

**Written Testimony of Shelley Dickstein, City Manager,
Representing the City of Dayton,
Opposing Substitute House Bill 157**

Chairman Merrin, Vice Chair Riedel, Ranking Member Sobecki and members of the committee, I appreciate the opportunity to provide opponent testimony to Sub. HB 157. This legislation would change the original intent of the temporary withholding provision, Section 29 of HB 157. While we support the provision in Sub. HB 157 extending of the sunset of Sec. 29 of HB 197 until December 31, 2021, we strongly oppose the remaining provisions in the substitute bill.

The original Legislative Service Commission (LSC) analysis for HB 197 states on page 6, "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." The analysis was clear that the intent of the bill was for employer withholding and liability for the employee to be taxable for the city where the principal place of work is located.

Municipalities across the state have made budgetary decisions that are dependent upon the revenue stability granted by Sec. 29 of HB 197. Dayton already experienced a pandemic-related \$7.4 million decline in General Fund revenues and we have taken extraordinary measures to live within our means. Sub. HB 157 could cause Dayton to issue an unprecedented amount of refunds to employees working from home during the emergency. Issuing refunds for a closed tax year could have significant adverse impacts to Dayton.

Additionally, businesses will suffer the additional administrative burden of having to certify each employee requesting a refund for the duration of the time they worked from home by tracking when and where every employee worked for both 2020 and 2021.

Although we do expect some employees to return to their business locations, we still estimate a permanent loss of revenue that could be as high as \$25 million annually, resulting in detrimental impacts to critical and necessary services. This bill further undermines revenue stability for municipalities by allowing the employer to determine the principal place of work for each employee during the declaration of emergency, which could cause a further reduction in tax revenues.

It is our request that the legislature respect the original intent of Sec 29 of HB 197 and not entertain the retroactive treatment being proposed by Sub. HB 157. I appreciate the opportunity to present opponent testimony and thank you for giving the above points consideration.

