

## WHO MUST WITHHOLD THE TAX

An employer must withhold the tax if:

- 1) the employer has a location in the city of Port Huron, or
- 2) the employer is doing business in the city, even if the employer has no location in Port Huron.

Example: A construction company located in Ohio is doing work in Port Huron. The company has no Port Huron business location but must withhold the tax.

The Uniform City Income Tax Ordinance defines an employer as: "an individual, partnership, association, corporation, non-profit 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."

A non-profit organization operating in the city must withhold the tax from its employees (although it is not engaging in business activity in the usual sense).

## REGISTRATION

Every employer that is withholding Port Huron income tax must register with the city. To register, complete form PH-2 "City of Port Huron Income Tax Registration." **Be sure to complete all items on the registration form.** If an item does not apply, state this fact.

We identify all employers by their Federal Employer Identification Number. If you are a new employer and have not received a Federal Employer Identification Number, the city will assign a temporary number. Use the temporary number only until you receive a federal number. You must notify the city of your federal number when you receive it.

File your completed registration by mailing it to the following address:

Income Tax Division  
100 McMorran Boulevard  
Port Huron, Michigan 48060

## WHO TO WITHHOLD FROM

You must withhold the tax from the following:

- 1) Employees who are residents of the city of Port Huron, whether they work in the city or not.
- 2) Nonresident employees, if the city of Port Huron is their predominant place of employment. (See PREDOMINANT PLACE OF EMPLOYMENT, below.)

**Note: An employer that has work locations both inside and outside the city, must withhold the tax from RESIDENT employees AT ALL LOCATIONS.**

For clarification of the term "employee" see the Federal Employer's Tax Guide, Circular E.

## PREDOMINANT PLACE OF EMPLOYMENT

You must withhold the tax from nonresident employees only if Port Huron is their predominant place of employment.

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."

Accordingly, Port Huron will be a nonresident's predominant place of employment if:

- 1) The employee earns more in Port Huron than any other Michigan city with an income tax, excluding the city where the person resides, and
- 2) At least 25% of the pay an employee receives from you is earned in Port Huron.

A person can have only one predominant place of employment.

## WHAT PAY TO WITHHOLD FROM

Employers must withhold the tax from all taxable compensation (salaries, wages, commissions,

bonuses, etc.) paid to Port Huron residents. You must withhold the tax no matter what employee's work location (inside or outside the city). Employers must withhold the tax from all taxable compensation paid to nonresident employees for work done or services rendered in the city.

We use the same definition of taxable compensation as the state of Michigan. Do not withhold the tax from amounts contributed to 401K plans, section 125 benefits, etc.

Vacation, holiday, sick, and bonus pay to nonresident employees is taxable in the same ratio as their work activities in the city.

Example: A nonresident is subject to withholding on 60% of their pay (60% of the employee's work is done in the city). Tax must be withheld from 60% of any vacation, holiday, sick or bonus amounts paid to the person.

A resident is a person domiciled in the city of Port Huron. A nonresident is a person domiciled outside the city of Port Huron.

## **PAYMENTS NOT SUBJECT TO WITHHOLDING**

Port Huron 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 Port Huron is not the person's predominant place of employment.
- 4) Amounts paid to a nonresident for work done or services rendered outside the city of Port Huron.
- 5) Pensions and 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.

While tax is not withheld from income described in items 1, 2 and 3, the income is subject to

tax.

## FORM PH-W4

Form PH-W4 "Employee's Withholding Certificate" provides the information you need to properly withhold the tax from an employee. A properly completed form provides the employer:

- 1) The city, town, village or township in which the employee resides. **When deciding residency, do not rely on the person's ZIP code.**
- 2) Whether the employee is a resident of the city of Port Huron.
- 3) The person's predominant place of employment.
- 4) The employee's estimate of the percentage of compensation earned in the predominant place of employment. For most people this will be 100%.
- 5) The number of withholding exemptions claimed.

You must make sure that every employee with pay subject to Port Huron tax files a PH-W4. If a person refuses to file form PH-W4, you must withhold 1% of the employee's total compensation. Report and pay tax withheld in this manner based on the best information you have.

**An employer who fails to withhold is liable for payment of the amount that should have been withheld.**

An employee must file a revised PH-W4 within 10 days if their residency changes to or from Port Huron, or the number of exemptions decreases. Employees must review annually the predominant place of employment and percentage of compensation earned in Port Huron claimed. If an employee expects changes for the upcoming year, they must file a revised PH-W4 by December 1. Do not give revised PH-W4's retroactive effect.

DO NOT MAIL COMPLETED PH-W4 FORMS TO THE CITY OF PORT HURON. The employer must retain form PH-W4.

## TAX RATES

- Residents are taxed at 1%.
- Nonresidents are taxed at  $\frac{1}{2}$  of 1%.

## COMPUTING THE AMOUNT TO WITHHOLD

The Port Huron income tax is a flat percentage of taxable income, after adjustment for personal exemptions. Each exemption has a value of \$600.00 per year. Use the following table to find the allowance for each exemption per pay period:

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

The adjustment 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. The person is paid \$750.00 biweekly and claims three 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 \$500.00 per week and claims two 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 week 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 in 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 Port Huron tax withheld.

- 1) Multiply gross compensation by the percentage earned in Port Huron (always 100% for residents).
- 2) Multiply the number of exemptions by the exemption value. You can figure out the exemption value by dividing \$600.00 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	23.08
Semi-monthly	25.00
Monthly	50.00
Annual	600.00
Per Day	1.65

- 3) Subtract the result of step 2 from the result of step 1.

- 4) If the employee is a resident, multiply the result of step 3 by 0.01 (1%).  
If the employee is a nonresident, multiply the result of step 3 by 0.005 ( $\frac{1}{2}$  of 1%).

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 Michigan city that levies an income tax. In this situation, you must withhold Port Huron tax at the rate of  $\frac{1}{2}$  of 1%. 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 withheld quarterly. **The return and payment are due on or before the last day of the month following each calendar quarter.** Use form PH-941 "Employer's Return of Income Tax Withheld" for this purpose.

All remittances should be made payable to "Treasurer, City of Port Huron" and sent to:

Income Tax Division  
100 McMorran Boulevard  
Port Huron, Michigan 48060

The city will mail preprinted PH-941 forms to all employers withholding Port Huron income tax at the beginning of each calendar year. Please use the preprinted forms whenever possible. Make any corrections directly on the preprinted forms. Substitute forms must have the prior approval of the city's Income Tax Division. Please be sure to include your correct Federal Employer Identification Number with all withholding remitted.

Employers wishing to pay monthly may do so. You must notify the city of your election to pay monthly. The city will provide monthly PH-941's. We require 30 days written notice to return to a quarterly status.

Close out a withholding account by filing form PH-941 as a "Final Return." Check the appropriate box in the lower right corner of the form. Follow the additional instructions as explained on the form and in the instructions to form PH-941.

## ERROR CORRECTION

Withholding errors made by an employer are to be corrected as follows:

- 1) If an error is found in the same quarter in which it is made, adjust the employees next pay. Include only the corrected amount on the quarterly return.
- 2) 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 quarterly return.
- 3) 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, you must furnish to us the following:

- 1) An information return for each person you withheld city income tax from. The form must state the employee's name, social security number, address, compensation received and city tax withheld. **The return must be a copy of the federal W-2 or a form furnished or approved by the city.**
- 2) A completed form PH-W3, "Reconciliation of Port Huron Income Tax Withheld."

Form PH-W3 states both the total of Port Huron tax withheld as shown on the information returns and the total of withholding remitted to the city. Any underpayment is due with form PH-W3. The city will refund an overpayment reported on form PH-W3 after it has been verified.

## MAGNETIC MEDIA REPORTING

Employers wishing to file W-2 information via magnetic media are encouraged to do so. Specifications are available from the city on request.

## CHARGES FOR LATE PAYMENTS

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

## **EMPLOYER DISCONTINUANCE**

If you go out of business or permanently stop being an employer 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 (see ANNUAL REPORTING above) within 30 days after the last payment of compensation.

## **ASSISTANCE AND FORMS**

If you have any questions, or if you need forms, please call (810) 984-9741. Mail requests to:

Income Tax Division  
100 McMorran Boulevard  
Port Huron, Michigan 48060

If you wish to visit our office, we are in Room 112 of the Municipal Office Center at the preceding address. Our normal office hours are Monday through Friday 8:00 a.m. to 4:30 p.m..