



**BEFORE THE HOUSE WAYS AND MEANS COMMITTEE  
REPRESENTATIVE DEREK MERRIN, CHAIRMAN**

**TESTIMONY  
OF  
RACHAEL CARL  
THE OHIO MANUFACTURERS' ASSOCIATION**

**MARCH 10, 2021**

Mr. Chairman and members of the House Ways and Means Committee, my name is Rachael Carl, and I am the director of public policy services for The Ohio Manufacturers' Association (OMA). I appreciate the opportunity to provide testimony on House Bill 157.

The OMA was created in 1910 to advocate for Ohio's manufacturers; today, it has nearly 1,300 members. Its mission is to protect and grow Ohio manufacturing.

Prior to the temporary provisions passed in House Bill 197 of the 133<sup>rd</sup> General Assembly, employers withheld an employee's municipal income tax in the municipality where the employee was performing services, with an exception for "occasional entrants." The occasional entrant rule states that employers do not have to withhold municipal income tax for employees performing services in a city or village for fewer than 20 total days.

Very early in the COVID-19 pandemic, Ohio manufacturers reached out to the OMA regarding local income tax withholding compliance, citing the administrative impacts if they had to withhold municipal income tax locally for workers who were sent home to work remotely. Many businesses at the request of the state – at least temporarily – sent home employees whose jobs could be performed remotely. Consequently, working from home would trigger the occasional entrant rule.

Recognizing that businesses would face a substantial burden in terms of expense and administrative compliance, to revamp their tax systems in the midst of the pandemic, the OMA engaged with the General Assembly to support language in House Bill 197 that would temporarily allow employers to continue to withhold employees' municipal income tax from their principal place of work. This provision is set to remain in effect during the governor's state of emergency Executive Order plus thirty additional days. At the time, no one considered that we would be here a year later debating the issue.

House Bill 157 proposes an immediate repeal of this temporary provision in law. However, the issue is not as simple as a straight repeal. There are a number of issues to resolve: 1) where should the withholding take place and under what circumstances, and 2) should employees be allowed to claim refunds while working remotely in 2020? The OMA has consistently advocated – for the sake of streamlined compliance – to allow companies to continue to withhold from the original place of work. We have not weighed in on the question of refunds, but certainly sympathize with employees as they file their returns and refund requests.

Significant consideration should be given before returning to the previous law. Companies are concerned that their payroll staff and systems will not be able to handle required withholding and income tax changes without ample lead time, and they are concerned about making substantial changes in the middle of any tax year. Further, employers need time to account for ongoing variables, such as vaccine availability for their workforces and hybrid work arrangements (i.e. working some days in the office and others working remotely).

We would ask this committee and the sponsors to thoughtfully review all the options to ensure a smooth transition on this issue in a post-pandemic workplace.

Thank you. I would be happy to answer any questions.