



**Testimony of Mayor Paula Hicks-Hudson  
HB 49  
Budget Proposal FY 2018-2019  
February 28, 2017**

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Subcommittee Chairman Faber, Ranking Member Patterson, and members of the Ohio House Finance Subcommittee on State Government and Agency Review, my name is Paula Hicks-Hudson and I am the Mayor for the City of Toledo. I would like to thank you for the opportunity to testify today.

Toledo is Ohio's fourth largest city with 290,000 people and growing. Like other Ohio cities we are always looking for ways to attract employers and improve quality of life for our citizens as we compete against cities in Ohio and other cities nationally for development dollars and jobs. In Toledo we have been blessed to have great corporate citizens who continue to invest in our city, and we have a highly skilled workforce that can quickly fill the jobs created.

We work hard to ensure that our citizens have opportunity and a high quality of life. We strive to make our community a shining star, a port on Lake Erie that we can all be proud of. A major part of realizing that vision is the revenue that we collect from our municipal business taxes. Our citizens choose to live or work in Toledo, or both, and when they do, they enter into a social contract with the city to fund the services that we are obligated to provide. Whether the service is police and fire protection, safe neighborhoods, good roads, safe drinking water, garbage collection, snow removal, public green space, human services and the myriad other services provided by the city we depend on our locally levied income taxes to support those essential functions. In other words, the mutual investment provides the funding for the mutual good.

On behalf of the city of Toledo and all of the citizens of the City of Toledo, I wanted to share with you our serious concerns with Governor Kasich's Budget proposal to have centralized collection of Municipal Business Taxes. The following summarizes our concerns:

- The proposal will charge cities 1% to collect Business Income Taxes and Toledo has a total cost of 1.3% for all Business, Individual and Withholding tax collections. Thus, the proposal would cost Toledo an additional 1%.
- The State will have to hire additional personnel to collect income taxes, which will add to the State's costs. Furthermore, Toledo currently has a very efficient method of auditing taxpayers and visiting job sites in order to achieve tax compliance. Therefore, we will lose our ability to audit and pursue non-compliant taxpayers. Additionally, for 17 years Toledo has had an agreement with Internal Revenue Service to share confidential IRS information on businesses located in Toledo who may be non-compliant taxpayers.
- In Toledo, we provide walk-in services to prepare returns, review returns, accept payments and have face to face audit meetings. This proposal will eliminate Business taxpayers from having the popular option of visiting our City Income Tax office.
- Most opponents of the throwback rule believe that the rule seeks to require companies to pay one city for something another city has chosen not to tax, or the jurisdiction doesn't have taxing authority or requires a company to submit multiple tax returns instead of the one required at the principle place of business. . This proposed changes will make it more difficult for the taxpayer and is not business friendly. If these cities filed in these other jurisdictions then they should be able to provide the tax return, however, this is often not the case. Small businesses that operate chiefly within one city can end up paying tax on a greater percentage of their profits than businesses with the same level of profits located within our city that also operate in non-taxing areas. These businesses create what is known as "nowhere income" where companies do not pay any cities on taxable income which is not fair to Toledo or the companies competing with these companies.

In closing, I respectfully ask that you carefully consider our concerns on local control of income tax collections. I would like to thank you for the opportunity to testify, I am happy to answer questions.