

## HOUSE BILL 49

**DATE: June 6, 2017**

**PRESENTED TO THE SENATE FINANCE COMMITTEE, CHAIRMAN SENTOR OELSLAGER.**

Mr. Chairman and members of the Committee, my name is Diana Nelson and I am on Mason City Council. I am also a Certified Public Accountant, Chief Financial Officer for Selection.com, and currently serve on a Federal Advisory Board to the IRS as the Taxpayer Advocate representing the State of Ohio. My professional career and passion is in tax policy and procedures and advocating on behalf of taxpayer rights. I've been involved in global, national and local efforts to defend taxpayers. I appreciate the opportunity to address you to discuss my professional and political opposition to efforts within the state budget to centralize any portion of the local municipal tax. These efforts erode local control, financially damage successful communities such as the City I represent, and ultimately will harm taxpayers across the State.

Earlier this year, Mason City Council unanimously passed a resolution opposing centralized collection. A copy of that resolution is attached to my testimony. I testified during House hearings on the budget to express my opposition to centralization efforts. I was grateful to see amendment language removing centralized collection. I'd like to thank the House of Representatives, especially Representative Schaffer, for hearing our issues with the assault on local governments and taking action that is in the best interest of local business and local governments. I feel they recognized the danger the effort posed to their constituents and made needed changes. I encourage the Ohio Senate and this committee to take the same action by maintaining the amended language adopted by the House.

I now understand that the Tax Commissioner has proposed alternative language that again favors State control at the expense of local businesses and governments. This is why I am again testifying to defend taxpayers against ongoing efforts to expand State control.

As a tax practitioner, I use the Ohio Business Gateway on a monthly basis. Thirteen years after its launch the program still freezes, filings do not go through, reports aren't showing as filed when a confirmation number has been obtained and the CAT tax exclusion does not always populate. These are just a few of the frustrations practitioners have with the program. Using it is more difficult than filing generic city tax returns that can be completed within our tax software programs. The proposed \$24 million appropriation to improve the Gateway is long overdue. We should use caution when passing laws that rely on tools that are not equipped to handle the changes. Although the Gateway Modernization Project is exciting, how long will it take to fix the program? Will it take one year, five years or ten years? One change that has been mentioned is the ability to upload data from tax software into the Gateway. From my experience in dealing with some of the most powerful tax programs on the market, it will not be easy to accurately dump the data into the Gateway. Tax software even has difficulties dumping data from the federal return into the City returns. Another issue I see is taxpayers who opt into using the Gateway will be forced to use the system for five years. The only way to opt out is through the

commissioner's approval. How long will the approval process take? Will it be approved? This approach doesn't appear to be taxpayer friendly. From this requirement alone, I already see the States' strong arm controlling the taxpayer while encroaching upon the City's revenue.

The City of Mason is strongly opposed to the notion of centralized collection for the following reasons:

- State control does not make it easier for businesses to file their local returns. The opposite is true. Centralization will add another layer to the process. Municipal business income tax returns are relatively simple to prepare for most businesses relative to the many other Ohio income tax returns they are required to file. Businesses will still be required to compute the amount of net profit derived from each locality. The only benefit will be filing one return in one location. The computations will still be the same.
- Dealing with the State of Ohio and municipalities regularly, I can tell you municipalities are much more taxpayer friendly, easy to get in touch with and willing to help complete the income tax return for anyone needing help, a service Ohio will not be able to provide. This will ultimately cause taxpayers more frustrations and higher compliance costs. Local tax administrators can provide better service and accountability to local taxpayers. Two months ago, a taxpayer received a notice from the State of Ohio and asked if I could assist with the issue. I called the State, sent them a fax and just recently received a letter in the mail from them stating they were reviewing the issue and would get back with me. This is a simple issue that should have taken five minutes to solve by phone. We are now two months into the process and it is still not solved.
- Giving the Department of Taxation control over collecting and distributing Gateway revenues back to municipalities creates a wasteful layer of complication and will lead to confusion, reduced service, and concerns with equity.
- Maintaining collection at the local level is critical to financial accountability and fairness. The State's history of "redistributing" revenues to local jurisdictions presents serious concerns that the State will continually be tempted to reduce distributions to municipalities to shore up state budgets or to redirect local revenues to other state-dictated priorities.
- With the State already cutting funding to municipalities by over \$1 billion, municipalities struggle to maintain roads, public utilities and safety services. Centralized collection will further reduce our ability to provide these basic needs to our local and business community.

- It's important to note that The Ohio constitution grants municipalities the ability to manage local revenues to benefit taxpayers with locally governed service delivery. Centralized tax collection is unconstitutional. Removing local control of revenues diminishes this principle of self-government and moves towards making communities dependent upon the State.

Mason's political and professional leadership focuses on a conservative tax approach to create a desirable environment for our businesses and residents. Increasing the size and scope of centralized government is contrary to the pro-business environment that has resulted. Mason Council is united in recognizing the danger that centralized collection poses to our success and, ultimately, the economic success of our State. Businesses will be helped more by the State simplifying their own tax rules than misguided efforts to exert control over local taxes.

We object to continued efforts to erode home rule, damage the pro-job practices of local governments, and harm taxpayers across the state. I urge the Senate to build upon the amendments made by the House that are good for local governments and business friendly. Thank you for this opportunity to address this legislation and I will be happy to answer any questions.

RESOLUTION 2017 - 3

**OPPOSING THE PASSAGE OF THE STATE OF OHIO'S PROPOSED 2017-2018 BUDGET, WHICH PROPOSES CENTRALIZED COLLECTION OF NET PROFIT TAX RETURNS AND OTHER PROVISIONS RELATED TO THE MUNICIPAL INCOME TAX CAUSING FINANCIAL HARM TO THE CITY OF MASON AND OTHER MUNICIPALITIES WHILE ENCROACHING UPON THE CITY OF MASON'S HOME RULE POWERS GRANTED BY THE OHIO CONSTITUTION**

WHEREAS, it is proposed in the State's 2017-2018 Budget to institute a State controlled program for the centralized collection of local municipal income tax; and

WHEREAS, the City of Mason is supportive of creating a business-friendly environment in Mason and throughout the State of Ohio with consistent standards for net-profit reporting without added layers of State bureaucracy; and

WHEREAS, the City of Mason places top priority in attracting and maintaining business within the corporate limits and has been successful in adding over 3,000 jobs and \$580 million of new investment from January 2015 through December 2016; and

WHEREAS, the City of Mason is opposed to all encroachment upon the City of Mason's rights of local self-government conferred by the Ohio Constitution; and

WHEREAS, the State of Ohio should partner with successful communities such as Mason in growing the economy and access to high-paying jobs rather than taking local revenue to grow State government; and

WHEREAS, the City of Mason is strongly opposed to revisions on municipal tax collection that decreases local control and flexibility while increasing the size of an overreaching centralized State government at the expense of local government; and

WHEREAS, the City of Mason is opposed to revisions, reversed compromises and broken promises made by the State, such as the Local Government Fund, financially harming the City of Mason and other local governments resulting in local tax increases; and

WHEREAS, the City of Mason is opposed to additional requirements and unnecessary burdensome demands imposed to the benefit of special interest groups; and

WHEREAS, the City of Mason is opposed to revisions imposing an additional and growing layer of State bureaucracy that prescribes all forms, policies, instruction, enforcement action and publications for part of the municipal income taxes and ultimately motivated to centralize all aspects of municipal income tax collection and redistribution; and

WHEREAS, the City of Mason understands the State's history of diminishing local control to increase centralized revenues and weaken local decision making; and

WHEREAS, the proposal creates ongoing uncertainty to how much locally generated revenues will return to the community. This places the City of Mason's financial integrity and it's Aaa bond rating from Moody's at risk and will result in declining services and higher taxes; and

NOW, THEREFORE, BE IT RESOLVED by Council of the City of Mason, Ohio, six members thereto concurring:

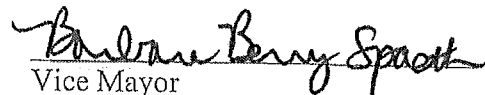
Section 1. That the City of Mason does hereby declare that the Ohio General Assembly should request the immediate removal of all language pertaining to municipal income tax collection and administration.

Section 2. That the City Manager is hereby directed to transmit a certified copy of this Resolution to Speaker Rosenberger, Representative Zeltwanger, Governor Kasich and all members of the House of Representatives, Ohio State Senate and candidates for Governor.

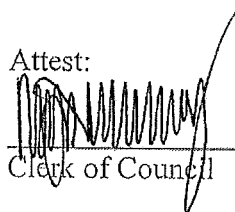
Section 3. That the City of Mason through its elected and appointed officials will cooperate with other municipalities and the Ohio Municipal League to achieve municipal income tax administration that is business-friendly without causing excessive harm to the City of Mason and other municipalities.

Section 4. That this Resolution shall take effect and be enforced from and after the earliest period allowed by law.

Passed this 27th day of February, 2017.

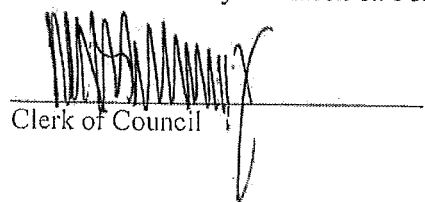
  
Vice Mayor

Attest:

  
Clerk of Council

#### CERTIFICATE

The undersigned, Clerk of Council of the City of Mason, hereby certifies this to be a true and exact copy of **Resolution No. 2017 - 3**, adopted by the Council of the City of Mason on February 27, 2017.

  
Clerk of Council