

2008 Newsletter

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, 2009. This year February 28, 2009 falls on a Saturday. For Year End Reconciliations to be filed for tax year 2008 the due date is March 2, 2009, which is the first business day following February 28, 2009.

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.

USE OF OHIO BUSINESS GATEWAY BY EMPLOYERS

Many employers have been incorrectly making monthly or semi-monthly deposits through the Ohio Business Gateway on employee withholding accounts. For each payment made without the filing of a quarterly return **do not** enter a value for "Qualifying Wage". The inappropriate entry of a qualifying wage results in that monthly or semi-monthly payment being incorrectly accepted as a quarterly return. If you have any questions, please contact our Employer Withholding section at (614) 645-8368.

EMPLOYEE BUSINESS EXPENSE

Refunds and credit carry forwards resulting from an overpayment of estimated tax or the deduction of employee business expenses may be requested using form IR-25 (22). You must attach a copy of your Federal Form 2106 and Schedule A to claim employee business expenses on Form IR-25 (22). A Form 2106 which has expenses reported on line 4 only of the Federal Form 2106 are not required to be filed with IRS and will not be allowed on the city return.

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. 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.

ACH CREDIT TRANSACTION PROGRAM

Our office has recently simplified the specifications for our ACH Credit program. Adjustments include the replacement of the confirmation number from our E-file/E-Pay System with a unique six digit registration number and a requirement of making a separate tax payment using a four digit tax payment type code for each municipality having its income tax administered by this office.

We cordially invite taxpayers to participate in our modified ACH Credit Program. Taxpayers with existing tax accounts will register for the ACH Credit Electronic Filing Program by completing our ACH Credit Registration Form. Once our office receives the registration form, taxpayers will be assigned a unique ACH Credit Registration Number. An e-mail will then be sent outlining the ACH Credit transaction fields along with a copy of our Electronic Funds Transfer Taxpayer Guide. Your banking institution may require you to install software on your computer to create a file that the bank can use to process ACH-Credit transactions.

YEAR 2009 INTEREST RATE

For 2009, the interest rate used by Columbus, Brice, Harrisburg and Marble Cliff is 5% per annum. The interest rate for all other municipalities administered continues to be 18%.

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 §718.03 of the Ohio Revised Code. Please see our web site at www.columbus-tax.net for the details of the "Safe Harbor" rule for "Qualifying Wages" and for proper filing format using Magnetic media. For tax year 2006, only filings received on floppy diskette or CD-ROM will be accepted. **Filings on magnetic tapes will no longer be accepted by our office.** Please review our current year magnetic media requirements for proper compliance.

YEAR 2009 MAILING ADDRESSES

Mailing addresses to be used in 2009 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* Mail Correspondence (office address):

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

TAXABILITY OF SHORT TERM DISABILITY PAYMENTS

Per H.B. 119, modifying Ohio Revised Code Sections 718.01 and 718.03, payments received from short-term disability are now exempted from "Qualifying Wages" and municipal taxation. The effective date of H.B. 119 was July 1, 2007. Short-term disability payments received after that date should be excluded from city taxable income.

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 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.

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. Please see our website for details.

COLLECTION GROUP TAX RATES

Tax rates to be used for the tax year 2008 returns and tax year 2009 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 | 2% |
| Harrisburg (UFR) | 1% |

UFR = Universal Filing Requirement

ALLOCATION OF NET PROFITS ON BUSINESS INCOME

In accordance with §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.

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.

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 order to efficiently serve callers, 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 must submit your request on-line via 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 making the request.

NOTE: The City of Columbus, Income Tax Division does not verify information posted by on-line address finders or "theFinder" found at the State of Ohio web site, and is not responsible for filing errors caused by taxpayer reliance on those services.

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 §718.03 of the Ohio Revised Code. After that date, distribution from non-qualified plans will not be taxed.

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.

INCOME TAX DIVISION

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

CHANGE SERVICE REQUESTED

PRESORT STD.
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