

FREQUENTLY ASKED QUESTIONS

Q. I worked from home, but my employer withheld city tax for where the office is located; can I get a refund from the work city?

A. For tax year 2020, the answer is “not at this time.” Governor DeWine issued a State of Emergency Order in March of 2020 required employers to continue to withhold the current work city tax as prior to COVID-19. This was to keep revenues steady for the cities and to alleviate employer’s sudden payroll system changes to employee cities. There are several lawsuits contesting this very issue in the courts throughout Ohio, so the final decision has yet to be made. Many work cities are placing the remote work refunds on hold until that time.

Since the situation lasted longer than anticipated, legislators adjusted the Governor’s declaration and permitted employees to request refunds for remote workdays for tax year 2021. Our office is happy to assist our residents in completing these Nonresident Refund requests (NRRs) and the refund amounts can be applied to your account to pay additional Village tax due for reduction of work city credit. Any overpayment can be refunded or moved forward to the next tax year as desired.

Q. Why does the Village tax the Medicare wages, when federal and state tax Box 1 wages from the W-2 is often a lower amount?

A. Medicare wages can be higher than Box 1 federal wages due to deferred compensation. State law requires Medicare wages to be used as local wages (with a few rare adjustments). Cities are prohibited from taxing deferred compensation distributions (as reflected on Form 1099-R), so these earnings are taxed as they are earned and contributed to the retirement funds. Federally deferred stock options or compensations earned that may not be included in Medicare wages are includible in Village wages.

Q. Why was a resident charged penalty and interest on a tax return on Federal Extension and timely filed on or before the extended due date?

A. The filing of an extension only extends the time to **file** the tax return; it **does not extend the time to pay**. As with federal and state returns, taxpayers using extensions must estimate the amount of tax due and pay the tax by April 15th to avoid late payment charges. The Ottawa Hills Income Tax Office will accept federal extensions attached to Village returns mailed by the extended due date of October 15th to waive the late filing penalty of \$25 per month late for returns filed after that date. The maximum amount of late filing fee that can be charged is \$150. Taxpayers not requesting a federal extension, but wish to have a Village extension, may still request additional time to file by forwarding a request to the tax office.

Q. Why are college students away at school required to file an Ottawa Hills Income Tax Return?

A. The Ottawa Hills Income Tax Ordinance requires residents of the Village who have an active account to file an Ottawa Hills Income Tax Return. There is no minimum age or minimum income requirement. Students away at school are considered legally domiciled at their parents’ home. School is a temporary situation that does not require a change in legal domicile. Therefore, students who earn income while away at school, on spring breaks, or during summer vacations, are required to file an income tax return with Ottawa Hills on those earnings. As with any taxpayer, the tax office cannot assume a student or taxpayer with an active account did not earn any income simply because a return was not filed. A student/taxpayer who did not receive any earned income, but has an active account, can file a return by simply stating on the front of the form “No income” and file the return. The tax office assists in preparing Village returns at no charge, whether in person or by phone.

Q. Why were my credits for other city tax reduced? I paid tax to other cities, but I was not permitted credit for all the tax paid.

A. Several adjustments may come into play. The income must be taxed by both cities, and not be paid or withheld in error. Refunded work city withholdings require withholdings reduced by the refund amount before applying the credit factor. Any reduction of Village wages, or reduction of work city wages will limit the allowable credit on the work city tax withheld.

Residents with business income must consider the netting rules that can reduce various business incomes with past or present business losses (wages cannot be reduced by losses). If this netting reduces income taxed by another city, the credit will also be reduced. When various business sources are in the same work city, a loss in one entity will reduce income earned in the same city. Prior year losses and losses in no-taxing localities can reduce net profits earned elsewhere; these reductions reduce the eligible credits. Feel free to contact the tax office for a copy of the Credits Policy for more details.

Q. How can the Village tax both a renter living in the Village as well as the landlord of the rental property? Isn't that double taxation? My landlord says he pays the taxes.

A. When a property owner rents a home or apartment to another, he or she is conducting a business on the same property in which a resident is living. While the property owner pays the property taxes (collected by Lucas County), he or she is still required to pay income tax on the business profit of renting property in the Village.

A renter moving into the Village becomes a resident receiving Village services (police and fire protection, streets maintenance, trash and recycling). These services are paid for from Village tax revenues. Renters with earned income are required to file and pay Village income tax on their income.

Since the Village taxes earned income of both Village residents, as well as business conducted in the Village, both taxpayers must file on their earned income. Note that when the landlord pays the property tax to the county, that item is a business expense on the landlord's income tax return. Neither one of these taxpayers is being taxed twice by the Village on their income.

Q. What forms are now required to be attached to individual Village income tax returns?

A. A copy of the Federal tax return (1040 for individuals) is a required attachment along with copies of all W-2s. At times, a W-2 may have only local amounts, listing the federal and state amounts on a separate W-2; both are required to properly reconcile federal and Medicare wage amounts, as well as to provide local tax credits. To ensure maximum credit for other city tax paid, verification may be on multiple copies of the same W-2. Sometimes copies of other city tax returns or statements in partnership K-1s are what is needed to verify other city tax.

Schedules within the Federal 1040 return will also be required depending on types of income or loss. Many returns can be many pages long, and we do not often need the entire return. Applicable schedules most often required include, but are not limited to: Schedule 1, Schedule C business profit or loss, Schedule E page 1 rentals and page 2 pass-through entities like partnerships and trusts (page 2), Schedule F farm income or loss, Schedule 4835 farm rentals and at times, Form 4797 gain or loss on sale of business assets. While S-Corp owners continue to be taxed on wages (per their W-2s), they are not taxed on their share of K-1 income (other cities may continue to tax this), so adjustments will be necessary to remove these incomes or losses from the Schedule E total for the Village return. Therefore, if the Schedule E, page 2 does not list all the entities but references another statement, we need a copy of that statement.