

Ohio House of Representative Ways and Means Committee
Testimony of Michal P. Summers
Mayor, City of Lakewood, Ohio
March 7, 2017
Room 121

1. I wear two hats today
 - a. Former Owner, chief Executive of Summers Rubber Company for 32 years.
 - i. Physical operations in 7 Ohio cities and counties:
 1. Cleveland/Cuyahoga
 2. Mansfield/Richland
 3. Findlay/Hancock
 4. Dover/Tuscarawas
 5. Marietta/Washington
 6. Akron/Summit
 7. Eastlake/Lake
 8. New Castle PA/Lawrence county
 - ii. For 30 years we have paid local income tax to these cities. 65 years in Cleveland .
 - iii. We are also consumers of local services, and Summers Rubber employees live in and benefit from these cities' services.
2. I also have the vantage point as Mayor if city of Lakewood- population 52,000, 15th largest city in Ohio. Lakewood self collects its income tax because of the unique nature of our high percentage of rental units.
3. My view:
4. **My remarks this morning shall address 3 questions :**
 - a. **What problem are we trying to solve with this bill?**
 - b. **Why do 97% of business tax filers choose to file locally instead of the Ohio Business Gateway?**
 - c. **What are the cost advantages of centralization to the business customer?**
5. **I find it remarkable that business in Ohio have the option of making a competitive choice of where they file their state income tax returns in payment. They can choose to file them with the state agency, Ohio business Gateway, or with their local municipality. Apparently, in the market place of competition, they overwhelming choose to file locally.**

In doing so, they weigh the cost and ease of compliance, the confidence of accountability and access, and with a sense of purpose as to what these precious tax dollars support.

I find it remarkably hypocritical that the State budget as proposed forces a choice few voluntarily make even though they have the choice.

The State budget presupposes that they know what business prefer. If the state feels they know what is best for these business filers, let the state agency compete for these services.

1. Companies- 90% operate with 3 or less locations
 - a. Tim Laskey, Lasky and Costello CPA's
 - i. Thousands of returns
 - ii. Over a thousand tax returns for contractors and business clients

- iii. 90% his fees are attributed to calculating the firms total taxable income, which the firm has to do regardless of how many locations it serves.
- iv. Apportioning it, assuming reasonable data availability, is simple three factor formula of equal parts rents, sales and wage of the total
- v. He estimates \$30-\$50 per location for creating the return.
- vi. In any case, he has to perform this work regardless of where he files On behalf of his clients.

6. Tax compliance burden on employers-

- a. I am puzzled as to who is helped by this proposed law
 - i. In the current law- employers must collect data:
 - 1. Sales by location
 - 2. Labor costs by location
 - 3. Other factors that fit their business:
 - a. Asset totals
 - b. Rent payments
 - b. Proposed law
 - i. They have to collect all of the same data
 - c. Local municipalities will pay an additional 1% cost for the privilege of having the state assume control of their money.
 - d. In Lakewood's case, 90% of the filers are single location filers . The business returns as a percent of total return process is only 8%. No real cost reductions will off-set the additional 1% paid to the state, plus we lose the ability to audit the return, and we have to wait for our money and hope the state gets it right.

7. So clearly Lakewood and cities like it do not benefit.

The state has to build a bigger agency, train people , and hopefully provide great customer service, better than they currently do. The State Agency will have to build a larger bureaucracy to handle more forced volume. Extra cost will be incurred in the belief that if we build this bureaucracy, it will be better. This budget forces the volume to support this investment. What a remarkable view that government forces demand to create a larger state agency, to remove competition, and call it better.

So what is the State's benefit?? Hold the money longer? Keep more of the money? Gain control by increments of municipal income tax? Another remarkable development is that the State appears to desire to control municipal income tax at the same time it desires to eliminate its own income tax.

- a. So who gets helped by this bill?
- b. I was a founding Board member, and past chair of WIRE-Net (Westside industrial retention Network
 - i. Consortium of local manufactures dedicated to preserving and growing manufacturing jobs on Cleveland's Westside
 - ii. I chaired Cleveland Growth Association (Cleveland's Chamber of commerce) workforce initiative
 - iii. I was appointed by Governor Bob Taft to the first Chair oh Ohio's Workforce Policy board- Now Governor's Workforce Advisory Board. I held this post for four years. We worked hard on economic development issues affecting Ohio, with workforce and the focal point .