

CAT Canby Area Transit Self-Employment Tax

20

For office use only	
Date received	
Payment	
If you have previously filed a return, indicate if:	<input type="checkbox"/> Name change <input type="checkbox"/> Address change
Transit tax account number	
FEIN and/or SSN	
Telephone number ()	
<input type="checkbox"/> This is an estimated return & extension request <input type="checkbox"/> An extension has been filed <input type="checkbox"/> This is an amended return <input type="checkbox"/> Utility or telecommunications	
Did you file a CAT Self-Employment Tax return for last year? <input type="checkbox"/> Yes <input type="checkbox"/> No (if No, give reason) _____	

Include your payment with this return.

- | | | |
|---|----|---|
| 1. Self-employment earnings from federal Schedule SE or Partnership Form 1065..... | 1 | |
| 2. Apportionment percentage..... | 2 | % |
| 3. Net self-employment earnings. Multiply line 1 by line 2..... | 3 | |
| 4. Less: Exclusion. Not more than \$400 per taxpayer..... | 4 | |
| 5. Net earnings subject to CAT tax. Line 3 minus line 4..... | 5 | |
| 6. Net tax. Multiply the amount on line 5 by 0.006..... | 6 | |
| 7. Prepayments..... | 7 | |
| 8. TAX TO PAY. Is line 6 more than line 7? If so, line 6 minus line 7..... TAX TO PAY | 8 | |
| 9. 10% penalty for payments 1 – 30 days past due..... | 9 | |
| 10. 15% additional penalty for payments over 30 days past due..... | 10 | |
| 11. Fee for payment submitted without a return..... | 11 | |
| 12. Interest..... | 12 | |
| 13. Total amount due. Add lines 8 – 12..... | 13 | |
| 14. Refund. Is line 7 more than line 6? If so, line 7 minus line 6..... REFUND | 14 | |

Partnerships: Attach a schedule listing each partner's name and Social Security number.

Apportioning? Attach a copy of your Apportionment Worksheet.

Under penalty of false swearing, I declare that the information in this return and any attachments is true, correct, and complete.		I authorize the Collector to discuss this return with this preparer. <input type="checkbox"/> Yes <input type="checkbox"/> No	
SIGN HERE	Your signature	Date	Signature of preparer other than taxpayer
			License No.
	Address		Telephone No.

Make check or money order payable to:
City of Canby

Mail your return to: **City of Canby Transit Tax**
PO Box 930, Canby OR 97013-0930



City of Canby Self-Employment Tax

Important reminders

If your partnership uses a fiscal year, you must file on a calendar year basis.

What is the Canby Self-Employment Tax?

The Canby self-employment tax helps fund the Canby transit system. This tax is applied to self-employment earnings of individuals doing business or providing services in the local transit area (City of Canby and the Canby Urban Growth Boundary).

The tax rate is 0.6%. That is \$6.00 for every \$1000 of taxable wages (multiplication Factor = .0060).

Who must file and pay this tax?

Individuals

Anyone who has self-employment earnings from business or service activities carried on in the local transit area must pay this tax.

People who **must** pay the self-employment tax include:

Self-employed individuals, sole proprietors, independent contractors, members of a partnership, and persons who have net self-employment earnings greater than \$400 from doing business or providing services within the local transit area.

Real estate agents. Federal laws generally treat real estate agents as self-employed. This includes those who provide services to real estate brokers under contract. This means that commissions on sales are subject to the Canby self-employment tax.

Partnerships

Partnerships are not subject to Canby's self-employment tax. The individual self-employed members of the partnership are responsible for filing and paying the tax. However, a partnership may choose to file one transit self-employment tax return and pay the tax for all of its individual partners. See "Partnership election".

Exemptions

- **Ministers** – Compensation received by a minister or member of a religious order when performing religious services is not subject to this tax. However, compensation received for performing religious services as an independent contractor has been and remains subject to this tax.
- **Insurance Agents** – Applies only to insurance related income. Non-insurance related self-employment activities are subject to this tax (ORS 731-840).
- **C & S corporation distributions** are not subject to this tax. However, **all employers** who pay wages for services performed in the local transit area must pay a transit payroll tax. This includes corporation officers who receive compensation for services performed. For more information about payroll tax, call 503-266-0687.

How to file

Complete a Canby Self-Employment Tax Return and include the Canby Transit Self-Employment Tax Apportionment Worksheet if applicable.

Make your check or money order payable to "City of Canby."

On your check, write the following:

- Daytime telephone number
- Tax year
- SSN or FEIN

Mail your tax return and payment to:

**City of Canby
Transit Tax
PO Box 930
Canby OR 97013-0930**

To avoid penalties and interest, file your return and pay your tax by the due date.

Be sure to include your tax return with your payment. A fee of \$5.00 will be assessed for each 30 days or fraction thereof if a payment is submitted without the return unless they are received within five business days of each other. Fee not to exceed \$20.00 per instance.

Frequently asked questions

I have more than one business. How should I file my transit tax return?

File one return. If you have separate business activities attach a schedule that shows net earnings or losses for each separate business. Compute the Canby self-employment income separately for each business. See instructions for line 1.

Can I file a joint return?

No. Each taxpayer having self-employment earnings must file a separate self-employment tax return. That's true even if you and your spouse filed a joint federal income tax return. The only exception is a partnership filing for all partners. Both spouses could be members of the same partnership.

Can I file an amended transit self-employment tax return?

Yes. File an amended transit return any time you need to correct your return as originally filed. Generally, you are allowed three years from the due date of the return or the date the return was filed, whichever is later, to file an amended return to claim a refund. Check the "This is an amended return" box on your transit return.

What if business is done both inside and outside of the district?

Use an apportionment formula by completing a Canby Transit Self-Employment Apportionment Worksheet. Self-employment income is apportioned using a 100 percent sales factor unless you are a qualifying taxpayer in utilities or telecommunication. A taxpayer primarily engaged in utilities or telecommunication may elect to use the double-weighted sales factor formula

What if I'm audited by the IRS?

If changes are made that affect your self-employment earnings, file an amended return to report and pay any additional tax due. If the change reduces your transit tax, you have two years from the date of the audit report to claim a refund.

When to file

Your Canby self-employment tax return is due on or before April 15 of the subsequent year.

Extensions to file

Extensions for filing may be granted by the Collector for good and sufficient cause shown, such as events outside the control of the taxpayer and which could not have been avoided by prudent business practices. To be eligible for an extension, requests must be received in

writing prior to April 15. The extension shall not be for more than six months. Extensions are for more time to file a tax return only. There are no extensions for paying tax. If you are granted an extension a payment must be made based on, and included with an estimated return on or before April 15 to avoid penalty and interest charges. Interest will be charged at 1.5% per month or fraction thereof, on the balance of any unpaid self-employment tax due. Penalties will be waived if the return is filed and the account is made current by the extension deadline (October 15); otherwise penalties, fees and interest could be accrued from the original filing deadline.

If you can't pay all the tax you expect to owe, pay what you can. Call us as soon as possible to set up a payment plan to reduce penalties and interest.

Partnership election

A partnership may elect to file and pay the transit self-employment tax for the individual partners. The partnership must use net earnings from self-employment as reported on federal Form 1065 to figure the tax. Do not make Oregon modifications to the partnership's earnings. If some partners have different tax years than others, net earnings from self-employment is determined using amounts from different tax years.

The partnership's return and payment shall be based upon the net earnings from self-employment of the individual partners from the partnership for their taxable years ending with **or** within the calendar year.

Due date: The partnership must file a return and pay the tax due on or before April 15.

Example: If a partnership has a tax year ending August 31, 2013, the partnership must pay on or before April 15, 2014 the tax due from the partner's net earnings from the partnership for its taxable year ending August 31, 2013.

Partners: If your partnership is filing on behalf of all partners, you do not need to file a separate Form TM **unless** you have net self-employment earnings from sources other than the partnership. Report only these additional net self-employment earnings on your *individual* self-employment tax return.

Amended Returns

You must file an amended return to claim a refund of tax paid. To file an amended return, use the appropriate form for the year of the original return and check the "**This is an amended return**" box. Attach an explanation of the changes made to the back of the return.

Self-employment tax form instructions

Name and address section

Individuals: Fill in your name, business address, telephone number, and SSN.

The request for your SSN(s) is authorized by Section 405, Title 42, United States Code. You must give us this information. It will be used to establish your identity.

Partnerships: Fill in the partnership name, address, telephone number, and FEIN.

You must provide, on a schedule attached to your self-employment tax return, the name, SSN, share of partnership income, and individual exclusion for each partner. Your return cannot be processed without this information.

Check the box if any apply:

- This is an estimated return & extension request
- An extension has been filed.
- This is an amended return.
- Utility or telecommunications

Line instructions – SE tax return

Instructions are for lines not fully explained on the return.

Line 1. Self-employment earnings.

- **Individuals:** Fill in the amount from federal Schedule SE, Section A, line 3; or Section B, line 3 unless you meet on of the exemptions.

More than one business included on federal Schedule SE? Only include those businesses from line 3 of your federal Schedule SE that have net earnings and are doing business or providing services in the local transit area. Do not use a business with a net loss to offset a business with net earnings.

Example: Business A has net earnings of \$20,000 and Business B has a net loss of \$10,000. The amount on line 3 of your federal schedule SE is \$10,000. Fill in on line 1 of your Canby self-employment tax return the amount of \$20,000. **File one return.** Attach a schedule to the return and include each separate business and their net earnings or losses. There are no carry-forward of losses to another year.

Did you receive Partnership income? Did the partnership file a Canby self-employment tax return and pay the tax for the partners? If so, reduce the amount from your federal Schedule SE, Section A, line 3; or Section B, line 3 by the amount of your income from that partnership.

Important. Do not make Oregon changes or modifications to federal income on your Canby self-employment tax return. Your earnings that are subject to Canby self-employment tax will generally be the same as the earnings you report on your federal Schedule SE, section A, line 3; or Section B, line 3.

- **Partnerships:** Fill in the net earnings from federal Partnership Form 1065. Do not include Oregon modifications.

Line 2. Apportionment:

- Percentage cannot be less than 0 percent or more than 100 percent.
- Enter 100 percent if **all** of your business activity is within the local transit area. **Do not fill out the Canby Apportionment Worksheet.**
- Fill out and attach a completed Canby Apportionment Worksheet to the back of your Canby Self-Employment Tax return if your business activity is carried on both in and out of the district.

Line 4. Exclusion. Each taxpayer's exclusion is the lesser of the taxpayer's self-employment earnings (line), or \$400.

Individuals: Enter \$400 or the amount on line 3, *whichever is less*. Was the exclusion partially or completely used on another Canby Self-Employment return filed by your partnership? If so, fill in only the unused amount of the \$400 exclusion.

Partnerships. Enter \$400 for each partner whose share of positive earnings are included in the amount on line 3. If any partner's exclusion was partially or completely used on another Canby Self-Employment Tax return, include on line 4 only that partner's unused amount of the \$400 exclusion. **Each partner is responsible for ensuring that the total of all exclusions does not exceed \$400.**

Line 7. Prepayments. Fill in the amount of any advance payments you made for Canby self-employment tax for this tax year.

Line 8. Tax to pay. Subtract line 7 from line 6.

Line 9. Penalty. Include a 10% penalty if your payment is mailed 1 – 30 days after the due date (even if you have an extension)

Line 10. Penalty. Include an additional 15% penalty if your payment is mailed more than 30 days after the due date (even if you filed an extension).

Line 11. Fee. Include a \$5 fee if you mailed your tax payment without your tax return over five business days ago.

Line 12. Interest.

If you are paying your tax after the due date, include interest on any unpaid tax.

If you do not pay the tax by the due date, interest will be charged on the unpaid tax. Interest is figured daily at a rate of 1.5% per month (18 % annually).

To calculate interest due:

Tax x 18% ÷ 365 x number of days past due.

Interest accrues on any unpaid tax during an extension of time to file.

Sign your return. Please sign and date your return before mailing.

Transit Self-Employment Tax Apportionment Worksheet Instructions

Apportionment (ORS 314.280, 314.650 to 314.675)

If some of your business activity is carried on both in and out of the local transit area, you may allocate and apportion your net earnings. Use the Canby Self-Employment Apportionment Worksheet to compute your percentage, which is entered onto line 2 of your CAT Self-Employment tax return. You must complete the worksheet and include it with your CAT Self-Employment tax return when you file.

Partnership Apportionment

If a partnership elects to file and pay the transit self-employment tax for all of its individual partners, the partnership must use net earnings from self-employment as reported on the federal Form 1065 to figure the tax. The apportionment is based on the partnership as a whole, not the individual partner.

Example: Self-Employment earnings from Partnership

Form 1065	\$ 2,000,000.00
Sales within the local transit area	\$ 30,000.00
Total Partnership Sales	\$ 3,000,000.00
Canby Apportionment	<u>0.01</u>
Net self-employment earnings	\$ 20,000.00

Complete the Apportionment Worksheet using the Standard or Alternative Apportionment Method to determine the apportionment percent. Most taxpayers will use the Standard Method unless you meet the exception below.

Exception: Use the Alternative Apportionment Method if you are an electing utility or telecommunications taxpayer.

Remember: If you meet the exception, please check the box "Utility or telecommunications" on the front of your CAT Self-Employment Tax return.

The election for taxpayers primarily engaged in utilities and telecommunications to apportion income using the double-weighted sales factor formula provide in ORS 314.650 (1999 edition) will continue to apply. This election may be revoked later.

Apportionment Factors

1. Property Factor

Each item of owned or rented business property should be entered in column B. Business property within the local transit area is entered in column A.

- Owned property is valued at original cost. Show the average value during the taxable year of real and tangible personal property used in the business. This is the average of property values at the beginning and the end of the tax period. An average of the monthly values may be required if a more reasonable value results.
- Rented property is valued at eight times the annual rent you pay. The annual rent paid must be reduced by nonbusiness sub rentals.

2. Payroll Factor

Compensation to employees for services performed must be included in the payroll factor. Payroll is assigned to the local transit area if:

- The services are performed entirely inside the local transit area;
or
- The services are performed both in and out of the local transit area but those services performed outside are only incidental;
or
- Some of the services are performed in the local transit area and, (a) the base of operation or control is located in the local transit area or, (b) the base of the operation or control is not in this state or in any state where the employee's services are performed, but the employee's residence is in the district.

3. Sales Factor

The sales factor is the percentage that sales or other business gross receipts within the district compare to sales or other business gross receipts everywhere for the taxable year.

Other business gross receipts, including services, are any items other than sales of tangible personal property.

Amounts received for services should be entered, along with other business gross receipts. Charges for services are included in the district to the extent the services are performed in the district.

Sales of tangible personal property are assigned to the local transit area if:

- The property is shipped or delivered to a purchase in the district; or
- The property is shipped from a warehouse or other place of storage in the district; and (a) the purchase is the U.S. government or, (b) the business income is not taxable outside the district or in the state of the purchaser. See ORS 314.665(3) for exceptions.

Gross receipts from the sale, exchange, or redemption of intangible assets cannot be included in the sales factor if not derived from your primary business activity. If the resulting gains are business income, the net gains attributable to these sales should be included in the sales factor.

Canby Area Transit Self-Employment Tax Apportionment Worksheet

Filer Name – Individual or Partnership

SSN or FEIN

Note: Do not use this worksheet if ALL of your business activities are in the CAT local transit area.

Standard Apportionment Method Sales Factor Only

	(A) Total within the CAT local transit area	(B) Total in and out of the CAT local transit area	(C) Percent within the CAT local transit area [(A) ÷ (B)] x 100 (not less than zero)
1. Sales Factor Sales and other business gross receipts	1.	1.	1. %
2. Apportionment percent Enter result from 1(c) here and on line 2 of your CAT Self-Employment tax return.....			2. . %

Alternative Apportionment Method Double-Weighted Sales Factor

The alternative apportionment method *double-weighted sales factor formula* is used for utility and telecommunications taxpayers.

Taxpayers primarily engaged in utilities or telecommunications may elect to apportion business income using the double-weighted sales factor provided in ORS 314.650 (1999 edition).

Check the box on your CAT Self-Employment Tax return if making this election. All others use the standard apportionment method above.

	(A) Total within the CAT local transit area	(B) Total in and out of the CAT local transit area	(C) Percent within the CAT local transit area [(A) ÷ (B)] x 100 (not less than zero)
1. Total owned and rented property.....	1.		
2. Total wages and salaries.....	2.		
3. Total sales and other receipts.....	3.		
4. Total sales and other receipts (same as line 3 above).....	4.		
5. Total percent (add lines C1 – C4 above).....			5.
6. Number of factors with a positive number in column B.....			6
7. Alternative apportionment percentage (divide line 5 by line 6; enter result on line 2 of your CAT Self-Employment Tax return).....			7.

Include your completed Apportionment Worksheet when your transit return is filed.