

Withholding Tax Changes & Guidelines

Significant and wide-ranging amendments to Ohio Law were enacted by House Bill 5 which was signed into law by Governor Kasich on December 19, 2014. House Bill 5 requires taxing municipalities such as the City of Parma Heights to conform to the spirit of the recent law change in providing consistency and simplicity to individual and business tax filers.

Please remember that the withholding forms are on the City's website. Forms are sent early in the year to all employers who utilize City payroll tax forms. Please call our office if wish to receive payroll withholding tax forms.

Below are the changes that will be effective with payroll tax withholding for the 2016 tax year.

✓ **Changes in monthly and quarterly thresholds for employee withholding:**

- Employers **must** remit **monthly** if withholding in the preceding year exceeded \$2,399, or if the amount required to be withheld during any month of the previous calendar quarter exceeded \$200. Employers can remit **quarterly** if withholding totaled \$2,399 or less in the preceding year, or \$200 or less for each month in the immediately preceding quarter.

✓ **Changes in due dates for monthly and quarterly withholding due dates:**

- Monthly withholding must be received no later than the 15th of the month following the reporting period (January is due February 15th, February is due March 15th etc.). Quarterly withholding must be **postmarked** by the due date. The 1st quarter is due April 15th, 2nd quarter is due July 15th, 3rd quarter is due October 15th, and 4th quarter is due January 15th.

✓ **Changes in due date for annual employer withholding statement due dates:**

- Annual employer withholding statement must be received no later than the last day of February following the year. The 2016 annual reconciliation is due February 28, 2017.

✓ **Withholding guidelines for employers with transient workers; and “small employers”**

- House Bill 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.