

DIVISION OF TAXATION

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Office of State Rep. Derek Merrin
Chair of Ohio House Ways and Means Committee

March 15, 2021

House Bill 157 Written Opponent Testimony

Originally Submitted for March 10th Hearing – Updates in Italics for March 16th Hearing

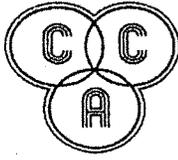
Section 29 in H.B. 197 provides:

Notwithstanding section 718.011 of the Revised Code, and for the purposes of Chapter 718. of the Revised Code, during the period of the emergency declared by Executive Order 2020-01D, issued on March 9, 2020, and for thirty days after the conclusion of that period, any day on which an employee performs personal services at a location, including the employee's home, to which the employee is required to report for employment duties because of the declaration shall be deemed to be a day performing personal services at the employee's principal place of work.

It is imperative to recognize and account for the two predominant principles related to why Section 29 of H.B. 197 was included to begin with: (1) to ease the administrative burden for all parties involved in the withholding and payment of municipal income tax; and (2) to protect against the uncertainty of the pandemic for both municipalities and businesses across the State of Ohio. Repealing Section 29 of H.B. 197 at this time completely disregards both of these principles.

The effect of the pandemic on both employers and employees is still an on-going issue that is continuing to play itself out. Time will tell what businesses are able to exist and the structure in which they do exist in a post-pandemic world. Removing the certainty provided by H.B. 197 would still have a catastrophic effect on employers, employees, municipalities, payroll companies, and the Ohio economy overall. Adding additional administrative burden for all parties involved in this process is not the appropriate step to take to resolve this outstanding question.

Additionally, the economic effect of shifting municipal tax revenue in this nature would have a devastating impact on a number of municipalities now and in the future. At the State level, this may seem like a revenue-neutral issue. However, the repeal of Section 29 would have significant long-term impact on municipalities with a significant portion of workers that do not live in the city in which their principal place of work is located.



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While smaller cities and villages would possibly see a small increase in municipal income tax revenue over time, the larger cities in Ohio that serve as the central hub for commerce across the State would see a significant portion of their tax revenue disappear without any ability to plan for it. Municipal income tax revenue provides a vast majority of revenue for municipalities across the State. These repeal efforts threaten the ability of Ohio's largest economic centers to pay debt service on past strategic investments, envision future ones, and maintain critical services, thereby hampering their ability to drive economic growth, retain existing employers, and attract new ones.

A measure as drastic as this needs to be thoroughly researched and planned out to ensure there are as few detrimental impacts on municipalities and the State as possible. *Repealing Section 29 of H.B. 197 in the short term or during the middle of a tax year does not benefit any municipality or employer across the State.*

Lastly, one area of discussion that has evolved from Section 29 of H.B. 197 is its effect on a taxpayer's ability to request and receive a refund from the municipality that serves as the taxpayer's principal place of work under Section 29. We believe the answer to that question is clear. Performing personal services at a location deemed to be the employee's principal place of work under Section 29 also brings with it the tax liability to that same municipality. However, if further clarification is needed, this is a question of law that should be resolved in the court system. Making a swift determination on an issue as consequential as this would have a negative, irreparable impact on municipal finances going forward.

Thank you for your time and consideration.

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