

REGULATION 4 - 1
COLLECTION OF TAX AT SOURCE

1. It is the duty of each resident employer who employs one or more persons subject to tax under the Ordinance to deduct from the compensation paid to each employee the tax as provided in Regulation 1 - 1(P) of such compensation paid by said employer to said employee. The tax shall be deducted by the employer from:

(A) All compensation paid to employees who are non-residents of the City of Tiffin for services rendered, work performed, or other activities engaged in within the City of Tiffin, and

(B) From the gross amount of all compensation paid to employees who are residents of the City of Tiffin, regardless of the place where the compensation activity occurs.

2. All employers who maintain an office or other place of business in Tiffin are required to make the deductions specified in this Regulation, regardless of the fact that the activity for which residents of the City of Tiffin are compensated occurs outside the City of Tiffin.

3. The mere fact that the tax is not deducted and withheld does not relieve the employee of the responsibility of filing a return and of paying the tax on the compensation received.

4. Compensation paid to independent contractors, not employees of the payor, is not subject to deduction and withholding of the tax at the source. Such independent contractors must in all instances file returns and pay the tax pursuant to the provisions of Regulation 2 - 3, 2 - 4, and 2 - 5.

5. In the case of employees who are non-residents of the City of Tiffin, the amount to be deducted as provided in Regulation 1 - 1(P) is based on the compensation paid with respect to activity

occurring in Tiffin.

Where a non-resident receives compensation for activity occurring partly within and partly outside the City of Tiffin, the withholding employer shall deduct, withhold, and remit that portion of the compensation which is earned within the City of Tiffin in accordance with the following rules of apportionment:

(A) If the non-resident is an employee who is compensated on the basis of a commission which depends directly on the volume of business transacted by him, then the tax deducted and withheld shall be as provided in Regulation 1 - 1(P) of the portion of the entire compensation which the volume of business transacted by the employee within the City of Tiffin bears to the volume of all business transacted by him.

(B) The tax deducted and withheld for compensation of all other employees, including officers of corporations, shall be as provided in Regulation 1 - 1(P) of the portion of the personal service compensation of such employee which the total number of working days employed within the City of Tiffin bears to the total number of working days employed everywhere. Any portion of a day employed within the City of Tiffin shall count as one entire day.

(C) If it is impossible to apportion the earnings as provided above, either because of (1) the peculiar nature of the service of the employee, or (2) the unusual basis of compensation, apportionment shall be made in accordance with the facts and the tax deducted and withheld accordingly.

(D) The occasional entry into the City of Tiffin of a non-resident employee, who performs the duties for which he is employed entirely outside the City of Tiffin, for the purpose of reporting, receiving instructions, accounting, or other matters incidental to his

duties outside the City of Tiffin, shall not cause said employee to be subject to taxation under the Ordinance.

6. An employer shall deduct and withhold the tax on the full amount of any advances made to an employee on account of commissions, whether by way of drawing account or otherwise, where such advances are in excess of commissions earned.

7. An employer required to deduct and withhold the tax on compensation paid to an employee shall, in determining the amount of tax to be withheld, ignore any amount allowed and paid by the employer to the employee for ordinary and necessary expenses incurred by the employee in the actual performance of his employment. Such expenses are limited to the kind and the amount recognized and allowed as deductible expenses for Federal Income Tax purposes.