

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 though 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.

### The West Ohio Conference of The United Methodist Church

32 Wesley Blvd | Worthington OH | 43085

(614) 844-6200

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