

Ohio Association of Public Treasurers Fall Conference Ohio Municipal Tax in New Work Environments

Bob Meaker, Chief of Tax Operations
October 5, 2022



1

Ohio Municipal Tax ~ New Work Environments

- In response to the COVID-19 pandemic, Ohio law permitted employers to withhold municipal income tax from employee wages as if employees are working in the office, regardless of where they have been performing their work.
- That rule ended December 31, 2021.
- January 1, 2022 we returned to the “old” municipal income tax withholding rules.

2

Ohio Municipal Tax ~ New Work Environments

What Are The "Old" Rules?

- Withhold Where Work is Performed
- Occasional Entrant Rule
- Small Employer Rule

3

Ohio Municipal Tax ~ New Work Environments

Old Rules – New Schedules

- Fully Remote – withhold for the employee's residence municipality, at the full rate, as the workplace municipality.
- Fully In Office – withhold like it's March 8, 2020.

4

Ohio Municipal Tax ~ New Work Environments

Old Rules – New Schedules

- Hybrid schedules, what we are hearing from employers –
 - Withhold day by day where work is performed
 - Prorate wages between office and home, based on actual or expected schedules and withhold accordingly
- For wages earned at home, the home municipality is treated like another work location, this is not courtesy residence withholding.

5

Ohio Municipal Tax ~ New Work Environments

Potential Impacts

- Who?
 - Everyone – employers, employees, and municipalities
- What?
 - New withholding obligations, employee residence tax impacts, and shifts in municipal revenues
- When?
 - As early as 1Q 2022
 - Refunds in 2023

6

Municipal Income Tax Shifts - Example

2021

- **Annual Salary:** \$60,000
- **Work Location:** Brecksville
- **Residence Location:** Shaker Heights

Description	Wages	%	Tax Amount
Brecksville Workplace Tax (100%)	\$ 60,000	2%	\$1,200
Shaker Heights* Residence Tax (After credit)		1.75%	<u>\$1,050</u>
Total Muni Tax			<u>\$2,250</u>

*Shaker Heights Tax rate is 2.25%, however, they give ½% credit for workplace.

2022

- **Annual Salary:** \$60,000
- **Work Location:** Brecksville (1 Day, 20%)
- **Work and Residence Location:** Shaker Heights (4 Days, 80%)

Description	Wages	%	Tax Amount
Brecksville Workplace Tax (20%)	\$ 12,000	2%	\$240
Shaker Heights* Workplace Tax (80%)	\$ 48,000	2.25%	\$1,080
New Amount To Be Withheld			<u>\$1,320</u>
Shaker Heights Residence Tax To Be Paid (Not Withheld)			\$210
New Muni Tax Total			<u>\$1,530</u>

7

Ohio Municipal Tax ~ New Work Environments

Other Considerations

- Tax credit or economic development incentives based on a company's payroll
- Impact on current agreements
- Drafting future agreements

8

Ohio Municipal Tax ~ New Work Environments

What About Tax Year 2021 Refunds?

- Ohio House Bill 110 made it clear that taxpayers who had tax withheld for the principal place of work municipality in 2021 while they worked from home may obtain a refund.
- What is RITA seeing in terms of 2021 work from home refund requests?

9

Ohio Municipal Tax ~ New Work Environments

What About Tax Year 2020 Refunds?

- Ohio House Bill 110 did not address tax year 2020 refunds for taxpayers who had tax withheld for the principal place of work municipality in 2020 while they worked from home.
- Litigation pending throughout the State to answer this question.
- Refund requests suspended.

10

Ohio Municipal Tax ~ New Work Environments

Pending Litigation – Tax Year 2020 Refunds:

- *Buckeye Inst. v. Kilgore*, 2021-Ohio-4196 (10th Dist.), *appeal not accepted* – City of Columbus
- *Schaad v. Alder*, 2022-Ohio-340 (1st Dist.), *appeal accepted by Ohio Supreme Court* Case No. 2022-0316 – City of Cincinnati
- *Curcio v. Hufford*, G-4801 CL-22-1009, Sixth District Court of Appeals, *appeal pending* – Cities of Oregon & Toledo
- *Morsy v. Dumas*, CV-21-946057, Cuyahoga County Common Pleas Court – City of Cleveland

11

Questions?



12

Thank You!

Bob Meaker, CTO

rmeaker@ritaohio.com

440.922.3207

