



## **Legislative Bulletin**

### **SPECIAL BULLETIN**

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#### **OHIO MUNICIPAL LEAGUE REACTS TO SENATE REWRITE OF PROPOSAL TO COLLECT AND DISTRIBUTE MUNICIPAL NET PROFIT TAX**

This afternoon, the Ohio Senate unveiled their substitute proposal for HB 49, the state operating budget bill. Attached is a list of changes made by the Senate. We will go into greater detail in Friday's regular Bulletin.

There are numerous issues impactful to Ohio cities and villages included in the legislation presented today, the Ohio Municipal League is particularly concerned with alternative language now in the budget that would allow the Ohio Department of Taxation to, among other things, charge municipalities a 1% service fee for future filings of municipal net profit tax made through the state central collection portal, the Ohio Business Gateway (OBG), beginning January 1, 2018.

The amendment will:

- Create greater non-uniformity in the administration of the municipal income tax by creating two separate set of rules and procedures for municipal business filers.
- Allow business to choose to either file through the OBG, which would be administrated by ODT or through their local municipality. Businesses that elect to file through the yet-to-be-redeveloped portal would have to stay in the system for five years or appeal to the commissioner to be allowed to file with a municipality.
- Instead of the current next-day receipt of revenue that goes through OBG, the proposal says revenue will be redistributed by the state monthly, via the Ohio Department of Taxation.
- Current and future Tax Commissioners will have the authority to propose rules, grant or deny refund requests, handle appeals, prescribe forms, make assessments, audit and other administrative functions.
- Municipalities can request that the Tax Commissioner conduct an audit, but that request is subject to the commissioner's approval.

"The challenge to our members and Ohio's municipalities that this is more state interference in our cities and villages lifeblood; revenue from the municipal income tax," said OML Executive Director Kent Scarrett. "There is significant potential for more lost revenue to municipalities, meaning less support for police and fire services due to the state's interference. Our ability to manage our tax dollars and to ensure compliance in business filings is paramount for the protection of all taxpayers."

The League supported the changes made by the House that preserved full auditing and enforcement authorities with the municipalities where the filings are to be made, as well as supported a proposed 1% service fee applied to the business filings to support the upgrade in tax service by the state. That language did not lock businesses who choose to file through the state portal into a five-year obligation to file through the OBG.

"This is a major policy change being thrown into the state budget that has not been properly vetted to determine what the effects will be on municipal budgets or businesses who use the OBG, which is currently being rebuilt," Scarrett continued. "Bad tax policy is good for no one and this proposal is not vetted and needs to come out of the budget bill."

The Senate plan does not touch the language by the Ohio House, which essentially eliminates the municipal "throwback" provision from being applied, depriving cities and villages across the state of more tax revenue, and continuing the financial instability upon Ohio's hometowns and economic engines.

The Ohio Municipal League is a non-profit, non-partisan association that represents the collective interest of over 730 Ohio cities and villages before the Ohio General Assembly, state elected and administrative offices.

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