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Ohio's Unified Filing Systems for Businesses

STATE AND LOCAL TAX, TAX

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As efforts are made across the country to simplify tax laws, the state of Ohio has taken the first major step to streamline local tax filings. Between arduous municipal tax codes and the administrative burden that comes with doing business in multiple jurisdictions, Ohio tax filings have long been a source of frustration for taxpayers and preparers. A key component of the state's recent municipal tax reform is the creation of a new centralized reporting system that will allow taxpayers to register and file one return for all applicable Ohio municipalities.

The centralized system, effective with tax year 2018, will allow businesses to make all municipal income tax payments through the Ohio Business Gateway. The state Department of Taxation will then distribute payments to the appropriate municipalities, as well as handle administrative matters like billing, assessment, audits, collections and appeals. Administration of tax and related issues for any period before the registration period will continue to be handled by individual municipalities.

Opting in to the state-administered filing system will be an all-or-nothing decision made by each filer for all operations in which the entity is subject to net profit tax, and will be automatically renewed unless the taxpayer takes appropriate action to terminate its election. The opt-in process is open now, with registrants needing to be signed up by the third month of their taxable year, i.e. calendar year taxpayers must opt-in by March 1 for their 2018 returns. Sole proprietors and disregarded entities are not eligible to opt-in to the new system.

There are two registration options. Both are free and require the taxpayer to complete a Schedule A and Schedule B in addition to the basic information. Schedule A is a listing of the municipalities and Schedule B (if applicable) is a listing of members in a consolidated group.

The first registration method is an interactive Excel document that can be found [here](#). Upon completing the schedules in the file, the taxpayer should save and email it to the Ohio Department of Tax. There's also a way to transmit it through the department's secure messaging center within the interactive sheet. This electronic option allows you to register multiple taxpayers at one time.

The other option is to complete a Form MNP-R, which contains the same information as above but in paper form, that can be mailed to the Ohio Department of Taxation or submitted using the department's secure messaging center. Taxpayers who register using either method prior to February 5 will receive a municipal net profit tax account number and registration confirmation letter that month.

Both registration methods require taxpayers to notify all municipalities in which they're required to file in the year leading up to their opting in to the system. Taxpayers filing municipal returns for the first time do not need to notify municipalities.

Once registered, taxpayers will be required to file each annual tax return and declaration of estimated taxes through the Ohio Business Gateway. Returns will be due the 15th day of the fourth month after the close of the taxable year, but they *can* be extended if a request is received by the commissioner on or before the due date, or if the taxpayer has requested an extension for filing its federal return. As with most things related to filing, the extension is for the time to file the return, not an extension of time to pay the tax liability.

Something to keep in mind is that once a business opts in to this method they are now working directly with the Ohio Tax Commissioner instead of each individual municipality. An example where this may come into play is when a special filing agreement is in place with a particular municipality. If you have an alternative apportionment agreement, for instance, it is not binding with the Ohio Tax Commissioner. You must request alternative apportionment with the new filing of your tax return. The commissioner will then consider each request on a case-by-case basis. If a municipal corporation has agreed to allow the alternative apportionment, that will be a significant factor in evaluating the request and documentation of such prior agreements should be provided.

Taxpayers will be able to file estimates through the Ohio Business Gateway starting in February; tax return filing capabilities begin in 2019. Estimates will be due (for calendar year taxpayers) on the 15th day of the fourth, sixth, ninth and 12th month of their taxable year, and can be made through ACH debit on the Ohio Business Gateway or by EFT through the Ohio Treasurer of State (tos.ohio.gov). Taxpayers with an estimated combined liability of less than \$200 are not required to make estimated payments. Additional forms – including extension requests, NOL credit schedules and cancellation information – will be located at tax.ohio.gov/forms as they become available.

Despite estimates from the Department of Taxation that say the new approach could save Ohio businesses \$800 million in compliance costs, not all parties are in favor of the reform. In November, a lawsuit was filed by several cities – Cincinnati, Cleveland and Columbus among them – seeking a preliminary injunction to halt the state's operations related to the reform, including the centralized filing system. At this time, we don't yet know what impact the lawsuit may have.

Our final thoughts are that this would be a beneficial program for a business filing in several cities. More information is sure to come following the aforementioned lawsuit and Schneider Downs will be monitoring these developments to provide further guidance. In the meantime, feel free to [reach out to us](#) with any questions.

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