

Proponent Testimony  
Prepared for House Bill 105  
The Ohio House Ways & Means Committee  
March 28, 2023

Chair Roemer, Vice Chair Merrin, Ranking Member Troy, and Members of the Ohio House Ways & Means Committee, thank you for this opportunity to offer proponent testimony on behalf of The Ohio Society of CPAs (“OSCPA”) and our over 24,000 members. I’m Greg Saul, OSCPAs Director of Tax Policy, and we support House Bill 105.

House Bill 105, previously H.B. 519 (134<sup>th</sup> GA), seeks to make two changes to the administration and enforcement of municipal income taxes: (1) limits the circumstances under which municipal income tax inquiries or notices may be sent to a taxpayer who has received a **filing extension** (typically from April 15 to October 15); and (2) limits the late fees that may be imposed on a taxpayer for failing to **timely file** municipal income tax returns. It is important to note that taxpayers’ receipt of a filing extension for a return does not also extend the time to pay any tax due without penalty and interest, unless the tax administrator also grants an extension of that date.

**Filing Extensions:** Under House Bill 5 (130<sup>th</sup> GA, eff. Jan. 1, 2016), taxpayers that request a federal income tax filing extension also receive an **automatic extension** for the same period to file annual municipal returns – R.C. 718.05(G)(2). If an Ohio income tax filing extension is granted to all taxpayers, the municipal filing deadline is extended for the same period – R.C. 718.05(G)(3). Soon after, House Bill 64 (131<sup>st</sup> GA) required municipal tax administrators to grant taxpayers who request a six-month filing extension for a municipal return even if the taxpayer did not request a corresponding federal extension.

H.B. 64 also allowed a municipal income taxpayer to submit an affidavit to a tax administrator certifying that the person is no longer a taxpayer in the municipal corporation; upon submitting the affidavit, the former taxpayer is no longer required to file a tax return for that municipal corporation for future years, unless the tax administrator has information that conflicts with the affidavit or the person’s circumstances change – R.C. 718.05(N). Similarly, H.B. 105 proposes to allow municipal tax administrators to send an inquiry or notice only if they have actual knowledge that the taxpayer did not actually file for a federal or municipal income tax extension.

**Late Filing Penalties:** As background, the General Assembly has made great efforts over the years to make municipal tax penalties and interest more manageable and discretionary. House Bill 49 (132<sup>nd</sup> GA, eff. Sept. 29, 2017) authorized municipal corporations to impose a penalty “not exceeding 50%” for any withholding tax not timely paid – R.C. 718.27(C)(2). Prior law stated that the penalty be “equal to 50%” of the unpaid amount, so the change allowed for withholding penalties to be less than 50%. Employers must withhold municipal income taxes from employees on a quarterly, monthly, or semimonthly basis depending on previous year/monthly scales. For quarterly estimated taxes, municipal corporations may impose a penalty of 15% of the unpaid amount.

Under current law, for each late income tax or withholding return other than an estimated tax return, municipalities may impose \$25 per month, increasing by \$25 for each month the return remains unfiled, up to \$150 (six months). H.B. 105: (1) limits the late filing penalty to \$25; (2) requires any late filing penalty assessed on a taxpayer’s first late filing to be refunded or abated once the taxpayer files the overdue return. For comparison, here’s the failure-to-file penalties for both [the IRS](#) and [the ODT](#).

On behalf of the OSCPAs, thank you for allowing me the opportunity to share our support for House Bill 105. I would be happy to answer any of your questions.