



## Income Tax Department

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### LETTER TO PREPARERS – HB5

Dear Preparers:

The following changes will go into effect beginning January 1, 2016 for Tipp City filers. These changes are brought about by Amended Substitute House Bill 5 (HB5) passed in December 2014. The list is not all inclusive, but does contain the major changes that take affect right away. Additional information regarding HB5 can be found at the following links:

City of Tipp City <http://tippcityohio.gov/services/finance/tax-department/>

Ohio Revised Code <http://codes.ohio.gov/orc/718>

The following is a list of some of the issues and changes that will happen first:

1. The new tax code “Chapter 39.60” goes into effect on January 1, 2016 and will apply to tax year 2016 and forward. The current tax code “Chapter 39.50” will continue to be in effect and will apply to tax years 2015 and prior.
2. Withholding thresholds, payments and penalties.
  - Employers must remit monthly if withholding in the previous calendar year exceeded \$2,399 or if the amount required to be withheld during any month of the previous calendar quarter exceeded \$200.
  - Employers may remit quarterly if their withholdings are under the thresholds described for monthly filers.
  - There is no requirement at this time to withhold Tipp City tax on a semi-monthly basis.
  - Monthly **and quarterly** withholding returns and payment must be received or postmarked no later than the 15th day of the month following the reporting period.
  - The late filing penalty is \$25 for each month (or fraction thereof) the withholding return is late with a maximum late filing penalty of \$150 per return.
  - The late payment penalty is a one-time 50% penalty of the unpaid or untimely filed withholding tax.
  - The interest rate for 2016 will be 5% per annum (.42% per month) and is imposed on each month (or fraction thereof) the withholding return is unpaid or untimely filed.
  - Penalty and interest abatement is no longer appealable.
3. The interest rate to be used by municipalities for tax year 2016 is 5% per annum or .42% monthly. The interest rate used shall be the federal short-term rate (rounded to the nearest whole number percent) plus five percent (5%). The rate shall apply for the calendar year next following the July of the year in which the federal short-term rate is determined.
4. HB5 requires taxpayers to include page one of their federal return with the municipal return.

5. The threshold for estimated tax payments increases from \$100 to \$200 for tax year 2016. The due dates will also change and will be the same due dates for all filers. The due dates are April 15<sup>th</sup>, June 15<sup>th</sup>, September 15<sup>th</sup> and December 15<sup>th</sup>. A taxpayer shall have 90% of their tax liability paid on or before December 15<sup>th</sup> to avoid underpayment penalty and interest.

Taxpayers and preparers can now view online the total estimated payments and credit carry forwards by visiting the city's website at [www.tippcityohio.gov](http://www.tippcityohio.gov), click on the Services tab, then Tax, then Payments and Credits under Quick Links.