

Chairman Merrin, Vice Chair Riedel, and Ranking Member Sobecki, and members of the House Ways and Means Committee:

Thank you for the opportunity to testify today in opposition to House Bill 157, to repeal Section 29 of H.B. 197 of the 133rd General Assembly.

The Columbus Chamber was supportive of the Legislature's swift passage of House Bill 197. Businesses across the Columbus region were grateful that amidst the chaos of the early pandemic, a new taxing process was not thrust upon them.

Section 29 of House Bill 197 specifies that employees who must, as the result of the COVID-19 emergency, report to a temporary worksite, including their home, are temporarily considered to be working at their otherwise principal place of work, i.e., the location where the employee reports for work on "a regular and ordinary basis." This treatment affects which municipal corporation the employer must withhold income taxes for, which municipal corporation may tax the employee's pay, and whether and how much of the employer's own income is subject to a municipality's income tax. It allowed Chamber members to maintain the "status quo" as a result of the health emergency, protect the safety of their employees, and focus on running their business through a once-in-a-century global pandemic. House Bill 157 would repeal this section.

The Columbus Chamber has been actively engaged on this topic since September of 2020, forming a working group of diverse businesses to study the myriad of policy issues that surround it. We have developed two primary policy objectives to guide our position on proposed changes to temporary or permanent law relating to the collection and remittance of municipal income tax as it relates to employees working from home:

1. Ensure simplicity and predictability for businesses, and advocate against new administrative hurdles that create cumbersome and/or costly burdens for employers, especially small businesses.
2. Preserve the critical competitive importance of a strong urban core that supports the broader regional economic ecosystem.

In order to achieve both of these objectives, we ask that any changes to Ohio's municipal income tax structure be phased-in to allow businesses the time to understand and plan for those adjustments.

While we appreciate the bill sponsors' desire to provide clarity and consistency to the current tax regime, making this change amidst a pandemic could actually serve to create further confusion for business owners when we appear to be making substantial progress that will alleviate many of these concerns in due course. Under Section 4 of the Health Director's Order for Facial Coverings Throughout the State of Ohio, issued on July 23 and still in effect, "Business and employers are to take the following actions: a) strongly encourage as many employees as possible to work from home...". Therefore, even employers that want to bring back their employees to the workplace are legally discouraged from doing so. Feedback

from Chamber members regarding their return to the physical office is inconsistent, and many employers are uncertain at this time of their path forward. We are attempting to gather data from our 2,000+ members to share with you on this topic as available.

To offer some context: our Columbus Chamber of Commerce employs 21 workers and has not yet formalized our date of full return due to the current status of the health emergency as well as state and local restrictions and guidelines. Yet employees are given the flexibility to come into our office on days they need to. I, for example, go to the office every Thursday due to childcare restrictions and on days, like today, when my physical presence is required. I would exceed the twenty-day threshold in existing law, and my employer does not qualify for the existing small business exemption. Therefore, my employer would be forced to remit a portion of my income tax to the City of Columbus and a portion to the City of Upper Arlington. Under this hypothetical, who would bear the burden of tracking and reporting time spent in both locations? This is lost productivity if it is the employee's responsibility, and increased time and cost to the employer if it is theirs. And the most likely scenario is that the burden would fall to both parties, having a doubly negative effect when our primary focus is addressing the health and safety measures that can help accelerate a return to a more normal workplace and economic environment. I anticipate that the Columbus Chamber will, in compliance with state recommendations, welcome all of our employees back to our physical office building on a full-time basis. However, many of our Chamber members are still in the process of making such a determination.

A key component of a business-friendly tax climate is predictability. Existing enterprises must be given adequate preparation time to implement changes - including large enterprises with a distributed workforce across multiple taxing jurisdictions who may have to develop and implement an entirely new system, or small employers exceeding \$500,000 in revenue with just a few employees navigating a new process for tax remittance. Delayed implementation is also important for the region's economic development efforts, as we must consider whether and how a seemingly small change in the law could produce quite drastic results, potentially impacting our business attraction strategy. It is important that deals can advance and tax incentives are honored.

Further, we must ensure sufficient notice to the business community in order to develop a plan for compliance, especially small businesses. Under R.C. 718(C)(2)(b), a municipal corporation may impose on an employer penalties and interest up to 50% of the amount untimely paid, which could be costly to an employer who is not acting purposefully, but simply unaware of the new process.

Therefore, based on the aforementioned feedback from Columbus Chamber members, it is our recommendation that this Committee enact a calendar year transition date to conform with existing tax deadlines. We believe January 1, 2023 is an appropriate date for consideration that balances the important interests and positions being discussed today.

To ensure Ohio remains competitive in growing our small business economy, we would also like to request this Committee's consideration of an amendment to expand the definition of "small employer"

under R.C. 718.01(TT) to include any employer that had total revenue of less than ten million dollars during the preceding taxable year, an increase above the current law threshold of five hundred thousand dollars. This would allow an increased number of small businesses the option to continue filing in just one jurisdiction- at their principal place of work - regardless of where their employees are working. It would also make Ohio's tax code more competitive for growing businesses.

Chamber members would also like to stress that preservation of Centralized Collection for municipal net profit filings for employers through the Ohio Business Gateway is integral to the success of any future changes, so that employers are afforded a streamlined process for filing.

And finally, a much larger and long-term policy question for the Legislature to consider is whether Ohio's municipal income tax structure *should* recognize the changing work environment that has been accelerated by the pandemic, ie, whether an employee working from home establishes a taxable presence sufficient to satisfy constitutional demands. While the Columbus Chamber does not have a recommendation on this today, know that it is something that our working group continues to discuss, especially in the context of the two policy goals I previously stated: ensuring the ease of doing business and preserving the economic importance of a strong urban core.

Relating to the second point, large corporations and small businesses alike pride themselves on making strong contributions to the communities in which they are located - not just through their workplace and workforce investments, but throughout the surrounding neighborhoods, by collaborating on local initiatives, volunteer programs, charitable campaigns, involvement in local levy endorsements and more. Many of these businesses, in fact, partner with our elected leaders, including those here today, to support critical public private partnerships.

Job creation and the accompanying taxes serve as a large part of that investment to a community. Businesses have a vested interest in preserving the strong economic ties they hold with a city through their employees, and we request that any future legislative action on this issue keeps that point in mind.

Lastly, we ask the Legislature to consider the critical role that our major metros like the City of Columbus play in the state's vibrancy and economic success. This sentiment is shared by Chamber members located throughout the entire region. They rely on a strong Capital City to assist their talent attraction and retention efforts, boost investment and economic development, improve quality of life, and strengthen the entire community.

Therefore, the Columbus Chamber opposes H.B. 157 as currently written, but stands ready to continue conversations with members of the Committee.

Thank you for your consideration. I'm happy to answer any questions you have.