

House Ways and Means Committee Testimony

March 07, 2017

Chairman Faber, Ranking Member Patterson, and members of the Finance Subcommittee on State Government and Agency Review, thank you for allowing me the opportunity to testify today. My name is Tina Timberman and I'm the Income Tax Administrator for the City of Athens. For anyone not familiar with Athens, we are a small Southeastern Ohio community made up of approximately 5,000 residents and 20,000 college students. These last several years have been challenging for our community. The City of Athens has lost \$3.5 million dollars in funding from cuts in the local government fund and elimination of the Estate Tax and Personal Property Tax. Last year, for the first time in 30 years, the City of Athens had to ask for a permanent general revenue tax increase to help repair the city's aging infrastructure and replace much needed safety personnel.

I bring these facts up today because the elimination of the "throwback" rule being proposed in budget bill (HB49) is estimated to cost the city approximately \$68,000.00 a year. I looked at the top 5 business returns that would be affected by throwback in order to verify these numbers. The elimination of the "throwback" rule, which is currently treated uniformly throughout the state, will be another negative impact on the City of Athens' municipal income and will further reduce our general fund. I know \$68,000 doesn't sound like much in the big picture, but remember, we have already lost over \$3.5 million so far, and it takes \$3.675 million of new income in order to replace what is being lost. Like one of my favorite people in Columbus says, its death by 1,000 cuts. **Just consider how many pot holes that we can fill for \$68,000.00 a year.**

As for the centralized collection language, I feel there are many issues with it but I will try to keep my comments brief. In the City of Athens, we have a very close relationship with all of our local accountants and small businesses. I have taken the time to speak with most of them in detail about the centralized collection. To my knowledge, every accountant I spoke with in Athens is against the centralized collection of business net profits. Unfortunately, this just happens to be the busiest time of the year for them, but a few made the time and testified before you today in opposition. We work together as a team to ensure every taxpayer's returns are prepared correctly and as efficiently as possible.

The relationship between local accounting offices and local municipal tax offices is very beneficial to all parties. With just a short phone call or email, we are able to help the accountants with questions, provide available credits, forms, and I even provide a yearly training update for them. In return, they are always there to help us when we need required documents or have questions on a tax filing. Any accountant in our area can pick up the phone, call me and most times have the issue resolved within 5 minutes or less.

In addition, I do not feel this process has been truly vetted. Last year, 4,000 businesses chose to file using the OBG. Now, HB49 is going to mandate that hundreds of thousands are going to have to file using the OBG. Not only is the new OBG system not completed, but it is currently behind schedule. HB5 mandated the OBG be able to be able to accept attachments by January 1, 2016. To date, they still haven't been able to incorporate that into the OBG

within the last two years. **Does it not make more sense to build the system first and give the businesses the option to use it if they choose? As they say in the movies, “If you build it, they will come.” What is business friendly about mandating an accountant or business to use a non-user friendly system to file their return because the State wants them to? Isn’t building a user-friendly system for them to try if they choose more business-friendly?**

- If they can build the OBG to work as a portal to remit payment and returns to municipalities in a streamlined, user friendly manner, then there would be no need for mandatory centralized filing requirement. Businesses working in multiple jurisdictions would have a gateway for streamlined filing.

And lastly, what happens when the State puts a small struggling mechanic out of business because they got behind on their taxes? Is that business-friendly? As a municipality, we work with our businesses on a one-on-one basis to help them come into compliance. I sit down with the owners, get to know the business, understand what the issues are and help set a plan going forward that will bring them current. Sometimes it means taking a chance and extending my payment plans past the prosecution period. This is not the level of service the State of Ohio or the OBG can provide.

Athens is a business-friendly municipality, with a huge rental base due to our large student population. Although we do have a lot of rental income filed on Schedule E, there are many rental partnerships that will be picked up under the centralized filing requirements. Many of these are residents and local business owners that we work with on an ongoing basis. **The language in this bill has placed the filing of businesses working in multiple municipalities above the needs of small businesses.** Since there is already an option to use the OBG to file if they choose, there is no reason to leave the centralized collection language in the budget bill, HB49, and it should be removed immediately.

There are numerous issues that have not been addressed in HB49 that must be taken into consideration with the administration and collection of a municipal net profit tax, such as:

- How would the refund be processed?
 - Will returns be audited prior to refund?
- How does the State know when new businesses are in my community?
- How will they ensure that all businesses are paying their fair share of taxes?
- Are they going to review every return and if so, what is the criteria?
- Taxpayers will no longer be allowed to carry forward credits, but instead will be required to accept a refund of overpayment. (This is not a business friendly practice.)
 - The first year could be devastating financially to municipalities with large credits currently sitting on the books.
- How are taxpayers going to be notified of delinquencies?

These are just a few of the issues, however, I want to stay brief with my testimony so I can answer any questions that you may have. Thank you again for taking the time to allow me to testify today. I can take any questions at this time.