



## **TESTIMONY BEFORE THE OHIO SENATE FINANCE COMMITTEE**

### **HB49, BIENNIAL STATE OPERATING BUDGET**

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Chairman Oelslegar, Vice Chair Manning, Ranking Member Skindell, and members of the Senate Finance Committee, my name is Kent Scarrett and I am the Executive Director of the Ohio Municipal League. On behalf of our 734 members, I appreciate the opportunity to offer testimony today.

While OML supports several items adopted by the Senate in the Budget – which I will address towards the end of my testimony – I want to outline for you the reasons Ohio’s municipalities stand opposed to the language adopted by the Senate that will allow business to either file with their local taxing authority or through the Ohio Business Gateway under the administration of the Department of Taxation.

In 2014, HB 5 was passed as a means to create uniformity across over 600 municipalities in Ohio that leverage an income tax. The goal of creating uniformity in the way municipalities leverage income tax was to create a healthier tax climate for businesses and families that live and work in Ohio’s local communities. The League fully supported these uniformity efforts.

The adherence to the virtues of uniformity have been significantly challenged by the adoption of the Ohio Department of Taxation’s alternative proposal for business to opt in filing net profits through the OBG under ODT administration. Within the language, it is stated that current and future Tax Commissioners will have the authority to propose rules, grant or deny refund requests, handle appeals, prescribe forms, make assessments, audit and other administrative functions. To

put it more clearly; if this language becomes law, there will be unequal treatment of taxpayers throughout Ohio. Any business who opts in to file through OBG will be subject to different rules and fees than perhaps its neighbor within the same municipality. Those businesses will, in effect, be subject to an entirely different set of laws. This language not only calls into question serious concerns not only about efficiency, but also about equity and fairness.

This language in no way relieves any administrative burden from municipalities, who will still have to track returns filed by all businesses in order to reconcile accounts, regardless of whether or not that business files through the municipality or OBG. Municipal tax authorities will spend the same amount of money they spend now on administering business net profit filings, and under this language, they will lose an additional 1% from each filing from every business that files through OBG. It relieves no administrative burdens while incurring extra cost. And while municipalities currently receive their money from net profits filings in real time, filings through the OBG will only be distributed monthly, disrupting cash flow and forcing municipalities to budgeting and payments accordingly.

A municipality's ability to ensure compliance in business filings is vital for the protection of all taxpayers. This language wrests that control away from the very entity best positioned to ensure each business within their jurisdiction has filed. Instead, municipalities will be regulated to merely requesting the Department of Taxation review a return. The Department is under no statutory obligation to comply with that request.

The Ohio Municipal League also wonders why the language mandates that businesses are locked-in to filing through OBG for a period of five years if ODT is truly confident OBG is an efficient, user-friendly businesses would choose to use. The language mandates ODT administer OBG filings starting January 1, 2018, but the current rebuild will not be completed until 2019. Even then, it will not be able to interface with tax preparer software or accept attachments – two vital requests the business community itself, along with the CPAs, have repeatedly made. And should a business request to opt out of filing through OBG, the Department of Taxation can deny that request – and that denial is not appealable.

In addition to removing this language and returning to the House-passed version of the Budget language, we respectfully ask that the Senate also remove the elimination of the “throwback” provision, which creates a “nexus to nowhere” for municipalities with warehouse or distribution centers and will greatly infringe upon their ability to generate revenue.

The Ohio Municipal League wants to thank the Senate for adopting the following amendments:

- Allowing the House-passed amendment removing the capacity-based formula for LFG distribution to remain in the Budget
- Removing the provision that preempted local lead abatement regulations
- Including environmental remediation as a reason for a municipality to undertake an urban renewal project
- Removing municipal corporations from unit operation for oil and gas reserves by restoring current law
- Aligning filing dates for municipal income taxpayers that are individuals

We would ask that the Senate also consider change the following provisions in the Budget:

- Increase the threshold for votes for village dissolution from 30% to 35%
- Remove the predatory annexation and areawide waste treatment management planning language
- Remove the language redirecting \$24 million from municipalities' portion of the LGF and redistributing it to townships and smaller villages

Thank you for your time, and I would be happy to answer any questions.