

State of Ohio Policy Regarding Local Income Tax Withholding

Purpose

The purpose of this policy is to establish a uniform system for tax withholdings to aid state employees in meeting their obligations to pay income tax to the various municipal taxing districts in which they work and live.

General Principle

State of Ohio employees are responsible for paying municipal income taxes. As an employer, the State of Ohio regularly withholds local taxes from employees' earnings to facilitate a more convenient method of paying employee tax obligations. The state also has an interest in ensuring that tax-supported employees are paying their share of taxes. In furtherance of that interest, the State requires employees who are subject to local municipal income taxes to regularly withhold the proper amount of taxes from their compensation.

State employees who are subject to a municipal income tax because of their work location are required to authorize their appointing authority to withhold the full percentage of local municipal income tax based on that location. Additionally, if a state employee is also subject to a local municipal income tax because of where the employee resides, the employee is required to authorize the appointing authority to also withhold the proper percentage of local municipal income tax based on the employee's residence. The residential tax rate will take into account any credits or off-sets to which the employee is entitled to as a result of having local municipal income taxes withheld based on the employee's work location.

Employees with Multiple Work Locations

Some state employees are required to perform their job duties in multiple locations within the state. The transient nature of these employees' work assignments can make them subject to municipal income tax liability in more than one municipal income taxing district. These types of employees fall into one of the three following situations and the withholding requirements vary depending on the situation:

- 1) Type 1: Employees who work a standard percentage of their time at their headquarters location and a standard percentage of their time at other set locations.**

By December 1st each year, Type 1 employees shall file a local municipal withholding authorization with their appointing authority that reflects the percentage of time the employee expects to work at each location during the next calendar year. The authorization will allow the appointing authority to withhold local municipal income tax from the Type 1 employee based upon the percentage of time the employee is

expected to work at each location and the applicable tax rate for each location. These allocations shall account for 100% of the employee's work schedule.

After a Type 1 employee makes an initial filing with their appointing authority, the employee will not be required to make additional annual filings unless the employee's work locations or time allocations are expected to change in the upcoming year.

2) Type 2: Employees who work at various locations, but who do so in accordance with a pre-established work plan.

By December 1st each year, Type 2 employees shall file a local municipal withholding authorization with their appointing authority that reflects the percentage of time the employee expects to work at each location during the next calendar year based upon the pre-established work plan that covers the Type 2 employee's position. The local withholding authorization will allow the appointing authority to withhold local municipal income tax from the Type 2 employee based upon the percentage of time the employee is expected to work at each location and the applicable tax rate for each location. These allocations shall account for 100% of the employee's work schedule.

Type 2 employees shall update their local municipal withholding authorization at a frequency determined by their appointing authority.

3) Type 3: Employees who work at various locations, but with no pre-determined selection of their work locations.

By December 1st each year, Type 3 employees shall file a local municipal withholding authorization with their appointing authority that allows the appointing authority to withhold local municipal income tax from the employee based upon 100% of their time worked being attributed to their headquarters location. The appointing authority will withhold local municipal income tax based upon the 100% time allocation to the headquarters location.

After a Type 3 employee makes an initial filing with their appointing authority, the employee will not be required to make additional annual filings unless the nature of their work assignments or position changes for the calendar year in question.

Employee Responsibility

Employees are responsible for making any applicable tax filings and paying any taxes or seeking any refunds that may be necessitated based on the actual hours worked at each location. All three types of employees who work at multiple locations should log their actual time worked at each location during the calendar year in order to determine whether the projected local municipal income tax withholdings properly reflected how much time the employee actually worked at each location.

Appointing Authority Responsibility

Appointing authorities are responsible for determining any agency-specific deadlines or internal processes or procedures that may be necessary in order to come into compliance with the December 31 deadline established in this policy.

Failure to Comply with Policy

The failure of a State of Ohio Employee to make a good faith effort to comply with this policy will subject the employee to discipline, up to and including termination.

1 Hugh Quinn

Director, Ohio Department of Administrative Services

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Effective Date