

City of Lancaster, Ohio

Income Tax Department

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What's New for Tax Year 2005?

Mid-Year Rate Change

Lancaster's tax rate changed from 1.6% to 1.75% effective July 1, 2005. The maximum credit allowed for income properly taxed by another city where the work was done did not change. It remained at 1% maximum. For simplification, the rate used for 2005 tax returns is an average or blended rate of 1.675%.

Remember to use the 1.75% rate for 2006 declarations, and to adjust tax withholding used in the declaration to reflect that too. You (generally) can't just copy those figures from the 2005 tax return.

Online Tax Preparation Tool (NOT online filing)

We've developed an online tax tool for preparing 2005 Lancaster tax returns. A completed return can then be printed and mailed along with the required attachments. The tool can be accessed by clicking on the "Online Tax Tool" button on the city website www.ci.lancaster.oh.us. In addition to Social Security number or federal EIN, the taxpayer or tax preparer **will need the unique identifying numbers on the tax form or postcard** that was sent at the end of the year. The numbers are the city tax account number and a (randomly generated) PIN number. Tax preparers, be sure that your taxpayers provide you with the form or postcard. Our intention, for security reasons, is to have a different PIN issued each year.

Even if you don't use the online tax tool to prepare the return, you can get the credit carried forward and the total estimated tax payments made during the year. That information will show the date as of which it was generated. The figures will be updated at least once during tax season – most likely in the first part of February after the January 31 due date for fourth quarter estimate payments has passed.

Increase in De Minimus Amount for Payment or Refund

Through tax year 2004, any additional tax owed or overpaid in the amount of \$1.00 or less weren't payable or refundable. That threshold level was increased for tax year 2005 to amounts of \$4.99 or less.

Educator Expenses Not Deductible

Lancaster doesn't allow a deduction for educator expenses (as deducted on page 1 of form 1040) to be included in Employee Business Expenses deducted on line 1(B). This is for uniformity with other cities.

S Corporation Pass-through Income Not Taxable

Just a reminder that for 2005, S Corp pass-through income is NOT taxable to Lancaster.

Attachments, City Extensions & Other Requirements

These haven't changed from last year. Please refer to the prior year Newsletter.

If you have any questions, we'll be glad to help. Telephone (740) 687-6606 weekdays 7:30am to 4:30pm.