

SUMMARY OF CHANGES DUE TO HOUSE BILL 5

Dear Tax Preparer:

In December 2014, the Ohio legislature passed Amended Substitute House Bill 5 which resulted in many changes to the way municipalities can administer and collect tax. The following changes are effective for **2016** tax returns due January 1, 2016 and after, and are described below. Other changes will take effect for 2016 tax returns filed in 2017 and after. More will be sent regarding those changes at a later date.

- **Changes in filing due date for employee withholding.**
 - Withholding returns and payments must be **received** no later than the 15th of the month following the reporting period.
- **Changes in penalty and interest rates for withholding.**
 - Late filing penalty of \$25/month per return (up to a maximum of \$150 per return).
 - Late payment penalty of a one-time 50% penalty of the unpaid balance at the time payment is due.
 - Interest on the unpaid balance calculated at the July federal short term rate (rounded) plus 5%. For 2016 returns, paid in 2016, the monthly rate is 0.42% per month (5% annual).
- **Changes in monthly and quarterly withholding thresholds.**
 - Employers must remit **monthly** if withholding in the previous calendar year exceeded \$2,300 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.
- **Withholding guidelines for employers with transient workers; and for those employers qualified as “small business employer”.**
 - Details available in section 718.011 of Ohio Revised Code.
- **Minimum threshold of \$200 for estimated tax payments.**
 - Estimated tax will be **required** for **all** taxpayers who meet the minimum threshold of \$200 for estimated tax .
 - Estimated tax payments will be due the 15th day of the fourth, sixth, ninth and twelfth months.
 - Penalty of 15% of the unpaid tax and interest will apply for underpayment of estimated tax.
- **All pass through entities (PTE) are now taxed at the entity level beginning with 2015 tax returns.**
 - Tiffin Ordinance # 14-91 requires pass through entities to be taxed at the **entity** level and this will continue with passage of HB 5.
 - Individual owners of PTEs will report PTE gains and losses in their resident community, subject to the credit provided by the resident municipality

These changes have been mandated by the passage of House Bill 5 and the new Ohio Revised Code which can be found at: codes.ohio.gov/orc/718. It restricts a municipality’s power to levy an income tax **unless it is in strict compliance with ORC 718**. Please refer to ORC to determine how the new, State

mandated, changes will affect your business and the business of your clients. The City's new tax ordinance was passed by City Council on November 2 and will be available on our website as soon as possible. If you have any questions, please do not hesitate to contact me at 419-448-5405 or at lneeley@tiffinohio.gov.

Sincerely,

Linda K. Neeley

Linda K. Neeley
Tax Commissioner