



**NW Ohio Tax Commissioners Association  
Ohio Municipal Income Tax Seminar  
October 6, 2006**

# Ohio Business Gateway Municipal Income Tax Project



# Agenda

- OBG Overview
- Municipal Income Tax Project
  - General Overview
  - Net Profits Return
  - Withholding Payments
- Upcoming Features
- Q/A



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# OBG Overview



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# What is OBG?

A web-based system that allows businesses to report and pay selected obligations within the state of Ohio.



# Attributes

- Simplifies Ohio business tax reporting and payment relationships
- Groups common processes in one place
- Emphasizes recurring events
- Complements agency web sites



# Target Audience

- Ohio businesses
- Practitioners representing businesses
- Not for personal (individual) filings



# Multiple Ohio Agencies

- Department of Taxation
- Bureau of Workers' Compensation
- Department of Job and Family Services
- Department of Commerce
- Municipal Tax Departments



# Scope of Services

- State and Local government agencies
- Up to 27 electronic forms and filings
- All data and payment information sent to agency (and agency's bank) for processing
- OBG is not “system of record”



# Electronic Filing Process

- Business registers with agency to establish tax/program relationship (some registrations can be done on OBG)
- Business logs on to OBG and file and “pay” with one or more agencies
- OBG processes filings and distributes data and payment instructions to agency and agency’s banking partner
- Agency’s banking partner processes payment instructions to transfer funds directly from business’ account to agency’s account
- Business sees individual debits for each agency paid



# 2006 OBG Usage

- 500,000 reports filed
- \$1.5 billion paid electronically
- 115,000 businesses have used OBG to file something in the past year



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# Municipal Income Tax Project

## General Overview



# 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

- I. Estimated Payments and Extension Requests – available 2005
- II. Net Profits Return – available 2006
- III. Employer Withholding Returns – 2007
- IV. Employer Withholding Reconciliation Reports - 2008



# 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 the funds.



# Benefits for Municipalities

- Online electronic filing is provided at no cost from OBG
- Improved consistency and quality of tax data
- Potential to integrate with tax administration software systems to reduce data entry efforts
- Opportunity to reduce the “collection float”



# Benefits for Businesses

- Simplifies reporting and payment processes
- Facilitates compliance activities
  - Local tax provisions built into OBG, including accurate tax rates
  - Automatic generation of amended returns
- Reduces paperwork
  - One common “form” for hundreds of municipalities



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# Net Profits Return

## Overview



# Net Profits Return as per ORC

- Federal Starting Point
- Common Adjustments
- Entity Type Adjustments
- Calculation of Apportionment Ratio
- Municipality Specific Adjustments
- Final Adjustments



# Features

- Original and Amended returns
- In-progress work can be saved and completed later
- Online ACH debit payments
- Payment scheduling
- Access to historical filing information



# How does OBG manage returns with multiple municipalities?

- Users create one “set” of municipal Net Profits Returns per tax year, and the set can contain any number of municipalities. There can only be 1 set of municipal tax returns on OBG per tax year.
- All returns in the set are designed around the ORC tax computation process and especially the portion which is common to any municipality. Common data is entered only once for the entire set.
- The OBG application allows for municipality-specific data entry as defined by ORC.
- OBG sends separate tax returns to each municipality in the set. Municipalities see the same common information but only their own municipality-specific information.



# Amending Returns

- All amendments start from an existing set of tax returns for a given tax year.
- If a user needs to file with another municipality for the same tax year, the user must add the new municipality to the existing set of returns for that tax year. There can only be 1 set of municipal tax returns per tax year on OBG.
- If a user makes changes that impact the common portion of the set of tax returns, OBG will automatically generate amended returns for each municipality that is part of the set.
- If a user makes changes that only impact municipality-specific information, OBG will only generate amended returns for the municipalities affected.



# Special Cases Not Currently in Scope

- Sole Proprietors
- Consolidated Filers
- “Agency” returns filed by partnerships
- Alternative Methods for computing fair and equitable apportionment
- Certain special cases of short year returns



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# Help & Support Resources

- General information
- Tax calculation process
- Sample screen shots
- Municipal provisions



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# Withholding Payments

## Overview



# Overview

- Overall model is the same as for Net Profits Return
- Process follows ORC
- Currently reviewing design with forum group
- Target deployment is January



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# Upcoming Features



# Electronic Filing Applications

- Municipal Income Tax Withholding Payments
- New Ohio State Agency Applications
- Revisions/updates to existing applications and look & feel



# Role-Based Usage Concept

- Permit practitioners and third parties to log on to OBG as themselves with the ability to enter data for an existing OBG business
- Role-based login privileges or features could be different across OBG applications and agency program areas – not necessarily a “one-size fits all” feature



# File Upload Concept

- Allow users to provide filing data through a file uploaded to OBG as opposed to entering data via keyboard within the online app
- Contents of data files can vary across OBG applications depending upon the needs of the agency program area



# Upcoming Muni Tax Forum Work

- Finalize Withholding Payments
- Discuss parameters for role-based usage
- Discuss file formats applicable to net profits and withholding
- Involve tax administrator and business software systems partners



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**Q/A**



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