



NWOTCA  
September 19, 2007

# Ohio Business Gateway Municipal Income Tax Filing Withholding Returns & Payments



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# Agenda

- Project Overview
- Feedback and comments related to net profits returns, payments, and extensions
- Withholding returns and payments
- Closing Q/A and discussion



# Project Objectives

- Based on H.B. 95 passed in 2003
  - ORC 718.051
  - Businesses may choose to use OBG to file and pay municipal income taxes
- Includes:
  - Net profits tax
  - Employer withholding
- Incremental deliverables through 2008



# Project Phases

- 2005. Estimated Payments and Extension Requests
- 2006. Net Profits Return
- 2007. Employer Withholding Returns and Payments
- 2008. Employer Withholding Reconciliation Reports



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# Project Scope

- 550+ municipal tax entities
- 100+ municipal banking partners
- All businesses who file municipal taxes in Ohio



# Constraints based on H.B. 95 Testimony

- State/Ohio Department of Taxation (ODT) does not centrally collect the tax.
- State/ODT does not administer the tax.
- State/ODT does not audit the tax.
- State/ODT does not charge any fees to cities.
- State/ODT does not hold/handle the funds.



# Electronic Filing Overview

- Business registers with municipality to establish tax relationship.
- Business logs on to OBG and file and “pay” with one or more municipalities.
- OBG processes filings and distributes tax data and ACH debit payment instructions to municipality and banking partner.
- Municipality’s banking partner processes ACH debit payment instructions to transfer funds directly from business’ account to municipality’s account.
- Business sees individual debits for each municipality paid.



# General Feedback

- Some businesses report that they've been advised that they must submit paper forms in addition to filing electronically with OBG, or that the muni doesn't accept any returns filed via OBG.
  - Filing tax forms and making payments through OBG should be sufficient as per ORC. Supplementary data, e.g. copies of IRS forms, may still need to be sent via other methods.



# Activity Reports Comments

- “My human readable reports are hard to read. Data is all over the place.”
  - The reports are designed for a fixed-sized font. Make sure your software isn’t converting it to another font.



# Activity Reports Questions

- “Why do I get reports even when no one has filed?”
  - Daily reports provide positive confirmation that daily processing is complete and no one has filed.
- “How can I not receive machine readable activity files?”
  - ***Send an updated profile certification any time anything in the profile changes.***



# Funds Transfer Comments

- “I’ve heard that the state is consolidating money sent through OBG.”
  - No! All OBG-related money transfers are handled by the banks and money goes straight to city accounts.
  - ALSO... net profits tax and withholding tax payments can be deposited to different accounts (if desired by city) to avoid commingling within the city’s accounts.



# Funds Transfer Comments

- “I’ve received payments that were rejected because of ACH debit blocking.”
  - Business may initially not know they have debit blocking enabled on their account
  - City handles like any other rejected payment (e.g. bounced check)
  - City may need to provide business with an Originator ID (from bank) so that future debits from the city can be permitted



# Funds Transfer Comments

- “I think NACHA files are hard to read.”
  - Don’t read them! They’re not intended for humans.
  - Readable transaction detail is in the activity report.
- “I only see a person’s name (no company) on the rejected payments report from my bank.”
  - OBG now identifies company (receiver) in NACHA file by combination of company name and user name.
  - OBG session ID provides link to all other data.



# Payment Questions

- “How can business pay an amount due without filing a return?”
  - The business can create and file an income tax estimated payment or a withholding payment only (not a return).
  - This creates a basic “coupon” that identifies the type of tax, business, account number, and amount to pay (as well as other information).



# Net Profits Returns Questions

- “OBG says the city doesn’t require PTEs to file a return, but I’ve filed one for years.”
  - Reference point is city’s answer to certification question 9.
  - Return on behalf of owners is on the OBG agenda.



# Withholding Returns & Payments

- Built on foundation of existing applications
- Many similarities, few changes
  - Electronic mailboxes
  - Activity reports
  - NACHA files



# Activity Report Files

- Municipalities will now have 2 activity report files per day (4 if both human- and machine-readable files are provided).
  - Withholding data is in a separate file and not combined in same file with data for net profits returns, estimated payments, and extension requests.
- First line of file still shows version number and dollar amount of payment transactions.



# NACHA Files

- All payments are included in one NACHA file for the bank.
- For those municipalities who deposit withholding and net profits funds to separate accounts, the NACHA file's internal structure supports that distinction and enables your bank to handle your deposits accordingly.
- If your bank requires you to validate the dollar amount of the NACHA file, you will need to add the amounts from each of your activity report files.



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# Overview of Online Withholding Returns and Payments Application

Note: screen shots are also available online  
at the project web site



# Activity and Usage

- Withholding Returns are now the highest volume municipal transaction
- For calendar year 2007 (through August 31):
  - More than 23,000 total muni reports and \$12M total payments
  - More than 16,000 withholding returns and \$11M withholding payments



# Upcoming Enhancements

- Net Profits Returns, Estimated Payments, Extension Requests (October target)
  - Navigation improvements for businesses filing with hundreds of municipalities
  - Reformatted estimated payments reports
  - Many more based on feedback and comments



# More Upcoming Enhancements

- Enable practitioners and third party service providers with more convenient and efficient use of OBG (target is Spring 2008)
  - e.g. Such groups can use OBG today, but they must have a different UserID assigned by each client business.
- Permit users to upload required data instead of entering data via keyboard



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**Q/A**

**Discussion**



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## **Contact Information**

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