



Testimony in Opposition to House Bill 49
Robert Wright, City of Bowling Green
March 7, 2017

Chairman Schaffer and members of the House Ways and Means Committee, my name is Robert Wright. I am also the President of the Northwest Ohio Tax Commissioners Association and the Tax Commissioner for the City of Bowling Green. I come before you to express opposition to the language in the budget bill regarding the administration of municipal income taxes.

The proponents of this change claim that it will reduce the burden of filing municipal income taxes. I disagree. A business will still be required to collect the same information as it currently does. The business will need to maintain where sales take place, where wages are earned, and where real property is located. The business or its tax preparer will still need to calculate the allocation formulas using this data. The only time savings to the business is that this information would be submitted to the Ohio Department of Taxation instead of the responsible municipality or municipalities. For the single municipality filer, that is not a time saver.

The time savings from filing to a singular entity was a selling point of the Ohio Business Gateway. The Gateway is supposed to be the singular portal for businesses across the state to use so that a return would not need to be sent to each municipality the business has situs. Since the majority of Ohio businesses do not use the Gateway, these businesses have made the choice that the local tax office is easier and friendlier to use.

The Budget Bill eliminates the business's ability to choose to use the Gateway or file at the local office, which ever is the most convenient to that taxpayer. Not only is that choice eliminated, the business must filing the return electronically or be subject to penalties. This does not sound very friendly to me.

Requiring every business filer to use the Ohio Business Gateway will increase the number of returns filed with the Gateway by a large factor. The system does not handle the current load

very well. In order to lessen the compliance burden, the Gateway must be greatly improved. I am not confident this will be accomplished in time.

ORC 718.05 (F) (3) stated that “The department of taxation shall publish a method of electronically submitting the documents required under this division through the Ohio business gateway on or before January 1, 2016. The department shall transmit all documents submitted electronically under this division to the appropriate tax administrator.” That was not accomplished.

Should we expect the Gateway to be able to handle a huge increase in the number of returns filed when the Gateway is not able to include a copy of the Federal return more than a year after Taxation was mandated to perform this task?

Commissioner Testa testified last week about this change proposed in the Budget Bill. He stated that he undertook an extensive listening tour around the state and that the most common complaint was the municipal income tax on businesses net profit is burdensome. He heard complaints that the municipal income tax on businesses lacks uniformity, imposes significant costs and in some case utilizes unusual apportionment rules. Businesses had not yet filed tax returns under the changes instituted by House Bill 5 of the 130th General Assembly. HB 5 was passed to address uniformity issues.

Apportionment rules are prescribed in state law, but there are provisions that allow municipalities to work with business filers to use alternative apportionment formulas that can make filing simpler. The need to maintain accurate records to determine apportionment is not changed.

Commissioner Testa stated Taxation has considerable experience and success administering locally based taxes. This depends on how you define success. I just processed a refund request for a state collected utility tax for tax year 2010. I am not provided any documentation of the accuracy of this request. I need to comply quickly or be subject to paying interest going back the original filing date.

I regularly have taxpayers coming to my office to complain about the school district income tax and to ask for help in filing that tax. One example was a taxpayer that incorrectly claimed to

have been a full year resident in two school districts. The data analytics at Taxation did not catch this obvious error. Instead, Taxation sent this taxpayer a bill for both school districts.

The compliance effort of Taxation for the school tax is a number of months behind our non-filer compliance work. This delay leads to taxpayer confusion and greater difficulty in locating the needed tax documents.

The Ohio Department of Taxation does not have the local knowledge of the municipality's boundaries. The Ohio Tax Finder program is not very accurate. This will lead to increase compliance costs to businesses being incorrectly assessed for not filing a municipal tax return. That business will need to respond to Taxation and provide proof that it had no situs in that municipality. There is not very friendly.

Being local, I know if a business is struggling and needs help with compliance or needs extended time to pay taxes. How will an employee of the Ohio Department of Taxation know about the problems of the local business and be able to help?

The Ohio Department of Taxation states it will fund the administration of this tax with a one percent administrative charge. Currently, both the school income tax and the local utility tax have a 1.5% administrative charge. I question that the one percent charge will be sufficient considering Taxation's current practices.

The City of Bowling Green's cost of collection in 2106 was 1.55%. In 2016, we collected about 11% of our income tax in 2016 from business filers. When you consider my division's fixed costs, there would not be any cost savings due to Taxation administered this portion of the income tax.

Estimated tax payments for businesses will be based on the **combined** municipal tax liability. A business could have not met the \$200.00 threshold for being required to file an estimated tax to any particular municipality, but now must pay the estimated tax to the State and provide allocation information with each payment. This a new compliance burden placed on businesses. Again, this does not sound very business friendly.

Thank you for the opportunity to present my concerns.