



## City of Amherst Income Tax Department

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### IMPORTANT INCOME TAX NOTICE – 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 in Chapter 718 of the Ohio Revised Code. The code can be found at the website <http://codes.ohio.gov/orc/718>. Please reference this document to determine how the State mandated changes affect your business.

These changes will be effective with payroll withholding tax returns due for tax years beginning January 1, 2016 and after.

#### Changes in filing due date for employee withholding

- **Monthly Withholding:** remittance and payment must be received no later than the 15<sup>th</sup> of the month following the reporting period.
- **Quarterly Withholding:** remittance and payment must be received no later than the last day of the month following the reporting period.

#### Changes in penalty and interest rates that may be imposed

- Late filing penalty is \$25/month per return (maximum of \$150/return).
- Late payment penalty is a one-time 50% penalty of the unpaid balance at the time payment is due.
- Interest is calculated at the July federal short-term interest rate plus 5%. For 2016 returns the monthly interest rate is 0.42%.

#### Changes in monthly and quarterly withholding thresholds

- Employers must remit monthly if withholding in the previous calendar year exceeded \$2,399.00 or if the amount required to be withheld during any month of the previous calendar quarter exceeded \$200.00.
- Employers may remit quarterly if their withholdings are under the thresholds described for monthly filers.

#### Changes in the due date for reconciliations

- On or before the last day of February of each year, an employer must file a withholding reconciliation return listing the names, addresses and SSNs, qualifying total wages (Medicare wage, box 5), qualifying CITY OF AMHERST wages and the amount of local tax withheld to each municipality.

#### Withholding guidelines for employers with occasional entrant workers; and for those employers who meet the requirements of a “small employer”

- ORC 718.011 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.