

Troy Tax Facts

CITY OF TROY INCOME TAX DIVISION

IMPORTANT CHANGES AS OF 1/1/09:

- Gambling and Lottery winnings are taxable
- Late Filing fee increased
- Amounts under \$5 to not be collected or refunded
- Losses may no longer offset wages, commissions, other compensation and other taxable income.
- 2106 Expense deduction is limited to the amount after the 2% AGI
- 1/2 SE Tax and self-employed health care deduction not allowed

NEW INCOME TAX ORDINANCE APPROVED BY COUNCIL

To comply with changes to the Ohio Revised Code Section 718 over the past several years, and to bring the income tax ordinance more in alignment with regionally uniform issues, a complete revision of Chapter 171, Income Tax Ordinance has been done.

The previous Ordinance, with accompanying Rules and Regulations, will not affect any tax filing after 12/31/08. **Beginning 1/1/09, all tax returns filed (even prior year returns) will be subject to the new Income Tax Ordinance and its provisions.**

Income Tax Division staff have prepared this newsletter to assist in providing the best and most up to date information for all tax preparers in the area who may be affected by these changes,

and to help them provide clear and accurate information that can be shared with their clients.

Additional information can be found at the City's website at www.troyohio.gov. Simply click on the link at the bottom of the main page that says "New Tax Ordinance Information."

The New Tax Ordinance Information page is full of great information to assist residents and tax preparers alike with any city tax related matter. Frequently asked questions, updated newsletters, tax forms and the new Income Tax Ordinance can all be found on the City's website!

If you are a tax preparer, and would like to sign up for one of our New Ordinance Orientation Sessions, please contact Michelle Jordan at (937) 339-

3861. New Ordinance Orientation Sessions date and times available are listed on the back page of this newsletter.

We look forward to working with residents and tax preparers in this upcoming and all future tax seasons. We hope that the updated Ordinance changes included in this newsletter helps to provide the necessary information for successful income tax preparation for the City of Troy!

NEW ORDINANCE ORIENTATION SESSIONS AVAILABLE!!! SEE SCHEDULE ON BACK COVER FOR INFORMATION ON HOW TO REGISTER. SEATING IS LIMITED!

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INFORMATION AND FILINGS REQUIRED BY ALL LANDLORDS

Effective 1/1/09, all owners of Troy rental property who rent to tenants of residential, commercial and industrial property must make an annual filing with the Tax Administrator. These filings are due on July 1 of each year. Filings

will consist of the name, address and telephone number (if the phone number is available) of each tenant.

For tenants who have vacated property within the previous 12 month period, the owner must also report

date moved out, and forwarding address.

Forms for reporting can be found at www.troyohio.gov. For additional information, please contact the Income Tax Division at (937) 339-3861.

LOSS OFFSETS AGAINST W-2 WAGES AND OTHER INCOME

In the past, the City of Troy Ordinance allowed losses from federal schedules to offset wages and other compensation. With the changes in the new Ordinance, these offsets are no longer permitted against wages or other income.

The Ordinance now states: *“Losses from federal schedules and other sources reported for federal income tax purposes cannot be used to offset qualifying wages, commissions, other compensation and other taxable income earned or received by residents or nonresidents of the Municipality.”*

“If an individual is engaged in two or more taxable business activities to be included in the same return, the net

loss of one unincorporated business activity may be used to offset the profits of another (except any portion of a loss or profit separately reportable for municipal tax purposes to another taxing entity) for purposes of arriving at overall net profits or net operating loss.”

For practical application, this means that no loss can ever offset W-2 wages, commissions, other compensation or other taxable income. To arrive at overall net profit or loss from more than one activity, the business activities can be netted together to arrive at overall profit or loss, except when any portion of any profit or loss is reportable to another municipality

for municipal tax purposes.

For example, if a Troy resident has Dayton rental loss and Troy business profit, the Dayton rental loss may not offset the Troy business profit. Another example: If a Troy resident has Huber Heights partnership loss and Troy rental profit, the partnership loss cannot offset the rental profit. In no case can any loss offset wages. If more than one activity is netted together and the result is an overall loss, the loss cannot be used on the return.

In this region, 22 of 29 cities (or 76%) do not permit a loss offset against wages or other income. This Ordinance changes assists us in achieving a more regionally uniform application of loss offsets, and should make compliance much easier for practitioners and taxpayers alike.

GAMBLING / LOTTERY TAXABLE

Chapter 171.03(A)(3) states that the tax is imposed on:

“all income derived from anywhere from prizes, awards, gaming, wagering, lotteries, gambling, or schemes of chance by a resident, and on all income derived from prizes, awards, gaming, wagering, lotteries, gambling, or schemes of chance

by a nonresident when such income is won or received from sources within the Municipality.”

This is a new addition to the Troy Income Tax Ordinance. **Effective with any return filed on and after 1/1/09, this type of income will be taxable.**

The Ohio Lottery Commission will issue 1099's to persons who win over the minimum threshold for reporting, but other winnings will still be taxable, even if not reported on a 1099.

Remember to include this income with your 2008 tax return filings

NON-ORDINANCE RELATED CHANGES

With the introduction of the new Income Tax Ordinance, we have also made changes to non ordinance related issues.

Effective 1/1/09, please note the following for any tax return filed with Troy:

- 1/2 Meals only will be allowed. The additional 1/2 not allowed for federal purposes will not be allowed for Troy purposes.
- 1/2 SE Tax Deduction will not be allowed. This is a federal adjustment to federal taxable income, based on a federal tax, and is not an expense of the business. It will no longer be deductible for Troy tax purposes.
- 2106 Expenses will be allowed after the 2% AGI. Remember to include the 2106 and a copy of pages 1, 2 and Schedule A from the federal return.
- Health insurance premiums paid by an individual will not be permitted. ORC 718.01(E)(3) states that a municipality may allow the deduction by Ordinance, however, Troy has not adopted such legislation to allow this deduction.
- H S A Account contributions by an individual will not be allowed. ORC 718.01(E)(2) states that a municipality may allow a deduction by Ordinance, however, Troy has not adopted such legislation to allow this deduction.

NEW GUIDELINES FOR PAYMENT OF ESTIMATED TAX

To be consistent with the requirements of the Ohio Revised Code, the section regarding Quarterly Estimated Tax payments (Section 171.07 of the new Ordinance) has been updated.

The amount required to be paid (in either withholding, credit from prior year, or estimated tax payments) is 90% of current year liability, or 100% of prior year liability. The increase to 90% of current year is different from our previous ordinance requirement of 70%. If you have paid in an amount equal to 100% of the previous year's liability, this is called "Safe Harbor",

and you will not be penalized, even if current year liability is substantially greater than the prior year.

Quarterly payments of at least 22.5% of estimated liability for individuals are required in installments due on April 15th, July 31, October 31 and January 31. For taxpayers that are not individuals, the declarations are due on the 15th day of the fourth, sixth, ninth and twelfth months after the beginning of the taxable year.

These dates and requirements are consistent with the Ohio Revised Code

Section 718.08.

Penalty will be assessed when a taxpayer has failed to meet the 90% of current year or 100% of previous year threshold. The penalty is 10% of the difference between 90% and the amount actually paid through withholding, estimates, or prior year carryforward.

Forms for filing estimated tax will be provided with the tax return package, and will no longer be mailed out on a quarterly basis. Additional forms will always be available on our website.

GUIDELINES FOR ORDINANCE CHANGES

To assist you with understanding the changes in the new Ordinance, please refer to this quick guideline for items not included elsewhere in this newsletter:

- Covenants not to compete and cancellation of indebtedness are taxable income to the extent included in federal taxable income.
- Guardian, executor, conservator, trustee, administrator fees are taxable.
- Payments of overall tax liability of less than \$5 or overpayments of less than \$5 will not be collected or refunded.
- All withholding accounts will be required to file Monthly.
- Due dates for employer reconciliation of returns and W-2's is extended to February 28th of each year.
- Copies of 1099-MISC must also be filed by February 28th of each year.
- Employer is liable for failure to

make payment of withholding tax, and personal individual responsibility can be pursued against any individual including officers, members, managers, employees and trustees having control or supervision or charged with responsibility for filing returns and paying withholding tax.

- Payment agreements can be extended beyond 6 months when the Tax Administrator deems it in the best interest of the City to do so. A payment agreement will only be allowed one time for a resident, and future tax liabilities and current liabilities (through the duration of the payment agreement) must be kept current or the payment agreement is void.
- Failure to file penalty has increased to \$25 for the first 30 days, and \$50 beginning with day 31.
- Penalty and interest for late payment have changed. Refer to 171.10 for details.
- Language has been added to the

Ordinance to charge taxpayers any attorney's fees, documented fees incurred by the City with regard to litigation, legal services rendered leading up to litigation and any legal services rendered in connection with collection efforts, whether or not litigation results, and any agency fees incurred by the City of Troy in connection with collection efforts.

- Credit for JEDD tax withheld is allowed as a credit on the City of Troy tax return.
- Definitions have been updated, further clarified, and some eliminated from the Ordinance.
- 10 day grace period on late payments has been eliminated.
- There is no longer a 180 day residency requirement prior to becoming a "resident" for income tax purposes. Refer to 171.01, definition of "domicile".

Other changes can be found on our website.

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**NEW ORDINANCE ORIENTATION
SESSIONS AVAILABLE FOR
TAX PREPARERS!**

Thursday, November 6, 2008
City Hall, 100 S Market St, Troy OH 45373
Basement Conference Room

Sessions are scheduled for:

9:00 am to 10:30 am

1:00 pm to 2:30 pm

There is no charge for these sessions!

Contact Michelle Jordan at 937-339-3861 to register, or e-mail at michelle.jordan@troyohio.gov. Be sure to include your name, address, phone number, e-mail and the session you wish to attend.

SEATING IS LIMITED! CALL TODAY!!

ITEMS AVAILABLE ON OUR WEBSITE:

- Individual Income Tax forms and instructions
- Business Income Tax forms and instructions
- Withholding remittance forms for employers who withhold and pay Troy city tax
- Income Tax Ordinance, Chapter 171
- Frequently Asked Questions
- This newsletter, as well as future issues!
- Outline of changes to the Income Tax Ordinance
- Links to the State of Ohio Department of Taxation for purposes of finding School Tax Information
- Link to the Ohio Revised Code, Section 718

THIS NEWSLETTER IS BROUGHT TO YOU BY:
TROY INCOME TAX STAFF MEMBERS:
Michelle Jordan, Fiscal Supervisor
JoAnn Oak, Vivian House, Sheri Walker and Cindy Weaver, Troy Income Tax Specialists

**TAX PRACTITIONER OPEN HOUSE TO
BE HELD AT TROY TAX OFFICE**

Throughout the tax season, we have the opportunity to talk to many of the tax preparers and practitioners in the area who are hard at work assisting our taxpayers with compliance issues. Although forms are available on our website, and answers can be easily made by phone, we rarely have the opportunity to meet all of the wonderful professionals who are working towards the same goal that we are. Our common goal of assisting Troy residents is

something that we take seriously, and we appreciate the diligence and dedication of the many tax preparers in the area. To thank you more personally, we are hosting an Open House on Thursday, January 15, 2009 from 9 am to 10:30 am. We would love to have you stop by and meet the staff! Refreshments will be served.

This is our way of saying "thank you" for all of your hard work each tax season. We look

forward to working with you through many more!

Please stop by and meet the Staff! Michelle Jordan, Fiscal Supervisor, and JoAnn Oak, Cindy Weaver, Sheri Walker and Vivian House make up the team of municipal tax professionals who will be working with you to assist your clients.

Please take this opportunity to come by and meet us, and to let us again say "thank you" for everything you do.