

IMPORTANT WITHHOLDING TAX CHANGES

EFFECTIVE JANUARY 1, 2016

As the result of the enactment of House Bill 5 by the State legislature, municipal income tax withholding due dates and related threshold changes are noted below:

NEW WITHHOLDING DUE DATES AND THRESHOLDS

Monthly filing and payment is required if an employer has withheld with respect to a municipality more than \$2399 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 municipality \$2399 or less in the immediately preceding calendar quarter. The due date for quarterly is the **30th 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

Employers with annual gross receipts with less than \$500,000 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.

Changes to Qualifying Wages

"Third Party sick pay" as defined in the Bill is exempt from withholding and from taxation.

"Clergy Wages" that are exempt from federal FICA/Medicare withholding are required to be included in Qualifying Wages are subject to tax.