

# **City of Port Huron Income Tax Withholding Guide For Employers**

The Uniform City Income Tax Ordinance defines an “employer” as: an individual, partnership, association, corporation, nonprofit organization, governmental body or unit or agency including the state, or any other entity whether or not taxable under this ordinance, that employs one or more persons on a salary, bonus, wage, or commission basis, whether or not the employer is in a business.”

## **Who Must Withhold**

An employer must withhold the tax if **any** of the following apply:

- 1) The employer has a location in the City of Port Huron
- 2) The employer is doing business in the City, even if the employer does not have a location in Port Huron

Example: A construction company located in Ohio is doing work in Port Huron. The company does not have a location in Port Huron, but must withhold the tax because they are doing business in the City.

- 3) If an employer has locations inside AND outside the City of Port Huron, they must withhold from RESIDENT employees at ALL locations.

Example: A business has a location in the City of Port Huron, as well as Port Huron Twp. City of Port Huron income tax **MUST** be withheld from RESIDENT employees at BOTH locations.

Note: A nonprofit organization operating in the City must withhold the tax from its employees, even though it is not engaging in business activity in the usual sense.

## **Registration**

Every employer that is withholding City of Port Huron income tax must register with the City by completing Form PH-2 “City of Port Huron Income Tax Registration”.

- Please complete the form in its entirety. If a section does not apply, please indicate such by writing “N/A”.
- We identify all employers by using their Federal tax ID number. If you have applied but have not received one from the IRS, please indicate “pending” and notify us as soon as one has been assigned to you.

- Mail or bring the completed form to:  
City of Port Huron  
Income Tax Division  
100 McMorran Blvd  
Port Huron, MI 48060

Or you can email it to [incometax@porthuron.org](mailto:incometax@porthuron.org)

### **Whom to Withhold From**

You must withhold City of Port Huron income tax from the following:

- 1) Employees who are residents of the City of Port Huron, regardless of their work location. The resident rate is 1%.
  - For clarification of the term “employee”, please see the Federal Employer’s Tax Guide, Circular E.
  - A resident is a person domiciled in the City of Port Huron.
- 2) Nonresident employees, if the City of Port Huron is their predominant place of employment. The nonresident rate is .5%.
  - A nonresident is a person domiciled outside the City of Port Huron.
  - The Uniform City Income Tax Ordinance defines predominant place of employment as: “that city imposing a tax under a uniform city income tax ordinance other than the city of residence, in which the employee estimates they will earn the greatest percentage of their compensation from the employer, which percentage is 25% or more.” A person can only have one predominant place of employment.
    - Accordingly, the City of Port Huron will be a nonresident employee’s predominant place of employment if:
      - The employee earns more in Port Huron than any other city with an income tax, excluding the city where the employee resides; and,
      - At least 25% of the pay an employee receives from an employer is earned in the City of Port Huron.

### **What Pay to Withhold From**

- Employers must withhold City of Port Huron income tax from all taxable compensation, which includes salaries, wages, commissions, bonuses, vacation, holiday, sick pay, etc.
  - For nonresidents, the same ratio applied to their work activities in the City should be applied to their vacation/holiday/sick pay.

Example: A nonresident employee performs 60% of their work activities in the City of Port Huron. Tax must be withheld from 60% of their vacation/holiday/sick pay.

### **Pay NOT Subject to Withholding**

City of Port Huron income tax should not be withheld from:

- 1) Amounts paid to domestic help
- 2) Amounts paid to a person who is not an employee
- 3) Amounts paid to a nonresident employee if the City of Port Huron is not their predominant place of employment.
- 4) Amounts paid to a nonresident for work or services done outside of the City of Port Huron.
- 5) Pensions, annuities, worker's compensation, and similar benefits
- 6) Amounts paid to an employee as reimbursement for expenses incurred by the person on behalf of the employer.

Note: While the employer is not responsible to withhold tax from items 1, 2, and 3 above, the income IS taxable to the employee.

### **Form PH-W4**

- Form PH-W4 "Employee's Withholding Certificate" provides the information employers need to withhold the tax from the employee. A properly completed form provides the employer the following information:
  - 1) The city, town, village, or township in which the employee resides. Do NOT relay on the person's zip code when determining residency.
  - 2) Whether the employee is a resident of the City of Port Huron.
  - 3) The employee's predominant place of employment.
  - 4) The employee's estimate of the percentage of compensation earned in the predominant place of employment. For most employees this will be 100%.
  - 5) The number of withholding exemptions claimed.
- You must make sure that every employee with pay subject to City of Port Huron income tax files a PH-W4. If a person refuses to file Form PH-W4, you must withhold 1% of the employee's total compensation.
- An employee must file a revised PH-W4 within 10 days if their residency changes to or from the City of Port Huron or the number of exemptions decreases.
- Employers must review, on an annual basis, the predominant place of employment and percentage of compensation indicated as being earned in the City of Port Huron. If a change is expected for the coming year, they must file a revised PH-W4 by December 1.
- Do not mail completed PH-W4 forms to the City of Port Huron. The employer must retain this form in their records.

## Computing the Tax to be Withheld

- The City of Port Huron income tax is a flat percentage of taxable income after adjustments are made for personal exemptions.
- Each exemption has a value of \$600/year.
- Resident tax rate is 1%.
- Nonresident tax rate is .5%.
- Use the following table to find the allowance per pay period:

<u>Payroll Period</u>	<u>Allowance per Exemption</u>
Weekly	\$11.54
Bi-weekly (every 2 weeks)	23.08
Semi-monthly (twice a month)	25.00
Monthly	50.00
Annually	600.00
Per Day	1.65

The allowance is equal to the number of exemptions claimed on Form PH-W4 times the exemption value above.

Example 1: An employee is a resident of the City of Port Huron.

They are paid \$750.00 bi-weekly and claim 3 exemptions.

- Gross pay subject to tax would be \$750.00
- The adjustment for exemptions would be \$69.24 ( $\$23.08 \times 3$ )
- Net pay subject to tax would be \$680.76 ( $\$750.00 - \$69.24$ )
- Tax withheld for the pay period would be \$6.81 ( $\$680.76 \times .01$ )

Example 2: A nonresident employee is paid \$500 per week and claims 2 exemptions. The person earns 60% of their pay in Port Huron.

- Gross pay subject to tax would be \$300.00 ( $\$500.00 \times .60$ )
- The adjustment for exemptions would be \$23.08 ( $\$11.54 \times 2$ )
- Net pay subject to tax would be \$276.92 ( $\$300.00 - \$23.08$ )
- Tax withheld for the pay period would be \$1.38 ( $\$276.92 \times .005$ )

## Use of Withholding Tables

Withholding tables can simplify the process of computing the amount of tax to withhold by eliminating many calculations required. This guide includes tables for weekly, bi-weekly, semi-monthly, monthly, and daily pay periods.

## Computer Payroll Processing

Due to the wide variety of hardware and software use, the City cannot provide a specific program for the calculation of tax withholding. The following is a description of the general method used to calculate City of Port Huron income tax withheld:

- 1) Multiply gross compensation by the percentage earned in the City of Port Huron (always 100% for residents).
- 2) Multiply the number of exemptions by exemption value. You can figure out the exemption value by dividing \$600 by the number of annual pay periods or by using the table below:

<u>Payroll Period</u>	<u>Allowance per Exemption</u>
Weekly	\$11.54
Bi-weekly (every 2 weeks)	23.08
Semi-monthly (twice a month)	25.00
Monthly	50.00
Annually	600.00
Per Day	1.65

- 3) Subtract the result in step 2 from the result in step 1
- 4) If the employee is a resident, multiply the result of step 3 by .01 (1%). If the employee is a nonresident, multiply the result of step 3 by .005 (.5%). The result is the amount to be withheld.

## Residents Who Work in Another Taxing City

A special situation exists when a resident of Port Huron has as their predominant place of employment another city that levies an income tax. In this situation, you must withhold City of Port Huron income tax at a rate of .5%. You must also withhold tax for the other city.

## Reporting and Paying Tax Withheld

- Each employer must file a return and pay the full amount of tax quarterly. The return (PH-941 "Employer's Return of Income Tax Withheld") and payment are due on or before the last day of the month following each calendar quarter (April 30, July 31, October 31, and January 31). Forms are available on our website at [www.porthuron.org](http://www.porthuron.org).
- If employees wish to pay monthly, please notify us of your election to do so. We require a 30 day notice if you wish to return to paying quarterly.
- All remittances should be made payable to "City of Port Huron" and sent to:

Income Tax Division  
100 McMorran Blvd  
Port Huron, MI 48060

## **Error Correction**

- Withholding errors are to be corrected as follows:
  - If an error is found in the same quarter in which it is made, adjust the employee's next pay. Include only the corrected amount on the quarterly PH-941.
  - If an error is found in a subsequent quarter of the same calendar year, adjust the employee's next pay. Report the amount as an adjustment on the next PH-941.
  - If an error is found in a subsequent year or if the person no longer works for you, notify the City's Income Tax Division.

## **Annual Reporting**

By the last day of February following each calendar year, the following is due:

- 1) An information return (Form W-2) for each person you withheld City of Port Huron income tax from. The W-2 must state the employee's name, social security number, address, compensation, and city tax withheld.
  - The return can be a copy of the Federal W-2 or a form approved or furnished by the City of Port Huron.
- 2) A completed Form PH-W3, "Reconciliation of Port Huron Income Tax Withheld".
  - Form PH-W3 states both the total City of Port Huron tax withheld as shown on the information returns above, as well as the total amount of withholding remitted to the City. Any underpayment is due with Form PH-W3. The City will refund any overpayment reported after it has been verified.

## **Magnetic Media Reporting**

Please refer to the Income Tax page at [www.porthuron.org](http://www.porthuron.org) for more information on magnetic media reporting requirements.

## **Charges for Late Payments**

All amounts remaining unpaid after the due date are subject to a penalty of 1% per month (not to exceed a total penalty of 25% of the tax) and interest until paid. Interest is charged at a rate set by law. The minimum combined charge for penalty and interest is \$2.00.

## **Employer Discontinuance**

If you go out of business or stop being an employer required to withhold City of Port Huron income tax, you must do the following:

- 1) File your final PH-941 and pay all money due within 15 days after you cease business.
- 2) File the required annual returns (W-2's and PH-W3) within 30 days of the last payment of compensation.

**Assistance and Forms**

If you have any questions, please contact us by:

Phone (810) 984-9741

Email: [incometax@porthuron.org](mailto:incometax@porthuron.org)

Office: Room 112

Municipal Office Center

100 McMorran Blvd

Port Huron, MI 48060

Our normal office hours are Monday-Friday 8:00 am - 4:30 pm.

All forms are available to download via the Income Tax page at [www.porthuron.org](http://www.porthuron.org).