



House Bill 519 Testimony

Robert Wright, City of Bowling Green

March 8, 2022

Chairman Merrin, Ranking Member Sobecki and members of the House Ways and Means Committee, my name is Robert Wright. I am the Tax Commissioner for the City of Bowling Green. I come before you to express my opposition to House Bill 519 regarding the administration of municipal income taxes.

Prior to the 2016 tax year, taxpayers were required to either request an extension or submit a copy of the federal extension request to the municipal tax office by the filing deadline. After the passage of House Bill 5 by the 130th General Assembly, taxpayers with a proper federal extension were no longer required to submit a copy to the municipal tax office. Municipalities of less than 250,000 residents do not get records directly from the IRS. Therefore, we will not know if a taxpayer has been granted a federal extension. Tax preparers should not be able to bill a municipal tax office the cost to respond to a non-filer letter due to the municipality's lack of knowledge about an extension.

The late filing penalty is \$25.00 per month with a maximum of \$150.00. For the City of Bowling Green, I chose to wait until after the extended due date had

passed before starting the non-filer compliance process, since I did not know who had an extension and who did not. The downside of waiting is that six months had elapsed and every non-filer could be subjected to the \$150.00 maximum. Other municipalities started the non-filer compliance process shortly after reviewing the mass of returns received by the April due date. This earlier compliance process saves late taxpayers interest charges and potential late filing monthly charges. It is frustrating for a taxpayer to receive a letter requesting a tax return when the that taxpayer has a proper extension, but contacting the municipal tax office to let it know you have an extension will resolve this.

When the City of Bowling Green starts the non-filer compliance process, we do not know if a tax is due or not since we do not have access to IRS records. As stated before, we do not start the process until after the six-month extended due date had passed. Every late taxpayer could be assessed a \$150.00 late fee. We do not assess the maximum unless the taxpayer is a repeat offender. Typically, we will waive the late filing fee for first time filers if they timely respond to our first non-filer letter.

Current law grants a municipal tax administrator broad discretion to abate penalties and interest. The municipal tax administrator has the ability to weigh each individual taxpayer's circumstances and apply an appropriate penalty. A blanket waiver mandated by the State is too broad. There are taxpayers who have been told either by my office or their tax preparer that you must file a return and still choose not to file. Should this person be granted an automatic waiver of all late fees despite this knowledge? If a taxpayer refuses to file a return since no

tax is due and no penalty can be assessed per state law, how does a municipality enforce compliance?

My ability to abate penalties is a very useful lever to enforce compliance. I can offer to waive all penalties, late filing and late payment so payment is made expediently. If a taxpayer needs more time to pay past due taxes, I can offer a payment plan. After the taxpayer demonstrates a commitment to make regular payments, I will normally abate late fees and late payment penalties. The City of Bowling Green abates more late filing fees than it collects.

The two taxpayers who have testified in support of this bill both had all of the penalties and interest waived by the municipal tax administrator. Most municipalities would have also waived the penalties and interest. This is an example of the current law working and that a blanket waiver is not needed.

The Ohio Society of CPAs testified that this bill would put municipal compliance more in line with the IRS. Is the IRS a good example to follow? I do not agree. The local municipal tax administrator is accessible to the local taxpayer. The taxpayer can talk directly with the person who has the authority to abate any and all penalties and interest. It is a much more complicated process with the IRS. Limiting the authority to abate penalties and interest ties the hands of municipal tax administrator to negotiate an equitable outcome with the taxpayer.

Tax payers who are satisfied or even happy with their municipal tax office do not write letters to praise that office. The vast majority of tax payers file and pay on time. There are many reasons why a few do not file on time. Whether to abate penalties and interest is a decision that is better made at the local level than universal mandates by the State.

Thank you for the opportunity to present my concerns.