

MUNICIPAL INCOME TAX UPDATES

NOVEMBER 1, 2015

ALL CHANGES ARE EFFECTIVE JANUARY 1, 2016

Please note: *This page is intended to be informational only.*

Please consult your tax advisor for information specific to your circumstances.

Due to the passage of House Bill 5 in December 2014, there are new state mandated municipal income tax guidelines which go into effect for tax returns due for tax years beginning January 1, 2016 and after. For **individuals**, this could include your 2016 estimated tax payments, which are declared when you file your 2015 annual tax return. For **employers**, this could include your January 2016 withholding payment.

Changes affecting all taxpayers: Minimum Payment Due or Refund Issued

For tax years beginning after 2015, on an annual tax return, no remittance is required if the amount due is \$10 or less.

For tax years beginning after 2015, a refund will only be issued for overpayments of \$10 or more.

Changes affecting all taxpayers: Penalty and Interest Rates

Late filing penalty is \$25 per month or fraction of a month, per return (capped at \$150 per return.)

Late payment penalty for **income tax** due is a one-time 15% penalty of the unpaid balance at the time payment is due. This is due in addition to the late filing penalty, if the return is not filed by the due date.

Late payment penalty for **withholding tax** is a one-time 50% penalty of the unpaid balance at the time payment is due. This is due in addition to the late filing penalty, if the return is not filed by the due date.

Interest on unpaid taxes will be calculated at the July Federal short-term interest rate plus 5%. For 2016 employer returns filed in 2016, the monthly interest rate is 0.42%. There is no cap on the interest.

Changes affecting all taxpayers: Estimated Taxes

For 2016 returns, if your tax liability is under \$200, you can pay the entire amount due when you file your annual tax return by the due date, and you will not be charged penalty and interest. If you expect to owe more than \$200, you need to make estimated tax payments.

Changes affecting all taxpayers: Due Dates

The due dates for payment and amounts owed for estimated tax payments for calendar year taxpayers are now April 15th (22.5% due), June 15th (45% due), September 15th (67.5% due) and **December 15th** (90% due.) **Note that you no longer have until January 31 to pay your estimated tax.**

Changes affecting business taxpayers: Withholding – Thresholds, Due Dates, Transient Workers

Monthly filing and payment is required if an employer has withheld more than \$2,399 in the immediately preceding calendar year, or more than \$200 in any one month in the immediately preceding calendar quarter.

Quarterly filing and payment is required if an employer has withheld \$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 remittance of withholding tax payments is now the **15th of the month** following the month withheld, or following the end of the quarter, depending on whether you are required to remit monthly or quarterly. This is a change from the prior due date of the 20th of the month.

If you have employees working at locations outside of your principal place of work (“transient workers”), the provisions that will be in effect beginning January 1, 2016 are complex and very detailed. It is important that you review the details in ORC section 718.011, or consult your tax advisor.

Small employers (those with less than \$500,000 in annual gross receipts as defined in H.B. 5) are only required to withhold for the municipality in which the employer is physically located. This \$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 rule” does not apply to any government entity or agency.