As Reported by the House Ways and Means Committee

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Sub. H. B. No. 503

Representatives Roemer, Workman

Cosponsors: Representatives Daniels, King, Newman, Thomas, D., Williams, Click

To amend section 718.04 and to enact section 718.041 of the Revised Code to require voter approval to reduce or repeal a municipal income tax reciprocity credit, to allow a voter initiative to enact or increase such a credit, and to require the Department of Taxation to conduct a study of municipal income taxation.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That section 718.04 be amended and section 718.041 of the Revised Code be enacted to read as follows:

Sec. 718.04. (A) Notwithstanding division (A) of section 715.013 of the Revised Code, a municipal corporation may levy a tax on income and a withholding tax if such taxes are levied in accordance with the provisions and limitations specified in this chapter. On or after January 1, 2016, the ordinance or resolution levying such taxes, as adopted or amended by the legislative authority of the municipal corporation, shall include all of the following:

(1) A statement that the tax is an annual tax levied on the income of every person residing in or earning or receiving

income in the municipal corporation and that the tax shall be measured by municipal taxable income;

(2) A statement that the municipal corporation is levying the tax in accordance with the limitations specified in this chapter and that the resolution or ordinance thereby incorporates the provisions of this chapter;

(3) The rate of the tax;

(4) Whether, and the extent to which, a credit, as described in division (D) of this section, will be allowed against the tax;

(5) The purpose or purposes of the tax;

(6) Any other provision necessary for the administration of the tax, provided that the provision does not conflict with any provision of this chapter.

(B) Any municipal corporation that, on or before March 23, 2015, levies an income tax at a rate in excess of one per cent may continue to levy the tax at the rate specified in the original ordinance or resolution, provided that such rate continues in effect as specified in the original ordinance or resolution.

(C)(1) No municipal corporation shall tax income at other than a uniform rate.

(2) Except as provided in division (B) of this section, no municipal corporation shall levy a tax on income at a rate in excess of one per cent without having obtained the approval of the excess by a majority of the electors of the municipality voting on the question at a general, primary, or special election. The legislative authority of the municipal corporation

shall file with the board of elections at least ninety days before the day of the election a copy of the ordinance together with a resolution specifying the date the election is to be held and directing the board of elections to conduct the election. The ballot shall be in the following form: "Shall the Ordinance providing for a___ per cent levy on income for (Brief description of the purpose of the proposed levy) be passed?

	FOR THE INCOME TAX
	AGAINST THE INCOME TAX

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In the event of an affirmative vote, the proceeds of the levy may be used only for the specified purpose.

(D) A municipal corporation may, by ordinance or resolution, grant a credit to residents of the municipal corporation for all or a portion of the taxes paid to any municipal corporation, in this state or elsewhere, by the resident or by a pass-through entity owned, directly or indirectly, by a resident, on the resident's distributive or proportionate share of the income of the pass-through entity. A municipal corporation is not required to refund taxes not paid to the municipal corporation.

A municipal corporation granting such a credit shall not reduce the amount, percentage, or rate limit of the credit or repeal the credit without having obtained the approval of the reduction or repeal by a majority of the electors of the municipal corporation voting on the question at a general election. The legislative authority of the municipal corporation shall file with the board of elections at least ninety days before the day of the election a copy of the ordinance together with a resolution specifying the date the election is to be held and directing the board of elections to conduct the election. Upon transmission of the ordinance to the board of elections, the municipal corporation shall notify the tax commissioner in writing of the question to be submitted to electors. The question of modifying the credit shall be submitted to the electors as a separate question and shall not be combined in a single ballot question with any question regarding the rate of tax proposed under division (C)(2) of this section. The ballot shall be in the following form: "Shall the Ordinance providing for ______ (a repeal or reduction) of a tax credit to residents of ______ (the applicable municipal corporation) for ______ (all or a portion of, as applicable) the taxes paid to any other municipal corporation be passed? (If a modification, language shall be added here stating the amount, percentage, or rate limit of the modified credit compared to the amount, percentage, or rate limit of the current credit.)

Yes	For the (repeal or reduction)
No	Against the (repeal or reduction)

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(E) Except as otherwise provided in this chapter, a municipal corporation that levies an income tax in effect for taxable years beginning before January 1, 2016, may continue to administer and enforce the provisions of such tax for all taxable years beginning before January 1, 2016, provided that the provisions of such tax are consistent with this chapter as it existed prior to March 23, 2015.

(F) Nothing in this chapter authorizes a municipal corporation to levy a tax on income, or to administer or collect such a tax or penalties or interest related to such a tax, contrary to the provisions and limitations specified in this chapter. No municipal corporation shall enforce an ordinance or resolution that conflicts with the provisions of this chapter.

(G)(1) Division (G) of this section applies to a municipal corporation that, at the time of entering into a written agreement under division (G)(2) of this section, shares the same territory as a city, local, or exempted village school district, to the extent that not more than thirty per cent of the territory of the municipal corporation is located outside the school district and a portion of the territory of the school district that is not located within the municipal corporation is located within another municipal corporation having a population of four hundred thousand or more according to the federal decennial census most recently completed before the agreement is entered into under division (G)(2) of this section.

(2) The legislative authority of a municipal corporation to which division (G) of this section applies may propose to the electors an income tax, one of the purposes of which shall be to provide financial assistance to the school district described in division (G)(1) of this section. Prior to proposing the tax, the legislative authority shall negotiate and enter into a written agreement with the board of education of that school district specifying the tax rate; the percentage or amount of tax revenue to be paid to the school district or the method of establishing or determining that percentage or amount, which may be subject to change periodically; the purpose for which the school

district will use the money; the first year the tax will be levied; the date of the election on the question of the tax; and the method and schedule by which, and the conditions under which, the municipal corporation will make payments to the school district. The tax shall otherwise comply with the provisions and limitations specified in this chapter.

Sec. 718.041. (A)(1) The electors of a municipal corporation may initiate a question to enact a credit authorized under division (D) of section 718.04 of the Revised Code or to increase the amount, percentage, or rate limit of an existing credit by filing a petition with the board of elections of the county in which the municipal corporation is located. If the municipal corporation has territory in more than one county, the petition shall be filed with the board of elections of the county in which the most populous portion of the municipal corporation is located.

(2) The petition shall be on a form prescribed by the secretary of state, shall state the proposed amount, percentage, or rate limit of the credit or the amount of the proposed increase in the amount, percentage, or rate limit of the credit, and shall be signed by qualified electors of the municipal corporation equal in number to at least ten per cent of the total number of votes cast in the municipal corporation for the office of governor at the most recent general election for that office.

(3) If the board determines that the petition is sufficient and valid, the question shall be submitted to the electors of the municipal corporation for their approval at the next general election held at least ninety days after the petition is filed with the board.

(B) The board of elections shall publish notice of the election in a newspaper of general circulation in the municipal corporation once a week for two consecutive weeks before the election, or as provided in section 7.16 of the Revised Code. The board of elections of each county in which the municipal corporation has territory, if it operates and maintains a web site, shall post notice of the election on its web site for thirty days before the election. The notice shall state the time and place of the election.

(C) If the question is approved by a majority of the electors voting on it, for taxable years beginning on and after the first day of January following the election, the municipal corporation shall administer the credit at the approved amount, percentage, or rate limit.

(D) The procedures of this section apply notwithstanding any contrary provision of Chapter 731. of the Revised Code.

Section 2. That existing section 718.04 of the Revised Code is hereby repealed.

Section 3. The Department of Taxation shall conduct a study on municipal income tax uniformity, convening relevant stakeholders including, but not limited to, the Ohio Mayors Alliance, the Ohio Municipal League, the Ohio Chamber of Commerce, the Ohio Business Roundtable, the National Federation of Independent Business Ohio, the Ohio Council of Retail Merchants, the Regional Income Tax Authority, the Central Collections Agency, and the Ohio Society of Certified Public Accountants, and issue a report to the General Assembly not later than December 31, 2026, in accordance with division (D) of section 101.68 of the Revised Code. The report shall cover the amount of municipal income tax collected annually statewide, the impact of current law on taxpayers and tax preparers, as well as the financial impact of potential changes to current law on statutorily required municipal services. The report shall also evaluate stakeholder proposed reforms to the existing municipal income tax system.