



**SENATE WAYS & MEANS COMMITTEE TESTIMONY
HB 5 - PROPONENT TESTIMONY**

**Provided on November 13, 2014 by
Andrea Ashley, Vice President of Government Relations
Associated General Contractors of Ohio**

Chairman Peterson, Vice Chairman Schaffer, Ranking Minority Member Tavares and members of the Senate and Means Committee:

My name is Andrea Ashley, Vice President of Government Relations for the Associated General Contractors of Ohio (AGC). I am here to express the support of AGC and the Ohio Contractors Association (OCA) for Amended Substitute House Bill 5 (HB 5), and recommend four improvements to the bill.

Collectively, AGC and OCA represent over 600 union and open shop (non-union) commercial contractors who employ tens of thousands of tradespeople. They construct schools, roads, bridges, office and medical complexes, pipelines, wastewater treatment plants, industrial facilities, and many other types of vertical and horizontal structures.

Most of our members are small, closely held businesses that work across geographic areas and span many municipal jurisdictions. For example, based on survey responses from 2012—a very slow year for the construction industry—AGC members hired anywhere from 5 to over 2,000 Ohio craftworkers, and filed income taxes in 15 to 75 municipalities. They spent 50 to over 400 staff hours and \$2,000 to upwards of \$10,000 in CPA fees to comply with Ohio’s current municipal tax code. Oftentimes, the cost of compliance far exceeded the amount of taxes owed in a given municipality.

While the stats I’ve provided demonstrate the impact of the current municipal tax code on employers, one should not overlook its impact on employees. Craft workers must also file taxes in each of the municipalities he or she works (or receives a W-2). Those employees, who usually know little about tax accounting, struggle to navigate the labyrinth of municipal tax regulations and requirements.

As one of our members stated, “I feel most sorry for our field personnel. Every year at tax time, our accounting department gets inundated with questions from them about their tax burdens. They get very frustrated, and I’m certain many don’t file as they should. It’s too confusing and onerous. More would if there was a simpler, straight-forward system.”

The same could be said for many small and independent contractors. The cost for municipal compliance does not vary based on revenue or income, and may actually go up for those smaller companies that do not have the staff resources that larger firms do. Contractors want to be good corporate citizens and



pay all of the taxes and fees required to do business. However, the more challenging and costly a system is to understand, the more difficult it is for businesses and individuals to properly comply.

HB 5 goes a long way towards simplifying the municipal tax code. Of particular importance to the construction industry are uniform definitions, tax forms, filing requirements and deadlines; treatment of pass-through entities; and the 20-day occasional entry rule. They will make municipal taxes simpler, fairer and more predictable for contractors and their craftspeople.

As I mentioned earlier, we would like to recommend the bill be further improved by:

- (1) Establishing a de minimis threshold for the net profits return filing. Currently, the bill would force employers to file even if they had no liability or substantial presence within the municipality. It also means the municipality must process the tax form even when no income is being generated by the city. Establishing a de minimis threshold would help prevent an employer from spending more to comply than what is owed, and prevent the municipality from spending more to process a form than what it will receive in revenue.
- (2) Increasing the net profits tax payment threshold. The bill currently has it set at \$10, which is less than what it costs the taxpayer to prepare the appropriate tax return and less than the cost on a municipality to process it. The threshold should be increased to an amount that equates to the cost of preparing and processing the net profits tax return.
- (3) Instituting a simple way for a company to notify a municipality that the company did not work in the municipality and does not owe taxes. This would reduce compliance costs further, as well as reduce the cost of tax administration for the city.
- (4) The semi-monthly withholding option for municipalities should be removed. The current bill permits municipalities to enact an ordinance requiring taxes be remitted semimonthly if employers meet certain conditions. Semi-monthly payments are burdensome and conflicts with state payment processes. Withholdings should be paid, at most, monthly.

We urge your support of HB 5 and consideration of ways to further simplify our municipal tax structure and filing requirements. Lessening the compliance burden will free up staff time and money for contractors. This empowers them to focus on ways to expand their business and research project financing opportunities for their clients—thus increasing economic activity.

Streamlining Ohio's municipal tax code will make the state more competitive in recruiting new investments, allow its current businesses to further invest in this state, and help workers that file in multiple municipalities.