



March 7, 2017

The Honorable Tim Schaffer
Chairman, Ohio House Ways and Means Committee
77 S. High St, 11th Floor
Columbus, OH 43215

RE: HB 49 – Proposed Central Collection of Municipal Business Taxes

Chairman Schaffer and Committee Members,

I am writing to express my opposition to H.B. 49, Governor Kasich's proposed budget which would take away the City of Cleveland's ability to collect business income taxes.

Currently, Cleveland's Central Collection Agency (CCA), which employs a staff of 120, collects local business and personal income tax. The CCA was created in 1966 by the enactment of the City of Cleveland Income Tax. In turn, the CCA was formed to manage the collection and disbursement of tax revenues for the City of Cleveland and 14 surrounding communities.

Throughout the years the CCA has grown and modernized to best serve the citizens of Cleveland and its over 70 member communities.

The CCA is a trustworthy and capable organization with a proven track record of success. The CCA operates at no net cost to the City of Cleveland tax payers, as it raises sufficient revenues through services to surrounding communities to offset its own expenditures. As you can imagine, a budget neutral department is preferred to paying a 1% administrative fee to the state on an estimated \$50-\$75 million dollars next year. Further, beyond being budget neutral, the CCA employs over 120 staff.

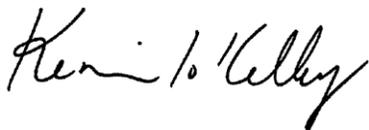
This is an issue of local control. Local control of this function ensures more accurate audits, a fairer process for appeals and more timely rebates. Being located in the City of Cleveland, the CCA is best positioned to be knowledgeable of the local businesses it serves, it is easily accessible, and best able to assess the veracity of filings. Furthermore, the CCA provides assistance and advice in filing and compliance, as well as assistance with the technical issues our businesses face.

Like any governmental entity, the City of Cleveland has bills due daily – not quarterly. The interruption of cash flow that would result from HB 49 would cause irreparable harm to the City's capacity to meet its obligations in a timely fashion. Interest rates have begun to rise and are predicted to do so again in the near future. Thus if HB 49 were passed, the City of Cleveland would be forced to borrow short term to meet its obligations while awaiting for our revenues to be returned to us quarterly.

Unlike the State and Federal governments, the City of Cleveland doesn't remit any refund or credit until a return has been audited. Further, like the State of Ohio, Cleveland has a strong bond rating, which relies on reliable revenue streams. The proposed disruption introduces unnecessary uncertainty, which the market will inevitably respond to.

In closing, the City of Cleveland has the capacity, and would strongly prefer to continue, to collect and disperse business tax revenues generated in the City of Cleveland. We're able to do so at no net cost to our taxpayers, while employing over 120 people, operating within our city and highly accessible to our businesses, providing a reliable and bondable stream of revenues which allow our city to function and flourish. For the above stated reasons, I again request that you to reject the Governor's proposed collection centralization changes in HB 49.

Thank you for your time and consideration on this issue. If you have any questions, please don't hesitate to contact me.

A handwritten signature in black ink that reads "Kevin J. Kelley". The signature is written in a cursive style with a large initial 'K' and a distinct 'J'.

Kevin J. Kelley
Cleveland City Council President