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38<sup>th</sup> House District

House Ways and Means Committee  
House Bill 228 Sponsor Testimony  
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Chairman Blessing, Vice Chair Roegner, Ranking Member Williams, and members of the House Ways and Means Committee, thank you for the opportunity to testify on House Bill 228. This bill makes a variety of updates to municipal net profit tax law to improve the relationship between the taxpayer, the municipality, and the state.

Since the passage of House Bill 49 of the 132<sup>nd</sup> General Assembly (the state operating budget for FY 2018-2019), the municipal net profits tax has been centrally collected by the Ohio Department of Taxation. Not long afterward, the Ohio Department of Taxation launched an online services portal to securely exchange information between taxpayers and the state; however, the portal has yet to be applied to municipal net profits tax notification, which currently requires taxpayers to provide notification to each individual municipality in which they owe tax when they opt into or out of centralized collection.

This bill will first codify the existence of this web portal to ensure it continues to be utilized for many years to come. Additionally, it will require the Ohio Department of Taxation to notify municipal corporations through the portal when taxpayers opt in or out of centralized collection, rather than placing that duty to notify on the taxpayer. It will also require the Department of Taxation to make a

list of taxpayers that have opted in available through the portal – rather than posting this information on their website as they do currently – to provide greater privacy protection for taxpayers, and it will give taxpayers until the tax filing deadline to opt in or out, as opposed to the current March 1<sup>st</sup> deadline.

I have also included a provision that would make withholding penalties discretionary – that is, the Ohio Department of Taxation would no longer be required to withhold funds from municipalities via the Office of Management and Budget if they fail to comply with the aforementioned reporting requirements. The bill instead gives the Department permissive authority to exercise this option. The House Ways and Means Committee also added language to statutorily mandate that the tax commissioner release these funds to the municipality after that municipality is in compliance. In addition, the bill removes from the Revised Code an administrative filing fee that was ruled unconstitutional by the Ohio Supreme Court in *Athens v. McClain* late last year.

Additionally, the bill will allow carryforwards for municipal net profits taxes. For any taxpayer who overpays in a given year, they would now have the option to apply their overpayment to offset a future year's taxes. However, net profits tax overpayments would only be applicable to future net profits taxes – they cannot be applied to any other tax.

The House Committee on Ways and Means also made some additions to the bill. First, the bill now authorizes the Attorney General to charge taxpayers for collections costs related to the municipal net profits tax, similar to other collections costs already assessed by the office. Also, pass through entities would be permitted to deduct pensions and retirement benefits paid to retired partners, shareholders, or members from their municipal net profits tax liability, just as the recipients of those benefits are permitted to do.

In summary, this bill achieves several key aims: it provides much-needed updates to municipal net profits tax administration in general, it simplifies tax filing processes for taxpayers, it protects taxpayer privacy, and it gives taxpayers greater flexibility – all by making better use of tools we already have in place. By codifying these changes, we will be one more important step further in making Ohio a better place to do business.

Thank you again to Chairman Blessing and the members of the committee for the opportunity to testify today on House Bill 228. I would be happy to answer any questions you have at this time.