



Below is a communication from the West Ohio Conference of Methodist Churches to churches in the conference.

## Notice: Clergy City Taxes

Ohio House Bill 5 (passed December 10, 2014) standardized many aspects of municipal taxation across the state of Ohio, but it also changed one provision relevant to us: Clergy wages are subject to withholding for city taxes beginning January 1, 2016.

If you **have not been withholding city taxes** from wages paid to clergy, you are required to do so beginning with the first paycheck of 2016. Municipal taxes are required to be withheld for the city where the employee *performs the work* – not where the employee lives.

If you **have been withholding city taxes** from wages for clergy for any of the periods in 2012 through 2015:

- For **2012 through 2014**, the clergy person should contact the relevant municipality and confirm that (s)he is eligible for a refund (Columbus has confirmed that clergy are eligible for a refund for taxes paid to Columbus). If eligible, they will need to amend their tax return and notify the taxing authority that they are clergy.
- For **2015 taxes withheld**, the employer will need to amend prior period 2015 municipal filings (either monthly and/or quarterly) and communicate that the relevant wages are not subject to withholding – **after** confirming with the taxing authority that such wages are not subject to taxation. The employer should simultaneously refund the taxes withheld to the clergy person in question and ensure that wages are reported as \$0 or blank in Boxes 18, 19, and 20 in the clergy person's W-2. If you use a third party for payroll and payroll reporting, they can likely help you through this process for a fee.

**Lay Employees:** Note that this change does not affect withholding requirements for lay employees. Withholding has been, and still is, required for municipal taxes according to the municipality where the work is performed.

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## IN THIS ISSUE

Important Tax Information  
Weekly Prayer  
Let Us Remember in Prayer  
New Website for NWP!  
Ennibus  
Local Church & Community Events  
Resources  
Classifieds



[Northwest Plains District Website](#)

[West Ohio UMC Website](#)

[West Ohio YouTube Channel](#)

[Lay Ministry](#)

[Local Church Officer Job Descriptions](#)

[The United Methodist Church](#)

[United Methodist VIM](#)

[United Methodist Women](#)

[Church World Service](#)

[Rethink Church](#)

[Find A Church](#)

[MissionInSite](#)

[Apportionment Support Materials](#)

[UMCom Tech Shop](#)

[Church Communications Training](#)

[UMCOR'S YouTube Channel](#)

[Rural Ministry Support](#)

[Friendly Center, Toledo](#)

[Bread for the World](#)

[Society of St. Andrew](#)

[Stop Hunger Now](#)

[Upper Room Dailey Devotional](#)

# Weekly Bulletin

December 8, 2015

## VERY IMPORTANT TAX INFORMATION FOR CHURCH TREASURERS AND CLERGY

**Regarding: Changes to city tax withholding in 2016 / Clergy *may* be due a refund for city income taxes paid 2012 – 2015**

Ohio House Bill 5 (passed December 10, 2014) standardized many aspects of municipal taxation across the state of Ohio, but it also changed one provision relevant to us: Clergy wages are subject to withholding for city taxes beginning January 1, 2016. If you have not been withholding city taxes from wages paid to clergy, you are required to do so beginning with the first paycheck of 2016. Municipal taxes are required to be withheld *for the city where the employee performs the work* – not where the employee lives. Please remember that local churches are required to issue a W-2 wage and tax statement for all clergy, not a Form 1099.

If your church treasurer has been withholding city taxes from wages for clergy for any of the periods in 2012 through 2015, clergy may be eligible for a refund. Remember that this is only applicable in incorporated municipalities where city taxes were withheld and paid for prior years.

For 2012 through 2014, the clergy person should contact the relevant municipality and confirm that (s)he is eligible for a refund. If eligible, they will need to amend their tax return and notify the taxing authority that they are clergy. **We encourage you to do this as soon as possible (before the end of the year) to ensure the largest refund possible.**

For **2015** taxes withheld, the employer will need to amend prior period 2015 municipal filings (either monthly and/or quarterly) and communicate that the relevant wages are not subject to withholding – **after** confirming with the taxing authority that such wages are not subject to taxation. The employer should simultaneously refund the taxes withheld to the clergy person in question and ensure that wages are reported as \$0 or blank in Boxes 18, 19, and 20 in the clergy person's W-2. If you use a third party for payroll and payroll reporting, they can likely help you though this process for a fee.

For best results on how to navigate this refund, please contact a tax professional or CPA who knows clergy taxes as well as city taxes.

**Lay Employees:** Note that this change does not affect withholding requirements for lay employees. Withholding has been, and still is, required for municipal taxes according to the municipality where the work is performed.

<http://www.westohioumc.org/conference/notice-clergy-city-taxes>

<https://www.ritaohio.com/hb-5-municipal-income-tax-changes/hb-5-business-withholding-updates/>