

SALT WATCH

Registration Now Open for Centralized Filing of Municipal Net Profit Tax Returns for 2018

House Bill 49, Ohio's budget bill for fiscal years 2018 and 2019, provides a new state-wide centralized filing and collection process for municipal net profit tax returns, beginning with tax year 2018. Under centralized collection, the Ohio Department of Taxation (the "Department") will be responsible for all administrative functions of municipal net profit tax returns filed, including assessments, audits and appeals. Municipalities will continue to administer personal income taxes and employer withholding. The following are some highlights of the new system:

- A single return can be filed for all municipalities through the Ohio Business Gateway ("OBG"), the Department's online portal for tax filings. In the past, taxpayers were required to file separate returns for each municipality, except for municipalities that are members of regional third-party administrators, such as the Regional Income Tax Agency ("RITA").
- Taxpayers must **opt-in** to use the centralized collection methodology; it is not required. However, the election must be made for all municipalities in which the taxpayer has an obligation to file. Taxpayers may not elect to use centralized collection for some municipalities and file separate returns in others.
- Taxpayers must opt-in to file with the Department on or before the first day of the third month of their taxable year. For tax year 2018, calendar-year taxpayers must register for centralized collection by March 1, 2018.
- Taxpayers can make the election to file with the Department by registering electronically through the Department's registration portal or by submitting paper Form MNP-R, *Municipal Net Profit Tax Registration*. The Department will send out municipal net profit tax account numbers and registration confirmation letters in mid-February 2018.
- Taxpayers must also notify each municipality in which they conducted business during the previous taxable year of their election to opt-in with the Department.
- Municipal net profit tax returns for periods prior to tax year 2018, and for periods which the taxpayer has not opted-in with the Department, will be handled by the applicable municipalities or third-party administrators.



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- There is no fee to make the election, and the election remains in place for subsequent years until terminated.
- The Department is currently working with various software providers to create streamlined systems for uploading data into the OBG to reduce the amount of time taxpayers spend on data entry.
- Disregarded entities and sole proprietors are not eligible for centralized collection.

In addition to the highlights above, new Ohio Revised Code sections and other rules have been enacted for taxpayers who use the centralized collection methodology. Other considerations regarding centralized collection include consolidated tax filings and the impact of opting-in on special filing agreements that taxpayers previously entered into with specific municipalities.

The Department continues to release new rules and administrative guidance for its centralized collection methodology. GBQ tax advisors are available to assist taxpayers with understanding the benefits and effects that opting-in to centralized collection would have on their Ohio municipal net profit tax compliance process and liabilities.

Please contact your GBQ tax advisor for more information.