



# Ohio Municipal League

*Our Cities and Villages ★ Bringing Ohio to Life*

Dear Representative

On behalf of the Ohio Municipal League and the 592 Ohio municipalities that have instituted a municipal income tax, we urge you to not support substitute HB5 and vote "NO" when the flawed bill is before you on the House floor.

Tomorrow, it is our understanding that the Ohio House of Representatives will be voting on sub.HB5, legislation that began as an exercise between municipal officials and a small group of business representatives, working together in a spirit of cooperation and shared goals in achieving greater uniformity, simplicity and predictability in the current municipal income tax system. Over the past year, the municipal league and our coalition of municipal representatives from across the state spent endless hours with House Ways and Means Committee Chairman Peter Beck and other legislators, drafting legislative solutions to all of the concerns shared by proponents of sub.HB5. These meetings resulted in the drafting of an alternative bill that addresses the identified inefficiencies in the local tax while preserving the ability of cities and villages to raise revenues adequate to maintain the level of services Ohio businesses and residents expect. Unfortunately, this work was largely discarded and sub.HB5 continues the assault on the ability of municipalities to be good hosts to current and future businesses by needlessly taking away revenues. The Legislative Service Commission's Financial Impact Statement for sub.HB5 affirms what our members have been telling the sponsor's and members of the House Ways and Means Committee that the bill will result in significant revenue loss, while for some municipalities, the losses will be in the millions of dollars.

There are many new treatments in sub.HB5 that the league and municipal coalition have identified as reducing already depleted municipal revenues and alternative language was drafted to alleviate the negative financial consequences while achieving greater uniformity, predictability and simplicity. These efforts have largely been rejected. Some of the areas that will result in unsustainable revenue loss to Ohio municipalities contained in subHB5 include:

- a new system that "nets" corporate and individual financial offsets of apportioned and unapportioned, like and unlike gains/losses of revenues, in some cases allowing double deductions of losses to be claimed.
- a five year Net Operating Loss carry forward policy with offsets, representing a massive unfunded mandate on 42% or 241 Ohio cities and villages with a local tax.
- prevents municipalities from equally collecting and applying their municipal income tax on worker's earnings generated in their corporate boundaries.

As I am sure you are aware from contact you have received from municipalities within your own legislative districts, times are very difficult for communities all across our state as the demand for services remains at a premium while revenues to fund even basic municipal amenities are stretched to the point of unsustainability. The Ohio Senate anticipates a legislative product from the Ohio House, who has been working on the issues contained in sub.HB5 for over two years, to represent compromise and an honest attempt at achieving a fair degree of revenue neutrality in the municipal income tax uniformity bill. The legislation before you is neither of those and merely demonstrates a lack of appreciation for the role cities and villages play in Ohio's struggling economic recovery by continuing to present financial roadblocks to job creating Ohio municipalities.

Ohio municipalities accepted their role two years ago in assisting their partner, the state of Ohio, right its financial ship and communities across the state continue to adjust to the new financial parameters they must operate under. With your help, we can work together to fix the remaining parts of sub.HB5 that will needlessly sacrifice even more revenue from struggling municipal coffers. Please support Ohio cities and villages and vote "NO" on sub.HB5.

Best regards,



Susan J. Cave  
OML Executive Director