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 (House Bill 95) created a uniform definition of taxable income for net profits tax 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: www.ohio.gov/government.stm for more information.

HOW TO TREAT A NET LOSS - The portion of a net operating loss sustained in any taxable year, allocable to Lakewood, may be applied against the portion of the profit of succeeding year(s) allocable to Lakewood, until exhausted, but in no event for more than five (5) taxable years. No portion of a net operating loss shall be carried back against net profits of any prior year. The portion of a net operating loss sustained shall be allocated to Lakewood in the same manner as provided herein for allocation net profits to Lakewood. The net operating loss of a business which loses its identity through merger, consolidation, etc. shall be allowed as a loss carry-forward deduction to the surviving business entity to the extent permitted by the Internal Revenue Code.

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 less than $5.00 need not be remitted. There will be $30 Charge for dishonored checks.

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

EXTENSIONS OF TIME TO FILE - A federal extension will extend the municipal due date to the last day of the month to which the due date of the federal return is extended. A copy of the federal extension must be filed with the Lakewood Municipal Income Tax Office on or before the original due date for filing the return.

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 to 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 LLC's) 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, 1/4 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

GENERAL INSTRUCTIONS CONTINUED

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 $100. 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 assessments.

SPECIFIC INSTRUCTIONS

HEADING - Check pre-printed information. If not correct, make corrections by crossing out pre-printed information and entering correct data above the line(s). Fiscal year and short period filers must indicate beginning and ending month/year of period covered by the return.

LINE 1 - Place here your taxable federal income per attached tax return (Form 1120 - pg. 1, line 28; Form 1120A - pg. 1, line 24; Form 1120S - pg. 3, line 18; Form 1065 - pg. 4, line 1; Form 1041 - page 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 - Losses may be carried forward for a maximum of five years, or until exhausted, whichever is earlier. Losses may 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 here 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 less than $5.00, enter zero (0) and proceed to Line 13.

LINE 13 - If Line 11 is greater than Line 8, and not less than $5.00, you have overpaid. Subtract Line 8 from Line 11 and enter the amount on Line 13.

LINE 14 - 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 less than $5.00, you have a balance due. Subtract Line 11 from Line 8 and enter the amount on Line 15.

LINE 16 - Enter amount from Line 8. Your 2013 tax amount is used to determine your 2014 tax estimate. If you anticipate earning more income (wage and/or non-wage) in 2014, use Form L-ES to determine your 2014 estimate. Quarterly payments of estimated tax must be made if the anticipated tax due amount is $100.00 or more.

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

LINE 18 - Enter amount from Line 14. This is the 2013 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 less than $5.00 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 O.R.C. §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 losses incurred from the sale or exchange of capital or other assets per O.R.C. 718.01(A)(1)(c).

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

LINE C - Includes federal, state, local and other taxes paid or accrued based on income.

LINE D - Guarenteed 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 limitations in accordance with O.R.C. 718.01(A)(1)(g). Non-Corporate Business may carryforward 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. (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 O.R.C. 718.01(A)(1)(g).

LINE G - Qualified retirement, health insurance, and life insurance plans on behalf of owners/owner employees must be added back as non-deductible under O.R.C. 718.01(A)(1)(g).

LINE H - Other expenses not deductible (with documentation and/or explaination).

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 O.R.C. 718.01(A)(1)(c).

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 explaination).

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 net profits, it is the city of Lakewood's policy to strictly interpret the changes in O.R.C. §718.02. Commencing with tax year 2004, the use of Separate Accounting (books & records) in the calculation of Net Profits is no longer an available option.

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 expect 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 results 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 §718.11
Line 5, Column B - The total wages, salaries, and other compensation paid to W2 employees within Lakewood city limits for services performed expect compensation exempt from municipal taxation under ORC §718.11
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 - Divided the total percentage by the number of factors (percentages) used. Enter this amount on Page1, 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 Columns. 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 filling returns. Amounts shown in this schedule must correspond with amounts reported on your Federal Partnership Form. Attach a schedule if you need more space.