IMPORTANT CHANGES TO WITHHOLDING REQUIREMENTS
EFFECTIVE JANUARY 1, 2016

Please be advised that municipal income tax withholding due dates and related thresholds are changing as noted below. These changes are the result of the enactment of House Bill 5 by the State legislature. In addition to these changes to withholding tax filing requirements, H.B. 5 also includes changes to the occasional entrant provisions, penalty and interest rates, annual tax return and estimated tax payment due dates and thresholds, and other items.

New Withholding Due Dates and Thresholds

Monthly filing and payment is required if an employer has withheld with respect to a municipality more than $2,399 in the immediately preceding calendar year, or more than $200 in any one month in the immediately preceding calendar quarter. The due date for Monthly filers is the 15th day of the month following the month withheld.

Quarterly filing and payment is required if an employer has withheld with respect to a municipality $2,399 or less in the immediately preceding calendar year, or $200 or less for each month in the immediately preceding calendar quarter. The due date for Quarterly filers is the last day of the month following the end of the quarter.

Semi-monthly withholding MAY BE REQUIRED by a municipality if an employer has withheld $12,000 or more in the immediately preceding calendar year with respect to a municipality, or more than $1,000 in any month of the immediately preceding calendar year with respect to that same municipality. The due dates for Semi-monthly filers are 3 banking days after the 15th of the month, and 3 banking days after the end of each month. Warren is currently NOT requiring semi-monthly deposits.

Expansion of the Occasional Entrant Provisions

H.B. 5 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.

Changes to Qualifying Wages

“Third-party sick pay” as defined in the Bill is exempt from withholding and from taxation.

“Clergy Wages” that are exempt from federal FICA/Medicare withholding are required to be included in Qualifying Wages and are subject to tax.