

CITY OF LEBANON 2005  
INDIVIDUAL INCOME TAX RETURN INSTRUCTIONS

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The City of Lebanon has mandatory filing even though no tax may be due. Every resident must complete this form and file by April 17, 2006. Non-residents operating a business or who have rental property in Lebanon must file a return.

General Information:

1. "Qualifying wages" generally includes amounts reported in the Medicare wage base (The amount in Box 5 on the W-2) plus supplemental unemployment compensation benefits described in section 3402(o)(2) of the Internal Revenue Code and compensation of pre-1986 employees exempt from Medicare that is not in the Medicare wage base solely because of the Medicare grand fathering provision.
2. The due date for filing this return is April 17, 2006 or the 15<sup>th</sup> day of the fourth month following the fiscal year end.

Tax Calculation:

Line 1: Enter the total qualifying wages from all W-2's. All W-2's must be attached to the return.

Line 2: Enter total of income reported on page 2 line 19 or 21.

Line 3: Add or subtract line 1 and 2. A loss from Federal Schedule C, E or F cannot be used to offset wages. This is your taxable income for 2005.

Line 4: Multiply line 3 by 1%; this is your Lebanon tax.

Line 5: Payments and Credits.

- (a) Enter Lebanon tax withheld that is shown in the "local" box on W-2
- (b) Enter 2005 estimated tax paid to the City of Lebanon
- (c) Enter the amount of tax withheld for or paid to another city. Residents of Lebanon may claim tax paid to another city up to 1% of the Qualifying wages reported on the W-2. This credit is further restricted to the actual wages that were taxed in the other city, example: wages in Box 5 are \$50,000 but local wages taxed was \$25,000 the other city tax credit can only be based on the \$25,000 wage.
- (d) Enter overpayment carried forward from last year's return.
- (e) Add lines 5 a through d.

Line 6: Subtract line 5E from 4 this is your tax due. Payment must accompany the tax form if there is a balance due. If the amount due is less than \$5.00 you do not need to pay. If you are filing past the due date include the late filing fee of \$25.00, the tax department will figure any other penalty and interest charges.

Line 7: Overpayments can be either refunded or credited towards the 2006 tax year. No refunds or credit will be given under \$5.00.  
Line 8: Enter your total estimated income for 2006.  
Line 9: Multiply the line 8 amount by 1%; this is your estimated Lebanon tax.  
Line 10: Deduct your estimated tax paid to other cities or withheld by your employer for Lebanon.  
Line 11: Subtract line 10 from 9. This is your estimated tax due and payable by January 15, 2007.  
Line 12: Divide line 11 by 4 and enter amount on this line. This amount must accompany the tax return. The remaining 3 payments are due on the 15<sup>th</sup> of July, October and the following January.  
Line 13: Enter any credit carryover if not refunded that is shown on line 7.  
Line 14: Line 12 minus line 13, this is the net estimated tax due with this return April 17, 2006.

Line 16: Net profit (loss) from Business – attach all Federal Schedules C. Residents are subject to Lebanon tax no matter where earned. Non-residents for Lebanon are subject to Lebanon tax on profits derived in Lebanon.

Line 17: Rental income – attach Federal Schedule E. Residents report all profits or losses from rental property no matter where the property is located.

Line 18: A through D. Schedule E- flow- through profit or losses levied on the partners, members or other owners of a flow through entity excluding S-Corporation. Businesses operating in Lebanon are required to report their distributive shares of income or loss that was not withheld on by the business. The resident taxpayer may claim a credit for tax paid to other localities by the business. Other income, please provide documentation such as copies of Federal schedules or Form 1099-MISC not already reported on Schedule C.

Line 19: Total of lines 16, 17 and 18D. NOTE a business loss cannot be used to offset wages.

Line 20: Deduction of non-reimbursed employees business expenses. Do not complete unless you filed Form 2106 on your Federal return. Only include deductions directly related to wages from Lebanon sources.

- (a) Enter amount shown on Form 2106 and attach form.
- (b) Enter the 2% Federal AGI amount from Schedule A line 25 and attach form.
- (c) Subtract line A from B enter amount here, if zero or less enter zero.
- (d) Enter income not allocable to Lebanon due to part year residency and attach a statement explaining the computation.
- (e) Add the amount on line C and D.

Line 21: Total line 19, but only if it is a positive number, and line 20E enter here and on line 2 of page 1.

Part year residents must pro-rate income based on the time they resided in Lebanon. Tax credits must also be pro-rated in the same manner as the wages. Should you need further assistance or explanation please contact the City Tax Department.

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