

## SUMMARY OF TAX CODE CHANGES

- There has been a change with regard to the “casual entrant” or 12 day rule. Current law permits an individual to work in a municipality for 12 days without requiring tax to be withheld to the municipality. However after the 12<sup>th</sup> day, if the individual continues to work in the municipality, tax is withheld to the city or village going forward as well as for the 12 pervious days. HB increased the number of days during which tax is not required to be withheld from 10 to 20 and requires only that tax be withheld the 21<sup>st</sup> day forward, exempting the first 20 days from local tax.
- The municipalities are required, beginning in 2017 (to recognize activity in 2016), to allow a 5 year net operating loss carry forward (NOL). The Division has never administered an NOL making the determination of negative revenue impact difficult. The provisions of the Bill establish a 5 year phase in establishing a 50% limit on the loss to be carried forwarded, allowing for the full loss to be taken staring with the filing for tax year 2023.
- With regard to the withholding of tax from employee wages, those businesses with less than \$500,000 in gross receipts will withhold tax from employee wages only to the municipality in which the employer’s fixed location is sitused. Due to the fact that the municipal tax is due only where income is earned or where an individual resides , there will be an increase in refund request as the result of non-resident employees working at other locations but having tax withheld to the municipality as a result of their employers’ presence in your jurisdiction.
- A municipality will be required to allow business losses outside of its jurisdiction to offset that municipality’s gain. This too will result in a revenue loss as municipalities administered by the Division as it previously only allowed same municipality losses to offset same municipally gains.
- The appointment of members to the local Board of Tax (appeals) review has been changed, placing the appointment of two of the three members with your council. The third member of the board is appointed by the Mayor or City Manager. It is not necessary that these appointments be made effective January 1, 2016, but the board must be in place prior to hearing on a taxpayer appeal.
- No remittance of tax is required of taxpayers filing a return that indicates a liability of \$10.00 or less.
- A municipality is not required to issue refunds of overpayments that are \$10.00 or less.
- Penalties and interest will be uniform for all Ohio municipalities for tax year 2016 and beyond. Penalties and interest assessed to pre-2016 liabilities will remain the same regardless of when returns are filed. Penalties for late payment on business and individual accounts will be assessed at 15% per annum. The penalty for late payment of withholding liabilities will be 50%

of the tax due. Interest will be assessed on the Fed short term rate plus 5%. A late charge fee of \$25.00 may be charged each month to a maximum charge of \$150.00 after 6 months. Taxpayers are not required to file extension requests unless one has not been filed for their federal filing obligation. It will be presumed that each taxpayer on is on extension for six months. The late charge will be assessed for failure to file after the extension date of October 15<sup>th</sup>. Payment is still due by the original filing deadline.

- Universal filing municipalities will not be required to specifically address the annual filing requirement. Within Code 362, Universal filing is referenced in 362.91 (A) (1).