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April 25, 2023

Representative Bill Roemer
Chair, Ohio House Ways & Means Committee
77 South High Street, 11th Floor
Columbus, OH 43215

Dear Chair Roemer:

Thank you for the opportunity to offer support for House Bill 121, which would allow employers who have remote workers to use an alternative formula when filing their municipal net profit tax return. We are grateful to Representatives Robb Blasdel and Mathews for sponsoring this important municipal tax simplification legislation.

By way of background, a typical NFIB member employs 15 or fewer and does less than \$2 million in gross receipts. Our members come from all industry types and each of Ohio's 88 counties.

During the past few years, many employees, who were once at a permanent place of business, are now working from home or other remote sites. The flexibility this affords to employees remains an attractive benefit. However, for employers, tracking and calculating their municipal net profit liability related to these employees can be both time-consuming and cost-ineffective. Our members believe a hallmark of sound tax policy is the ease of compliance. House Bill 121 will ease this burden.

Under current law, net profits are apportioned to a municipality where an employee is working remotely using a three-part formula: payroll, sales, and property. House Bill 121 gives employers the option of selecting an alternative apportionment formula. This alternative would allow employers to apportion these three parts to a "reporting location" designated by an employer, essentially creating a single place for the situsing of municipal net profit tax. If an employer opts into this alternative formula, they could potentially eliminate dozens of net profit returns. As indicated in sponsor testimony, the cost to prepare a municipal net profits return may exceed the liability. It is important to note House Bill 121 only addresses the net profits portion of municipal tax liability and does not change anything related to municipal income tax withholding obligations for employees.

House Bill 121 is a tax simplification bill that gives employers the option of using an alternative apportionment formula for their municipal net profit liability. House Bill 121 will free up resources for reinvestment in operations. Easing the burdens and reducing the costs of tax compliance is prudent public policy.

We recommend the passage of House Bill 121. Thank you for your consideration.

Sincerely,



Christopher J. Ferruso
State Director