

# Dayton Daily News

## Cities fear another punch from legislature

Backers say tax bill will bring uniformity to byzantine system.

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By Laura A. Bischoff - Columbus bureau

### **Columbus —**

Municipal leaders are begging state lawmakers not to go through with a local income-tax-streamlining bill that they say will deliver another financial punch to their already beleaguered city budgets.

The issue, which could land on the Senate floor as early as Thursday, is pitting local government leaders against business groups that say Ohio needs to bring uniformity to a byzantine system where 592 cities assess and collect income taxes.



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STOCK ART

Ohio map: state flag

A parade of local officials has lined up against House Bill 5, which will cost Ohio cities \$82 million a year, according to Innovation Ohio, a liberal leaning think tank.

Meanwhile, the bill's supporters, including the Ohio Chamber of Commerce, say it would fix a system in which businesses with employees who work in multiple cities have to file multiple returns and juggle a myriad of deadlines, rules and penalties.

The bill prescribes a standard income tax employer withholding schedule and sets a uniform tax return schedule for all cities, according to a 56-page analysis of the bill by the Ohio Legislative Service Commission. It also establishes a uniform taxable income base.

To hear city officials tell it, however, it is the latest legislation to take aim at the budgets of local governments — what some are calling death by a thousand cuts. In January 2013, state leaders eliminated the estate tax, which funneled 80 percent of the revenues to local jurisdictions. State lawmakers also phased out the tangible personal property tax and instituted steep cuts to the Local Government Fund.

Now, lawmakers are moving to make traffic cameras cost prohibitive for cities to use. That will turn off a spigot of cash cities used to help their ailing budgets.

State cuts over the past four years to schools and local governments total \$1.86 billion, according to CutsHurtOhio.com, which includes two liberal leaning policy research groups.

“It’s painful,” Dayton Mayor Nan Whaley said of the various changes impacting Dayton’s budget. “I think our count so far is like \$9 million a year. It’s insane. Our point is if they just left us alone, we’d be fine.”

By Dayton’s count, the city lost \$6.3 million a year from the local government fund alone — from \$13.1 million in 2010 to about \$6.8 million this year. The city received \$3.7 million from the estate tax in 2012 and 2013 — revenue eliminated by the repeal of that tax. Reimbursements for public utilities and the tangible personal property tax also were eliminated, costing Dayton about \$1.8 million compared to 2010, the city said.

Legislation to all but eliminate traffic cameras — the bill calls for stationing a police officer by each camera — would be another blow. The city projected receiving about \$1.4 million in net revenue from its traffic cameras in 2015. The cameras were expected to produce about \$1.7 million in net revenue this year.

Former Ohio tax commissioner Tom Zaino, who supports HB 5, testified that the legislation simplifies and adds fairness to the municipal income tax system.

Matthew Yuskewich, past chair of the Ohio Society of CPAs, also a supporter, noted that Ohio has 540 different sets of rules and regulations; in some cases, said Yuskewich, the cost of complying with all the municipal tax systems is higher than the actual tax bills.

Ohio is one of 10 states where municipalities assess and collect income taxes from individuals and businesses. About 600 municipalities impose such taxes, making Pennsylvania the only state with more local jurisdictions assessing income taxes.

Kettering City Manager Mark Schwieterman testified that while the bill has its good points, it’ll cost Kettering at least \$400,000 a year. That will be on top of the \$3 million a year Kettering

lost when lawmakers eliminated the estate tax and another \$650,000 in lost revenue from local government fund cuts and other tax changes, he said.

Dayton City Manager Tim Riordan said the legislation includes hidden costs that will impact the city. For example, it requires that notices to taxpayers be sent by certified mail. Since Dayton sends 1,000 such letters through regular mail monthly, that would add up to an additional \$60,000 in postage alone, he said.

City officials also complained about loopholes in testimony on the bill. It would shield, for example, executives' pension income and the wages paid to professional athletes or entertainers who perform periodically in Ohio cities. In addition, it would change how businesses' net profit returns can be taxed.

"The bottom line is the state is making it harder and harder for local governments to effectively govern," Cincinnati Mayor John Cranley testified before the Senate Ways and Means Committee.

Some lawmakers want to go even further than HB5. State Sen. Kris Jordan, R-Powell, introduced legislation in February that would eliminate cities' authority to assess income taxes on non-residents who work in the municipality but live elsewhere.

Cranley said such a move "would literally destroy Ohio cities and Ohio as we know it."

Ohio Senate President Keith Faber, R-Celina, said he plans to bring HB5 to a floor vote on Thursday.

Staff Writer Cornelius Frolik contributed to this story.

**Original article:**

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