

INSTRUCTIONS FOR FORM L-NP

GENERAL INSTRUCTIONS

FILING REQUIREMENT - Every corporation, partnership, trust, or estate—whether a resident or non-resident—that conducts business in Lakewood must file a return and pay tax on the net profit.

WHAT CONSTITUTES NET PROFITS – Net profits are based on Adjusted Federal Taxable Income. Ohio Revised Code Section 718.01 created a uniform definition of taxable income for net profit returns. In the case of a taxpayer that is not a C Corporation and is not an individual (i.e. pass-through entities), federal taxable income shall be computed as though the taxpayer was a C Corporation. Please see Ohio Revised Code Section 718.01 (“ORC 718.01”), available via the State of Ohio website at <https://codes.ohio.gov/ohio-revised-code/> for more information.

HOW TO TREAT A NET LOSS – The net operating loss (NOL) sustained prior to 2018, allocable to Lakewood, may be applied against the profit of succeeding year(s) allocable to Lakewood, until exhausted, but in no event for more than five (5) taxable years. The NOL shall not be carried back against net profits of any prior year. The NOL sustained shall be allocated to Lakewood in the same manner as provided herein for allocation of net profits to Lakewood. The NOL of a business which loses its identity through merger, consolidation, etc. shall be allowed as a loss carryforward deduction to the surviving business entity to the extent permitted by the Internal Revenue Service.

WHEN & WHERE TO FILE – File with the City of Lakewood – Division of Municipal Income Tax Office located at 12805 Detroit Avenue, Suite 1, Lakewood, Ohio 44107 on or before the fifteenth day of the fourth month following the end of the entity’s tax year. If the due date falls on a Saturday, Sunday, or legal holiday, file by the next business day.

METHOD OF PAYMENT – Checks or money orders should be made payable to **CITY OF LAKEWOOD – DIVISION OF TAX**. Amounts \$10.00 or less need not be remitted. There will be a \$30.00 charge for dishonored checks.

Visa, MasterCard, Discover, or American Express may also be used for payment of municipal income tax. To charge the amount of tax due, complete the Pay By Credit Card – MasterCard/Visa/Discover/American Express box next to the signature lines on the front of the tax return.

EXTENSION(S) OF TIME TO FILE – A federal extension will extend the municipal due date to the due date to which the federal return is extended. A copy of the federal extension must be filed with the Lakewood Division of Municipal Income Tax by the extended due date.

ROUNDING OFF TO WHOLE DOLLARS is permitted. Eliminate any amount less than fifty cents and increase any amount from fifty cents through ninety-nine cents to the next higher dollar.

PENALTY AND INTEREST – In accordance with the law, penalty and interest will be charged for failing to file a return and pay taxes, including estimated taxes, when they are due.

DECLARATION OF ESTIMATED MUNICIPAL TAX ON NET PROFITS – A Declaration of Estimated Income Tax on Net Profits is required by municipal ordinance and must be filed by the following:

1. All corporations (including S Corps and LLCs) whose income is derived from sales made, work done, services performed or rendered, and business or other activities conducted in Lakewood, whether or not such income results in a net profit.
2. All resident or non-resident partnerships, limited partnerships, estates, or trusts which expect a profit or loss derived from sales made, work done, services performed or rendered, and business or other activities conducted in Lakewood.

The estimate is due on the 15th day of the fourth month following the end of the entity’s tax year. For your convenience, you may pay the full amount of total estimated tax due (Line 16) with this declaration. Otherwise, ¼ of the estimated tax due must be remitted with this

declaration and the remaining amount will be billed to you in three equal installments. If the estimate is left blank, an estimate will be created for you based on your prior year tax liability and municipal allocation. If no estimate is required, enter zero (0) on Line 16.

Quarterly payments of estimated tax must be made to Lakewood if your total tax liability is at least \$200. If your estimated payments are not 90% of the tax due or are not equal to or greater than your prior year’s total tax liability, you will be subject to penalty and interest charges.

SPECIFIC INSTRUCTIONS

LINE 1 – Place here your taxable federal income per attached tax return (Form 1120 – pg. 1, Line 28; Form 1120-A – pg. 1, Line 24; Form 1120S – pg. 4, Line 18; Form 1065 – pg. 5, Line 1; Form 1041 – pg. 1, Line 17). Returns will not be accepted unless accompanied by a copy of the entire federal tax return.

LINE 2 – Enter amount from Schedule W, Line P.

LINE 3 – Line 1 plus or minus Line 2.

LINE 4 – If applicable, enter amount from Schedule X, Line 5.

LINE 5 – Multiply Line 3 by Line 4.

LINE 6 – Loss may be carried forward for a maximum of five years, or until exhausted, whichever is earlier. Loss may not be carried back.

LINE 7 – Subtract Line 6 from Line 5. This is your Lakewood taxable income.

LINE 8 – Multiply Line 7 by 1.5% or .015.

LINE 9 – Enter estimate payments made to Lakewood for this taxable year. Estimated tax payments can be verified by calling (216) 529-6620.

LINE 10 – Enter unused credit from prior year(s) overpayment(s).

LINE 11 – Add Lines 9 and 10.

LINE 12 – Subtract Line 11 from Line 8 and proceed to Line 15. This is your tax due. If \$10.00 or less, enter zero (0) and proceed to Line 13.

LINE 13 – If Line 11 is greater than Line 8, and not \$10.00 or less, you have overpaid. Subtract Line 8 from Line 11 and enter the amount on Line 13.

LINE 14 – If there is an overpayment on Line 13, enter the amount you want credited and/or refunded on the appropriate line. Proceed to Line 16.

LINE 15 – If Line 8 is greater than Line 11, and not \$10.00 or less, you have a balance due. Subtract Line 11 from Line 8 and enter the amount on Line 15.

LINE 16 – Enter the amount from Line 8. Your 2023 tax liability is used to determine your 2023 tax estimate. If you anticipate earning more income (wage and/or non-wage) in 2023, use Form L-ES to determine your 2023 estimate. Quarterly payments of estimated tax must be made if the anticipated tax due amount is \$200.00 or more.

LINE 17 – Multiply Line 16 by 25% or .25.

LINE 18 – Enter amount from Line 14. This is the 2022 credit to be applied to the first quarter estimate.

LINE 19 – Add Lines 15, 17, and subtract Line 18. This is the amount due to the City of Lakewood. Amounts \$10.00 or less need not be paid. **Make your check or money order payable to the CITY OF LAKEWOOD – DIVISION OF TAX.**

SIGNATURE – Sign and date your return before submitting it to the City of Lakewood. A return is not “filed” within the meaning of the law, until signed by the taxpayer or an agent legally authorized to sign for such taxpayer. If someone other than the taxpayer prepares the return, this person should sign the return.

SCHEDULE INSTRUCTIONS FOR FORM L-NP

SCHEDULE W – RECONCILIATION WITH FEDERAL INCOME TAX RETURN PER ORC 718

This schedule is used for the purpose of making adjustments when total federal taxable income (FTI) on Line 1 includes income not taxable and/or items not deductible for municipal purposes. Enter the amounts of any such items in Schedule W and carry total (Line P) to Line 2.

LINE A – Non-deductible capital losses incurred from the sale or exchange of capital or other assets per ORC 718.01(E)(3).

LINE B – Expenses not attributable to the sale, exchange, or other disposition of IRS Section 1221 property per ORC 718.01(E)(2). Use actual expenses or Line K multiplied by 5% (.05).

LINE C – Includes federal, state, local, and other taxes paid or accrued based on income per ORC 718.01(E)(10).

LINE D – Guaranteed payments to partners – applies only if guaranteed payments to partners/members had not been included within net profits under C.C.C. 361.09.

LINE E – Charitable Contributions – Non-Corporate business entities should report any contributions over the 10% corporate limitation. Non-corporate businesses may carry forward any unused contributions as if they were C-Corporations. A schedule should be provided to show how your deduction was calculated and identify any portion that was carried forward from prior years. (**NOTE:** Deduction is limited to 10% of city taxable income before consideration for any charitable contribution deduction)

LINE F – Non-corporate business entities may be limited to the corporate limitations for IRS Section 179 expense deduction in accordance with ORC 718.01(E)(10).

LINE G – For use by taxpayers that are not C Corporations and are not individuals. Ohio law prohibits taxpayers that are not C Corporations and not individuals from claiming a deduction for payments to a qualified self-employed retirement plan, payments for health or life insurance for an owner or owner-employee, or federal self-employment tax. Report all such payments here.

LINE H – Other expenses not deductible (with documentation and/or explanation).

LINE I – Add Lines A through H and enter amount on Line I.

LINE J – Non-deductible gains incurred from the sale or exchange of capital or other assets per ORC 718.01 (E)(4)(a).

LINE K – Interest income.

LINE L – Dividend income.

LINE M – Income from patents, trademarks, and copyrights – Do not include royalty income derived from land which is fully taxable for city purposes.

LINE N – Other exempt income (attach documentation and/or explanation).

LINE O – Add Lines J through N and enter amount on Line O.

LINE P – Subtract Line O from Line I and enter the net amount on Line P. Enter this amount on Page 1, Line 2.

SCHEDULE X – REQUIRED MULTI-CITY NET PROFIT ALLOCATION

Provide a completed L-NP Schedule X to properly allocate your taxable city income. In order to promote uniformity and consistency in the calculation of the net profits, it is the City of Lakewood's policy to strictly interpret changes in ORC 718.02.

NOTE: Check the ORC 718.021 Election box on page 1 of Form L-NP if the taxpayer has elected to apportion income based on the guidelines in ORC 718.021 and will be siting any payroll, property, or sales from a qualifying remote employee or owner at that individual's qualifying remote work location to that individual's qualifying reporting location.

Line 1, Column A – The average original cost of all real and tangible personal property owned or used by the taxpayer except leased or rented real property regardless of its physical location.

Line 1, Column B – The average original cost of all real and tangible personal property owned or used by the taxpayer except leased or rented real property physically located within Lakewood city limits.

Line 2, Column A – Gross rental amount paid regardless of physical location multiplied by 8.

Line 2, Column B – Gross rental amount paid for property located within Lakewood city limits multiplied by 8.

Line 3, Column A – Add Line 1, Column A and Line 2, Column A.

Line 3, Column B – Add Line 1, Column B and Line 2, Column B.

Line 3, Column C – Line 3, Column B divided by Line 3, Column A. If the amount is zero, enter N/A on this line.

Line 4, Column A – The total gross receipt from sales made, work performed, and/or services rendered regardless of physical location.

SPECIAL NOTE: "Sales" and "gross receipts" in Lakewood (Line 4) mean:

- All sales or tangible property which is shipped from Lakewood to purchasers outside of Lakewood, regardless of where title passes, through its own employees regularly engaged in the solicitation or promotion of sales at the place where delivery is made.
- All sales of tangible personal property which is delivered within Lakewood, regardless of where title passes, even though transported from a point outside Lakewood, if the taxpayer is regularly engaged through its employees in the solicitation and the sales resulting from such solicitation or promotion.
- All sales of tangible personal property which is delivered within Lakewood regardless of where title passes, if shipped or delivered from a stock of goods within Lakewood.

Line 4, Column B – The total gross receipt from sales made, work performed, and/or services rendered within Lakewood city limits.

Line 4, Column C – Line 4, Column B divided by Line 4, Column A. If the amount is zero, enter N/A on this line.

Line 5, Column A – The total wages, salaries, and other compensation paid to W2 employees regardless of physical location for services performed except compensation exempt from municipal taxation under ORC 718.011 and 718.021.

Line 5, Column B – The total wages, salaries, and other compensation paid to W2 employees within Lakewood city limits for services performed except compensation exempt from municipal taxation under ORC 718.011 and 718.021.

NOTE: Wages, salaries, and other compensation earned at a qualifying remote employee or owner's qualifying remote work location may be sitused to a qualifying reporting location under ORC 718.021. If making this election, note that it applies to all municipalities and the ORC 718.021 Election box on page 1 of Form L-NP must be checked.

Line 5, Column C – Line 5, Column B divided by Line 5, Column A. If the amount is zero, enter N/A on this line.

Line 6, Column C – Add the percentages listed in Column C for Lines 3, 4, and 5.

Line 7, Column C – Divide the total percentage by the number of factors (percentages) used. Enter this amount on Page 1, Line 4.

Example 1 – Line 5, Column A shows no wages companywide. If Column C shows 30%, 60%, and N/A for Lines 3, 4, and 5 respectively, divide 90% (30% + 60%) by 2 (since only two lines have factors).

Example 2 – Line 5, Column A reports wages companywide. None of the wages are earned in Lakewood. Line 5, Column C should be reported at 0%. If Column C shows 30%, 60%, and 0% for Lines 3, 4, and 5 respectively, divide 90% (30% + 60%) by 3 (since all three lines have factors – zero is considered a factor).

SCHEDULE Z – PARTNERSHIP DISTRIBUTIVE SHARE OF NET INCOME

Must be completed by all partnerships and associations filing returns. Amounts shown in this schedule must correspond with amounts reported on your Federal Partnership Form. Attach an additional schedule if you need more space.