



Northeast Ohio Mayors and City Manager Association
Opponent Testimony
March 7, 2017

Good Morning.

Mr. Chairman and Members of the House Ways and Means Committee, my name is Deborah Neale, and I am the Mayor of the Village of Lakeline in Lake County. I am here today not only representing my community, but as a representative of the Northeast Ohio Mayors and City Manager Association, an organization representing 125 communities in 9 counties throughout Northeast Ohio. On behalf of the Northeast Ohio Mayors and City Managers Association, I want to express our objection to provisions in HB 49 that would mandate the state collection of municipal net profits tax.

Local governments have been particularly hard hit over the past few budget cycles with a 50% reduction in the Local Government Fund, the elimination of the estate tax as well as the elimination of the TPP replacement funds. The municipal income tax is the primary tax that supports our municipalities and consequently has become even more critical. These provisions in HB 49 essentially remove control from local governments along with a significant share of that tax base – on average 14% of the municipal tax base.

The Northeast Ohio Mayors Association worked cooperatively with all parties in the HB 5 discussions. As part of those discussions, we agreed that it made sense to allow those paying net profits tax to voluntarily pay through the Ohio Business Gateway. Apparently very few taxpayers have made that choice. It's interesting to note that 85% of all businesses file three or fewer municipal income tax forms.

We continue to support the voluntary Business Gateway alternative and are committed to work to improve that option. However, the language in HB 49 goes far beyond just filing. It takes away all enforcement from local governments. In short, it eliminates all local enforcement authority and puts local governments at the mercy of the state.

As part of this centralized collection proposal, the language eliminates the "throwback" rule, which governs the taxation of the sales of tangible personal property when those goods are sold to a place where the company has not created sufficient nexus to be subject to taxation. In those instances, the sale is allocated to the location from which the product was shipped. Ohio has a uniform "throwback" rule, and the elimination would be a significant financial loss to many of our communities.

The Northeast Ohio Mayors and City Managers Association remains committed to working with all interested parties. However, we strongly encourage you to remove these provisions given their impacts on local governments and consider the harm they may cause to our ability to provide critical services.



Mr. Chairman, thank you, and I would be pleased to take any questions.