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Chair Roemer, Vice Chair Thomas and Ranking Member Troy, my name is Brian Perera and I am here today to testify in support of HB 503 on behalf of the Ohio Taxpayer Protection Coalition. The Ohio Taxpayer Protection Coalition is composed of business and government official associations, including the Ohio Chamber of Commerce, the Ohio REALTORS®, and the County Auditors Association of Ohio. The aim of the Coalition is to make Ohio's local tax system, primarily real property and municipal income taxation, more competitive, to ensure Ohio remains attractive to business investment, job creation, and for raising a family.

The Ohio Taxpayer Protection Coalition has listed municipal income tax reform as one of its most important goals. Ohio's municipal income tax system is unique and places Ohio at a competitive disadvantage when compared to almost every other state. No other state, except Pennsylvania, permits municipalities to impose such a broad income tax on individuals. According to the Ohio Department of Taxation's 2024 Annual Report (page 111), in 2023 Ohio had 675 municipalities levying an income tax. Further, no state in the union imposes such a broad municipal income tax directly on businesses. While Ohio may be moving to a flat 2.75% income tax at the state level, most Ohioans and Ohio businesses are in fact subject to tax rates that are nearly double that rate.

The municipal income tax system has many problems and H.B. 503 is a step in the right direction in addressing an important element of that tax system. Under current law, voters must approve any municipal income tax rates exceeding 1%. However, municipal officials, not voters, have the discretion to offer a 100% credit to their residents for municipal taxes paid to other municipalities, or zero credit, or a credit somewhere in between. HB 503 allows residents to vote, either by a municipal corporation placing a modification on the ballot or by a citizen-initiated reciprocity credit modification, on changes to the credit.

We understand that this may concern municipalities from a budgetary perspective. However, municipal officials will still have the ability to go to citizens and explain the need for a less than 100% credit, or to request a rate increase. We believe empowering citizens with the authority to approve or disapprove local taxes is an historic principle for Ohio local taxation.

While we support HB 503 as an interim step, the Coalition also supports having the General Assembly impose a mandatory 100% credit for all municipalities and authorize voters to approve a lower credit.

I appreciate having the opportunity to offer proponent testimony on HB 503.