

## **REGULATION 2 - 1**

### **IMPOSITION OF TAX - RESIDENT EMPLOYEES**

For residents of the City of Tiffin, an annual tax is provided in Regulation 1 - 1(P). For the purpose of determining the tax on the earnings of resident taxpayers, the source of the earnings and the places at which the compensation is earned are immaterial. All such earnings, wherever earned or paid, are taxable. No taxpayer may deduct a net loss from the operation of a business from compensation earned by the same taxpayer as an employee of a business. (Ord. 87-33. Sec. 7. Passed 7-6-87.) No taxpayer may carry a net operation loss for one taxable year forward or backward to another taxable year. (Ord. 87-33. Sec. 6. Passed 7-6-87.)

1. Items which are subject to the tax include but are not limited to:

(A) All wage related compensation. Examples include but are not limited to salaries, wages, commissions, bonuses, sheltered annuities or incentive payments, pay received for vacations, periods of sickness, sub pay, severance pay, wage continuation, or other periods of absence from employment, and other compensation, regardless of label, whether received directly or through an agent and whether in cash or in property, on and after January 1, 1969, in any of the following capacities:

(1) As an officer or employee, or both, of any corporation (including charitable and other non-profit corporations), joint stock association, or joint stock company;

(2) As an employee (as distinguished from a partner or member) of a general partnership, limited partnership, or any other form of unincorporated business entity owned by one or more persons;

(3) As an employee (as distinguished from the proprietor) of a business, trade or profession conducted by sole proprietor;

(4) As an officer or employee (whether elected, appointed, or commissioned) of a governmental agency of the State of Ohio or any of the political subdivisions thereof, or of the United States Government or any of its agencies;

(5) As an employee of any other entity or person;

(B) All wage-related compensation. Examples include but are not limited to salaries, wages, commissions, bonuses, sheltered annuities or incentive payments, pay received for vacations, periods of sickness, sub pay, severance pay, wage continuation, or other periods of absence from employment, and other compensation, regardless of label, whether received directly or through an agent and whether in cash or in property, on and after January 1, 1969, and under the following conditions:

(1) Whether based upon hourly, daily, weekly, semi-monthly, monthly, annually, unit of production or piece-work rates; and

(2) Whether paid by an individual or any other business entity, including charitable and other non-profit corporations, governmental agencies, or any other entity.

(C) Commissions received by a taxpayer whether directly or through an agent and whether in cash or in property, for services rendered on and after January 1, 1969, regardless of how computed, by whom or wheresoever paid. If amounts received as a drawing account exceed the commissions earned, the tax is payable on the gross amounts received. Amounts received from an employee by way of expenses and not by way of compensation, and used as such by the individual receiving them are not deemed to be compensation if the employer deducts such expense advances as such from his gross income for the purpose of determining his net profits taxable under the Ordinance. If such commissions are included in the net earnings of a trade, business, profession,

enterprise, or activity regularly carried on by such individual and therefore subject to tax under the Ordinance, they shall not again be separately taxed. In such case, such net earnings shall be taxed as provided in Regulations 2 - 3, 2 - 4, or 2 - 5.

(D) The receipt of fees and other compensation for personal services rendered shall be deemed to be subject to taxation under the Ordinance.

(E) Domestic servants are not subject to deduction and withholding under the Ordinance; however, their compensation is subject to taxation under the Ordinance.

2. Items which are not subject to the tax are limited to:

(A) Funds received from local, state, or federal governments because of service in the Armed Forces of the United States by the person rendering such service, or as a result of another person rendering such service.

(B) Public Assistance, pensions, unemployment compensation or similar payments, including disability benefits received from private industry or local, state, or federal governments, or from charitable, religious or educational organizations.

(C) Alimony or child support received.

(D) Income of minors under eighteen years of age.

(E) Dues, contributions, and similar payments received by charitable, religious, educational or literary organizations or labor unions, lodges, and similar organizations.

(F) Receipts from casual entertainment, amusements, sports events, and health and welfare activities conducted by charitable, religious and educational organizations and associations. (Ohio Rev. Code

Section 718.01).

(G) Receipts of any association, organization, corporation, club or trust, which is exempt from federal taxes on income by reason of its charitable, religious, educational, scientific, etc., purposes.

(H) Gains from involuntary conversion, cancellation of indebtedness, interest on Federal obligations, and income of a decedent's estate during the period of administration, except income from the operation of a business.

(I) Interest on Investments and Dividends

(J) Income of:

(1) Public Utilities. (2) Carriers operating under the regulations of Interstate Commissions. (3) Dealers in intangibles. (4) Financial Institutions (including small Loan Companies) to the extent that such income is derived from interest earned.