



Representative Monica Robb Blasdel

79th House District

Representative Adam Mathews

56th House District

Chairman Roemer, Vice-Chair Merrin, Ranking Member Troy and honorable members of the House Ways and Means Committee, thank you for the opportunity to provide sponsor testimony on HB 121, which would revise the laws regarding municipal net income taxation and create an opt-in method for businesses in Ohio to consolidate and simplify tax filings for remote workers.

Under current law, a business' net profits are apportioned among municipalities according to the property, payroll and gross receipts attributable to each municipality in which the business operates. While this system operated smoothly in the past, the rise of remote work over the last few years has brought increased complication to business tax filings. Whereas previously the vast majority of businesses generally operated out of one central location or a small handful of locations, a company may now have employees working remotely from all corners of the state. This has created an overly burdensome tax process potentially requiring separate apportionment to each municipality where work is being done. Many businesses have found that the cost of compliance for each of these very small locations exceeds the tax due. To illustrate the issue, a business headquartered in Columbus that employs remote workers throughout the city's suburbs may require separate apportionment in each of those municipalities.

House Bill 121 seeks to simplify and modernize the municipal net profits tax filing process in relation to remote work. It will allow businesses to apportion net profits of remote workers to the principal place of business or similar qualifying location. In practice, that same business headquartered in Columbus, instead of requiring separate apportionment, could consolidate the net profit tax liability to the location of their primary headquarters. This change would streamline the tax filing process, reduce unnecessary compliance burdens on businesses, and ensure that Ohio businesses remain free to attract and hire remote workers throughout the state as they see fit.

The bill has been tested in the past, largely coming from a provision in HB 197 from the 133rd General Assembly – jointly sponsored by Vice-Chair Merrin. It included temporary law for the Covid-19 emergency that similarly allowed businesses to consider remote work to be from the primary place of business. While in effect, the provision operated successfully and illuminated an opportunity to codify this pro-business legislation into permanent law. Through interested party discussions, we received no concerns with the bill's language, but did receive feedback that this

change would effectively reduce the compliance burden for businesses that choose to take advantage of it.

I would like to emphasize that this language was carefully crafted to prevent unexpected consequences with businesses, employees and municipalities. First, it applies solely to the municipal net income tax on a company's property, payroll and gross receipts and in no way applies to a municipality's taxation on its residents' income. This bill is not mandatory for businesses, but rather permissive, and provides them the opportunity to opt into the previous apportionment system if it fits their needs. If the changes of this bill would increase their overall burden, then they can continue filing as they currently do.

Ohio is determined to become one of the most business-friendly states in the country. To accomplish this, we must be willing to respond to the active business climate and address issues seen across all sectors of their operations. We want Ohio businesses to remain competitive in their ability to attract new employees from across the state and simultaneously strive to reduce unnecessary administrative burdens on businesses. House Bill 121 reflects a common sense solution to reducing the administrative burden on businesses as they look to modernize with the rise of remote work. Thank you for the opportunity to testify here today, and we respectfully request a positive report of this bill out of committee. We are happy to answer any questions the committee may have.