



## Municipal income tax withholding: Working from home amid pandemic

April 13, 2020

In response to the COVID-19 pandemic, the Ohio Legislature enacted, and Governor DeWine signed into law, House Bill 197 on March 27, 2020. The Bill, among other things, clarifies how to treat municipal income tax withholdings during this time when a majority of Ohioans are working from home, rather than at their principal place of business. These state tax provisions would clarify and amend the municipal income tax withholding rules currently in effect in Ohio.

### Current law - Municipal income tax withholding

Until the COVID-19 pandemic, an employee may generally perform services on a temporary basis up to 20 days per year in a municipality before triggering the municipality's income tax withholding rules. If the employee exceeded the 20-day threshold, the employer was required to withhold the applicable income tax for that municipality. If the threshold was not met, the employer would instead continue withholding municipal income tax based on the employee's principal place of work.

In the past few weeks, Ohio has declared a state of emergency and rolled out various stay at home orders in response to the COVID-19 outbreak. As a result, many Ohioans are working from their homes. No longer are they commuting into a central office, but rather are working remotely in different municipalities. For many, the 20-day threshold is quickly approaching or has already been exceeded, and employers are questioning whether they will need to withhold municipal income taxes based on where each of their employees are located during this time.

Enacted changes pursuant to H.B. 197

The enactment of H.B. 197 seeks to clarify this confusion. It treats employees who report to a temporary worksite during the COVID-19 emergency period as working at their principal place of work. Employees working from home during the pandemic (or within 30 days after the emergency is lifted) are considered to be working in the location where they would typically be reporting on a regular and ordinary basis (*i.e.*, their principal place of work). Accordingly, under H.B. 197, employers may continue withholding municipal income taxes based on their employees' principal place of work, rather than where they actually are working during the pandemic.

### **Conclusion**

The changes to the municipal income tax withholding rules not only clarify existing law but temporarily simplify the tax withholding rules to treat employees who are working remotely from home during the COVID-19 pandemic as if they were working at their principal place work.

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