

IMPORTANT NOTICE FROM VILLAGE OF FAIRFAX

Employee Withholding Changes for 2016 per House Bill 5

New state law has mandated many changes to required employer local withholdings on their employees. A summary of the changes effective beginning January 1, 2016 are listed below.

Quarterly due dates: 1st quarter April 15,
2nd quarter July 15,
3rd quarter October 15,
4th quarter January 15

Reconciliations are due the last day of February and must include:

- 1) W-2 information for each employee working in the Village. (This can be actual W-2's OR summary report for all employees with the same information that would be on a W-2)
- 2) "Local data" naming other cities for which tax was withheld.
- 3) 1099 Miscellaneous forms issued to workers for work done in the Village of Fairfax.

Changes to Withholding requirements:

Rules for employers who send their employees to other locations are summarized below. For greater detail, see our Income Tax Ordinance No. 32-2015 Sections 5.051 and 5.052. This information is deemed to be in compliance with Ohio Revised Code 718 as effective January 1, 2016. (These rules apply to employee Withholding for 2016 and forward. *If you are paying employee Withholding for "2015 or earlier", the twelve day rule and other rules in Tax Ordinance No. 51-2008 will still apply.*)

- 1) Small employers with prior year total revenue of less than \$500,000 are exempt from withholding on their employees working in other cities, no matter how many days worked. These employers are only required to withhold for the city in which the business is located.
- 2) Determination of when a nonresident employee working for a nonresident employer has Village taxable wages center around the 20-day rule and preponderance of a day criteria. The 20-day rule allows a 20 day exemption from Village withholding except for the following:
 - a) The employer knows at the beginning of the project in the Village that the employee will be working in the Village for more than 20 days (presumed worksite location),
 - b) The Village or Village job location will be a "principal place of work" for the employee (see Section 5.052(A)(7) of Ordinance No. 32-2015)
- 3) The Preponderance of a day rules determine "one work city per work day" for the employee. All travel times between jobs, delivery of materials, and the like are attributed to the principal place of work. If the employee meets the preponderance of a day for more than 20 days, the employer is required to withhold Village tax on the 21st and future days that the employee spends the preponderance of the day in the Village. See our Income Tax Ordinance No. 32-2015 Section 5.052 (B)(2) for more details.

Penalties: The penalty for late payment of employee Withholding is 50% of the amount past due plus an interest charge of 0.42% per month (5% a year) on the unpaid balance. Interest rate is based on the federal short term rate plus 5% and may change each tax year (see Income Tax Ordinance No. 32-2015 Section 10 (A)(4)). A \$25.00 per month late filing fee can also be added.

Workplace definitions are very important to understand as "fixed locations, principal place of work locations and presumed worksite locations" require employee withholding from day one. Please feel free to call the tax office to discuss your circumstances as to whether there is a withholding requirement with the Village, 513-527-6506.