

# 2010 Newsletter

## **EMANCIPATION DAY AND TAX SEASON 2011**

For Tax Season 2011, the due date for the 1040 family of returns for 2010 is April 18, 2011.

Although April 15 falls on a Friday in Tax Season 2011, Washington, D.C. will observe the Emancipation Day holiday on that day.

Emancipation Day, a legal holiday in D.C., is observed annually on April 16. Under D.C. statutes, if a legal holiday falls on a Saturday, the holiday is observed the preceding non-holiday day.

Under §7503 of the IRC, when the last day for “performing any act” falls on a Saturday, Sunday, or legal holiday, the performance of that act is considered timely if it is performed on the next succeeding day which does not fall on a weekend or legal holiday. “Legal holiday” for this purpose includes a legal holiday in Washington, D.C. Thus individual tax returns and all returns that are normally due on April 15 will be considered timely filed if they are in fact filed on or before April 18, 2011.

## **CITY OF COLUMBUS FILING DEADLINE EXTENDED**

Due to the requirement of O.R.C. §718.05(B) the due date for 2010 income tax returns filed with the City of Columbus, for Columbus or for those communities administered by Columbus, is April 18, 2011. This extended due date applies to all returns, of any nature having an April 15 due date.

For more information:

<http://os.dc.gov/os/cwp/view,a,1207,q,608954.asp>

<http://www.timeanddate.com/holidays/us/emancipation-day>

## **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.

## **WHO DOES THE TAX RATE 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 up to 2.5% 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 2010 the tax rate to be used is 2.50%.

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:

<u>Fiscal Year Ending</u>	<u>Tax Rate</u>
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, 2011. For Year End Reconciliations to be filed for tax year 2010 the due date is February 28, 2011.

### CONSOLIDATED BUSINESS RETURNS

In accordance with §718.06 of the Ohio Revised Code, each municipality is required to accept consolidated returns of an affiliated group of corporations. Under Columbus City Codes §361.22, only those corporations of an affiliated group with nexus are to be included within the calculation of net profits. Each of the corporations with nexus shall file a separate Schedule Y allocation apportionment formula. The gains and losses from these apportionment formulas of corporations with nexus to file can then combine accordingly.

## YEAR 2010 INTEREST RATE

For 2010, the interest rate used by Columbus, Brice, Harrisburg and Marble Cliff is 4% per annum. The interest rate for all other municipalities administered continues to be 18%.

## COLUMBUS TAXATION OF CONTRIBUTIONS TO NON-QUALIFIED DEFERRAL PLANS

Prior to January 1, 2004 Columbus tax was not imposed upon employers' contributions to non-qualified deferred compensation plans (SERPs, etc.) at the time of contribution. Distributions from these plans were taxed in the year of distribution to the city where the income was originally earned. Contributions to non-qualified plans on or after January 1, 2004 are subject to the Columbus tax at the time these contributions are included in 'Qualifying Wages' as defined in §718.03 of the Ohio Revised Code. In light of the tax being paid at the time of contribution, distributions from non-qualified plans will not be taxed.

## USE OF FILL-INABLE FORMS AVAILABLE ON-LINE

For those tax preparers using the fill-inable City tax forms available on our website, please remember to completely clear out the name, social security number, and wage figures of the previous taxpayer before starting to enter the next taxpayer's tax return information.

## 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](http://www.columbustax.net) for our Homepage Features to subscribe.

## EXTENSION OF FILING DATES

Extensions of up to six months for filing forms IR-22, IR-25, and BR-25 may be granted on or before the original due date of the return being extended. Extensions of up to one month are permitted for filing Form IT-13 (Annual Reconciliation of Tax Withheld). The postmark date will be used to indicate compliance with this extension policy. Copies of federal extension forms or client extension lists from practitioners will be accepted. If a client list is submitted, do not include information for clients not subject to Columbus income tax or the income tax of any of its contract communities. Practitioners are encouraged to use

our E-File/E-Pay system for filing of lists of those on extension. All extension requests must contain the taxpayer's name, address, EIN/SSN and the length of the extension period requested. Due dates for the filing of City tax forms IR-21 and BR-21 (Declaration of Estimated Tax) and IT-11 (Quarterly Return of Tax Withheld) may not be extended.

### **NEW MAILING ADDRESS FOR REFUNDS AND TAX FORMS WITHOUT PAYMENTS**

To more efficiently process refunds, a new lockbox has been established to process Individual and Business refund requests and tax filings submitted with no payment. The address of the new lockbox is:

City Treasurer  
PO Box 182437  
Columbus, Ohio 43218-2437

Accompanying this new lockbox is a new look for the envelopes provided by the Division in the pre-encoded return packets. Two mailing labels, one indicating a payment is enclosed and the other indicating the submission of a refund request or a filing without payment, are detachable from the envelope flap. Using the appropriate label, or address will ensure proper handling of the filings.

### **TAXPAYER ASSISTANCE AND QUESTIONS**

As a reminder for those taxpayers who have a filing requirement and have not had their returns professionally prepared, you may come to the Division of Income Tax and have an audit staff member prepare your city return for free. Please bring with you any local forms, Federal forms and schedules. For other taxpayer assistance or questions, please use the following phone list:

Tax Forms	(614) 645-7370
Business Accounts	(614) 645-8328
Business Withholding	(614) 645-8368
Delinquent Collections	(614) 645-8152
Hotel/Motel Tax	(614) 645-7865
Individual Section	(614) 645-7646
New Accounts	(614) 645-7374
Local address searches	(614) 645-7405

### **MAILING ADDRESS TO BE USED IN 2011**

#### **Individual and Business returns with payments:**

City Treasurer  
PO Box 182158  
Columbus, Ohio 43218-2158

#### **Individual or Business refund requests or filings without payment:**

City Treasurer  
PO Box 182437  
Columbus, Ohio 43218-2437

#### **Withholding returns and payments:**

City Treasurer  
PO Box 182489  
Columbus, Ohio 43218-2489

#### **General and Certified Mail correspondence:**

Columbus Income Tax Division  
50 W Gay Street, 4<sup>th</sup> Floor  
Columbus, Ohio 43215-9037

### **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.columbus-tax.net](http://www.columbus-tax.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.

**INCOME TAX DIVISION**

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

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December 2010 [Newsletter](#)