

## Changes to Ohio Municipal Taxes Effective in 2016

The 130<sup>th</sup> Ohio General Assembly passed Substitute House Bill 5 which changed the laws governing municipal income taxes. The changes are effective for tax year 2016. For calendar year 2016, the changes will effect payments for estimated 2016 taxes and 2016 withholding remittance. The fourth quarter 2015 estimated tax payments will be due January 15, 2016. This memorandum focuses on the changes you need to be aware for 2016.

### Employer Withholding Changes

#### Due dates:

**Monthly Remittance:** due by the 15<sup>th</sup> of the following month

**Quarterly Remittance:** April 15<sup>th</sup>, July 15<sup>th</sup>, October 15<sup>th</sup>, and January 15<sup>th</sup>

#### Threshold requiring monthly remittance:

Prior year annual total withholding for the municipality exceeding \$2,399.00

Any month of prior quarter withholding for the municipality exceeding \$200.00

If the threshold is met, state law mandates monthly remittance.

#### Penalties:

The penalty for late payment of a withholding remittance is 50% of the amount past due plus an interest charge of 0.42% per month of the unpaid balance. A \$25.00 per month late filing charge can also be added by a municipality up to \$150.00.

#### Reconciliations are due the last day of February and must include:

W-2 information for each employee that had the municipal income tax withheld and the withholding for every other municipality that the tax was withheld is required. The W-2 information needs to include the Medicare Wages amount (Box 5).

Changes to rules determining withholding requirements of employers who send their employees to other locations are summarized below. For additional information, please review Ohio Revised Coded Chapter 718.011 and 718.03.

Small employers with prior year total revenue of less than \$500,000 are exempt from withholding on their employees working in other cities, no matter how many days worked. These employers are only required to withhold for the municipality in which the business is located.

Determination of when a nonresident employee working for a nonresident employer has wages taxable to the work municipality center around the 20-day rule and preponderance of a day criteria.

The 20-day rule allows a 20 day exemption from municipal withholding except for the following: The employer knows at the beginning of the project in the municipality that the employee will be working in the municipality for more than 20 days (presumed worksite location),

The municipality or municipal job location will be a principal place of work for the employee

The Preponderance of a day rules determine *one* work city per work day for the employee. All travel times between jobs, delivery of materials, and the like are attributed to the principal place of work. If the employee meets the preponderance of a day for more than 20 days, the employer is required to withhold the municipal tax on the 21<sup>st</sup> day and future days that the employee spends the preponderance of the day in the municipality.

Workplace definitions are very important to understand as fixed locations, principal place of work locations and presumed worksite locations require employee withholding from day one. Please feel free to call the Mt. Orab Income Tax Bureau to discuss your circumstances as to whether there is a withholding requirement with the municipality.

**Estimated Income Tax:**

The threshold for requiring estimated tax payments will be \$200.00 starting in tax year 2016. This is determined by amount of tax due after withholding for the municipality and credit for taxes paid to another municipality if applicable.

**Due dates:**

The due dates are earlier than in previous years.

**First Quarter:** remains due on the April filing deadline, generally April 15. For 2016, the filing deadline for the tax year 2015 return is April 18, 2016 due to the Emancipation Day Holiday being celebrated in Washington on Friday April 15, 2016.

**Second Quarter:** will be due by June 15<sup>th</sup>

**Third Quarter:** will be due by September 15<sup>th</sup>

**Fourth Quarter:** will be due by December 15<sup>th</sup>

**Penalties:**

The penalty for late payment of a quarterly estimated tax payment is 15% of the amount past due amount plus an interest charge of 0.42% per month of the unpaid balance. A \$25.00 per month late filing charge can be charged up to \$150.00. A declaration must be filed along with the annual return if the \$200.00 threshold is met or a declaration that the current situation has changed such that estimated taxes are not required.

**Extensions**

A request for an extension of a 2015 tax return must be submitted to the municipal tax office on or before the filing deadline. The extension does not extend the date the tax payment is due for the return or for estimated taxes. A late payment penalty plus interest can be charged.

If you have any questions or need clarification regarding these matters, please contact our office during the regular office hours indicated below.