



The City of Grove City, Ohio
4035 Broadway Grove City, Ohio 43123
(614) 277-3000

House Ways and Means Committee
Opponent Testimony - House Bill 519
March 1, 2022

Chairman Merrin, Vice-Chairman Riedel, Ranking Minority Member Sobecki, and House Ways and Means Committee Members, my name is Richard Donnelly and I am here today on behalf of Mayor Richard “Ike” Stage, one of the longest serving Republican Mayors in Ohio. I would like to share with you my perspective as the Tax Administrator for the City of Grove City on House Bill 519.

I would like to start out by commending Rep. Lanese and Rep. Roemer for introducing legislation to tackle the excessive late filing penalties regarding municipal tax returns. While I do not agree with the proposed solution, I do not argue with their intent.

The late file penalties currently outlined in Revised Code 718.27 are the primary compliance tools the General Assembly has granted to municipalities. As an enforcement means, it is much smaller than the one granted the Tax Commissioner in Revised Code 5747.99 which allows the Commissioner to charge a willful non-filer with a fifth degree felony that carries mandatory jail time. The municipal compliance tool is also less punitive than the one Congress gave to the Commissioner of Internal Revenue at 26 US Code 7203 which allows for a fine of up to \$25,000 plus jail time plus the cost of prosecution for willful non-filing.

While our compliance tool is minor at a maximum penalty of \$150 per tax year, it is larger than necessary and poorly focused when directed at individual taxpayers.

My 26 years working in municipal taxes makes me comfortable in declaring that municipalities would achieve almost identical compliance results with a fine that was capped at \$50 per year rather than the present allowable \$150. That is one of the changes the City of Grove City would like to see made to the current penalty structure.

The second change that the City of Grove City would like to see made is a simple and elegant way to focus these penalties so that they are more likely to fall on the willfully non-compliant rather than on individual taxpayers that are merely uninformed about their legal filing obligations.

When I spoke with Rep. Roemer, he suggested the idea of possibly eliminating the penalty for the first offense while keeping a greatly reduced penalty for subsequent offenses. I must point out in full disclosure that Rep. Roemer did not commit to anything other than considering substitute language along those lines, and we did not conclude what constituted a first offense. I was happy to provide such language.

By background, the City of Grove City, through the Regional Income Tax Agency (RITA), mails new Grove City residents a letter informing them of our mandatory filing law. Often the new resident letter is mailed 45 days or more before their first return would be due. Most of the remaining new resident letters are sent 45 days or more before a resident's second return would be due. These letters are distinct from the type of notices that HB 519 seeks to address. We would not like our new resident letters inadvertently banned by HB 519.

Eliminating the penalty for the first offense and greatly reducing the penalty for subsequent offenses provides municipalities a rational and measured compliance tool while addressing the complaints that current penalties are both excessive and fall inequitably on taxpayers who unintentionally violate the law. Such a change also leaves intact a tax administrator's ability to waive penalties imposed on taxpayers whose individual fact patterns warrant such waivers.

I do not think that legislation holding harmless taxpayers that willfully refuse to file tax returns as required by law is prudent tax policy. It is certainly not the tax policy legislatures have adopted for the State of Ohio and the United States (IRS).

In the age of social media, eliminating the late filing penalty is effectively the same as voiding local ordinances requiring mandatory filing in full credit suburbs like Grove City. Why would our residents that are currently complying continue to do so when their neighbors are bragging on social media that they are being willfully non-compliant with impunity?

Non-compliance is not harmless. Intended or not, non-filers who do not owe tax make the haystack tax administrators have to comb through to find non-filers who do owe much larger. Non-filers who do not owe tax are providing cover for true tax evaders. Every year we identify non-filers who in aggregate owe enough to fund up to four police officers for a year.

Finally, changes in business practices are resulting in a vast increase in the number of employees working at home. Tax administrators will be spending the next several years attempting to ensure that their suburbs are collecting the tax dollars they are lawfully owed. In order to do that, tax administrators are going to need all our residents to file so we can begin the long process of using the data

on those returns to identify cases where the employer is withholding incorrectly on work-at-home employees.

Thank you for the opportunity to speak with you and I would be happy to answer any questions you may have.