



Before the Ohio House Ways & Means Committee
Proponent Testimony on House Bill 121

April 25, 2023

Chair Roemer, Vice Chair Merrin, Ranking Member Troy and members of the Ohio House Ways & Means Committee, thank you for the opportunity to provide proponent testimony on House Bill 121 on behalf of the members of the Ohio Chamber of Commerce. My name is Tony Long, and I am the General Counsel and Director of Taxation & Economic Policy at the Ohio Chamber.

Before I begin with the actual bill, let me provide a little context on the need for the bill. After it became clear that a public health emergency was going to be declared in March 2020, tax related provisions were added to House Bill 197 (133rd GA) to allow employers to withhold municipal tax as if employees continued to work from the office. These allowed employers to continue to apportion payroll to the employer's office location.

For 2021, this "safe harbor" for apportionment of payroll was added to temporary language in HB 110 (134th GA). An attempt to add a "safe harbor" for apportionment of municipal net profit tax for tax year 2022 failed when the language was not added to HB 45 (134th). These efforts were necessitated first by a pandemic and then a continuation of hybrid work schedules as businesses and employees adjusted to work while the pandemic wound down and the health declarations were lifted.

Entering 2023 it now appears that hybrid work schedules could become permanent features for some industries. HB 121 allows businesses to elect to assign payroll to a designed reporting location owned or controlled by the employer. This election will add administrative ease for employers calculating net profit taxes.

Without HB 121 many employers would be faced with an administrative headache. Employers would need to track remote work locations of employees, determine if the employee was using company property and if sales were

generated from that remote location. After making these adjustments employers would need to adjust apportionment schedules and potentially face filing requirements in municipalities that it does not conduct business in or have property located within, but for the remote worker. Many of these new filing requirements would cost more than the actual tax liability generated by the remote work of employees. The denominator of the apportionment calculation will heavily reside at the employer location (sales, property, and days in the office payroll) compared to the numerator of employee residences or alternative work locations scattered throughout Ohio and in some cases outside of Ohio.

The Ohio Chamber wants to thank Representatives Blasdel and Matthews for introducing this sensible solution for calculation of the net profits tax as the workforce realities continue to evolve after the pandemic. Over time new tools and technologies may make the burden of tracking hybrid workplace schedules easier for employers, but until those administrative tools are cost-effective solutions, laws such as HB 121 allow employers to stay compliant with municipal tax laws and avoid burdensome administrative requirements.

Thank you for the opportunity to provide proponent testimony for House Bill 121 on behalf of the Ohio Chamber. I will now try to answer any questions you may have for me.