

CITY OF PATASKALA, OHIO
MUNICIPAL INCOME TAX INFORMATION

In May 2010, Pataskala residents voted to approve the establishment of a 1.0% tax on earned income to fund the Public Service and Police departments. For purposes of the municipal income tax, earned income includes wages, tips, bonuses, rental income, profits or losses from a business or profession, and distributions from a partnership. Examples of items that would be exempt from the income tax include: interest and dividend income; retirement income from social security, pensions or other IRS-approved retirement accounts (e.g., IRA, 401(k), etc.); active military pay; unemployment compensation; alimony/child support; and income from annuities.

In exchange for residents approving the income tax ballot issue, the city cancelled previously voter-approved property tax levies that were used to fund city operations. In the first full year of collections, City Council voted to allocate the income tax collections by giving 75% to Police and 25% to Public Service. The funding provided by the income tax allowed the city to clear a backlog of long delayed road and infrastructure projects, as well as increase the number of police officers, purchase cruisers and build a new Police station. On an annual basis, and as a part of the budget process, Council approves the income tax allocation rates for the following year. Since the first few years of collections, the Police department has received approximately 50-55% of total income tax collections and the Public Service department has received 30-35% of collections. The remaining 10-20% balance of collections is dedicated to pay debt service on debt issued for street and Police-related capital projects. No income tax revenue has ever been deposited into the General fund, nor has it been approved by Council for use by other departments such as Parks & Recreation.

Since the adoption of the income tax in 2010, the city has been a member of a non-profit Council of Governments, the Regional Income Tax Agency (RITA), to collect the tax, provide reporting and ensure compliance with the city's tax code. RITA charges the city between 2.5-3.0% of the amount collected to fund their operations. The city collected between \$5.7-6.1 million in income tax revenues over the past several years which cost the city an average of about \$157,000 per year, or less than three cents per dollar (\$0.026) collected. This is a more efficient approach for the city, as bringing the tax collection process in house would require the hiring of additional staff, purchase a tax accounting system and establish a secure records management system. Additionally, we would not be available to use the Federal tax data to ensure compliance. Bottom line - the cost of all of this would be significantly greater than the fees paid to RITA to provide the services.

A number of residents have shared with us that they have been frustrated with their experiences with RITA. We would encourage anyone needing assistance with their local income tax return or who have related questions to contact Finance Manager Janice Smith at (740) 927-3167 or jasmith@ci.pataskala.oh.us to make an appointment for assistance.

Here are a few frequently asked questions about the city's income tax and their answers:

Q1: I work in another city which has an income tax. Do I get credit for municipal income taxes paid to that city?

A1: No. The city's income tax code does not provide for credit given for other municipal income taxes paid. Pataskala is considered to be a 'bedroom community' and does not currently have the business base that other communities have. In addition, much of the land in those municipalities is already developed, which leads to greater property tax revenues going to those municipalities while

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much of Pataskala remains undeveloped. Pataskala receives about 5% of a residential property owner's total property tax obligation. This is imposed by state law and not by the city. Combining the economic base and greater improved/developed land in other cities provides for significant withholding tax and property tax income to those cities, and as a result, they are able to give their residents either partial or full credit for taxes paid to other communities. In addition, most of those other communities also have a tax rate that is significantly higher than Pataskala's 1.0% tax. For example, Pickerington has a 1% income tax with a 100% credit for residents that pay a higher tax in their city of employment. Pickerington can do that because they collect about three times what Pataskala collects in property tax and they have a large base of commercial properties that provide significant income tax revenue. Prior to the income tax approval in 2010, there were several other income tax initiatives that were put on the ballot which included different rates and percentages of credits; however, those proposals were not approved by city voters.

Q2: Why can't I simply pay the total annual income taxes due when I file my annual return?

A2: Unfortunately, the city requires the revenue generated from the income tax to fund the routine operations of the Police and Public Service departments. If all residents waited until April 15th to pay their taxes owed, the city would be unable to sustain such operations during the year. It would create a 'feast or famine' cycle for these departments and would present serious operational issues for them. That is why the city's tax code calls for making quarterly estimated tax payments to the city (RITA). All residents (who do not have the taxes withheld from their paycheck) are required to make quarterly estimated tax payments to the city if they anticipate owing \$200 or more in taxes (equal to \$20,000 in earnings). Quarterly tax payments are required by the IRS and the State of Ohio for those persons who have taxable income but do not have tax withheld, such as self-employed business owners. The quarterly requirement is not unique to Pataskala.

Q3: I have my non-local employer 'courtesy withhold' my Pataskala 1.0% municipal income tax from my payroll. Do I need to file an annual income tax return with RITA?

A3: Yes. The city's income tax code (CO §178) has a mandatory filing requirement. Even though you may have paid all the taxes for which you are liable, the return allows the city to ensure compliance by all taxpayers citywide. As a result, any and all residents who have earned income (e.g., W-2, 1099-NEC, 1099-MISC or Schedule C) must file a Pataskala municipal income tax return with RITA.

Q4: I've read on Facebook where the city only dedicated the income tax revenues to Police and Streets for the first year, and then it went to the General fund after that. Is that true?

A4: No. The city has always directed its' income tax revenue to fund Police and Public Service operations, and to pay any debt service on outstanding bonds, loans or leases related to those departments. We have never deposited income tax revenue into the General fund.

Q5: Why does RITA assess penalties and interest on unpaid tax liability balances?

A5: Like all Ohio municipal tax codes, the Pataskala income tax code provides for assessing penalties for non-filing and delinquent filing of tax returns as well as interest on unpaid balances. Please know that RITA does not retain these charges; rather, they are distributed to the city along with the regular income tax collection distribution. RITA has no vested interest in assessing interest or

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penalties, they are simply following the city's tax code as it exists. If you are being assessed significant penalties or interest, we would encourage you to contact the city's Finance department. We may be able to work with you to reduce or eliminate those charges. As everyone's tax situation is different, so is our ability make such concession.

Q6: I'm retired, and my income only comes from a pension, retirement accounts or Social Security. Does the income tax apply to me?

A6: Generally speaking, the city's income tax would not apply to you. However, we strongly encourage residents to notify RITA when they retire so that RITA will no longer send quarterly tax estimate bills or enforce non-filing penalties. However, if you do receive any type of earned income in any calendar year, whether on a W-2 or 1099, you will no longer be exempt from filing a return for that year. It's important to know that the taxes owed would only be on the non-retirement income received.

Q7: I have a child who is younger than 18 years old but has received an IRS Form W-2 or 1099. Are they required to pay the city income tax?

A7: Yes. The tax code does not differentiate based on age, only the type of income. As a result, an individual who is under 18 and has W-2, 1099-NEC or 1099-MISC income would be required to file an annual Pataskala municipal income tax return and pay any taxes owed.

Q8: Who can I contact if I have questions about filing my Pataskala city income tax?

A8: Information about filing your municipal income tax return can be found at www.ritaohio.com, or by calling The Regional Income Tax Agency (RITA) at (614) 430-8178. You can also contact the City's Finance Department by calling (740) 927-3167.