

Village of Rockford

* Income Tax Department*

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RE: MAJOR MUNICIPAL TAX CHANGES

Rockford, OHIO ~~~~ Payroll Tax Withholding Businesses

This letter is to inform you of major changes to municipal withholding tax laws beginning January 1, 2016. The 130th General Assembly passed and Governor Kasich signed into law Amended Substituted House Bill 5 back in December 2014 which mandates municipal income tax ordinances be amended to be in accordance with the provisions and limitations specified in Chapter 718 of the Ohio Revised Code.

Several withholding changes that you will see beginning next year are listed below; however, the list is not all-inclusive.

- **Withholding Payments** - Monthly withholding requirement for all businesses who remit more than \$2,399 in the previous calendar year -OR- who remit more than \$200 in any month in the previous quarter of the same calendar year.
 - o If you do not meet the criteria above, you shall continue to remit on a quarterly basis unless you voluntarily request a monthly remittance schedule. Please complete the enclosed Withholding Schedule Acknowledgement form and return to our office. Failure to remit an acknowledgment does not prevent your account from automatically changing if you meet the criteria above.
- **Withholding Due Dates have changed!**
 - o Monthly withholding remittance is due on the 15th day after the end of the month with no grace period (i.e. Jan withholding is due Feb 15th)
 - o Quarterly withholding remittance is due on the 15th day after the end of the quarter with no grace period (i.e. 1st quarter is due Apr 15th)
 - o Your payment must be postmarked on or before the due date to be considered on time and to prevent a late penalty described herein.
- **Reconciliations** MUST include all withholding districts (including non-taxable districts), not just the municipality in which you are filing. Spreadsheets acceptable in lieu of multiple W2's as long as all required information is accompanied with the spreadsheet including but not limited to, Name, Address, SSN, Wages, Tax, etc. This means that if your employee works in multiple taxing districts, you must supply an entire listing of all qualifying wages and tax paid to other districts with your reconciliation.

- **Penalties and Interest have also changed!**
 - o Interest is calculated using the Federal Short Term Rate (rounded) + 5% and is announced on our website in October of each year. For 2016, the interest rate is 5% per annum.
 - o Late return filings, including reconciliations, will be penalized \$25 per month or fraction thereof up to \$150 maximum. Reconciliations are due the last day of February each year with no grace period.
 - o Late withholding payments are penalized at a rate of 50% of the amount not timely filed. This is a penalty prescribed by the ORC Chapter 718. Specific language can be found at <http://codes.ohio.gov/orc/718.27>. The Village of Rockford must reluctantly adhere to this provision.

- **Small Employer Exemption**
 - o If your business total gross revenue is \$500,000 or less in the preceding tax year AND your business is not within the corporation limits of the Village of Rockford, you are exempt from the Occasional Entrant rules IF you provide exemption documentation (last year's Federal Return) to the Village of Rockford before the withholding due date described herein. You are still responsible with the municipality in which you may be a resident to file appropriate withholding. Therefore, you are not exempt from withholding, just exempt from remitting to the Village of Rockford.
 - o If your small business (under \$500,000 in total gross revenue) is within the Village of Rockford corporation limits AND you do work in other taxing/non-taxing districts AND you provide the other taxing districts your exemption documentation (last year's Federal Return), you may withhold from your employees the Rockford rate and remit to the Village of Rockford Income Tax Department the tax on all qualifying wages.
 - o Please be aware; however, your business may fluctuate from Small Employer to Large Employer from year to year based on your Federal Tax Return. Just because you are given an exemption one year does not give you the exemption for the next year. You must file exemption documentation each year if you plan to utilize the Small Employer Exemption for Occasional Entrants.

Lisa Kuhn
Village of Rockford
Income Tax Department

Enclosure