

Proposed tax changes could cost Springfield \$650K annually

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By Michael Cooper

SPRINGFIELD —

A proposed bill to create income tax uniformity in Ohio could cost the city of Springfield about \$650,000 in revenue if approved but supporters believe it will streamline the municipal tax system.

House Bill 5 is currently in the Senate Ways and Means Committee and is scheduled for a committee vote Dec. 3. A substitute version of the bill passed through the Ohio House of Representatives last year. State Rep. Ross McGregor, R-Springfield, voted against the bill, while state Rep. Bob Hackett, R-London, voted in favor of it.

If passed, municipalities in Ohio could lose an estimated \$82 million per year in revenue, according to a study from Innovation Ohio, a nonpartisan organization that promotes progressive public policies, according to its website.

Springfield is in favor of income tax uniformity, city leaders said, but believe the current language of the bill would greatly affect cities across Ohio. City commissioners have passed several resolutions in recent years opposing the legislation. City Commissioner Dan Martin twice voted no on those resolutions.

The bill wouldn't change tax rates, but it will determine how cities define income and make other regulations uniform. It also wouldn't change income tax rates or tax credits for residents who live in the city but work elsewhere.

Ohio is one of 10 states that permit local communities to collect income taxes. Under the existing system, tax policies vary widely across cities and villages, from due dates to what income or profits cities tax.

Supporters of the bill believe it will streamline and modernize Ohio's municipal income tax system. The bill will simplify compliance for Ohio's businesses and make it more competitive with other states, said Mark Engel, tax counsel for the Ohio Manufacturers Association. Engel testified before the Ways and Means Committee on Nov. 19.

"To be competitive, a tax system needs to be transparent and simple," Engel said.

The city has seen about \$3 million less in revenue through state cuts, including about \$1.8 million in local government funds, said Assistant City Manager and Economic Development Director Tom Franzen, who testified at the Statehouse in opposition of the bill last week. The loss in revenue has hampered the city's ability to pay for neighborhood street repairs, he said, and could also have an effect on economic development, including on tax incentives to attract businesses.

"We are not a wealthy city, we are a blue collar community that cannot continue to bear the piling-on effect of a legislature that seems bent on harming cities," Franzen said.

Springfield is one of 170 cities in Ohio that offers no years of net operating loss carry forward, which means a business that loses money is able to take those losses and apply them to future tax years when it does make money to reduce its tax burden. The net operating loss will likely be phased in, said City Manager Jim Bodenmiller, meaning the city won't take a large hit in that area right away.

The bill is also full of administrative rules that could increase costs to enforce rules that are different than the current rules, said Springfield Finance Director Mark Beckdahl.

"I don't know if we even know the full extent of what it's going to do to us," Beckdahl said.

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