

2009 Newsletter

The voters of the City of Columbus approved on August 4, 2009 an increase in the income tax rate to 2.5% . At the September 14, 2009 Columbus City Council meeting legislation was passed to formally amend the Columbus City Codes reflecting the tax rate of 2.5% effective with regard to income earned on and after October 1, 2009.

Making adjustments for a change in tax rate is never easy and accommodating a change effective the beginning of the 4th quarter is even more challenging. However, Columbus City Council felt an October 1, 2009 effective date to be in the best interest of the City.

WHAT ARE EMPLOYER OBLIGATIONS?

Employers in the City of Columbus or having employees working in Columbus must withhold local tax at a rate of 2.5% on employee wages earned on or after October 1, 2009. The time that compensation is paid is irrelevant. Income earned on or before September 30, 2009 is subject to a tax rate of 2.0%.

Governmental employers of Columbus residents must withhold any alternate city tax pursuant to O.R.C. 9.42 regardless of where the resident is employed or performed services (see information regarding address verification).

9.42 Municipal Income Tax Deductions

Notwithstanding section 1321.32 of the Revised Code, the state and any of its political subdivisions or instrumentalities shall deduct from the wages or salaries of public employees, as defined in section 9.40 of the Revised Code, and employees of school districts, the amount of municipal income tax levied upon the income of the employee. The director of administrative services shall establish by rule procedures for the deduction of municipal income taxes from the wages or salaries of employees of the state or its instrumentalities.

Effective Date: 11-26-1982

Please see the following language for the definition of “public employee”:

9.40 Deductions for United States Savings Bonds

Any public employee of the state, or any political subdivision thereof, who desires to purchase United States savings bonds by the payroll deduction plan shall be granted such payroll deduction upon request to the head of the state or political subdivision department by whom he is employed.

As used in this section, “public employee” means any person holding an office, not elective, under the state, any county, municipal corporation, park district, conservancy district, sanitary district, health district, township, or public library, or employed and paid in whole or in part by the state or any of such named authorities in any capacity.

Effective Date: 10-01-1953

Employers may utilize a blended tax rate for the straddle payroll period. Several employers have advised that they will apply a blended tax rate of 2.1% to the two week pay period that includes several days on or after October 1, 2009, resulting in an appropriate overall rate for that period.

For those employers utilizing the City E-File/E-Pay application for the filing of quarterly form IT-11, the following applies:

- Qualifying wages earned on or prior to 9/30/09 to be entered at 2.0%.
- Qualifying wages earned on or after 10/1/09 to be entered at 2.5%.

Employers utilizing the City form IT-11 and submitting manually are to refer to the modified instructions accompanying the form.

Year-end reconciliations are to reflect the total qualifying wage figure and total tax due as remitted.

HOW DOES AN EMPLOYER VERIFY THE RESIDENTIAL ADDRESSES OF ITS EMPLOYEES?

Keep in mind that a postal address reflects only the postal service branch out of which mail is delivered and has no basis in the actual jurisdiction within which the address is located. Employers and taxpayers or their representatives are encouraged to verify locations and taxation districts of addresses for individuals, employees and properties. For 1 to 10 addresses please call the Division at (614) 645-7370. For requests that require searching more than ten (10) addresses and a file size less than 2 MB, submit via e-mail a list in the Excel layout designated on our website www.columbusnet.net under Address Search. For a file size larger than 2 MB, files must be burned to CD and mailed to the Division. Please see our website for detailed instructions.

Governmental employers and businesses with multiple locations are encouraged to check addresses. Employers located outside of Columbus electing to withhold local tax as a courtesy for employees are also encouraged to use this resource.

WHO DOES THE INCREASE IMPACT AND HOW?

The 2.5% tax rate applies to:

- Residents and non-residents working in the City of Columbus or having income earned within the City (such as rental or partnership income).
- Residents of Columbus working in taxing jurisdictions with rates less than 2.5% will owe additional tax - the difference between the tax rate where they work (if any) and 2.5%, payable to Columbus.
- Net profits earned from business activities conducted within Columbus.
- Net profits earned by Columbus residents from business activities conducted outside of Columbus (such as rental or partnership income).

Columbus will continue to give full credit to residents for local tax paid or withheld correctly to another tax jurisdiction. If the tax rate of the jurisdiction where a Columbus resident works is less than 2.5%, then the resident will owe additional tax to the City of Columbus so as to result in a total local tax paid of 2.5%.

HOW ARE BUSINESS FILERS IMPACTED?

For those taxpayers filing calendar year returns the blended rate to be used for annualized tax is 2.125%, which will result in the appropriate tax due.

For income earned prior to 10/1/09 the tax rate to be applied is 2.0%. (example: rental property sold prior to 10/1/09). Please provide detailing documentation with the 2009 annual return.

For fiscal year-end filers the following chart is to be utilized in selecting the appropriate blended rate:

Fiscal Year Ending	Tax Rate
31-Oct-09	2.042
30-Nov-09	2.083
31-Dec-09	2.125
31-Jan-10	2.167
28-Feb-10	2.208
31-Mar-10	2.250
30-Apr-10	2.292
31-May-10	2.333
30-Jun-10	2.375
31-Jul-10	2.417
31-Aug-10	2.458
30-Sep-10	2.500

DUE DATE FOR YEAR END RECONCILIATION FORM IT-13

Ohio Revised Code Section 718.05 establishes the due date for filing the completed Form IT-13 Year End Reconciliation is on the due date for the Internal Revenue Service filing. The due date for IRS Form W-3 Transmittal of Wage and Tax Statements is February 28, 2010. This year February 28, 2010 falls on a Sunday. For Year End Reconciliations to be filed for tax year 2009 the due date is March 1, 2010, which is the first business day following February 28, 2010.

RENTAL REAL ESTATE INCOME

Individual taxpayers who report more than one rental property on Federal Schedule E are considered by the Division to be in the business of renting property. Per §718.02 of the Ohio Revised Code a business or profession conducted within and without the boundaries of a municipal corporation is required to use the three part allocation formula when calculating net profits for municipal taxation. Therefore individual taxpayers with more than one rental property are now required to use schedule Y to allocate income from business rental activity when completing the city return. Rental income is first taxed to the city where the income has been allocated, and then paid to the city of residence (if the allowable credit for taxes paid to the city where the income has been allocated is not equal to or greater than tax due your city of residence). If the property is not located in any taxing city, income is taxed to owner's city of residence.

OFFICER'S COMPENSATION

Section 3121(d)(1) of the Internal Revenue Code establishes that any officer of a corporation who receives any compensation for services is an employee. Compensation paid to an officer-employee should be treated like any other employee compensation and reported on the officer-employee's W-2. Officer-employee compensation is subject to the 2% Columbus withholding tax on "Qualifying Wages" defined under §718.03 of the Ohio Revised Code earned prior to 9/30/2009. "Qualifying Wages" earned on or after 10/1/09 are subject to the 2.5% Columbus withholding tax. Failing to withhold Columbus tax on the officer-employee's compensation as required by §361.24 of the Columbus City Codes subjects the corporation to the 50% penalty plus interest as outlined in Columbus City Codes §361.38.

E-MAIL WEB ALERTS

Periodically, e-mail web alerts will be sent to those taxpayers or preparers who have subscribed on our web site and have requested to be notified when important tax changes or information releases are made by the Division. Please see our website at www.columbustax.net for our Homepage Features to subscribe.

YEAR 2010 MAILING ADDRESSES

Mailing addresses to be used in 2010 are as follows:

Withholding returns and payments (lockbox):

City Treasurer
PO Box 182489
Columbus OH 43218-2489

Individual and Business returns with payments (lockbox):

City Treasurer
PO Box 182158
Columbus OH 43218-2158

Individual and Business returns without payments and refunds:

City Treasurer
PO Box 182437
Columbus OH 43218-2437

General and Certified Mail Correspondence (office address):

Columbus Income Tax Division
50 W Gay St 4th FL
Columbus OH 43215-9037

NEW MAILING ADDRESSES FOR REFUNDS AND TAX FORMS WITHOUT PAYMENTS

To more efficiently process refunds in a timely manner, a new lockbox has been established to process refunds and tax forms without payments. This new address is:

City Treasurer
PO Box 182437
Columbus, OH 43218-2437

Tax year 2009 tax form envelopes are not pre-printed with this address. To mail your refund or tax return without payment to the appropriate lockbox, it will be necessary to use your own envelope.

INCOME TAX DIVISION

50 W. Gay Street, 4th Floor
Columbus, Ohio 43215-9037

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