



Municipal Tax Reform Legislation

(Sub. H.B. 5)

Why Ohio Needs Reform

- Ohio has the most complicated local income tax system in the U.S.
- Ohio is one of only 10 states that tax both individuals and businesses.
- Ohio is the only state where each city/village makes its own rules and regulations – businesses must keep track of and comply with as many as 600 different sets of tax ordinances.
- It's particularly burdensome for businesses whose employees work/travel in multiple cities.
- The high cost of complying hinders economic growth.
- Compliance often costs businesses more than they owe in tax.
- International site selectors say Ohio's municipal tax system is the second highest negative factor (the first being the labor environment) when it comes to attracting new employers.

Key Provisions in Bill

- Extends occasional entry rule (requiring companies to withhold for employees not working in principal place of business city) from 12 days to 20 days.
- Defines a "day" for occasional entry purposes to where the employee spends "preponderance of work day." Currently an Ohio worker (i.e. a plumber) can owe tax to every city he visits in a single 8-hour workday, even if he's only there for 10 minutes.
- Creates uniform net operating loss (NOL) carry-forward period of 5 years (currently ranges from zero to 10 years). Currently two thirds of Ohio cities have an NOL, most with 5 years. Phases it in over six years to limit impact on cities.
- Creates uniform treatment of filing requirements – extensions, penalties, due dates, etc.
- Creates consistent taxation of pass-through entities (PTEs) at the entity level. Owners also are taxed by their resident city. Currently, cities are divided as to if and how they tax PTEs and owners.
- Defines "resident" with a uniform set of facts and circumstances for municipal tax purposes.

Benefits of Municipal Tax Reform

- This legislation will help achieve the goals of any good tax policy: **making Ohio's municipal income tax system simpler, fairer and more predictable.**
- **Businesses will reduce their municipal tax compliance costs.** This frees up capital and time to reinvest and grow their companies.
- The bill establishes one set of municipal tax rules and regulations that apply to nearly all Ohio cities that impose business and individual income taxes.
- The bill will **minimize the administrative hassles** many Ohio businesses are subjected to by cities with conflicting notice rules, administrative appeal procedures and tax forms/documentation requirements.
- **Makes Ohio more competitive** for new investment and jobs – Ohio will no longer stand out as the worst state in the nation in terms of the difficulty of complying with municipal tax requirements.

Municipal Tax Reform Coalition

Ohio Society of CPAs
Ohio Chamber of Commerce
NFIB-Ohio
Associated Builders and Contractors of Ohio
Associated General Contractors of Ohio
Central Ohio NECA
The Cincinnati USA Regional Chamber
Columbus Chamber of Commerce
Council of Smaller Enterprises (COSE)
Dayton Area Chamber of Commerce
Greater Cleveland NECA
Greater Ohio Policy Center
North Central Ohio NECA
Ohio Association of Realtors
Ohio Automobile Dealers Association
Ohio Cable Telecommunications Association
Ohio Contractors Association
Ohio Council of Retail Merchants
Ohio Grocers Association
Ohio Home Builders Association
Ohio Insurance Institute
Ohio Manufacturers' Association
Ohio Newspaper Association
Ohio Nursery & Landscape Association
Ohio Oil & Gas Association
Ohio Pharmacists Association
Ohio Produce Growers & Marketers Association
Ohio Restaurant Association
Ohio State Bar Association
Ohio State Medical Association
Ohio Trucking Association
Professional Independent Agents Association of Ohio (PIAA)
Toledo Regional Chamber of Commerce