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H.B. 5 - WITHHOLDING INFORMATION

Pursuant to the passage of Amended Substitute House Bill 5 in December 2014, new state-mandated municipal income tax guidelines have been established **effective with withholding tax returns due for tax years beginning January 1, 2016 and after.**

- Changes in filing due dates.
 - Monthly **and quarterly** withholding returns and payment must be received or postmarked no later than the 15th day of the month following the reporting period.
- Changes in penalty and interest rates.
 - The late filing penalty is \$25 for each month (or fraction thereof) the withholding return is late with a maximum late filing penalty of \$150 per return.
 - The late payment penalty is a one-time 50% penalty of the unpaid or untimely filed withholding tax.
 - The interest rate for 2016 will be 5% per annum (.42% per month) and is imposed on each month (or fraction thereof) the withholding return is unpaid or untimely filed.
- Changes in monthly and quarterly withholding thresholds.
 - Employers must remit monthly if withholding in the previous calendar year exceeded \$2,399 or if the amount required to be withheld during any month of the previous calendar quarter exceeded \$200.
 - Employers may remit quarterly if their withholdings are under the thresholds described for monthly filers.
- 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 "principle place of work" (as defined in H.B. 5) for the first 20 days an employee works in another Ohio municipality ("non-principle place of work municipality"). Withholding is required for the "non-principle 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 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. 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 H.B. 5) 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 and are subject to tax.
- Changes to annual reconciliation
 - Every W-2 in which City of Tipp City tax is withheld or should have been withheld, shall include the other cities withheld and the amount of local taxes withheld.
 - Reconciliation returns filed after the February 28th deadline will be subject to the late filing penalty of \$25 per month (or fraction thereof) up to a maximum of \$150 per return.

Chapter 718 of the Ohio Revised Code can be found at: <http://codes.ohio.gov/orc/718>. Please reference this document to determine how the new, state-mandated changes affect your business.

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