



Below are some general concerns the municipal league has towards language that was included in an omnibus amendment adopted Tuesday, May 20, by the Senate Finance committee and now part to HB483, the MBR bill dealing with general government policy issues. Specifically, the points address the opposition we have to the language that would require Ohio cities and villages that have a municipal income tax ordinance to report annually the breakdown of municipal revenue generated by resident versus non resident taxpayers to Ohio's tax commissioner.

The language that was amended into the MBR states: **Sec. 5747.50.** (D) Each municipal corporation ~~which has in effect a tax imposed under Chapter 718. of the Revised Code that imposes a tax on income~~ shall, no later than the thirty-first day of August of each year, certify to the tax commissioner the total amount of income taxes collected by ~~such~~ the municipal corporation ~~pursuant to such chapter~~ during the preceding calendar year, the amount of such revenue derived from taxes paid by resident individuals, and the amount of such revenue derived from taxes paid by nonresident individuals. The commissioner shall publish that information on the department of taxation's web site. The tax commissioner may withhold payment of local government fund moneys pursuant to division (C) of this section from any municipal corporation ~~for failure~~ that fails to comply with this reporting requirement.

We feel the language that was incorporated in HB483 through the large omnibus amendment has not been properly vetted to determine intended and unintended consequences to Ohio businesses, individual taxpayers and 592 of Ohio's municipalities. We believe that the Senate Finance committee is currently in receipt on HB5, the municipal income tax uniformity/reform bill, which would be the most appropriate forum for such significant changes in state statute effecting the municipal income tax to be responsibly studied.

The OML concerns are as follows (but are not limited to):

Ohio municipalities currently do not separate revenue received by resident versus nonresident wages earned.

*592 Ohio cities and villages that have a local income tax would be required to compel mandatory filing for all taxpayers, regardless if the business, worker or resident experienced a tax obligation to a municipality where they work or live. This mandate on all municipal taxpayers would be necessary so that the most accurate statistical revenue information could be provided to the state tax commissioner. The validity of the information required by municipalities would be subject to auditing standards.

*Currently not all municipalities require mandatory filing so this new mandate would be an increased tax exposure and burden unnecessarily placed upon many Ohio taxpayers.

*Municipalities would be required to report total revenue for residents vs nonresidents for all tax collected from all withholding accounts including all individual accounts. This would be a significantly burdensome mandate for administrations that have already seen reductions in staffing and reductions in funding.

*Collection of the information would have to be done manually by smaller communities.

*Current software used by municipalities to administer their tax would be unable to accommodate the new state mandate, requiring new software systems to be updated or purchased.

*Cities will have to amend their Ordinances to require that businesses remit withholding with a breakdown between resident and non-resident for each municipality they are required to withhold for, increasing the burden on businesses.

An important consideration to the direction of the proposal to accumulate this data relates directly to SB 282, legislation recently introduced by Sen. Jordan which would restrict the municipal income tax to residents only. The OML is opposed to the legislation due to the fact that of the 592 cities and villages that have a local income tax, typically greater than 70% of the revenue generated by the tax derives from nonresident workers who live outside the communities where they work, the same municipalities who host the businesses and industry that generate the economic productivity of Ohio. If SB282 were to be enacted, or if the state were to enact legislation that would restrict the municipal income tax to resident taxpayers only, the municipal income tax would shift to a resident tax and not one administered where taxpayers wages are derived, greatly discouraging municipalities from being the economic engines and economic development incubators they currently are. This unfortunate result would foster a destructive, parasitic relationship between businesses who currently contribute to their host communities through current withholding tax obligations who would no longer be required to continue to have the employee tax obligation applied and revenue for the municipalities that provide basic services to residents and businesses of every variety.

Thank you for your consideration of our deep concerns for the language being proposed and if I may answer any questions or be of any assistance to you, please feel free to contact me.

Respectfully,
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