

QUALIFYING WAGES FOR WITHHOLDING

Authorized by Section 718.03 of the Ohio Revised Code

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Section 171.06 of the Blue Ash Municipal Code provides that each employer within, or doing business within the City of Blue Ash, is required to withhold the tax of 1.25% of “Qualifying Wages”, which are wages as defined in Internal Revenue Code Section 3121(a), generally the Medicare Wage Box of the Form W-2.

Medicare Exempt Employees are subject to the requirements for “qualifying wages” in the Medicare Wage Box of the W-2 form even though that box will remain blank.

Each employer shall be liable for the payment of the tax required to be deducted and withheld, whether or not such tax, in fact, has been withheld. Your first tax obligation is to our city. The city of residence (for employees) may impose a tax, but that tax claims secondary status to the city of employment, according to State of Ohio law.

“Qualifying Wages” includes, but not limited to, the following:

1. **VACATION PAY**
2. **SICK PAY** – whether paid by the employer to the employee or through a third party.
3. **TIPS, BONUSES, GIFTS IN LIEU OF PAY, GRATUITIES**
4. **CAR ALLOWANCE, PERSONAL USE OF EMPLOYER-PROVIDED VEHICLE** – as reported on Form W-2.
5. **WAGE CONTINUATION PLANS, SEVERANCE PAY and INCENTIVES PAYMENTS** – no matter how described.
6. **SUPPLEMENTAL UNEMPLOYMENT COMPENSATION**
7. **GROUP TERM LIFE INSURANCE** – to the extent taxable as qualifying wages.
8. **INCENTIVE PAYMENTS** – no matter how described, including, but not limited to, payments to induce early retirement.
9. **401K PLANS AND THE LIKE** – contributions by an employee or on behalf of an employee from gross wages, into an employee or third party trust or pension plan as permitted by any provision of the Internal Revenue Code which may be excludable from gross wages for federal income tax purposes.
10. **DEFERRED COMPENSATION PLANS** – taxable in the year of deferral but which may be excludable from gross wages for federal income tax purposes.
11. **PROPERTY, BOARD, LODGING & SIMILAR ITEMS** – received by an employee in lieu of cash compensation.
12. **STOCK OPTION OR EMPLOYEE STOCK PURCHASE PLAN** – the ordinary income portion to the extent that it is shown on the W-2 form as ordinary income and is includable on the taxpayer’s Federal income tax return.
13. **MOVING EXPENSE REIMBURSEMENT** – in excess of Federal Form 3903 allowance.
14. **STIPENDS**
15. **PROFIT SHARING** – if from non-qualified plan.
16. **INCOME FROM A GUARANTEED ANNUAL WAGE CONTRACT**