



Information for Employers Withholding City of Sidney Income Tax

Questions? Contact us at:
(937) 498-8111 (phone)
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Email - tax@sidneyoh.com
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INCOME TAX RATE

Effective with wages paid in 2020, and continuing for **five** years, the income tax rate has increased to **1.65%**.

GENERAL INFORMATION

Every employer located within the City of Sidney or doing business within (Except those employers not located inside the City of Sidney who qualify for the **Exemption** – see additional information below) the City of Sidney who employs 1 or more persons is required to withhold City of Sidney income tax at the rate of 1.75% from wages subject to withholding. Amounts withheld are then required to be remitted semi-monthly, monthly, or quarterly (see due dates below) Payments may be made either directly to the City of Sidney or via the Ohio Business Gateway. Contact our office or visit www.obg.ohio.gov for more information.

WAGES SUBJECT TO WITHHOLDING

The Ohio Revised Code (ORC) Section 718.03 mandates that an employer withhold city tax on “qualifying wages” as defined in Internal Revenue Code (IRC) Section 3121(a), generally the Medicare Wage Box of the W-2 form, with additions and deductions. Medicare exempt employees are still subject to the requirements for tax withheld on “qualifying wages” even though the Medicare wage box on their Form W-2 will remain blank.

Items subject to the “qualifying wage” withholding requirement include, but are not limited to, 401(k), 457, supplemental unemployment compensation benefits (SUBpay), nonqualified deferred compensation plans, stock options, car allowances, cost of group term life insurance coverage over \$50,000, sick pay (not paid by a third party), strike pay, etc. Items exempt from withholding include Section 125 plans.

For clarification on any item, or for additional information, refer to your IRS publication regarding IRC 3121(a) and to the ORC 718.03 for a definition of “qualifying wages.”

20-Day Rule: Determination of when a nonresident employee working for a nonresident employer has wages taxable to the City of Sidney centers around the 20-day rule and a preponderance of a day criteria. The 20-day rule allows a 20 day exemption from Municipal withholding unless the employer knows at the beginning of the project in Sidney that the employee will be working in Sidney more than 20 days or that Sidney will be a principal place of work for the employee. The preponderance of a day rule determines one work city per work day for the employee. All travel 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 Municipal tax on the 21st day and all future days that the employee spends the preponderance of the day in that Municipality.

Exempt from withholding: Small Employers with prior year total revenue less than \$500,000 are now exempt from withholding on their employees working in **other** municipalities no matter how many days worked. These employers must **now** withhold from employees for the municipality in which their business is located. To qualify for the exemption the employer must provide a copy of the immediately preceding year’s federal tax return on or before April 15th of the calendar year. The “small employer” does not apply to any governmental entity or agency.

DUE DATES

Semi-Monthly – If your total withholdings are greater than \$11,999 or if the amount required to be withheld during any month of the previous calendar quarter exceeded \$1000, then you are NOW required to pay **ELECTRONICALLY** either via the Ohio Business Gateway (www.obg.ohio.gov) or by ACH directly to the City of Sidney. **2022 payments are DUE by the THIRD banking day after the 15th and last day of each month.**

Monthly – If your total withholdings are greater than \$2,399 or if the amount required to be withheld during any month of the previous calendar quarter exceeded \$200, then your 2019 payments are **DUE** by the **15th calendar day** of the following month. For monthly withholders, all returns and payments are due on or before the 15th of the following month for which the amount was withheld. For example, amounts withheld from employees for the month of February must be remitted to the City of Sidney no later than March 15.

Quarterly – If your total withholdings are less than \$2,399 or less than \$200 in per month of the previous quarter, then your 2019 payments are **DUE** by **April 30th, July 31st, October 31st, and January 31st**. For quarterly withholders, all returns and payments are due on or before the last day of the month following each calendar quarter. For example, amounts withheld from employees during the months of January, February and March must be remitted to the City of Sidney no later than April 30th.



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PENALTY AND INTEREST

Payments received after the due date are subject to:

A one time penalty of 50% of the amount not timely paid.

Reconciliation returns are subject to a penalty of \$25 per month or fraction thereof, up to a maximum of \$150.

Interest of 6% per annum (.5% per month) with the rate announced annually on October 31.

ANNUAL EMPLOYER RECONCILIATION OF INCOME TAX WITHHELD

On or before February 28th of each year, every employer must file a Reconciliation of Income Tax Withheld. (This filing will include wages reportable and tax paid in the prior calendar year on employee withholding for the City of Sidney.)

Copies of all W-2 forms applicable to the Reconciliation must be attached. All W-2's must furnish employee's name, address, social security number, qualifying wage compensation, and Sidney tax withheld. If more than one city tax was withheld, then the W-2's must show a breakdown of each city that tax was withheld for, the wages earned in each city, and the amount of city tax withheld for each city.

Any employer with more than 150 employees subject to Sidney withholding is required to remit the Annual Reconciliation of Returns and copies of the W-2 Forms via Magnetic Media in a format prescribed by the Tax Administrator. These instructions are found at www.sidneyoh.com.

In addition, any individual or business entity compensating persons on a commission or contract labor basis must furnish copies of the form 1099 issued by February 28th of each year. All 1099's shall require the same type of information as is required of the W-2 forms as stated above.

Not filing the reconciliation or not including W-2 copies may subject you to a penalty of \$25.00 per return up to a maximum of \$150.00.