

Proponent Testimony
Prepared for House Bill 503
The Ohio House Ways & Means Committee
November 5, 2025

Chair Roemer, Vice Chair Thomas, 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 Vice President of Government Relations, and we support [House Bill 503](#).

House Bill 503 seeks to make two changes to the administration and enforcement of municipal income taxes: (1) requires voter approval to repeal or to modify the amount or percentage of reciprocity credits, and (2) prohibits reciprocity credit changes from being combined in a single ballot issue with any question regarding the tax rate.

Vote for Reciprocity Credits: On the first proposal, currently only city councils can modify the credit or place it on the ballot. Requiring voter approval mirrors the current requirement that municipalities must go to the ballot when seeking any tax rate increases over 1%. See [R.C. 718.04\(C\)\(2\)](#). H.B. 503 also allows a voter initiative option to authorize, modify, or repeal such a credit.

On the second issue, there has been an increase in credits being combined with tax rate increases over the years. For example, the city of [Gahanna passed Issue 12](#) in May 2019. The issue proposed an increase in the tax rate from 1.5% to 2.5%. If passed by voters, it was tied to an increase in the tax credit from 83.33% to 100%. However, if Issue 12 failed, Gahanna had also enacted an ordinance reducing the credit down to 50% for 6 months, and then zero beginning Jan. 1, 2020.

Fairness and Competitiveness: OSCPAs first publicly raised this issue nearly 10 years ago in our [OSCPA Tax Reform Task Force report](#). Since Ohio allows its municipalities to tax individuals both where they work and live, many cities and villages give 100% reciprocity credit for taxes already paid to the municipality where the employee works. However, more Ohio cities are moving to a reduced reciprocity tax credit or a reduced credit limit for its taxpayers. As more cities join this movement, it absolutely will have an impact on the economic viability of a business to remain competitive in our state, as well as on the amount of disposable income in impacted residents’ pockets. See the [full list here](#).

Even worse, some Ohio municipalities give no credit for taxes already paid to another Ohio municipality. For example, if a person lives in West Milton (1.5% income tax rate) and works in Dayton (2.5% income tax rate), the individual will not owe 1.5% or 2.5%, but 4% in total municipal taxes because West Milton provides no credit for taxes paid to another Ohio city. Some cities even have 100% credit but have credit limits set below their actual tax rate – Brunswick for example – has a 1% credit limit on a 2% tax rate.

Double Taxation: In other states imposing local taxes like Ohio’s system, some charge nonresidents a lower income tax rate, recognizing that the individual does not live in the jurisdiction and therefore does not use city services to the degree that residents do. For example, Detroit imposes a 2.4% income tax on residents and 1.2% on nonresidents, see Michigan Compiled Laws (MCL 141.61 and MCL 141.613). To the best of our knowledge, no Ohio city provides a lower tax rate for nonresidents.

The Ohio legislature has attempted to address this issue in alternative ways. A previous proposal was introduced in back to back General Assemblies, [Senate Bill 206](#) (133rd GA) and [Senate Bill 172](#) (134th GA), requiring municipalities collecting more than \$100 million in annual income taxes to provide an income tax credit for nonresidents.

Interstate Taxation: Full credits are required among states. The U.S. Supreme Court held that a state income-tax scheme that taxes residents for in-state and out-of-state income without providing full credit for taxes paid to other states discriminates against interstate commerce and violates the Dormant Commerce Clause. See [Comptroller of the Treasury of Maryland v. Wynne](#), 575 U.S. 542 (2015).

Intrastate Taxation: The Ohio Supreme Court has upheld the lack of and reduced reciprocity credits because “the General Assembly [has] refused to enact a provision that would have obligated all municipalities to allow a tax deduction for income tax paid by a resident of a municipality on wages earned outside a municipality.” See [Thompson v. City of Cincinnati](#), 2 Ohio St. 2d 292 (1965). The case turned on the absence of an applicable statute, but there was no Home Rule issue.

Double Withholding: In 2022, a CPA raised concerns about employees having tax withheld to two Central Ohio cities – each at 2.5% – with 5% total being withheld in municipal income taxes. The CPA used a national payroll provider, and the issue arose from a change in how it handled municipal tax credits. While previously credits were applied in real-time during payroll processing, so employees were only taxed by their work-location city, the payroll provider’s new policy now required taxes to be withheld for both the work city and the residential city, with credits handled later when requesting refunds on personal tax returns. The CPA expressed concern over the financial impact and compliance burden for both employers and employees.

On behalf of the OSCPA, for all of the previous reasons, thank you for allowing me the opportunity to share our support for House Bill 503. I would be happy to answer any of your questions.