

# Troy Income Tax Educational Pages

## DECLARATION OF ESTIMATED INCOME TAX DUE - Understanding the requirements to file and pay

### WHO MUST FILE AND PAY ESTIMATED INCOME TAX FOR THE CURRENT YEAR?

Any individual who has income that is subject to Troy tax, and any of the following apply:

- You are a resident of Troy over 18 years old and work in a city or village that is subject to either no tax withholding or a lower tax rate withheld (or work in a township where no tax is withheld);
- You are a resident of Troy and are self employed (filing a Schedule C on your Federal Tax Return) and perform work in Troy or work in a city or village where you are paying a lower rate of city tax on income earned (or no tax at all for work performed in a township); or a non-resident of Troy with self-employment income earned in Troy;
- You own rental property in Troy, regardless of residency;
- You have any similar type of situation where your income is not fully withheld on and you have a tax balance due to Troy.

You are required to pay estimated tax due for the current year as you earn income. For every person who anticipates taxable income during the current year which is not fully withheld on (or may be from self-employment, rental activity, or other business activity) resulting in a tax due to Troy in excess of \$200, a Declaration must be filed by April 15th of each year which shows the amount anticipated to be due. The estimated tax due must be paid in quarterly installments, with at least 90% of the total amount anticipated to be due PAID IN FULL by the final installment date. The payment due dates are as shown below:

| DUE DATE     | QUARTER     | PERIOD COVERED                         |
|--------------|-------------|----------------------------------------|
| April 15     | 1st Quarter | Income earned January through March    |
| June 15      | 2nd Quarter | Income earned April through June       |
| September 15 | 3rd Quarter | Income earned July through September   |
| January 15   | 4th Quarter | Income earned October through December |

### Methods of calculating estimated tax due:

- A. You may pay an amount equal to the amount due in the previous tax year. By paying 100% of the previous year liability in quarterly estimated tax payments, you will not be penalized for underpayment should your income be increased in the current year. (Known as "safe harbor").
- B. If you know what your anticipated income will be for 2024, you can base your estimate on that anticipated income amount. Using that figure, you can determine an equal quarterly amount for remittance for each period.
- C. You may calculate your quarterly amount due based on wages or income earned during the quarter. For example, you can calculate what you would owe for first quarter based on actual income from January, February and March. Each quarterly amount remitted may not be equal, depending upon the amount of income earned during each period.

THE CALCULATION FOR ESTIMATED TAX AND FIRST QUARTER DUE FOR 2024 is part of the 2023 tax return, lines 10-13. You must complete this section to determine if you owe estimated tax. Your first quarter payment will be remitted with your tax return, along with payment in full for tax due for 2023. **IMPORTANT! FAILURE TO FILE AND PAY QUARTERLY ESTIMATED TAX DUE WILL RESULT IN PENALTY AND INTEREST ASSESSED.** This is a mandatory requirement of the Income Tax Ordinance, if Tax Liability is greater than \$200.

For further information regarding the requirement for filing and paying the Declaration of Estimated Tax, visit our website at [www.troyohio.gov/tax](http://www.troyohio.gov/tax). You may download a copy of the Income Tax Ordinance Chapter 171 for your review. Section 171.07 explains the Declaration requirements.

### IMPORTANT TROY TAX FACTS:

- Lottery, gambling, games of chance, prizes, etc. are city taxable and should be reported on the City of Troy Income Tax return.
- Losses from federal schedules cannot be used to offset wages, and can only be used against like kind income.
- 2106 expenses are no longer allowed, except for Armed Forces reservists, qualified performing artists, fee-basis state or local government officials, and employees with impairment-related work expenses. You must include pages 1 and 2 of your 1040, Schedule 1, and your 2106 form. If the 2106 is attributed to income earned in another city with a tax, the amount of credit taken for the other city tax paid must be reduced accordingly. For assistance with calculating the allowable 2106 amount, or calculating the other city credit allowable, please bring your documentation and federal return to our office for assistance, or call our office between 8am - 5pm, Monday - Friday at (937)339-3861.
- Deduction for 1/2 SE tax is not allowable.
- Deduction for self-employed health insurance is not allowable. Per the Ohio Revised Code, our Ordinance has not included self-employed health insurance as a deductible item.
- Deduction for the additional 1/2 meals and entertainment is not allowable. We adhere to the IRS standard of 50% deduction only.

## WHAT IS QUALIFYING WAGES?

Qualifying wages represents the city taxable wage figure from a W-2, as defined by the Ohio Revised Code, Section 718.03. When an employer withholds city tax from wages, they are required to withhold on “qualifying wages”. In trying to determine “qualifying wages”, an employer begins with wages as defined in Section 3121(a) of the Internal Revenue Code, and adjusts as follows:

- Deduct amounts that constitute a contribution to a Section 125 plan
- Deduct amounts that are included in wages if they reflect actual disability payments (not sick leave)
- Add amounts not included in wages because the employee was employed by the same employer since prior to April 1, 1986
- Add amounts not included in wages due to sale, exchange or other disposition of a stock option, exercise of a stock option, or the sale, exchange or other disposition of stock purchased under a stock option. This applies only to amounts constituting ordinary income
- Add amounts not included in wages if the amount represents a section 401(k) or 457 plan of the Internal Revenue Code. This applies only to employee contributions and employee deferrals, not employer contribution portions.
- Add any amount that represents supplemental unemployment compensation benefits described in section 3402(o)(2) of the Internal Revenue Code and not included in wages.

When an employer has correctly withheld tax on wages, and if 100% of the wages reported are taxable to one taxing jurisdiction, the correct taxable wage figure should appear in box 5 of the W-2. Please keep in mind that our staff is available to assist with the preparation of your City of Troy Income Tax Return!

## MOST FREQUENT ERRORS MADE WHEN FILING A TAX RETURN:

10. Failure to sign tax return (and to have spouse sign if joint filing).
9. Failure to complete estimated tax portion of return and pay estimate.
8. Failure to report address changes.
7. Failure to file return for the year taxpayer moves in or moves out.
6. Failure to properly allocate wages (by including pay stub closest to date of move) when allocating income for move-in / move-out year.
5. Using School District Tax withheld as a credit on the City tax return. (School District Tax is collected by the State of Ohio, credit is not used on the City of Troy tax return.)
4. Failure to mail return / failure to timely mail return.
3. Failure to pay total due as shown on tax return / Failure to pay quarterly estimated tax due.
2. Failure to attach W-2's and/or Federal Schedules, forms and statements to support income and deductions. (Including failure to include W-2's which show all Federal, State and City wage information, and City withholding information).
1. Failure to use correct wage figure from W-2's.

These errors may result in adjustments to taxable income, tax liability and/or tax credits. In some instances, tax returns received by the City of Troy that do not have the appropriate documentation may be returned to the taxpayer, and deemed to be non-filed until resubmitted with all complete information. If your tax return is sent back to you for additional information, it is important to resubmit the return within the time frame given to avoid penalties for failure to file or failure to timely file your tax return.

## AVOID LATE FILING PENALTIES BY FILING YOUR CITY OF TROY TAX RETURN TIMELY

Even if you do not owe tax, all residents over 18 are required to file an annual income tax return. Failure to file this return timely may subject you to a Late Filing Fee of \$25.00. Avoid this penalty—File your tax return by April 15th! Please remember, returns must be postmarked by the due date to be considered timely filed. Also, payments made after the filing date are subject to a 15% penalty, even if you have an extension. Extensions are for additional time to file, not additional time to pay.