

Columbus Income Tax Newsletter

January 2000

CITY TAX FORMS AND DOCUMENTATION

To avoid audit requests for additional information, please complete all forms as required and include the following documentation:

Form IR-22 - Attach Federal W-2 form(s). Also attach Federal Schedules C, E, F and Form 2106 to the extent applicable. Also, if applicable, attach a schedule of dates and locations worked outside of the City and have employer complete "Employer's Certification" on Page 2 of the form.

Form IR-25 - Same as IR-22 except City Schedules C and E are provided, and there is no provision for nonresident refunds of tax withheld on income earned outside of the City (use form IR-22). Federal schedules may be substituted for City schedules.

Form BR-25 - Attach applicable Federal Form 1120, 1120S, 1065 or 1041 to include Schedules A through M-2. If rental activity is reported, attach Federal Form 8825. Detail schedules are also required (other income, other deductions, taxes, etc.). Taxpayers using the books and records (separate accounting) method to allocate net profits (or losses) to a particular city or cities must provide a separate income statement for each city.

ADD BACK OF EXPENSES

Please remember that all expenses incurred in the earning of non-taxable income (interest, dividends, royalties etc.) are required to be added back in Schedule X of the City's business return (BR-25). A minimum of 5% of non-taxable income is required to be added back in situations where related expenses cannot be satisfactorily documented.

SEPARATE MUNICIPALITIES

Although the Columbus Income Tax Division collects the city income tax for Columbus and nine (9) other municipalities, please remember that losses attributed exclusively to one (1) municipality may not offset income attributed exclusively to another.

AUTHORIZED TAX FORMS

The Columbus Income Tax Division will accept only authorized forms distributed by the Division or an approved facsimile of these forms. Generic forms or forms of other cities will not be accepted. Forms developed from pre-approved software packages will be accepted. Taxpayers and preparers are requested to use pre-encoded forms provided by the Division.

COMMON PAYMASTER ACCOUNTS

Taxpayers and preparers who utilize a common paymaster are asked to designate on their returns the name and E.I.N. of the common paymaster. Preparers having a large number of accounts related to a single common paymaster are requested to provide a listing of such accounts so that each account can be properly referenced.

YEAR 2000 MAILING ADDRESSES

Mailing addresses to be used in 2000 are as follows:

-Withholding tax returns and payments (lockbox):

**CITY TREASURER
DEPT 448
COLUMBUS, OH 43265-0448**

-Individual and Business returns and payments (lockbox):

**CITY TREASURER
DEPT L 1695
COLUMBUS, OH 43260-1695**

-General correspondence (office address):

**COLUMBUS INCOME TAX DIVISION
50 W GAY ST 4TH FL
COLUMBUS, OH 43215-9037**

-Internet address (to view and download forms and instructions):

<http://auditor.ci.columbus.oh.us/taxforms.html>

COLLECTION GROUP TAX RATES

Tax rates to be used for the year **2000** for 1999 returns (and 2000 withholding returns) for the cities and villages in our collection group are as follows:

Columbus	2%	Canal Winchester	2%
Worthington	1.65%	Marble Cliff	1%
Grove City	2%	Brice	1%
Groveport	2%	Lithopolis	1%
Obetz	2%	Harrisburg	1%

CITY TAX RATES ON THE WEB

The municipal tax rates for all cities and villages in Ohio can be found on our web site at:

<http://auditor.ci.columbus.oh.us/munilist.html>

EXTENSION OF FILING DATES

Extensions of up to six (6) months for filing forms IR-22, IR-25 and BR-25 and one (1) month for filing form IT-13 (Annual Reconciliation of Income Tax Withheld) may be obtained on or before the original due date of the return being extended. 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, FID/SSN and the length of the extension period requested. City tax forms IT-21 (Declaration of Estimated Tax) and IT-11 (Employer's Quarterly Return of City Tax Withheld) may not be extended.

PAID PREPARER'S PTINs

Since we currently have no way of tracking the new federal PTINs, paid preparers should continue to use their SSN/EIN when preparing city returns.

AUDIT ALERT

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 return.

- 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.
- Withholding returns are reviewed to ensure that the proper payment frequency is being followed.
- Business returns are reviewed to ensure that the Schedule Y allocation and Schedule X taxable/non-taxable figures are correct.
- Individual returns are reviewed to ensure that all deductions (2106, etc.) are taken from the proper city to which the tax was paid.

YEAR 2000 INTEREST RATE

For the year 2000, the interest rate used by the Cities of Columbus and Worthington and the Village of Harrisburg is again 8% per annum. The annual rate used by all other municipalities in our collection group continues to be 18%.

S-CORPS & LLCs

Please remember, all corporations, regardless of how they are treated for federal tax purposes, are taxed by Columbus and the other cities in our group as entities on the taxable net profits of the corporation before the distribution of any shares or dividends to shareholders. A limited liability company should file as either a corporation, partnership or individual (single member) in accordance with its federal filing requirement.

UNIVERSAL FILING

Please remember that all residents of the Villages of Harrisburg and Lithopolis have a universal filing requirement to file a City return each year. All residents of these municipalities must file form IR-22 with the Columbus Income Tax Division by April 15th even if all taxes have been properly withheld.

WITHHOLDING INFORMATION

All employers are encouraged to check the amount of tax withheld at the end of each calendar quarter and year to ensure that tax is being remitted on the proper quarterly, monthly or semimonthly payment schedule. If total taxes withheld in the prior calendar year were \$12,000 or more or in any month in the preceding quarter exceeded \$1,000, semimonthly payments are required. If total taxes withheld in the prior calendar year were less than \$12,000 but more than \$3,599 or in any month in the preceding quarter exceeded \$300, monthly payments are required. Quarterly payments are required from all employers not required to make semimonthly or monthly payments. Penalty (50% of the tax liability for Columbus, Worthington and Harrisburg or 10% for all others in our collection group) and interest (8% for the Cities of Columbus and Worthington and the Village of Harrisburg or 18% for all others in our collection group) will be charged on all late payments. Employers using a payroll service retain the legal responsibility for payment of the tax and filing of returns and the liability for all late payment or late filing charges. Employers are also encouraged to use the pre-encoded payment coupons (form IT-15) and quarterly returns (form IT-11) provided by the Division prior to each quarter to remit payments and file returns. Use of these forms will greatly ensure that payments and returns are processed to the proper quarter. A quarterly return (form IT-11) is required to be filed in the month following each calendar quarter by all employers having an active account regardless of the employer's payment frequency and whether or not wages were paid or taxes withheld during the quarter.

If an employer withholds tax from an employee at a rate in excess of the proper tax rate, a refund will be issued to the employer upon presentation of a refund claim form (form IT-6W) obtainable from the Income Tax Division. Employers must also submit an amended IT-11 form for the quarter or quarters affected and a corrected W-2 form for the employee in question.

Income which is considered subject to city tax and withholding by the Income Tax Division includes but may not be limited to the following:

Gross wages, salaries, commissions and other compensation to include:

1. Bonuses.
2. Compensation paid in property or the use thereof at fair market value to the same extent as taxable for Federal tax purposes and so indicated on the Form W-2.
3. Contributions made by or on behalf of employees to a cafeteria plan.
4. Contributions made by or on behalf of employees to a qualified deferral plan (401K and the like) - taxed at year earned, deferral not permitted.
5. Contributions made by or on behalf of employees to nonqualified deferral plans. Taxed in the year recognized as income in Box 5 of employee's Form W-2 when no longer subject to substantial risk of forfeiture.
6. Contributions made by or on behalf of employees to a tax deferred annuity or stock purchase plan (includes any plan where employee has the option to defer).
7. Cost of group term life insurance over \$50,000.
8. Directors' fees.
9. Disability pay if received as a benefit of employment (includes third party plan).
10. Employee contributions to cost of fringe benefits.
11. Employer paid death benefits.
12. Excess employee discounts.
13. Golden parachute payments.
14. Income from guaranteed annual wage contracts.
15. Income from jury duty.
16. Income from wage continuation plans (includes retirement incentive plans and buyouts).
17. Income received as a result of a covenant or agreement not to compete.
18. Interest on below market loans.
19. Moving expense reimbursements (follow Federal rules but nonreimbursed expenses are not deductible).
20. Ordinary income from Form 4797.
21. Preretirement distributions from retirement plans (except previously taxed income from deferred plans).
22. Prizes, awards and gifts - if connected with employment.
23. Profit sharing.
24. Royalties (unless derived from copyrights, patents or registered trademarks).
25. Severance pay.
26. Sick and/or vacation pay.
27. Stipends - if work required (vow of poverty not recognized).
28. Stock bonus incentive plans.
29. Stock options - taxed when exercised on amount indicated on W-2 form (market price less option price).
30. Strike benefits paid by employer.
31. Supplemental unemployment pay paid by employer.
32. Taxes paid by employer on employee's behalf.
33. Tips.
34. Union steward fees.

2000 DUE DATES

Due dates for filing city tax returns and remitting payments in 2000 are as follows:

1999 INCOME TAX RETURNS

	<u>FORM</u>	<u>DUE WITH PAYMENT</u>
Calendar Year Taxpayers (Individuals)	IR-22 or IR-25	April 17, 2000
Calendar Year Taxpayers (Businesses)	BR-25	April 17, 2000
Fiscal Year Taxpayers (Individuals)	IR-22 or IR-25	15th day of 4th month following end of fiscal year
Fiscal Year Taxpayers (Businesses)	BR-25	15th day of 4th month following end of fiscal year

2000 ESTIMATED TAX

	<u>FORM</u>	<u>DUE WITH PAYMENT</u>
Declaration of Estimated Tax	IT-21 or IR-22	April 17, 2000
2nd Quarter	IT-18	June 15, 2000
3rd Quarter	IT-18	September 15, 2000
4th Quarter	IT-18	December 15, 2000

2000 EMPLOYER'S WITHHOLDING RETURNS

<u>QUARTER</u>	<u>PERIOD</u>	<u>FORM</u>	<u>DUE DATE</u>
1st Quarter	January, February and March	IT-11	April 30, 2000
2nd Quarter	April, May and June	IT-11	July 31, 2000
3rd Quarter	July, August and September	IT-11	October 31, 2000
4th Quarter	October, November and December	IT-11	January 31, 2001
YEAR END	Reconciliation of W-2s	IT-13	January 31, 2001

2000 EMPLOYER'S DEPOSITS OF WITHHELD

MONTHLY TAX LIABILITY

	<u>FORM</u>	<u>DUE ON:</u>
\$1.00 - \$300.00 (quarterly payments required)	IT-11	Last day of the month following the end of the calendar quarter
\$301.00 - \$1,000.00 (monthly payments required)	IT-15	15th day of the following month
\$1,001.00 or greater (semimonthly payments required)	IT-15	5 banking days after the 15th and the last day of the month

FILING NOTES

- A husband and wife, in any taxable year, may elect to file separate or joint returns, regardless of Federal filing election. If filing jointly and you have received a pre-encoded return, you should use the account number shown thereon when filing returns and declarations and making estimated payments. There is no mathematical tax advantage for a husband and wife to file separate City returns.
- All cities except Harrisburg and Lithopolis give full credit for tax documented as correctly paid to the city or cities in which income was earned. Harrisburg and Lithopolis only give credit for tax paid on income earned in Harrisburg and Lithopolis, respectively.
- If city tax on all income is completely and correctly withheld, taxpayers are not required to file individual income tax returns (does not apply to Harrisburg and Lithopolis residents). Taxpayers who receive a pre-encoded return, must file that return with supporting documentation to have an account inactivated.
- Only those employee business expense deductions reportable for Federal income tax purposes on taxpayer's Form 2106 will be allowed by the City.
- Affiliated corporations may not deduct a loss from any other corporation having a taxable profit and the operations of any affiliated corporation may not be taken into consideration in computing the net profits or the business allocation formula of another.
- Columbus city tax is not imposed upon employer paid health insurance premiums for 2% stockholder employees of an S-Corporation.
- Partnerships and those LLC's that are taxed as partnerships are required to pay, on behalf of partners and members, tax on all net profits determined to have been earned in Columbus, Grove City or Worthington. If an association's net profits or losses earned within a taxing jurisdiction are distributed among partners or members in a nonproportional manner (i.e. a net loss of \$10,000 is distributed as a \$20,000 gain to partner A and a \$30,000 loss to partner B), the partnership must pay the tax on all gains \$400 for partner A) before any losses can be used (by partner B) to offset other unincorporated business gains.
- Figures shown on the individual and business tax returns as well as the declaration of estimated tax may be rounded to the nearest whole dollar. Prior payments should be reported in the exact amount actually paid. No amount on any form should be rounded up or down in excess of the nearest dollar amount.

The Columbus Income Tax Division administers the municipal income tax for Columbus, Brice, Canal Winchester, Grove City, Groveport, Harrisburg, Lithopolis, Marble Cliff, Obetz and Worthington.