

# Municipal Net Profit Tax

The municipal net profit tax is a local income tax levied on the net profit of businesses. Municipal net profit taxes have historically been administered by each municipal corporation that imposes a tax or by a third-party administrator working on behalf of the municipal corporation. Am. Sub. H.B. 49 (the budget bill) of the General Assembly's 132<sup>nd</sup> Session provided businesses with the option to elect to file a municipal net profit tax return with the Department of Taxation (the Department) in lieu of filing with each municipal corporation in which the business operates. Under the changes made by the budget bill, a business may elect to have the Department administer the business' municipal net profit tax—meaning the business may choose to file a single return with the Department that covers the business' total tax liability to all municipal corporations. Taxpayers may elect to use the state-administered municipal net profit tax option for taxable years beginning on or after January 1, 2018.

Taxpayers that opt-in with the Department will file declarations, make payments, and file tax returns with the Department on the Ohio Business Gateway. The declarations and returns will include all municipal corporations in which the business is subject to tax and the corresponding payments for the combined tax liabilities will be made to the Department. The Department will distribute 99.5% of tax collections to the municipal corporations on a monthly basis, less an administration fee of 0.5%. See Ohio Revised Code (R.C.) sections [718.83\(A\)](#) and [718.85\(B\)](#). The Department will also handle all other aspects of tax administration for those businesses opting-in—including billing, assessment, collections, audit, and appeals.

Each year, each municipal corporation (including JEDDs and JEDZs) must certify to the Department the tax rate in effect on January 1st as well as certify any changes to the rate that take effect during the year. See [R.C. 718.80\(C\)\(1\)](#). Each municipal corporation must also provide to the Department the names and addresses of up to two individuals to whom the municipal corporation requests that the tax commissioner send information regarding the municipal net profit tax, including semi-annual taxpayer information reports and monthly distribution reports. See [R.C. 718.84\(D\)](#).

For more information regarding the changes made to the municipal net profit tax, please see [R.C. sections 718.80 to 718.95](#).