



# 2005 Columbus Income Tax Newsletter

## E-FILE/E-PAY FOR THE CITY OF COLUMBUS

The City of Columbus has implemented an internet website that enables taxpayers and preparers to electronically file and pay municipal taxes. Each taxpayer and preparer was mailed a PIN number to access our tax system to make payments, filings and extensions accordingly. The filing of employer withholding payments and quarterly returns are also available. For individuals and business filings, declaration of estimated tax returns and payments are available. Please visit our website at [www.columbustax.net](http://www.columbustax.net) for details.

## ANNUAL RETURN DUE DATES

This year April 15, 2006 falls on a Saturday. For all individual and business returns to be filed for tax year 2005 the due date is April 17, 2006, which is the first business day following April 15, 2006. Please see our website [www.columbustax.net](http://www.columbustax.net) for all other applicable return and payment due dates.

## FILING FORMAT FOR W-2 DATA VIA MAGNETIC MEDIA

It is important for employers to realize that commencing with tax year 2004 there have been significant changes in the requirements for withholding local tax on employee wages. The Ohio General Assembly passed House Bill 95 in July of 2003, effective January 1, 2004, mandating that all Ohio municipalities assess payroll withholding taxes on "Qualifying Wages" as defined by Section 718.03 of the Ohio Revised Code. Please see our website at [www.columbustax.net](http://www.columbustax.net) for the details of the "Safe Harbor" rule for "Qualifying Wages" and for proper filing format using Magnetic media. New this year, the Division will accept this data in an alternative format (MMREF-1). Also, for tax year 2005, only filings received on floppy diskette or CD-ROM will be accepted. **Filings on magnetic tapes will no longer be accepted by our office.**

## FISCAL YEAR RETURNS

Please file the City of Columbus fiscal year return to match the same tax year as filed with the Internal Revenue Service for all twelve month accounting periods, ending on the last day of a particular month (Example: Accounting period 7/1/04 to 6/30/05 should be filed as fiscal tax year 2004). This will help our Division to designate return filings and payments to the proper tax year.

## ALLOCATION OF NET PROFITS ON BUSINESS INCOME

In accordance with Section 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 apportionment formula when calculating net profits for municipal taxation. The use of separate books and records will no longer be accepted by the Division.

## ARMED FORCES EXTENSION DEADLINE

The City of Columbus Income Tax Division has adopted the criteria followed by the Internal Revenue Service with regard to the extension of deadlines relating to the filing of returns, payment of taxes, and request for refund for those members of the Armed Forces serving in a combat zone or qualifying service outside a combat zone.

## RELIEF FOR KATRINA VICTIMS

The Division of Income Tax will extend relief with regard to the filing of any return to taxpayers located in the 33 Louisiana parishes, 37 Mississippi counties, 3 Alabama counties and 3 Florida counties suffering extreme damage due to Hurricane Katrina.

## TAXATION OF IRS SECTION 1250 GAINS

In accordance with O.R.C. 718.01(A)(1)(g) if the taxpayer is not a C corporation, the taxpayer shall be treated as a C corporation when calculating "Adjusted Federal Taxable Income". Commencing with tax year 2004, a taxpayer that is not a C corporation may be subject to IRC Section 1250 gains recalculated under IRC Section 291 for a C corporation taxpayer.

## LOCAL ADDRESS SEARCHES

In light of the specifications developed and currently in use, this office will no longer conduct manual look-ups for more than ten (10) addresses. If you need to have more than ten (10) addresses searched to verify the local taxing jurisdiction, you can now submit your request online under [www.columbustax.net](http://www.columbustax.net) for file sizes less than 2MB. For file sizes greater than 2MB, please transfer the information to CD and mail to our office. Please include a blank CD to be updated and sent back to the person who made the request.

## YEAR 2006 MAILING ADDRESSES

Mailing addresses to be used in 2006 are as follows:

### Withholding returns and payments (lockbox):

City Treasurer  
PO Box 182489  
Columbus OH 43218-2489

### Individual and Business returns and payments (lockbox):

City Treasurer  
PO Box 182158  
Columbus OH 43218-2158

### General and Certified Correspondence (office address):

Columbus Income Tax Division  
50 W Gay St 4<sup>th</sup> FL  
Columbus OH 43215-9037

## CONSOLIDATED BUSINESS RETURNS

In accordance with Section 718.06 of the Ohio Revised Code each municipality is required to accept consolidated returns of an affiliated group of corporations. Under City of Columbus Code Section 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 a 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 2006 INTEREST RATE

For 2006, the interest rate used by Columbus, Brice, Canal Winchester, Harrisburg and Marble Cliff is 6% per annum. The annual rate used by all other municipalities in our collection group continues to be 18%.

## TAXPAYER ASSISTANCE AND QUESTIONS

For 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) 645-0539 |
| TTY only               | (614) 645-6000 |

## 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. After January 1, 2004, Columbus tax will be imposed upon contributions to non-qualified plans at the time these contributions are included in "Qualifying Wages" as defined in Section 718.03 of the Ohio Revised Code. After that date, distribution from non-qualified plans will not be taxed.

## 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. All extension requests must contain the taxpayer's name, address, EIN/SSN and the length of the extension period requested. City tax forms IR-21 and BR-21 (Declaration of Estimated Tax) and IT-11 (Quarterly Return of Tax Withheld) may not be extended.

## AUDIT ALERTS

Please be aware of the following items that are most frequently questioned or changed upon audit. Care in reporting these items will greatly reduce questions and changes to your returns.

1. All returns are reviewed to ensure that income is reported properly to the city in which it was earned and if applicable on an individual return, the taxpayer's resident city.
2. Withholding returns are reviewed to ensure that the proper payment frequency is being followed. Please review the return instructions provided with each preprinted Quarterly Return Form IT-11 or see our website for the required payment frequency limits. Employers using a payroll service retain the legal responsibility for timely payment of the tax and filing of returns.
3. Business returns are reviewed to ensure that Schedule Y allocation and Schedule X taxable/non-taxable figures are correctly calculated.
4. Individual returns are reviewed to ensure that all deductions (2106, etc.) are taken from the proper city to which tax was paid. Employer certifications are required on Form IR-22 for refunds of withholding tax to individuals (for days worked out by non-residents, etc.)

## **EMPLOYER WITHHOLDING TAX ON INTERSTATE EMPLOYEES**

Pursuant to Chapter 361 of the Columbus City Codes, tax is imposed upon all employee wages that are earned for work performed within the City. Additionally, the tax is imposed upon the total qualifying wages of all resident employees, regardless of the earning location. Employers are required to withhold the tax from all employee wages that are earned for work performed in the City. Employers are permitted, but not required, to withhold tax on a resident employee's wages that are not earned in the City. As a result of these requirements, withholding is required on the wages of all terminal staff (mechanics, dockworkers, dispatchers, etc.) working in or at terminals located within the City. Withholding is required from drivers' wages on intrastate routes that are earned for time spent in or at the terminal. In lieu of exact time sheets, 10% of a driver's wage is accepted by the City as having been earned at the terminal. If the full 2% tax is withheld from the total wages of all drivers, the City will refund the tax withheld (less 10%) on the wages of all non-resident intrastate drivers upon request of a refund claim form that is to be filed by the non-resident drivers in the year following the year of withholding. For drivers' wages on interstate routes, the City will refund 100% of the tax withheld upon receipt of a refund claim form filed by non-resident drivers in the year following the year of withholding in accordance with Public Law 91-569. Public Law 91-569 also includes interstate railroad, water, and aviation employees.

## **INDIVIDUAL RESIDENTS THAT ARE SHAREHOLDERS IN S-CORPORATIONS**

Commencing with tax year 2003 individual Columbus residents with income from S-Corporations will no longer be taxed on their shareholder income due to residency. Also, the gains and losses from S-Corporations shall not be taken into consideration when calculating taxable income for resident and non-resident shareholders. For the City of Columbus, S-Corporations are taxed as entities on the net profits of the corporation before distributing any shares or dividends to shareholders.

## **CITY TAX RATES ON THE WEB**

The municipal tax rates for all cities, villages and special jurisdictions (JEDD, JEDZ) in Ohio can be found on our web site at: [www.columbustax.net](http://www.columbustax.net)

## **CITY TAX FORMS AND "PACKAGE X"**

The Columbus Income Tax Division will accept authorized forms distributed by the Division, approved facsimiles of these forms, and approved generic forms. For a generic form to be accepted, it must provide all information required to be reported by the form distributed by the Division. Forms developed from pre-approved software packages will be accepted. Taxpayers and preparers are requested to use pre-encoded forms provided by the Division. All forms can be found and downloaded at our website [www.columbustax.net](http://www.columbustax.net). In recent years we have noticed that a growing number of our city returns are prepared using forms received via our website. Each of the forms on our website can be "filled-in" on-line and printed by the user. The Columbus Income Tax Division continues to encourage taxpayers to use the pre-encoded returns we mail to them. Using the pre-encoded forms with the imaged data from our records does help in expediting the processing of the return whether it is a refund request or a cash payment being made to the division. We acknowledge that some practitioners will use their supply of forms and cannot integrate the taxpayer's imaged forms with their software. Because of the availability of city tax forms on the internet, the blank city tax forms provided to practitioners in a format known as the City's Package X is no longer the best use of resources. The Columbus Income Tax Division will no longer mail a paper version of the Package X because of the aforementioned reasons. If a practitioner does not have access to the Internet or would still like to receive all of the tax forms in one package, the Division will mail a version of the Package X in CD format. This CD will include all city tax forms. Request in writing for this CD should be submitted to:

ATTN: Forms CD  
Columbus Income Tax Division  
50 W Gay Street 4<sup>th</sup> Floor  
Columbus OH 43215-9037

## **COLLECTION GROUP TAX RATES**

Tax rates to be used for the tax year 2005 returns and tax year 2006 declarations and withholding returns for the cities and villages in our collection group are as follows:

|                  |    |
|------------------|----|
| Columbus         | 2% |
| Groveport        | 2% |
| Obetz            | 2% |
| Canal Winchester | 2% |
| Marble Cliff     | 2% |
| Brice            | 1% |
| Lithopolis (UFR) | 1% |
| Harrisburg (UFR) | 1% |

UFR = Universal Filing Requirement

**INCOME TAX DIVISION**

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

**CHANGE SERVICE REQUESTED**

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