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**OHIO HOUSE WAYS & MEANS COMMITTEE TESTIMONY**  
**House Bill 157 – Repeal Temporary Municipal Income Tax Provisions**  
**Keary McCarthy, Executive Director**

Chairman Merrin, Vice Chair Riedel, Ranking Member Sobecki, members of the Ohio House Ways & Means Committee, thank you for the opportunity to provide input on House Bill 157. On behalf of the Ohio Mayors Alliance, a bipartisan coalition of mayors in over two dozen of Ohio's largest communities, we oppose this measure because repealing the temporary municipal tax provisions in HB 197 before the pandemic ends would create financial instability in our communities and slow Ohio's economic recovery.

When Ohio declared a State of Emergency in response to the COVID-19 Pandemic, hundreds of thousands of Ohioans began working remotely and continue to do so today. In response to this sudden shift, local governments and business groups came together to advocate for a temporary law change that would allow municipalities to continue withholding municipal income tax for individuals at their primary place of employment, even while working remotely in another jurisdiction during the pandemic.

The state legislature then unanimously approved HB 197, which contains a provision that temporarily allows municipalities to continue withholding at the primary place of business until 30 days after the State of Emergency order ends. Had the legislature not passed this provision, cities would have seen revenue losses that would have been sudden and dramatic. Additionally, businesses would have had to begin withholding in all the different communities their employees live, which would have created an administrative nightmare at a time when employers were already facing significant disruptions.

The municipal income tax is the primary source of revenue for municipalities, and that revenue pays for police, fire, and EMS. These critical public safety services are generally the largest budgetary expense of our cities, and reducing this revenue stream will have a direct impact on these vital frontline services. Large cities would be adversely impacted by passage of this bill, but so too would communities of all sizes across the state of Ohio.

The Regional Income Tax Agency (RITA) estimated the municipal revenue impacts if a significant percentage of workers were no longer taxed at their primary place of employment. This analysis included communities of varying types and sizes – from small villages to suburbs to larger cities.

RITA found that the vast majority of these communities – 254 out of 299 – would see a net loss in municipal income tax revenue if a percentage of those currently working in those communities worked from home in another jurisdiction. This analysis also estimated that these communities would collectively lose \$105 million in municipal income tax revenue annually.

The Greater Ohio Policy Center (GOPC) also studied the impacts of repealing the provision in HB 197 before the emergency order was lifted. It concluded that doing so would “mortally jeopardize Ohio’s economic competitiveness.” Specifically, GOPC showed the resulting impacts of repealing HB 197 would cost Ohio’s six largest cities an estimated \$306 million annually. Additionally, many of our communities have enacted budgets around the provisions included in HB 197. Repealing this provision would pull the rug out from under Ohio’s cities, potentially jeopardizing safety services or other services provided by local communities.

It is also important to recognize the macro-level economic impacts. Private sector investment in our downtowns and cities across Ohio have helped to catalyze growth in Ohio’s metro regions. These private sector investments can also be seen in cities like Findlay, Springfield, Middletown, and Athens. A sudden and significant loss of local income tax revenue could have negative repercussions on public and private sectors alike. Local tax incentive programs that cities use, often as a lynchpin for economic development opportunities, could be rendered ineffective if there are significant changes to Ohio’s municipal tax laws around remote working.

As we work toward recovery from the pandemic, the stability of our cities and our metropolitan regions will be critical to support that economic rebound. While we anticipate there to be some long-term changes in where employees are working, we are not asking the legislature for a permanent change in the municipal tax code. We are simply asking to sustain the temporary provisions that were put in place last year by the legislature and to allow our communities to get through this pandemic without moving the goal posts before the game is over.

We do believe that we are on the right track to getting Ohioans vaccinated, getting our economy moving again, and getting Ohioans back to work. Our local efforts to support the vaccination process are ongoing and there is reason to be hopeful. However, there is still a long way to go for a strong, safe, and effective recovery, and we should not jeopardize that by prematurely pulling back on a temporary provision that has helped provide stability in a time of unprecedented challenges.

Thank you, Chairman Merrin for the opportunity to testify on HB 157. I’m happy to answer any questions you or the committee members may have.