



To: Members of Dublin City Council
From: Dana L. McDaniel, City Manager *[Signature]*
Date: August 6, 2015

Initiated By: Angel Mumma, Deputy City Manager, Director of Finance
Faye Gibson, Director of Taxation

Re: July 2015 Income Tax Report

Background

Net profit and individual payments were down in July, but overall, we remained relatively flat due to strong withholding payments. We remain significantly ahead of our budget estimate. Due to the confidentiality of specific taxpayer information, no narrative is provided.

July	Actual 2015	Actual 2014	Difference	% Difference
Total	\$ 5,721,440	\$ 5,727,476	\$ (6,036)	-0.11%
Withholding	\$ 5,325,904	\$ 5,061,575	\$ 264,329	5.22%
Net Profit	\$ 89,299	\$ 325,463	\$ (236,164)	-72.56%
Individual	\$ 306,237	\$ 340,438	\$ (34,201)	-10.05%

July	Actual 2015	Budget 2015	Difference	% Difference
Total	\$ 5,721,440	\$ 5,310,051	\$ 411,389	7.75%
Withholding	\$ 5,325,904	\$ 4,693,023	\$ 632,881	13.49%
Net Profit	\$ 89,299	\$ 301,611	\$ (212,312)	-70.39%
Individual	\$ 306,237	\$ 315,417	\$ (9,180)	-2.91%

Y-T-D	Actual 2015	Actual 2014	Difference	% Difference
Total	\$51,702,670	\$ 53,090,731	\$ (1,388,061)	-2.61%
Withholding	\$39,528,584	\$ 39,409,730	\$ 118,854	0.30%
Net Profit	\$ 7,132,449	\$ 8,988,693	\$ (1,856,244)	-20.65%
Individual	\$ 5,041,637	\$ 4,692,308	\$ 349,329	7.44%

Y-T-D	Actual 2015	Budget 2015	Difference	% Difference
Total	\$51,702,670	\$ 49,221,421	\$ 2,481,249	5.04%
Withholding	\$39,528,584	\$ 37,629,776	\$ 1,898,808	5.05%
Net Profit	\$ 7,132,449	\$ 6,792,556	\$ 339,893	5.00%
Individual	\$ 5,041,637	\$ 4,799,089	\$ 242,548	5.05%

Implementation of H.B. 5 Provisions

Effective Dates to Keep in Mind

Pre 1-1-2016 Matters

Pre 1-1-2016 Matters

Law in place and effective prior to 1-12-2016 controls the treatment of liabilities arising with regard to pre-2016 tax years. There will effectively be concurrent tax codes applied according to the liability period – pre or post 1-1-2016.

If we wish to tax individuals under the age of 18 or choose not to tax stock options and/or deferred compensation, it must be established by ordinance or resolution prior to 1-1-2016 as an amendment to our existing code. (Our code currently does not tax individuals under 18 but we do tax stock options and deferred compensation.)

Provisions effective on or after 1-1-2016

It is important to note that the earliest effective date of any provision found in H.B. 5 as enacted by the State Legislature relates to liabilities arising on or after 1-1-2016 and related filings, or, tax year 2016 for which returns are due in 2017. Procedures, filings and payments for tax year 2015 will follow your current law.

With the filing of an annual return (for tax year 2016 with filing due in 2017 or after), payment is not required if the liability shown is \$10 or less. The annual return is required to be filed regardless of the amount of liability shown.

Only overpayments or amounts paid in error exceeding \$10 are due to taxpayers for requests received with return filings for tax year 2016 with filing due in 2017 or after.

The threshold for making estimated payments is \$200.00 of annual liability. Quarterly payment dates for estimated tax will change with 2016 liabilities: due April 15th, June 15th, September 15th and December 15th. This represents an acceleration of the fourth quarter payment, which, under current law, is due by January 31 of the following year. This will place five quarterly payments in 2016 – the fourth quarter of 2015 and the four for 2016.

Collection at the Source

We do have the option to require next day electronic deposit of tax in situations where it is required for federal purposes (accumulation of \$100,000 or more of employment tax withheld).

Penalty, Interest, Fees and Charges

Application of new rates *only* on and after 1-1-2016 to be applied to filings due on or after and tax required to be remitted or paid on or after 1-1-2016, regardless of the actual filing or payment date. It may be necessary to change the interest rate on an annual basis. It is highly likely that we will have different interest rates applied to multi-year liabilities based upon the interest rate in effect in any given year being short term rate, rounded to the nearest whole percent plus five percentage points. The lowest interest rate will be 5%. Penalty for non-withholding accounts is a fixed 15% for filings due or liabilities arising on or after 1-1-2016. Penalties related to unpaid withholding liabilities are calculated at 50% of the tax due and are assessed on underpayments as well as unremitted tax.

Current Interest Rate – 18.0%

Going forward, rate will be federal short-term rate + 5 percentage points (determined in July for following year).

Individual Income

Residents engaged in two or more taxable business activities to be included in the same return, will be able to use the net loss of one unincorporated business activity to offset the profits of another to arrive at overall net profits (no matter where the loss occurs).

Non-residents may not net business activities.

Major Provision effective post 2017

For taxable years beginning in 2018, 2019, 2020, 2021 or 2022, no more than 50% of an annual NOL may be taken.

Not until taxable years beginning on or after 2023 may the full NOL be taken as an allowable deduction.