



City of Montgomery  
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[www.montgomeryohio.org](http://www.montgomeryohio.org)

*Taking responsibility together to  
provide superior service*

## Your Montgomery Taxes

Plain talk about why, how and  
where your money goes  
AND  
how the City's portion is spent!



## Property Tax Formula

As a resident, you are well acquainted with Montgomery's numerous amenities as a premier community of the greater Cincinnati area: award winning schools, a world class hospital and medical complex, unique shopping and dining opportunities and a recognized historical district. The City of Montgomery possesses numerous parks, wide, tree-lined sidewalks and trails, an excellent public pool and many recreational opportunities for families of all sizes and ages. In a recent survey, Montgomery residents listed the quality of life as the primary reason to reside within the City. However, a premier city is not just about amenities, but a commitment from the entire community for a combined vision. This commitment takes leadership, involvement and revenue.

Revenue can be called the life blood of a city. As a resident, you may be unfamiliar with the way Montgomery collects its revenue. You may also be uncertain as to how and where those collected monies are spent. This guide will attempt to answer those questions for you.

Montgomery's revenue comes through a variety of sources that include: earnings taxes, property taxes, estate taxes, intergovernmental revenues, charges for services, licenses/permits and fees, investment earnings, special assessments, fines and forfeitures, and miscellaneous revenues such as refunds and reimbursements. The following chart explains the breakdown of these revenues. From the chart, you will see that the largest share of revenues stem from taxes, including both earnings tax and property tax.

The assessed value on a residential property within the City is 35% of the property's market value. For a \$250,000 home, the assessed value would be \$87,000. This value is further reduced through a combination of property tax credits. This reduction is annually determined by Hamilton County's Commissioners. For our example, these credits would reduce the assessed value to \$74,000. A reduction factor is then applied to the assessed value. This reduction factor is called the effective rate. The effective rate is a complex calculation, but is essentially a factor calculated to ensure that the amount of tax paid by a property owner remains constant through the life of the voted millage.

Again, using the case of the \$250,000 home, the effective rate in a recent year was 55.113. As tax millage is calculated based on \$1 for every \$1,000 of assessed value, the net tax rate of \$74,000 would have to be divided by \$1,000 to reduce it to the same terms of the effective rate. The equation for calculating the annual tax bill would be as follows:

$$\begin{aligned} \$74,000/\$1,000 &= 74 \\ 74 \times 55.113 &= \$4,078 \\ \$4,078/2 &= \$2,039 \end{aligned}$$

The \$2,039 figure is the estimated semi-annual payment on property taxes for a \$250,000 residence in Montgomery.

\*Source: Hamilton County Auditor's Office

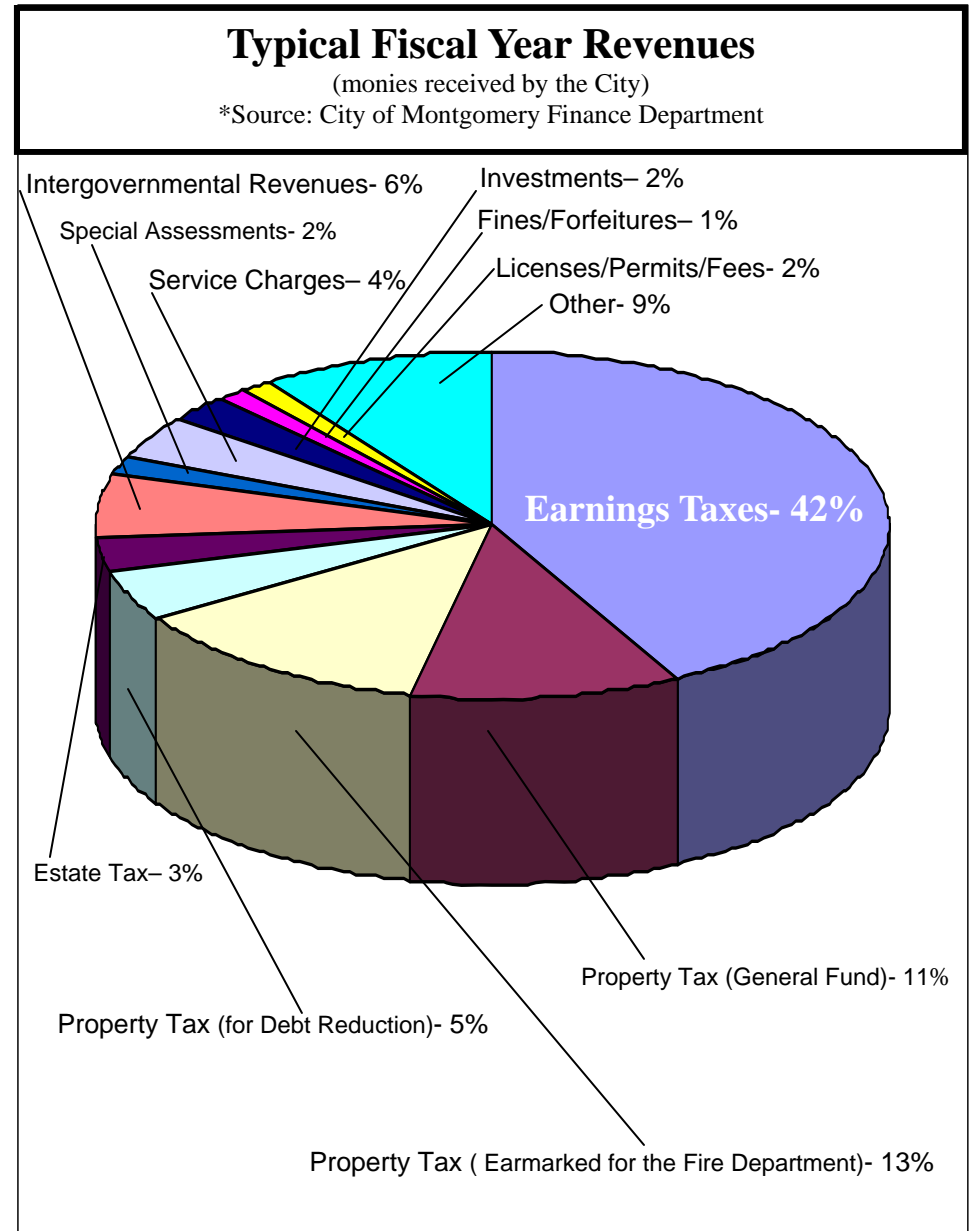
## Additional Resources

We hope this guide has been helpful to you. The following phone numbers and websites may also be of use to you.

- The Internal Revenue Service  
(513) 263-3333  
[www.irs.gov](http://www.irs.gov)

This website includes downloadable forms and answers to many frequently asked federal tax questions.

- The State of Ohio  
(800) 282-1780  
[www.tax.ohio.gov](http://www.tax.ohio.gov)
- Hamilton County Auditor  
(513) 946-4800  
[www.hamiltoncountyauditor.com](http://www.hamiltoncountyauditor.com)
- City of Montgomery  
(513) 891-2424  
[www.montgomeryohio.org](http://www.montgomeryohio.org)



## But what exactly is the difference between Earnings Tax and Property Tax?

### Earnings Tax

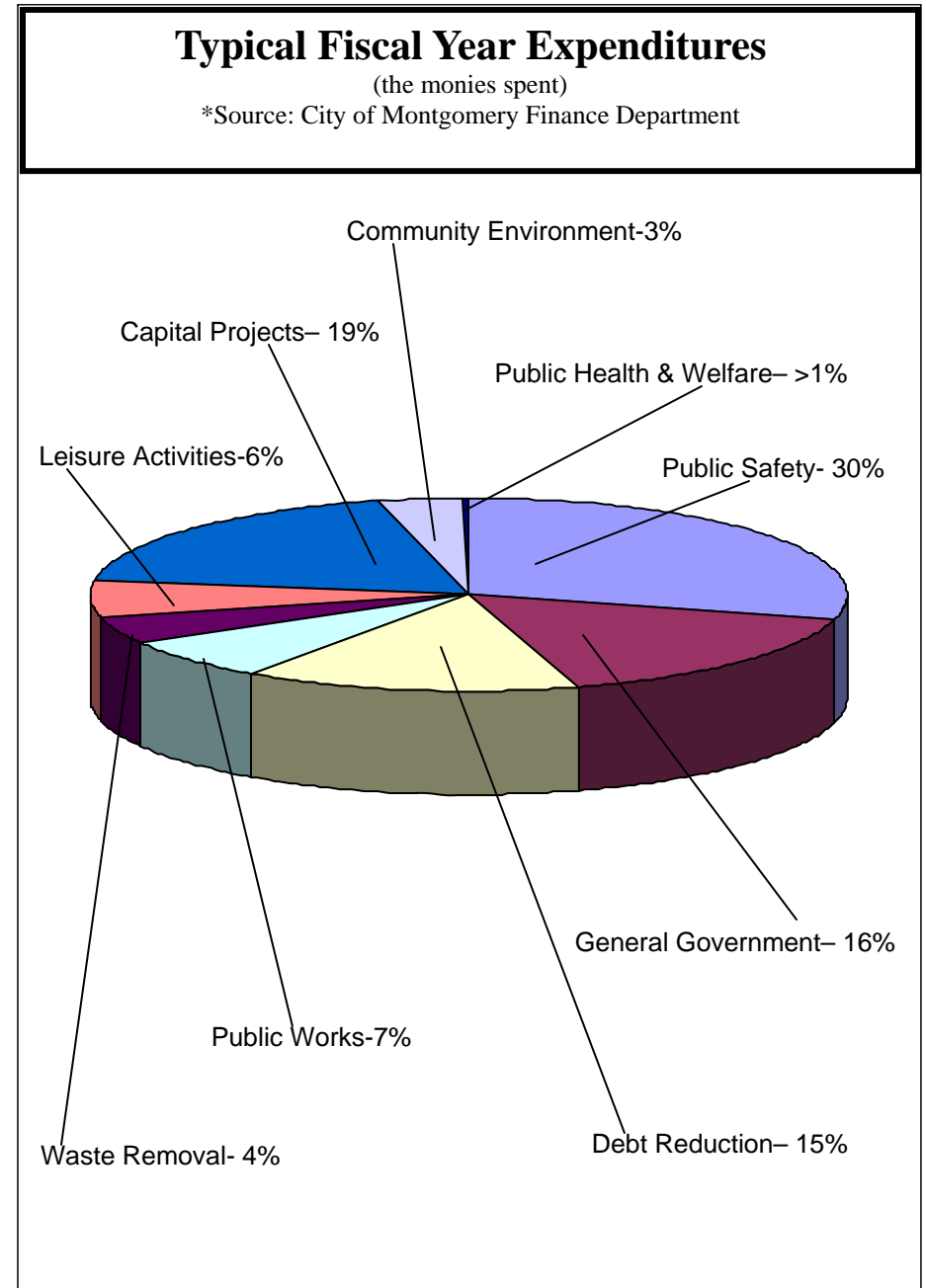
Earnings Tax (also known as local income tax) is levied on all qualified wages and net profits earned within a municipality. The percentage of earnings tax is determined by the city where you work and is collected and administered within that city.

The State of Ohio allows municipalities to levy up to a 1% local income tax without voter approval; any increases must be decided by a vote of the residents of that municipality.

The majority of earnings taxes collected by the City of Montgomery come through payroll withholding from individuals who work within, but do not necessarily reside in Montgomery. This fact is the underpinning of the City's commitment to encouraging and maintaining a vibrant business atmosphere within the City.

Of the total Earnings Tax revenues paid to the City of Montgomery:

- 63.5% goes directly into the General Fund,
- 15.0% is directed to Bond Retirement and
- 21.5% will be spent on Capital Improvement.



## **Property Tax**

Other budgetary expenditures include: Leisure Activities, covering the cost of programs within the parks, recreation programs and the pool, the significant Capital Projects, as well as the debt service payments (Debt Reduction) that the City must pay to reduce its outstanding long-term debt. Long term debt is incurred to finance large-scale capital improvement projects, such as building the Safety Center.

The City must also budget for the cost of administering the City (General Government) and expenditures for the upkeep of the City's cemetery, and general health services (Public Health & Welfare) purchased from Hamilton County Combined Health District, such as public vaccination.

The budget is a source of pride for the City as it reflects the City's ability to plan for and manage its operations as the City continues to provide services to all of its residents, businesses and visitors. This is done, not only with the budget process, but also with the City's Strategic Plan. Ultimately, these operations are carried out through the City's sound policies and management practices, which are a primary source of the City's ability to maintain continued financial health.

Property taxes are levied on 35% of the assessed value of your real estate property. This tax is determined by the Hamilton County Auditor and collected by the County Treasurer. It is then distributed to the county school districts and numerous municipal governments. Property taxes are based on the millage, 1/10 of one cent per \$1,000 assessed valuation, levied for your taxing district and the value that has been assigned by the Hamilton County Auditor.

This millage has two parts: inside and outside millage. Inside millage must be within the 10 mill limit established by the State of Ohio. This millage does not need voter approval and is divided between city, county, school districts, et all, according to guidelines set by the State of Ohio. Outside millage is subject to voter approval and includes the Fire Levy, Sycamore School District operating levy, and the Hamilton County MRDD, to name a few.

Many property owners pay this tax through their mortgage company and it is deducted from their mortgage escrow accounts.

Of the total property taxes paid:

- 59% goes directly to the Sycamore School District
- 25% to Hamilton County
- 16% to the City of Montgomery.

The City's portion of real estate tax is used for General Fund expenditures as well as the operation of the City's Fire Department.

## So what does this all mean?

Let's take a hypothetical case of Mr. & Mrs. 'Newly-Married on Zig Zag'. They reside in a home recently assessed as being worth \$250,000. Mr. NMOZZ works in Wyoming as a programmer and makes a salary of \$50,000. Mrs. NMOZZ works in the City of Blue Ash as an accountant. Her salary for last year was \$60,000. Additionally, Mr. NMOZZ works part-time at his uncle's store in West Chester Township and earned \$5,000. This income was reported on a Federal Form 1099-Misc.

Because they are Montgomery residents, they will have to file a tax return annually. Their combined income was \$110,000 in W-2 income and \$5,000 in 1099 Misc. for a total of \$115,000. Their tax liability to the City of Montgomery would be \$1,150. However, the City of Montgomery allows credit for taxes paid to other cities, up to 1%. Since Mrs. NMOZZ pays withholding taxes to the City of Blue Ash at 1%, her credit will offset her liability on her W-2 wage. Mr. NMOZZ's income has a .07% withholding paid into the City of Wyoming.



Other sources of revenue included in the City's budget are fees for City services, including building inspection and recreation programs. These revenues are reflected in the budget and are used to offset the expenditures of the City's various services.

The expenditure chart on the next page represents the breakdown of expenditures for the City in a recent budget year.

The City's diverse mixture of revenues allows the funding of a variety of functions for the community including: the safety services (Public Safety) provided by its Police and Fire Departments, the City's Public Works, which maintains streets, parks, facilities and other City infrastructure, waste removal including both garbage and yard waste, a recent upgrade to an automated collection program, and Economic Development (Community Environment), which handles the Planning, Zoning and Property Code Enforcement within the City.



## Show me where the money goes...

Now that you have a better understanding of your Montgomery Taxes, you would probably be interested in how those monies are spent.

The City of Montgomery plans for its resources and expenses just as you do through a budget. A budget can be defined as a proposed plan for generating revenues and funding expenditures to implement specific programs, functions, and activities for the upcoming year. It is the City's primary fiscal planning document, with its sole purpose to provide sound fiscal management.

The City's budget process involves all members of its staff and City Council. This level of involvement is important in that it allows for a thorough and wide-ranging view of all the City's present and future needs. The plan that results from such a team effort allows the City to fulfill its obligations and maintain a strategic direction.

As was shown in the revenue chart, the City's revenues include a variety of sources. These sources include the City's earnings and property tax, local government funding from the State, investment income, and grant funding for specific projects or programs.

Because the tax rate is less than 1%, his tax credit will only offset 7/10 ths of his W-2 liability. Further, his Federal Form 1099-Misc. Income was earned in a township. By state law, townships cannot levy an earnings tax, so no local tax was withheld. Therefore, he will owe \$150 for his W-2 wages from Wyoming, and \$50 for the income earned in West Chester Township.

Total Income .....\$115,000  
Montgomery Taxable Income at  
1% .....\$1,150

Tax Credit to Blue Ash .....\$600  
Tax Credit to Wyoming .....\$350  
Total Credit .....\$950

Amount due on April 15 .....\$200

The NMOZZ'S would annually pay \$4,072 in property taxes. Of this amount, 16%, or \$652 would actually come to the City of Montgomery. This amount was calculated by a complex formula which includes sales tax relief, a 2.5% reduction for a property that is owner occupied and a 10% across the board rollback for all property tax bills.

(Formula is located at end of guide)

## Helpful Hints.....

We believe that at this point, it might be helpful to list some easy ways to avoid common errors with your City of Montgomery Earnings Taxes.

1. Always file on time! Per changes from the State of Ohio, as of 2005, the filing deadline is April 15th.
2. If you have requested a Federal Extension, please notify the Montgomery Tax office by submitting a copy of the Federal Extension request form by the filing deadline of April 15th.
3. Never assume that you don't need to file 'because I don't owe anything'. The City of Montgomery has mandatory filing, and residents who fail to file incur an automatic late filing penalty.
4. The City has no age restrictions, therefore, minors who earn a wage must file a tax return.
5. Partial year residents must file a Montgomery local return based on the time they have actually resided in the City.



6. On a W-2 form, local taxes are determined by the qualifying wages listed in the Medicare Box of the Federal Form W-2; 1% of that amount is your Montgomery liability. Sole proprietorships, rental income, etc., are taxed at 1% of the businesses' net profit.  
  
Per changes to the Montgomery Tax Code, gambling winnings, as reported to the IRS will be taxable to the City of Montgomery.
7. The City allows credit up to 1% for taxes paid to other municipalities. Tax credit is not allowed for taxes paid to county governments. Please note that a spouse who pays in excess of 1% cannot offset their spouse's untaxed income.
8. Using your account number or your social security number, you can call the Montgomery Tax office to check the amount of estimated tax paid made for the year, if any.
9. Always include copies of your W-2 forms showing taxes paid to other municipalities, if any, and a copy of the front page of your applicable Federal Form 1040 with your return.
10. Sign and date your form! If you owe a balance, check to see that you have enclosed your check. Please make your check payable to 'The City of Montgomery'.