

TESTIMONY  
TO  
OHIO HOUSE OF REPRESENTATIVES  
WAYS AND MEANS COMMITTEE

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Written Testimony Regarding H.B. 49

FY 2018-2019 Operating Budget – Personal income tax, CAT, filing changes, and municipal tax changes (centralized filing and “throwback” rule)

Ohio House of Representatives  
Ways and Means Committee  
Representative Tim Schaeffer, Chair

Tuesday, March 7, 2017

Chairman Schaeffer and Members of the Committee, thank you for the opportunity to testify regarding Centralized Municipal Income Tax Filing.

My name is Scott Liberman. I am an attorney in private practice with the law firm of Altick & Corwin in Dayton. I have been practicing law in the State of Ohio for more than 20 years. I am also the Law Director for the City of Centerville and have been in that position, representing the City for more than 12 years. My law firm represents several other cities in Ohio, as well. I am a member of the Ohio Municipal Attorney’s Association and the International Municipal Law Association. As a private attorney, about half of my practice is devoted to debt collection on behalf of businesses, municipalities and individuals. I currently provide income tax collection services to both the City of Centerville and the City of Miamisburg. In the past, I have also provided income tax collection services for the City of Oakwood.

I come before you today as an opponent to the proposal to centralize Ohio’s municipal income tax. I agree with the position of the Ohio Municipal League and concur with all of the testimony previously provided and to be provided by the other opponents to Municipal Income Tax Centralization. However, I will not be discussing the OML and my cities’ concerns that include the eroding of Home Rule and local control; removing the local ability to audit, and assist taxpayers; and the turnaround time for receipts of revenue.

Instead, I want to provide a different perspective to the collection of income taxes, one that addresses the “fairness” aspect of the filing and payment of municipal income taxes that could be lost with centralized tax collecting at the State level. With regard to business income tax collection, my involvement on behalf of the cities has been to enforce the income tax requirements for filing and payment of net profit taxes. Additionally, I have had to pursue businesses for withholding taxes that they withheld from their employee’s paychecks, but failed to remit to the city.

I envision that businesses would begin to slip through the cracks and avoid filing municipal tax returns or paying under the centralized filing proposal. I can provide anecdotal examples of my personal experiences with working on tax collection for cities. I have had business owners tell me that they did not have to file or pay municipal taxes for various reasons. For example, a business may claim that they are not located within the city; that they were never told before that they had to file or pay; that they had no income; and the reasons go on and on. At the same time, we have the business next door filing and paying their fair share of taxes. How fair is it to let some businesses comply, while others do not? That is where I come in to assist at the local level. Working with my various tax administrators, we can identify the businesses that are complying and those that are not. This cooperative and fair compliance with the Municipal Ordinances can only happen at the local level.

We spend time educating local businesses of the requirement to file tax returns and pay tax balances. The process involves letters and contact from the City asking for compliance. The City staff learns about these new businesses from various places, but rarely from a business voluntarily contacting the City to ask to file returns or pay taxes. Both the City staff and my efforts are required to add that business to the tax rolls.

Additionally, there is a process for businesses that never file. In that situation, the City goes through its full assessment procedure including notices, appeal rights, etc. without hearing from the business. Upon receiving no response to the final assessments, the collection is turned over to my office. Once turned over to me to collect, I may finally get compliance through either personal contact or through collection procedures such as lawsuits, judgments, garnishments and even pad lock orders. We may finally gain compliance, but it is not always easy and may take months of my efforts in and out of court.

Our businesses appreciate the efforts of the City in enforcing the laws fairly and equally. Thus, by centralizing collections to the State, we think that new businesses will be missed and current businesses will begin to ignore the need to file or pay, thus leaving fewer taxpayers to share in the tax burden. These businesses will be utilizing the services of the cities. I have collected from businesses who are not afraid to ask for financial assistance, for police and fire protection, and for zoning or development assistance, but who will not voluntarily file and pay municipal income tax. It is this local control that will surely be lost under centralized collection. While not intended, centralized tax collection at the state level will remove the urgency and fairness of all local businesses and citizens from filing returns and paying their fair share.

In conclusion, I ask that centralized income tax collection be removed from the H.B. 49 budget on the grounds that only the local municipality will have the ability to efficiently assist in the collection of local income taxes and only the local municipalities know their tax payers. Retaining local control over tax collection will ensure that municipal tax codes are applied equally and fairly to our citizens. Thank you.