

Testimony on the Municipal Net Profit Tax Provisions of H.B. 49
Before the Ohio House of Representatives
Finance Subcommittee on State Government and Agency Review
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Chairman Faber, Ranking Member Patterson, and members of the House Finance Subcommittee on State Government and Agency Review, thank you for providing this opportunity to speak on behalf of the 30,000 members of the Ohio Association of REALTORS® regarding Governor Kasich's bold proposal to centralize the municipal net profit tax system. I am Scott Williams, Vice President, Public Policy, for the Ohio Association of REALTORS®. I also have with me today our tax legal counsel, Tom Zaino, who also understands how the municipal tax system impacts our members.

The Ohio Association of REALTORS® strongly support the Governor's plan to centralize the filing and administration of the net profits portion of the municipal income tax. The current net profit tax system requires our small business owners to file in every municipality in which they sale real estate. It is very common for our members to file net profit tax returns in a dozen or more municipalities each year. The cost of preparing the tax returns often exceeds the tax that is due to the municipality. Further, our members are subject to audit in each of these municipalities.

Adopting a single system for administration of the municipal net profit tax would be a great benefit for our members. Audits and appeals would also be much easier to handle. This approach would reduce the cost of compliance for many of our members without reducing municipal tax revenues. For example, assume a real estate broker is based in Hilliard, but sold a property in Gahanna for \$250,000 during 2016. The broker's commission will be approximately \$2,500 after deducting the agent's portion of the commission. Assuming that the broker has no other expenses, the Gahanna tax will be \$37.50 (\$2,500 x 1.5%). The cost of preparing the Gahanna net profit tax return will certainly exceed the tax.

I would like to point out that in the early 2000s, the General Assembly authorized the Ohio Tax Commissioner to centrally collect and administer the municipal net profit tax that is due from electric and telecommunication companies. The current law's centralized collection of electric and telecommunication companies' municipal net profit tax is very similar to the Governor's proposal in H.B. 49. Why shouldn't all industries and businesses benefit from this same approach?

We salute the Governor's proposal to address this hugely negative aspect of Ohio's tax system. Our members readily embrace this improvement to Ohio's municipal tax system and urge you to support this bold plan.

Mr. Chairman, Tom and I would be happy to answer any questions you may have about the Governor's proposal and why it is so important to our members and to Ohio.