

Municipal Tax Law Changes Take Effect Tax Year 2016

The State of Ohio has made significant changes to the Ohio municipal income tax laws (Chapter 718 of the Ohio Revised Code). These changes are the result of the enactment of House Bill 5 by the State legislature.

New Withholding Due Dates and Thresholds

Monthly filing and payment is required if an employer has withheld with respect to a municipality more than \$2,399 in the immediately preceding calendar year, or more than \$200 in any one month in the immediately preceding calendar quarter. The due date for Monthly filers is the 15th day of the month following the month withheld.

Quarterly filing and payment is required if an employer has withheld with respect to a municipality \$2,399 or less in the immediately preceding calendar year, or \$200 or less for each month in the immediately preceding calendar quarter. The due date for Quarterly filers is the 15th day of the month following the end of the quarter.

Expansion of the Occasional Entrant Provisions

H.B. 5 expands the current occasional entrant exemption from withholding from 12 days to 20 days. Tax must be withheld for the employee's "principal place of work" (as defined in the Bill) for the first 20 days an employee works in another Ohio municipality ("non-principal place of work municipality"). Withholding is required for the "non-principal place of work municipality" beginning on the 21st day. Exceptions to the new 20-day rule exist for certain construction and other long-term worksite locations.

Small employers (those with less than \$500,000 in annual gross receipts as defined in the Bill) are only required to withhold for the municipality in which the employer is physically located. The \$500,000 gross receipts threshold is determined annually based on gross receipts reported on the immediately preceding year's federal tax return. The "small employer withholding rule" does not apply to any government entity or agency.

Interest Rate

2016 Interest Rate is 5% per annum (0.42% per month)

The interest rate to be applied to all unpaid income and withholding tax balances for tax years beginning on or after January 1, 2016 is 5% per annum. This rate is being published in accordance with Ohio Revised Code 718.27(F) which states that "By the thirty-first day of October of each year the municipal corporation shall publish the rate described in division (A) of this section applicable to the next succeeding calendar year". This rate is in effect from January 1, 2016 through December 31, 2016 and does not apply to tax balances for any prior tax years, regardless of when they are filed, which are still subject to the interest rate of 0.5% per month as stated in 181.10(a) of the City of Mason Income Tax Code covering tax years beginning prior to January 1, 2016.

Business Estimated Payment Due Dates

Beginning January 1, 2016, your individual quarterly estimated tax payments are due April 15, June 15, September 15 and December 15 of each year.

Taxpayers' Rights and Responsibilities

“Taxpayers' rights and responsibilities” means the rights provided to taxpayers in sections 718.11, 718.12, 718.19, 718.23, 718.36, 718.37, 718.38, 5717.011, and 5717.03 of the Ohio Revised Code and any corresponding ordinances of the Municipality, and the responsibilities of taxpayers to file, report, withhold, remit, and pay municipal income tax and otherwise comply with Chapter 718 of the Ohio Revised Code and resolutions, ordinances, and rules adopted by a municipal corporation for the imposition and administration of a municipal income tax.