

April 19, 2021

The Honorable Derek Merrin, Chair  
House Ways & Means Committee  
Ohio House of Representatives  
77 S. High Street, 13<sup>th</sup> Floor  
Columbus, OH 43215

Re: Sub.H.B. No. 157

Chair Merrin, Vice-Chair Riedel, Ranking Member Sobbecki and members of the House Ways and Means Committee, I appreciate the opportunity to provide testimony regarding Sub.H.B. 157.

My name is Don Smith and I am the Executive Director of the Regional Income Tax Agency ("RITA"). RITA serves as the municipal income tax administrator for more than 330 Ohio municipalities – representing approximately half of all the Ohio municipalities that levy an income tax. The purpose of my testimony today is to make the Committee aware of the financial impact Sub.H.B. 157 will have on RITA's member municipalities. Sub.H.B. 157 provides a sunset to the language in Section 29 of H.B. 197 (133<sup>rd</sup> General Assembly), and has been characterized as a clarification of that language.

Before discussing the financial impact, I want to say that, as a municipal tax administrator, RITA welcomes the certainty provided in Sub.H.B. 157 of a sunset date to the Section 29 language, particularly given the impact Senate Bill 22 may have on ending the current State of Emergency. However, as indicated in detail below, we believe the financial impact of the clarifying language in Sub.H.B. 157 will result in municipalities of all sizes and from all parts of the state losing millions of dollars of previously collected income tax, by requiring those municipalities to refund amounts collected under the Section 29 language. It is difficult to imagine that the intent of the General Assembly was to put so many Ohio municipalities at such considerable financial risk when the Section 29 language was passed over a year ago.

RITA recently conducted an analysis of the potential revenue shift its member municipalities could experience if 10%, 20% or 30% of employees permanently work from home, and all income tax dollars were to follow those employees to their home jurisdictions. Across our membership we estimate that could mean a loss of \$105M if just 30% of employees worked from home. This analysis is also useful in estimating the tax revenue municipalities may have to *refund* should Sub.H.B. 157 be enacted.

To highlight for the Committee some examples of these potential losses, please note the following:

City of Independence	\$6.9M loss in tax revenue – 21% of its annual income tax collections
Mayfield Village	\$4.9M loss in tax revenue – 25% of its annual income tax collections
City of Valley View	\$2.3M loss in tax revenue – 24% of its annual income tax collections
City of Oxford	\$1.8M loss in tax revenue – 17% of its annual income tax collections
City of Galion	\$657K loss in tax revenue – 13% of its annual income tax collections
City of Pataskala	\$643K loss in tax revenue – 11.5% of its annual income tax collections
Village of Johnstown	\$253K loss in tax revenue – 13% of its annual income tax collections
Village of Swanton	\$178K loss in tax revenue – 11% of its annual income tax collections
Village of Cardington	\$144K loss in tax revenue – 20% of its annual income tax collections
Village of Metamora	\$41K loss in tax revenue – 14% of its annual income tax collections

We would like to think that our analysis represents the worst case scenario for our member municipalities, but there are two factors we don't know and cannot account for in our analysis—the percentage of employees who were actually working outside of their principal place of work municipalities over the course of the COVID-19 pandemic (and for how long); and the number of those employees who will seek refunds. It is certainly possible that more than 30% of employees were working from their homes over the course of the COVID-19 pandemic, but, it is also possible that not all of these employees will seek refunds of the tax paid to the principal place of work municipality.

We believe that municipal officials themselves can share with you the effects that these refunds will have on their ability to provide services to the constituents of their municipalities, and to the broader regions of the state in which they are located. However, because the impact is so significant, it is important that interested parties – municipalities and their constituents, employers and others – be given time to properly evaluate their options regarding these estimated revenue losses. Adoption of the language in Sub.H.B. 157, and applying that language retroactively to March 9, 2020 removes the possibility for all parties to conduct such an evaluation and puts municipalities in financial peril.

Thank you for considering my testimony. As the municipal income tax administrator for nearly half of all municipal taxing jurisdictions, RITA remains ready to assist all interested parties in studying this issue and working toward a solution.

Sincerely,



Donald W. Smith, CPA  
Executive Director