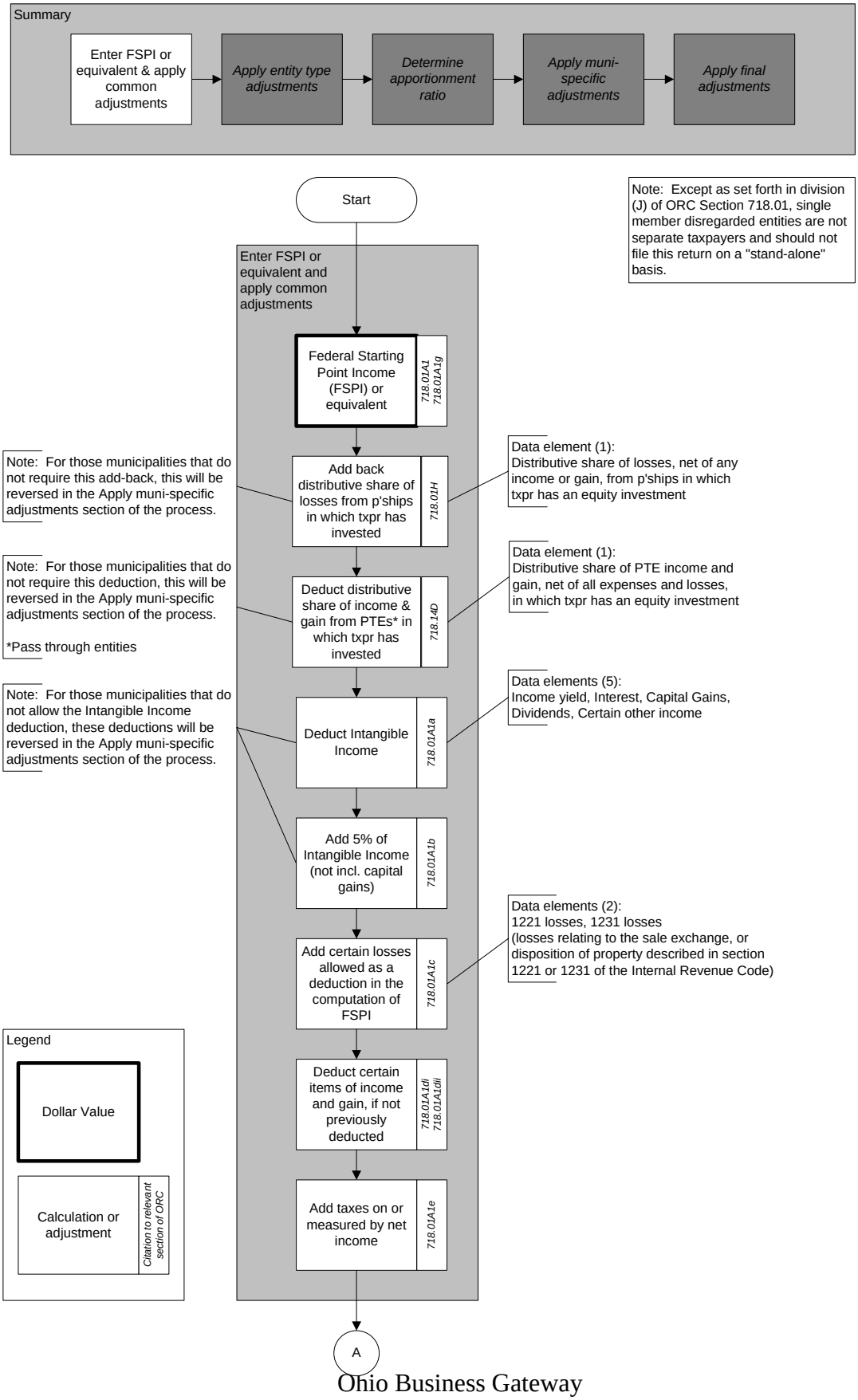
OBG

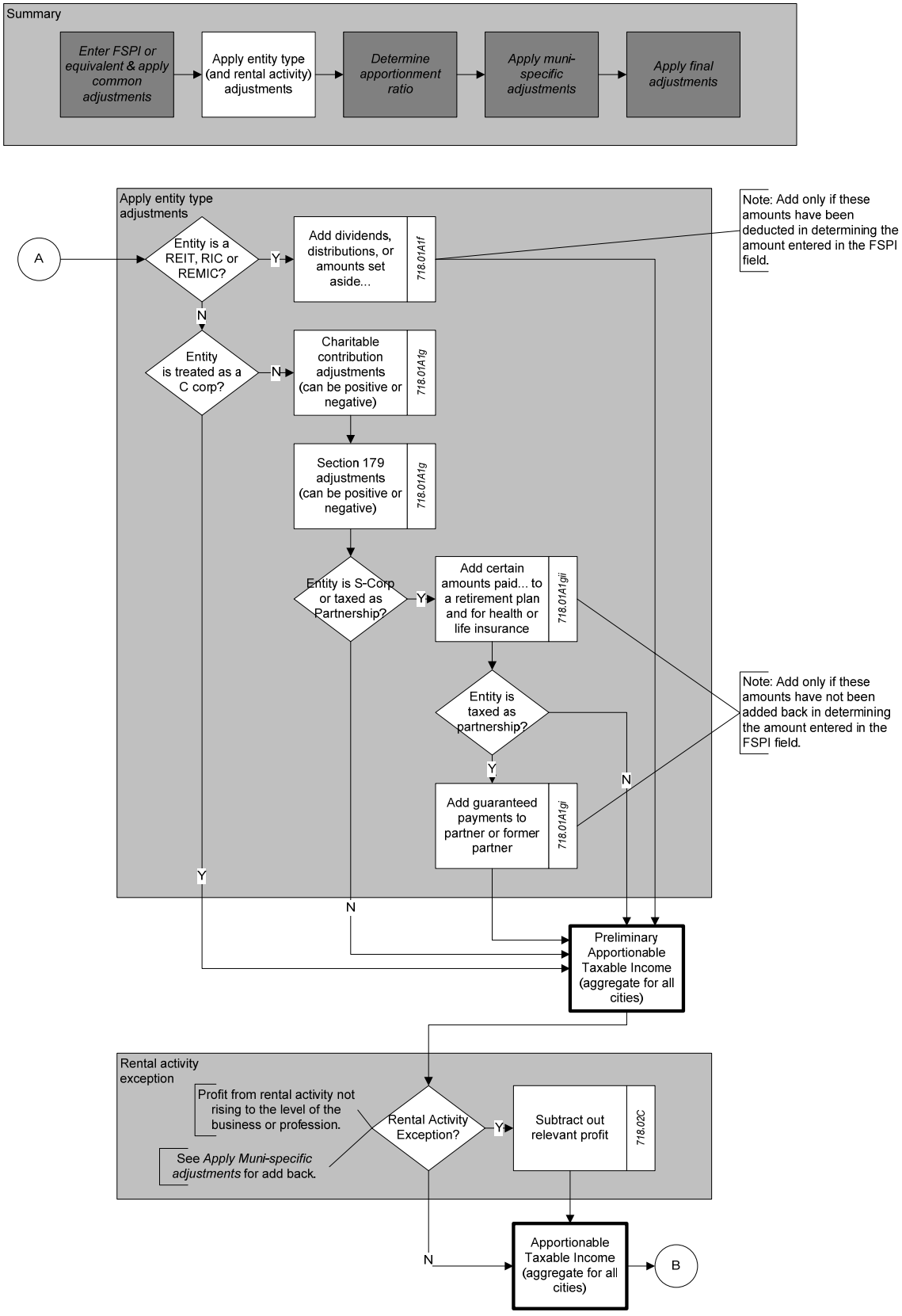
How the Net Profits Return is calculated

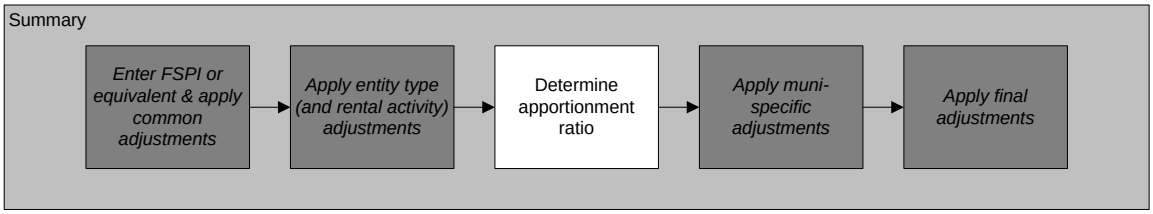
The tax calculation process shown on the following pages explains how the Net Profits Return is calculated. This process was based on the Ohio Revised Code, and refined with input from tax administrators, tax practitioners and businesses.

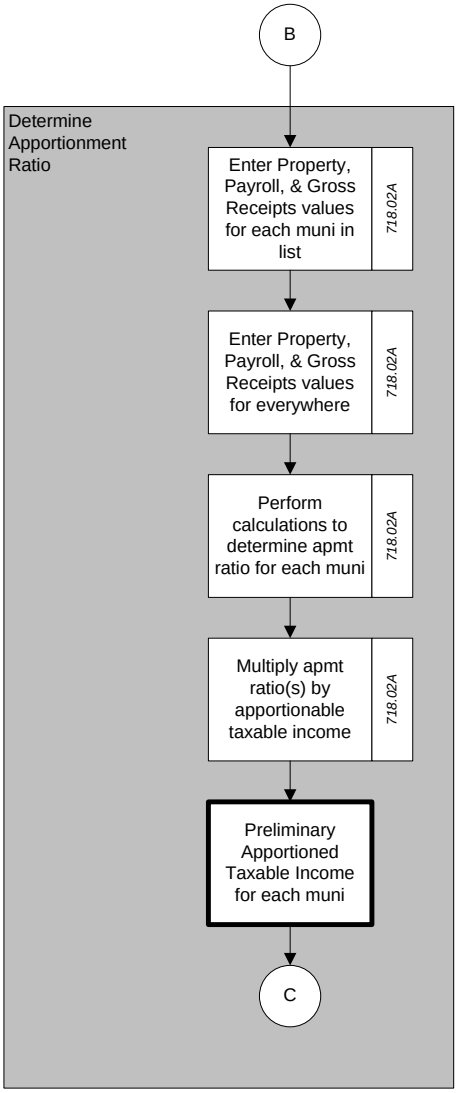
The development of the Net Profits Return application on the Ohio Business Gateway was modeled directly after this process.

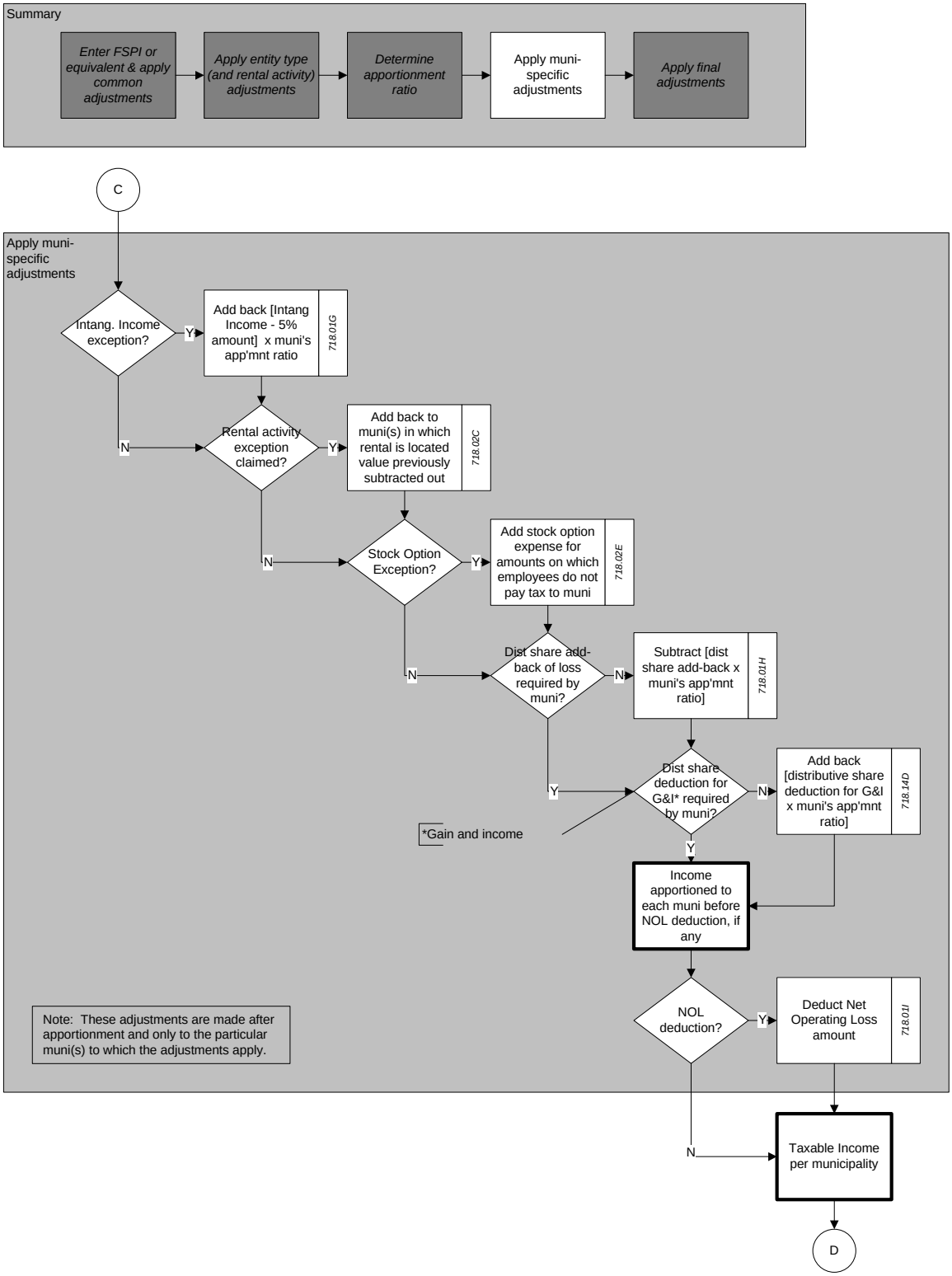
For more information, visit: http://munitax.obg.ohio.gov.

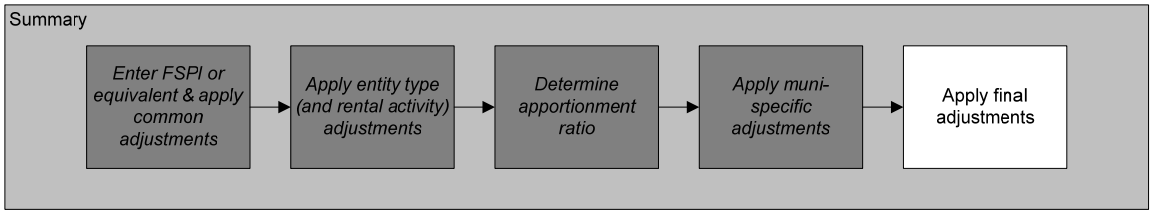

Summary
Enter FSPI or equivalent & apply common adjustments
Apply entity type adjustments
Determine apportionment ratio
Apply muni-specific adjustments
Apply final adjustments
Start
Note: Except as set forth in division (J) of ORC Section 718.01, single member disregarded entities are not separate taxpayers and should not file this return on a "stand-alone" basis.
Enter FSPI or equivalent and apply common adjustments
Federal Starting Point Income (FSPI) or equivalent
718.01A1
718.01A1g
Add back distributive share of losses from p'ships in which txpr has invested
718.01H
Data element (1):
Distributive share of losses, net of any income or gain, from p'ships in which txpr has an equity investment
Note: For those municipalities that do not require this add-back, this will be reversed in the Apply muni-specific adjustments section of the process.
Deduct distributive share of income & gain from PTEs* in which txpr has invested
718.14D
Data element (1):
Distributive share of PTE income and gain, net of all expenses and losses, in which txpr has an equity investment
Note: For those municipalities that do not require this deduction, this will be reversed in the Apply muni-specific adjustments section of the process.
*Pass through entities
Deduct Intangible Income
718.01A1a
Data elements (5):
Income yield, Interest, Capital Gains, Dividends, Certain other income
Note: For those municipalities that do not allow the Intangible Income deduction, these deductions will be reversed in the Apply muni-specific adjustments section of the process.
Add 5% of Intangible Income (not incl. capital gains)
718.01A1b
Add certain losses allowed as a deduction in the computation of FSPI
718.01A1c
Data elements (2):
1221 losses, 1231 losses
(losses relating to the sale exchange, or disposition of property described in section 1221 or 1231 of the Internal Revenue Code)
Deduct certain items of income and gain, if not previously deducted
718.01A1di
718.01A1dii
Add taxes on or measured by net income
718.01A1e
A
Legend
Dollar Value
Calculation or adjustment
Citation to relevant section of ORC

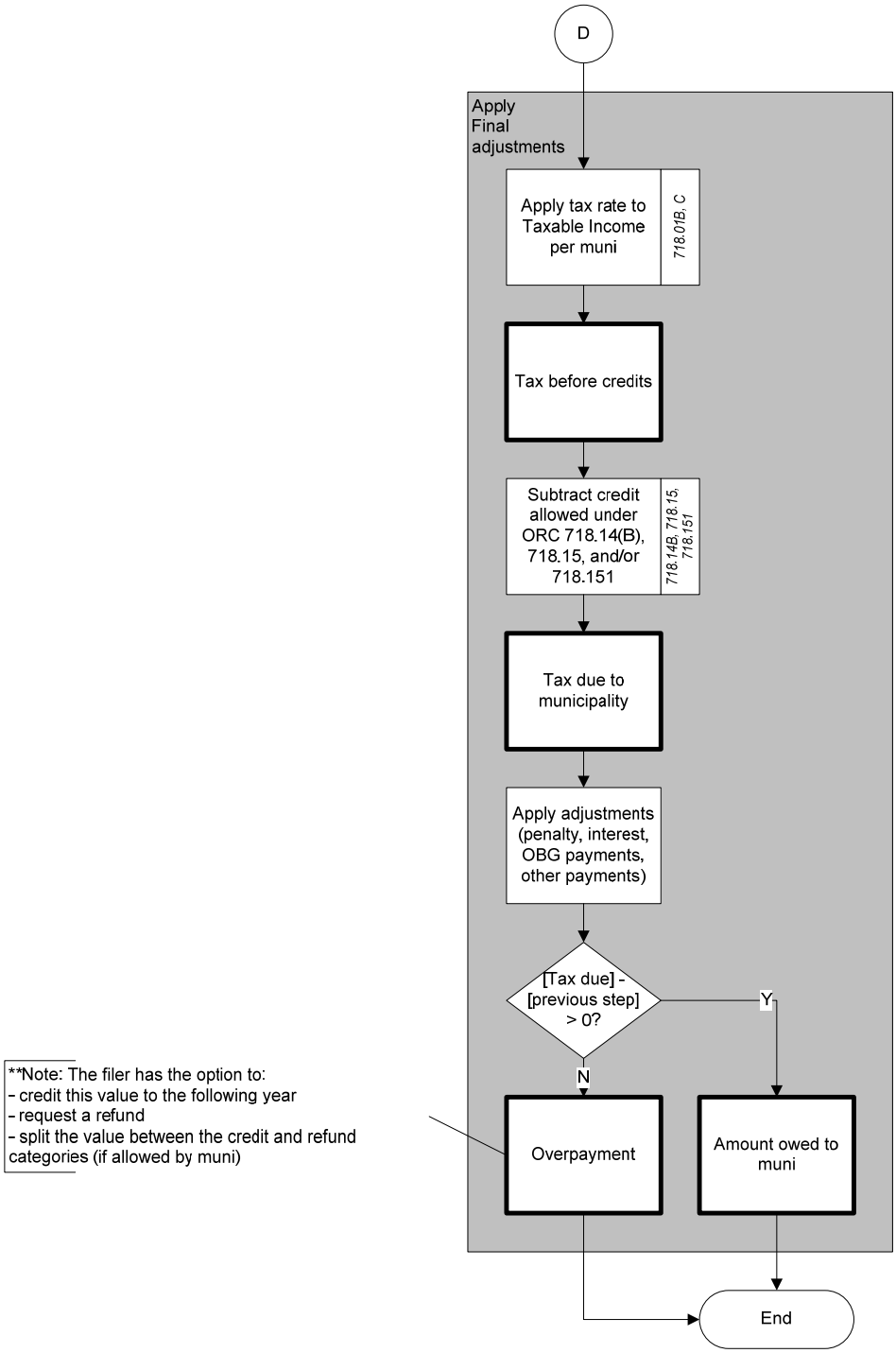

Summary
Enter FSPI or equivalent & apply common adjustments
Apply entity type (and rental activity) adjustments
Determine apportionment ratio
Apply muni-specific adjustments
Apply final adjustments
Apply entity type adjustments
A
Entity is a REIT, RIC or REMIC?
Y
Add dividends, distributions, or amounts set aside...
718.01A1f
N
Entity is treated as a C corp?
N
Charitable contribution adjustments (can be positive or negative)
718.01A1g
Section 179 adjustments (can be positive or negative)
718.01A1g
Entity is S-Corp or taxed as Partnership?
Y
Add certain amounts paid... to a retirement plan and for health or life insurance
718.01A1gii
Entity is taxed as partnership?
Y
Add guaranteed payments to partner or former partner
718.01A1gi
N
Y
N
Note: Add only if these amounts have been deducted in determining the amount entered in the FSPI field.
Note: Add only if these amounts have not been added back in determining the amount entered in the FSPI field.
Preliminary Apportionable Taxable Income (aggregate for all cities)
Rental activity exception
Profit from rental activity not rising to the level of the business or profession.
See Apply Muni-specific adjustments for add back.
Rental Activity Exception?
Y
Subtract out relevant profit
718.02C
N
Apportionable Taxable Income (aggregate for all cities)
B


Summary
Enter FSPI or equivalent & apply common adjustments
Apply entity type (and rental activity) adjustments
Determine apportionment ratio
Apply muni-specific adjustments
Apply final adjustments


B
Determine Apportionment Ratio
Enter Property, Payroll, & Gross Receipts values for each muni in list
718.02A
Enter Property, Payroll, & Gross Receipts values for everywhere
718.02A
Perform calculations to determine apmt ratio for each muni
718.02A
Multiply apmt ratio(s) by apportionable taxable income
718.02A
Preliminary Apportioned Taxable Income for each muni
C


Summary
Enter FSPI or equivalent & apply common adjustments
Apply entity type (and rental activity) adjustments
Determine apportionment ratio
Apply muni-specific adjustments
Apply final adjustments
C
Apply muni-specific adjustments
Intang. Income exception?
Y
Add back [Intang Income - 5% amount] x muni's app'mnt ratio
718.01G
N
Rental activity exception claimed?
Y
Add back to muni(s) in which rental is located value previously subtracted out
718.02C
N
Stock Option Exception?
Y
Add stock option expense for amounts on which employees do not pay tax to muni
718.02E
N
Dist share add-back of loss required by muni?
N
Subtract [dist share add-back x muni's app'mnt ratio]
718.01H
Y
Dist share deduction for G&I* required by muni?
N
Add back [distributive share deduction for G&I x muni's app'mnt ratio]
718.14D
*Gain and income
Y
Income apportioned to each muni before NOL deduction, if any
NOL deduction?
Y
Deduct Net Operating Loss amount
718.01I
N
Taxable Income per municipality
D
Note: These adjustments are made after apportionment and only to the particular muni(s) to which the adjustments apply.





**Note: The filer has the option to:
- credit this value to the following year
- request a refund
- split the value between the credit and refund categories (if allowed by muni)