



February 27, 2017

TO: Members of the Ohio House

FROM: Municipal Tax Reform Coalition

On behalf of the 31 members of the Municipal Tax Reform Coalition, collectively representing several hundred thousand employers and professionals in Ohio, we are writing to share our support for two municipal income tax proposals contained in H.B. 49: 1) centralized collection of the municipal net profits tax, and 2) elimination of the municipal “throwback” rule. Despite significant progress made in H.B. 5 (130th GA) to address long-standing problems in Ohio’s municipal tax system, it remains costly and cumbersome as businesses still are forced to comply with hundreds of different local tax systems.

Ohio law permits municipalities to assess an income tax in two ways: 1) on individuals both living and working within its boundaries (individual income tax), and 2) on businesses providing goods or services within its boundaries (net profits tax). Almost 600 cities and villages do so. The centralized collection proposal in H.B. 49 applies solely to the business net profits tax, estimated by the Ohio Department of Taxation (ODT) to produce on average just 14% of total municipal tax collections. As a result, the typical municipality would retain direct control over the remaining 86% of their income tax revenue, usually derived from employee withholding.

The proposal does not impact the tax rates or credits of cities and villages, but rather seeks to minimize the compliance costs associated with filing in multiple jurisdictions. This problem is a reality because all businesses must make net profits filings to each city or village where they have provided a service or good, even if a single employee worked there for just one day. Therefore, the Governor’s proposal of centralized collection and administration for business filers would significantly save taxpayers’ time, cost and effort involved with multiple net profit return filings. Further, the ODT estimates that Ohio communities would save a collective \$9 million a year in administrative costs.

Even though current Ohio law allows taxpayers the option to file net profits returns and make payments via the Ohio Business Gateway (OBG), each return must be filed individually and paid separately, and many cities require proof of the filing to be mailed to them anyway. H.B. 49 seeks to streamline the process by having businesses file just

The Ohio Society of CPAs
Ohio Chamber of Commerce
NFIB/Ohio
Associated Builders and Contractors Inc.
Associated General Contractors of Ohio
Central Ohio NECA
Cincinnati NECA
Columbus Chamber of Commerce
Greater Cleveland NECA
Greater Ohio Policy Center
Mechanical Contractors Association of Ohio
North Central Ohio NECA
Ohio Association of Realtors
Ohio Cable Telecommunications Association
Ohio Contractors Association
Ohio Grocers Association
Ohio Home Builders Association
Ohio Insurance Agents Association, Inc.
Ohio Insurance Institute
Ohio Manufacturers Association
Ohio Newspaper Association
The Ohio Nursery & Landscape Association
Ohio Oil and Gas Association
Ohio Pharmacists Association
Ohio Produce Growers & Marketers Association
Ohio Restaurant Association
Ohio Soft Drink Association
Ohio State Bar Association
Ohio State Medical Association
Ohio Trucking Association
Toledo Regional Chamber of Commerce

one form and make a single payment online through OBG, with ODT processing payments and distributing revenues back to the appropriate local government, just as ODT does for county sales taxes, school district income taxes, and municipal electric, light, & telephone companies. This is an important step toward bringing common sense to an arcane system.

The second proposal that we support is eliminating the municipal “throwback” rule. This outdated rule requires that sales of goods shipped to a customer in another tax jurisdiction where the seller does not have an employee that regularly engages in the solicitation of sales (e.g., internet sales companies) are “thrown back” to the jurisdiction from which the goods are shipped. This practice discourages economic development in our state, as companies can easily locate in another state whose cities do not impose this punitive tax.

Ohio’s business community strongly encourages you to help eliminate the red tape in our state and attract and retain job creators by supporting these important changes.

Sincerely,

Gregory M. Saul, Esq.
Director of Tax Policy
The Ohio Society of CPAs

Jeff McClain
Director, Tax & Economic Policy
Ohio Chamber of Commerce

Chris Ferruso
Legislative Director
NFIB/Ohio

Bryan Williams
Director of Government Affairs
Associated Builders & Contractors Inc.

Andrea Ashley
Vice President, Government Relations
Associated General Contractors of Ohio

Brian Damant
Chapter Manager
Central Ohio Chapter, NECA

Don DePerro
President and CEO
Columbus Chamber of Commerce

Valerie Dahlberg
Executive Director
Mechanical Contractors Association of Ohio

Kimberly McConville
Executive Director
Ohio Soft Drink Association

Jeff S. Smith, JD
Chief Executive Officer
Ohio Insurance Agents Association, Inc.

Tom Shreves
Executive Director
Greater Cleveland NECA

Alison Goebel, PhD
Associate Director
Greater Ohio Policy Center

Jason Walden
Executive Director
North Central Ohio Chapter, NECA

Kent Kimmel
Executive Director
Cincinnati NECA

Angela Van Fossen
Director, Legislative and Environmental Affairs
Ohio Contractors Association

Vince Squillace
Executive Vice President
Ohio Home Builders Association

Rob Brundrett
Director, Public Policy Services
Ohio Manufacturers' Association

Kevin Thompson
Executive Director
Ohio Nursery & Landscape Association

Jennifer Kennedy, CAE
Executive Director
Ohio Produce Growers & Marketers Association

Todd Book, Esq.
Director of Policy & Government Affairs
Ohio State Bar Association

Tom Balzer, CAE
President
Ohio Trucking Association

Ernest Boyd, Pharm.D (hon), MBA
Executive Director
Ohio Pharmacists Association

Robert Fletcher
Chief Executive Officer
Ohio Association of Realtors

Jonathon McGee
Executive Director
Ohio Cable Telecommunications Association

Kristin Mullins
President/CEO
Ohio Grocers Association

Dean Fadel
President
Ohio Insurance Institute

Dennis Hetzel
Executive Director
Ohio Newspaper Association

Shawn Bennett
Executive Vice President
Ohio Oil and Gas Association

Joe Rosato
Director of Government Affairs
Ohio Restaurant Association

Tim Maglione, Esq.
Senior Director of Government Relations
Ohio State Medical Association

Brian Dicken
Vice President, Advocacy and Public Policy
Toledo Regional Chamber of Commerce