



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

Committee Chair Merrin, Vice Chair Riedel, Ranking Member Sobecki, members of the Ohio House Ways & Means Committee, on behalf of the Ohio Mayors Alliance, a bipartisan coalition of mayors in over two dozen of Ohio's largest communities, thank you for the opportunity to provide testimony on Substitute House Bill 157. I'd also like to thank the chair and bill sponsors for bringing several interested parties together to discuss the proposed changes and the complexities of this issue.

While we appreciate the date change in the substitute bill to sunset the provision in HB 197 at the end of the calendar year, we believe the changes to make this provision subject to retroactive municipal income tax refunds would be incredibly detrimental to our recovery process from this pandemic. The substitute bill makes some additional changes, but our testimony will focus on these items.

Throughout the committee process, there has been a developing consensus from the witnesses that ending this temporary provision too abruptly would be difficult for employers and local communities. Changing the sunset date of this provision from 30 days after the State Emergency Order ends, to the end of this calendar year is a good first step and we agree with this change. While we know things will not go back to normal on Jan. 1, 2022, we understand that the temporary municipal income tax provision in HB 197 cannot go on indefinitely.

To understand the post-pandemic workplace landscape, we have been talking with employer groups and commercial real estate experts to try to get a sense for how businesses are navigating this transition back and how significant the long-term impacts of remote working will be. Many real estate experts and businesses that we've talked to are indicating that it is too early to tell how and where people will be working in the next 12 to 24 months. To address the concerns of taxpayers, businesses, communities, and the economic development interests of the state, we must have more information about what the post-pandemic working environment is going to look like.

In the meantime, sun-setting the HB 197 provision at a date certain at the end of the year make sense. However, the substitute bill also contains language that would retroactively allow for potentially tens of thousands of unbudgeted refund requests. This does not make sense and we will be opposed to the bill with this provision included.

The substitute bill (Section D) would change Section 29 of HB 197 to no longer be applicable for the purposes of determining an employee's municipal income tax liability. This contradicts both the intent and meaning of the temporary provision passed last year. As the Ohio Legislative Service Commission explicitly states in its Final Analysis of HB 197:

"For municipal income tax purposes, treats income earned by an employee required to work at a temporary worksite because of the emergency as being earned at the employee's principal place of work, potentially affecting the municipal income tax withholding and liability of the employee and the employer."¹

As we outlined in a memo previously provided to the committee, we strongly disagree with the assertions made that individual municipal income tax refunds are allowable for employees impacted by the changes in Section 29 of HB 197. Such an exception would have defeated the very purpose of this provision. It would have also created an unknowable financial liability and added an extraordinary administrative burden for cities to process these individual refunds. At a time in which state and local officials were seeking to maintain the status quo and preserve stability for both cities and employers alike, allowing for individual refunds for workers temporarily displaced by the pandemic would have fundamentally contradicted this purpose.

Our strong preference would be to move forward with the date change only and allow us time to better understand what the marketplace is going to do and what solutions we might need. We have appreciated the dialogue with this committee and the chair's willingness to bring together the stakeholders. We know there is discomfort by some about the duration that this provision has been in place, but that should not be cause for making these hugely impactful retroactive changes.

With a date-certain in place for the end of the year, this first step would give us time to continue working with the employer community to understand what the post-pandemic workplace landscape will look like. With this understanding, we will be able to more thoughtfully develop both short and long-term solutions. Our hope is that these solutions will both protect our communities from significant revenue loss now and into the future, but also improve the municipal income tax system for a post-pandemic workplace.

Thank you, Mr. Chairman. I would be happy to take any questions.

¹ (Source: Ohio Legislative Service Commission, Final Analysis of HB 197, P. 6;
<https://www.legislature.ohio.gov/download?key=13600&format=pdf>)