

## HOUSE BILL 49

**DATE: March 7, 2017**

**PRESENTED TO THE HOUSE WAYS AND MEANS COMMITTEE, CHAIRMAN REPRESENTATIVE SCHAFFER.**

Mr. Chairman and members of the Committee, my name is Diana Nelson and I am on Mason City Council. I am also a Certified Public Accountant, Chief Financial Officer for Selection.com, and currently serve on a Federal Advisory Board to the IRS as the Taxpayer Advocate representing the State of Ohio. My professional career and passion is in tax policy and procedures and advocating on behalf of taxpayer rights. I've been involved in global, national and local efforts to defend taxpayers. I appreciate the opportunity to address you to discuss my professional and political opposition to efforts within the state budget to centralize any portion of the local municipal tax. These efforts erode local control, financially damage successful communities such as the City I represent, and ultimately will harm taxpayers across the State.

Last week, Mason City Council unanimously passed a resolution opposing centralized collection. A copy of that resolution is attached to my testimony and is being delivered to every member of both the House and Senate. I understand that centralized collection is being promoted as an effort to assist the business community by giving the State of Ohio centralized control of business municipal tax filings. Increasing the power, distance, and size of State government in order to promote business success is a contradiction that should be obvious. In my unique position as a business leader, local political leader and a CPA I see the harm this would do to business interests, local financial stability, and to economic development in our State. To be clear: the State of Ohio should cease using locally voted and administered taxes as a bargaining chip to shore up State finances.

The City of Mason has a reputation as a business-friendly environment where cost-effective local government and low taxes results in strong economic development. Businesses and job growth are thriving in the City of Mason and that is obviously good for the State of Ohio. Mason is supportive of improving business conditions throughout the State. However, centralized collection will discourage such local successes. The City of Mason is strongly opposed to the notion of centralized collection contained in HB 49 for the following reasons:

- HB 49 is a brazen encroachment by the State upon the City of Mason's rights of self-government as conferred by the Ohio Constitution.
- I understand Commissioner Testa believes this change will make it easier for businesses to file their local returns. I disagree. Municipal business income tax returns are relatively simple to prepare for most businesses relative to the many other Ohio income tax returns they are required to file. Businesses will still be required to compute the amount of net profit derived from each locality. The only benefit will be filing one return in one location. The computations will still be the same.

- Commissioner Testa also stated that centralized collection will “simplify things for business.” Simplification of *state* income taxes would be better for business. Let’s start with the confusing and complex adjustments for bonus depreciation and Section 179 expensing. Forty-five states follow federal expensing on these items but Ohio makes businesses add back confusing amounts which force businesses to keep two sets of books with multiple calculations which most tax software won’t compute correctly - forcing business owners to perform their own calculations. The State should reduce the 9 tax brackets and 36 credit/deductions which are confusing and are sometimes missed by businesses. These are just a few of the many business friendly simplifications that the Commissioner should make prior to invading municipal taxation.
- Dealing with the State of Ohio and municipalities regularly, I can tell you municipalities are much more taxpayer friendly, easy to get in touch with and willing to help complete the income tax return for anyone needing help, a service Ohio will not be able to provide. This will ultimately cause taxpayers more frustrations and higher compliance costs. Local tax administrators can provide better service and accountability to local taxpayers.
- Taxpayers also benefit from municipalities that provide for an installment agreement to help businesses that are unable to immediately pay their tax bill. Municipalities are motivated to be business friendly and work to help businesses succeed. Whereas Ohio’s top down, one-size-fits-all collection will inhibit business success.
- The Ohio Business Gateway was launched in 2003. As a tax practitioner, I use the Ohio Business Gateway on a monthly basis. Thirteen years after its launch, the program still freezes, filings do not go through, reports aren’t showing as filed when a confirmation number has been obtained and the CAT tax exclusion does not always populate in the program. These are just a few frustrations practitioners have with the program. Using this program to file is not easier than filing a generic city tax return that is completed within our tax software program. After 13 years I don’t trust that expanding scope of control will convince the state to fix these on-going deficiencies.
- The State’s history of “redistributing” revenues to local jurisdictions presents serious concerns that the State will continually be tempted to reduce distributions to municipalities to shore up state budgets or to redirect local revenues to other state-dictated priorities.
- The City of Mason has earned a Moody’s Bond rating of Aaa which will be directly threatened as the State interferes with the dependability of locally generated revenues. Costing my community’s taxpayers more money.

- With the State already cutting funding to municipalities by over \$1 billion, municipalities struggle to maintain roads, public utilities and safety services. Centralized collection will further reduce our ability to provide these basic needs to our local and business community.
- The proposed 1% service charge is higher than the City's current cost of self-collecting these revenues and, once instituted, could certainly grow to support growth of increased state bureaucracy.
- The State will generate interest income off locally generated revenues – assets that belong to the local taxpayers.
- The elimination of the throwback rule will not only harm municipalities, but will discriminate against sole proprietors, giving the small business owners a disadvantage among the bigger, more powerful companies.
- The Ohio constitution grants municipalities the ability to manage local revenues to benefit taxpayers with locally governed service delivery. Removing local control of revenues diminishes this principle of self-government and moves towards making communities wards of the State.

Mason's political and professional leadership focuses on a conservative tax approach to create a desirable environment for our businesses and residents. Increasing the size and scope of centralized government is contrary to the pro-business environment that has resulted. Mason Council is united in recognizing the danger that centralized collection poses to our success and, ultimately, the economic success of our State. Just as the State of Ohio collects their income tax free from federal interferences, so too should municipalities be allowed to collect free from State interference. Businesses will be helped more by the State simplifying their own tax rules than misguided efforts to exert control over local taxes. HB 49's vision of centralized collection is bad policy, bad government, and bad for business.

For these reasons, The City of Mason is strongly opposed to HB 49 as introduced. Thank you for this opportunity to address this legislation and I will be happy to answer any questions.

RESOLUTION 2017 – 3

**OPPOSING THE PASSAGE OF THE STATE OF OHIO'S PROPOSED 2017-2018 BUDGET, WHICH PROPOSES CENTRALIZED COLLECTION OF NET PROFIT TAX RETURNS AND OTHER PROVISIONS RELATED TO THE MUNICIPAL INCOME TAX CAUSING FINANCIAL HARM TO THE CITY OF MASON AND OTHER MUNICIPALITIES WHILE ENCROACHING UPON THE CITY OF MASON'S HOME RULE POWERS GRANTED BY THE OHIO CONSTITUTION**

WHEREAS, it is proposed in the State's 2017-2018 Budget to institute a State controlled program for the centralized collection of local municipal income tax; and

WHEREAS, the City of Mason is supportive of creating a business-friendly environment in Mason and throughout the State of Ohio with consistent standards for net-profit reporting without added layers of State bureaucracy; and

WHEREAS, the City of Mason places top priority in attracting and maintaining business within the corporate limits and has been successful in adding over 3,000 jobs and \$580 million of new investment from January 2015 through December 2016; and

WHEREAS, the City of Mason is opposed to all encroachment upon the City of Mason's rights of local self-government conferred by the Ohio Constitution; and

WHEREAS, the State of Ohio should partner with successful communities such as Mason in growing the economy and access to high-paying jobs rather than taking local revenue to grow State government; and

WHEREAS, the City of Mason is strongly opposed to revisions on municipal tax collection that decreases local control and flexibility while increasing the size of an overreaching centralized State government at the expense of local government; and

WHEREAS, the City of Mason is opposed to revisions, reversed compromises and broken promises made by the State, such as the Local Government Fund, financially harming the City of Mason and other local governments resulting in local tax increases; and

WHEREAS, the City of Mason is opposed to additional requirements and unnecessary burdensome demands imposed to the benefit of special interest groups; and

WHEREAS, the City of Mason is opposed to revisions imposing an additional and growing layer of State bureaucracy that prescribes all forms, policies, instruction, enforcement action and publications for part of the municipal income taxes and ultimately motivated to centralize all aspects of municipal income tax collection and redistribution; and

WHEREAS, the City of Mason understands the State's history of diminishing local control to increase centralized revenues and weaken local decision making; and

WHEREAS, the proposal creates ongoing uncertainty to how much locally generated revenues will return to the community. This places the City of Mason's financial integrity and it's Aaa bond rating from Moody's at risk and will result in declining services and higher taxes; and

NOW, THEREFORE, BE IT RESOLVED by Council of the City of Mason, Ohio, six members thereto concurring:

Section 1. That the City of Mason does hereby declare that the Ohio General Assembly should request the immediate removal of all language pertaining to municipal income tax collection and administration.

Section 2. That the City Manager is hereby directed to transmit a certified copy of this Resolution to Speaker Rosenberger, Representative Zeltwanger, Governor Kasich and all members of the House of Representatives, Ohio State Senate and candidates for Governor.

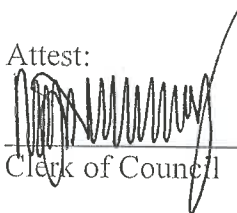
Section 3. That the City of Mason through its elected and appointed officials will cooperate with other municipalities and the Ohio Municipal League to achieve municipal income tax administration that is business-friendly without causing excessive harm to the City of Mason and other municipalities.

Section 4. That this Resolution shall take effect and be enforced from and after the earliest period allowed by law.

Passed this 27th day of February, 2017.

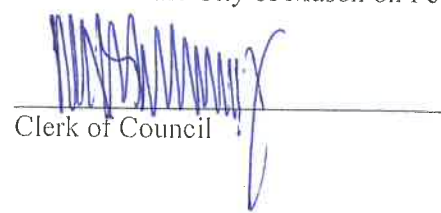
  
Vice Mayor

Attest:

  
Clerk of Council

#### CERTIFICATE

The undersigned, Clerk of Council of the City of Mason, hereby certifies this to be a true and exact copy of **Resolution No. 2017 - 3**, adopted by the Council of the City of Mason on February 27, 2017.

  
Clerk of Council