

CENTRAL COLLECTION AGENCY (“CCA”)
HOUSE BILL (“H.B.”) 5 REVENUE IMPACT ANALYSIS

<u>H.B. 5 – Significant Provisions:</u> <i>(italicized provisions represent changes from H.B. 601)</i>	<u>H.B. 5 – Line Nos.</u>	<u>New O.R.C. Section:</u> (unless otherwise indicated)	<u>Revenue Impact – Cleveland:</u> <i>(italicized comments represent impact of changes from H.B. 601)</i>	<u>Revenue Impact – CCA:</u> <i>(italicized comments represent impact of changes from H.B. 601)</i>	<u>Additional Comments:</u> <i>(italicized comments represent impact of changes from H.B. 601)</i>
Ties O.R.C. 718 terms not otherwise defined in the bill to “same meaning as when used in a comparable context” for federal income tax (“FIT”) purposes <i>or for Title LVII state income tax purposes.</i>	39-50	718.01	Neutral.	Neutral.	<i>Federal law takes precedence over state law if conflict exists.</i>
Eliminates residence tax exemption for S Corporation (“S Corp”) owners.	61-70; 377-388	718.01(B)(1)(a); 718.01(N),(O); Current O.R.C. 718.01(H)(9)	Positive. Cleveland currently can only tax resident S Corp owners on S Corp distributive share income earned in Ohio. Estimated additional residence tax revenue <\$5,000 per year.	Positive. Approx. 50% of CCA members are prevented from taxing resident S Corp owners on their S Corp distributive share income under current law.	
<i>Resident partners of pass-through entities (“PTEs”) allowed to offset any type of municipal taxable income by pass-through losses.</i>	66-70	718.01(B)(1)(a)	Negative. Currently, pass-through losses can only offset pass-through income; no offset for qualifying wages, schedule income or any other type of taxable income.	Negative. CCA members do not allow this type of offset.	<i>Contradicted by new language in 718.01 (E)(10), lines 315-319, “Nothing in division (E) ... shall be construed as allowing the owner of a PTE to utilize any current year net operating loss (“NOL”) or NOL carry forward (“CF”) ...to offset the net profit or wages of the owner.”</i>

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<p>Lottery & gambling winnings are included in definition of taxable income. Gambling losses can offset winnings to extent deductions are authorized under the Internal Revenue Code (“IRC”).</p> <p>Gambling losses must be allowed if “authorized” under the IRC “<i>and claimed against such winnings.</i>”</p>	89-92; 925-931	718.01(B)(4); 718.011(G)	Negative. Cleveland taxes gambling/lottery winnings, but does not permit gambling losses to offset winnings.	Mixed. Approx. 20% of CCA members do not tax gambling/lottery winnings; approx. 25% of members that do tax these winnings already allow losses to offset winnings.	<i>New section 718.011(G) appears to state that lottery & gambling winnings are taxable to residents & to the municipal corporation in which the person receives such income. But, this language is prefaced by the statement that it applies to lottery & gambling winnings received “by a person who is not conducting a trade or business and whose primary activity is generating such income...” This statement seems to be an oxymoron.</i>
Qualifying wage income of individuals under 18 years old is taxable.	162-163	718.01(C)(14)	Positive. Cleveland currently exempts all income of individuals <18.	Positive. Most CCA members have similar under-age exemptions for all income. CCA paid approx. \$22,000 in <18 refunds in calendar 2011 (represents .5% of total refund \$ paid in 2011).	Approx. 400 < 18 refund claims were filed by taxpayers (“TPs”) in 2011. Approved < 18 refunds represent approx. 4% of the total number of refunds approved in 2011.

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Exempts any “JobsOhio” income from liquor distribution & merchandising activities, & income earned by an entity contracting with the State to provide highway services on behalf of the State.	230-236	718.01(E)(7)	Neutral. Refers to O.R.C. Sections 126.604 and 4313.02; both sections were effective 9/29/11.	Neutral.	
Mandates 5-yeay NOL CF. Current law allows municipalities the option of either permitting a NOL CF or not allowing an NOL CF.	180-186; 237-287	718.01(E)(8),(9)	None. Cleveland allows a 5-year NOL CF for business net profit filers & individuals with Schedule C, E or F income.	Negative. Approx. 80% of CCA members allow a 5-year NOL CF. Members that do not allow a NOL CF may face significant revenue losses depending on the % of revenues they currently receive from business net profit taxes & individuals with Schedule C, E or F income. Specifically, with regard to Munroe Falls and Russells Point, 2 CCA members that do not allow a NOL CF, the annual revenue loss (if fully phased in) would be \$98,421 and \$74,204, respectively.	Applies to Business Net Profit Returns & Individual Schedule C, E or F income.

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<i>“Patronage dividends” must be deducted from municipal Adjusted Federal Taxable Income (“AFTI”).</i>	288-294	718.01(E)(10)	Unknown.	Unknown.	<i>Patronage dividends of for-profit cooperatives are an allowable deduction for FIT purposes.</i>
Adds definition of resident as both domiciled in Ohio per the State’s bright-line test and domiciled in a municipality.	331-334	718.01(J)	Negative. Current municipal income tax domicile law is not tied to state domicile law. An unknown number of residents that currently file and pay Cleveland residence tax will be exempt if not considered domiciled in Ohio under the state law.	Negative.	State’s bright-line domicile test is based on having more than 182 “contact days” in the state, while away from an individual’s out-of-state abode. (See O.R.C. 5727.24)
Eliminates deduction allowed for individuals with federal form 2106 unreimbursed employee business expenses.		Current O.R.C. 718.01(F)	Positive. This deduction against an employee’s taxable wages results in significant numbers of refund requests each year.	Positive. CCA paid approx. \$112,500 in 2106 expense refunds in calendar 2011 (represents <2% of total refund \$ paid in 2011).	Approx. 1,150 2106 expense refund claims were filed by TPs in 2011, with about an 80% approval rate. The 912 approved 2106 expense refunds represent approx. 9% of the total number of refunds approved in 2011.

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Removes all income reported by TPs on Schedules C, E & F from definition of “intangible income.” Intangible income is exempt from taxation. <i>Adds federal form 4797 to definition of “net profit” for individuals.</i>	180-186; 458-470	718.01(D),(S)	Positive. Allows municipalities to tax any royalty income reported on these schedules. Royalty income (except royalties “from the ground”) is currently exempt from taxation. (See O.R.C. 718.05 [G] below.)	Positive. <i>Specifically allows taxation of gains on sales of business assets by individual business owners (to extent not treated as capital gain under IRC 1221 or 1231).</i>	
Adds definition for “Tax Administrator.”	474-489	718.01(U)	Unknown. Specifically includes CCA and RITA as “Tax Administrators,” as long as the “agency or entity administers income tax on behalf of at least thirty-one municipal corporations.”	Unknown.	Also includes “a municipal corporation acting as an agent of another municipal corporation” as a “Tax Administrator.”

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Adds definition of “Audit” as “the examination of a <i>person</i> or the inspection of the books, records, memoranda, or accounts of a <i>person</i> for purpose of determining liability for a <i>municipal income tax</i> , <i>provided the tax administrator has contacted the person in writing, via telecommunication, or in person, regarding the examination or to request additional data.</i> ”	507-515; 3095-3134	718.01(BB); 718.36	Negative. In conjunction with O.R.C. 718.36, requires written notice to TP of audit, TP’s rights, etc., at/or prior to start of audit. <i>Based on how “Audit” is defined in H.B. 5, requesting additional information from a TP in order to determine the validity of a refund request, or field audit activities (construction site visits, canvassing, etc.), or compliance programs utilizing federal tax information, for example, will fall under these provisions, miring compliance procedures in an administrative quagmire that will reduce revenues.</i>	Negative.	CCA audits all refund requests prior to issuing refunds. CCA also performs audits of TPs utilizing federal tax information, state tax information, & other sources, and CCA instigates additional audits based on a number of other indicators. <i>H.B. 5 language states that an “Audit” does not include the review of a TPs tax return unless the tax administrator has contacted the person regarding such return.</i>

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Creates the Municipal Tax Policy Board (“MTPB”).	520-523; 534-535; 2731-2742; 3379-3512	718.01(GG); 718.22; 718.42; current O.R.C. 119	Negative. Represents significant loss of local control. MTPB will adopt any/all rules related to municipal income tax, which will apply to all municipalities. Will also create all income tax forms & instructions which must be used by all municipalities. MTPB rules and decisions, etc., are subject to JCARR approval under provisions of O.R.C. 119.	Negative. CCA MITIS and batch processing system, along with CCA Community Access and eFile applications will need to be completely re-programmed to correspond to whatever new municipal tax form format is proscribed by the MTPB. CCA’s IT manager indicates this will take some time and will come at significant additional cost for additional programmers, application testing, etc. In conjunction with the new requirement for assessment billing notices (see new O.R.C. 718.11, 718.12, 718.18 sections below), a conservative estimate of reprogramming costs ranges from \$5-\$7 million.	Governor appoints the 7 member MTPB; 1 each from CCA & RITA, and 5 tax administrators from other municipalities based on population thresholds. MTPB can designate working committees which may include members not on the MTPB, such as tax administrators or “interested members of the public.”
<i>Adds definitions for “Related Member” and “Related Entity.”</i>	551-584	718.01(NN),(OO)	Neutral.	Neutral.	

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<p>Adds definition of “Assessment” as “written finding by the tax administrator that a person has underpaid municipal income tax, or owes penalty and interest...that commences the person’s time limitation for making an appeal to the local board of tax review...and has ‘ASSESSMENT’ written in all capital letters at the top of such finding.” Assessment also includes the denial in whole or in part of “qualified” refund claims. “Qualified Refund Claim” is defined as “a refund claim made on a timely filed amended tax return.”</p>	585-603	718.01(PP),(OO)	<p>Negative. See Revenue Impact comments under Sections 718.11(B)-(F); 718.12; 718.18; current O.R.C. 5717.011 on page17 below.</p>	<p>Negative.</p>	

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Increases 12-day occasional entrant exemption to 20 days.	164-167; 604-705	718.011(A)-(E); 718.01(C)(15)	<p>Negative. Exempts 1st 20 days from income tax; current law allows tax to be paid from day 1 after a non-resident employee works >12 days in a municipality.</p> <p>At a minimum, Cleveland will lose revenues from construction workers, contractors, delivery services, etc.</p> <p><i>Under new O.R.C. 718.011(E), if a tax administrator & employer enter into separate agreement regarding withholding requirements under 718.03, then provisions of 718.011(B) & (D) do not apply – this is not clear, but possibly could nullify 20-day occasional exemption in some situations.</i></p>	<p>Negative. Impact depends on % of revenues received from employment tax vs. residence tax.</p> <p>CCA analyzed several major 2-year construction projects for 3 CCA communities (Bratenahl, Cleveland & Wadsworth), and estimates that an increase from 12 to 20 days would result in revenue losses of \$45,000 for these communities. Specifically, this estimate represents the combined impact from only 1 industry (construction), within only 3 CCA communities and for only a select number of construction projects. Revenue losses would be significantly greater if all major construction projects for all CCA members were considered, & even more so if all impacted industries were considered.</p>	<p>Also defines “Principal Place of Work” as <i>fixed location to which an employee is required to report for employment duties on a regular and ordinary basis.</i></p> <p><i>Specifies that an employee shall be considered to have spent a day performing services in a municipal corporation only if the employee spent more time performing services in that municipal corporation than in any other municipal corporation, so that an employee will only be taxed by one municipality each working day.</i></p>

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Adds “Duty Days” as basis for taxing professional athletes.	706-727	718.011(F)	<p>Negative. Cleveland currently uses “game days” to determine taxable income of pro athletes. Use of duty days will reduce % of pro athlete income taxable to Cleveland, resulting in reduced revenues.</p> <p>A conservative estimate of annual revenue losses from visiting pro teams (MLB, NBA & NFL) for Cleveland totals \$1 million, as follows:</p> <p>MLB teams approx. \$120,000</p> <p>NBA teams approx. \$175,000</p> <p>NFL teams approx. \$705,000</p> <p>These estimates do not include projected revenue losses from Cleveland’s home teams.</p>	None. Cleveland may be the only CCA member impacted by this provision.	<p>The “game days” method provides a higher allocation to Cleveland in most cases.</p> <p>For example the denominator for pro football players is in the 20’s (includes preseason, regular season & post season games) vs. a much larger denominator under a “duty days” method. “Duty Days” is defined in 718.011(F) as every day a pro athlete performs services for the team, including practice days, meetings, training camp, mini-camp, etc.</p>

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HOUSE BILL (“H.B.”) 5 REVENUE IMPACT ANALYSIS

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Eliminates net profit sales apportionment “throw-back” provision.	768-790	Current O.R.C. 718.02(B)(3)	<p>Negative. Under current law, sales delivered from a business in Cleveland to a customer outside Cleveland count as sales allocable to Cleveland if the business does not have its own employees regularly engaged in promoting those sales at the customer location where the goods are delivered.</p> <p>Elimination of the throw-back provision will reduce the % of taxable income to Cleveland.</p>	Negative. Impact depends upon percentage of revenues received from business net profit taxes.	“Throw-back” sales will most likely become “no-where” sales – untaxed by any Ohio municipality.
<i>Allows an alternative apportionment method for net profit returns to be used on an amended return or an appeal of an assessment without prior approval of the tax administrator.</i>	803-827	718.02(B)(2),(3)	<p>Negative. <i>The amended return must include the request to use the alternative apportionment method contained in the amended return.</i></p> <p><i>The TP can appeal a denial by the tax administrator in the same manner as an appeal of an assessment.</i></p>	Negative. <i>CCA Rules & Regulations do not permit TPs to change the method of apportionment used on a previously filed net profit return.</i>	<i>We would expect a significant increase in the number of amended net profit returns filed under this provision.</i>

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HOUSE BILL (“H.B.”) 5 REVENUE IMPACT ANALYSIS

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Adds apportionment provision for sales of services.	867-869	718.02(D)(2)	Nominal. Bill provides that service revenues “ <i>shall be situated to the municipal corporation to the extent that such services are performed in the municipal corporation.</i> ”	Nominal. <i>Most municipalities currently follow this practice.</i>	Current O.R.C. 718 provisions are silent as to apportionment of services for net profit purposes.
Exempts rental income of residents from residence taxation when a rental activity not constituting a business or profession is located outside of the resident’s municipality.	880-883	718.02(E)	Negative. Under current law, rental income of residents is taxable regardless of where the rental property is located, subject to Cleveland’s 50% residence tax credit.	Negative. Under current law, rental income of residents is taxable regardless of where the rental property is located, subject to each member’s residence tax credit provisions.	
Requires semi-monthly withholding payments if withholding > \$11,999 in the previous calendar year, or if it was > \$1,000 in any month of the previous quarter. Adds withholding due date of 3 banking days after the 15 th of month.	1010-1028	718.03(B)(1)	Nominal. CCA currently requires monthly withholding payments for employers withholding > \$100 per month.	Nominal.	

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HOUSE BILL (“H.B.”) 5 REVENUE IMPACT ANALYSIS

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Adds withholding due date of the 15 th day of the following month for monthly filers (withhold >\$2,399 per year).	1029-1043	718.03(B)(2)	Nominal. CCA’s due date for withholding payments is the 20 th of the month following the previous month (monthly filers) or the end of the previous quarter (quarterly filers).	Nominal.	
Adds withholding due date of the last day of the month following the end of a quarter (withhold < \$2,400 per year) for quarterly filers.	1044-1049	718.03(B)(2)	Nominal.	Nominal.	
<i>Requires a casino facility or lottery sales agent conducting video lottery terminals on behalf of the state & located within the municipal corporation to withhold & remit municipal income tax on winnings that must be withheld on for Internal Revenue Services (“IRS”) purposes.</i>	1125-1295	718.031; Article XV of Ohio Constitution, Section 6(C)(9); O.R.C. 3772.01	Neutral. <i>The Horseshoe Casino has been withholding in this manner for Cleveland since it opened.</i> <i>Also provides for up to a \$1,000 penalty for failure to file or remit, or late filing or remittance, in addition to interest charges.</i>	Positive. <i>For members that have video lottery terminals; replaces similar language from H.B. 601 in 5747.063. New O.R.C. 718.031 (E)(5) requires video lottery sales agents to issue information returns reporting municipal income tax withheld from winners, but not amount won. Casinos are required to issue the same information, but also report amounts won.</i>	<i>Adds requirement for electronic filing for monthly withholding due date of the 10th day of the month following the month withheld; adds January 31st annual withholding reconciliation filing due date.</i>

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Requires municipalities by 12/31/14 to either amend their ordinances to specifically adopt by reference all provisions of proposed O.R.C. 718, or repeal their income tax ordinance.	1296-1349	718.04(B)(C)	Negative.	Negative.	
Creates \$5 de minimus tax due and refund amounts.	1426-1427; 2563	718.05(F)(1); 718.19(A)(1)	Nominal.	Nominal.	
Creates de minimus net profit thresholds.	1462-1484	718.05(G)	Negative. Exempts net profit TPs (businesses & individuals filing federal Schedules C, E or F) if they have an apportionment ratio to a municipality of <1%, have tax due of <\$50 & <\$50,000 <i>in qualifying wages within a municipality.</i>	Negative. Impact depends upon percentage of revenues received from business net profit taxes & individuals with Schedule C, E or F income. CCA analyzed 2 CCA communities (Cleveland & Warrensville Hts.) and estimated that the de minimus net profit threshold would result in an annual revenue loss of \$58,000.	The business de minimus provisions should limit the number of “zero” (no tax due, no tax overpayment claimed) net profit returns that CCA must process each year. Exemption forms under these provisions must still be reviewed and processed.

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Creates deminimus net profit thresholds continued...	1462-1484	718.05(G)	Negative. Exempts net profit TPs (businesses & individuals filing federal Schedules C, E or F) if they have an apportionment ratio to a municipality of <1%, have tax due of <\$50 & <\$50,000 <i>in qualifying wages within a municipality.</i>	Negative. CCA revenue impact continued... This estimate represents the combined impact for only 2 communities and includes only 2 of the 3 requirements as CCA tracks tax due <\$50 and qualifying wages <\$50,000. CCA is unable to track filings that have an apportionment ratio to a municipality of <1%. Accordingly, the overall annual revenue loss would be less than the sum currently provided for these 2 communities.	The business deminimus provisions should limit the number of “zero” (no tax due, no tax overpayment claimed) net profit returns that CCA must process each year. Exemption forms under these provisions must still be reviewed and processed.

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<i>Requires State Tax Commissioner to provide any municipal income tax data acquired under O.R.C. 5745 to municipal tax administrators upon their request.</i>	1605-1608	718.051(H)	<i>Positive.</i> <i>Acquiring this information from the State &/or from TPs to verify refund requests for example, has been at best problematic.</i>	<i>Positive.</i>	<i>O.R.C. 5745 deals with the State’s current administration of deregulated electric light companies & telephone companies municipal net profit taxes.</i>
Consolidated net profit returns must be based on consolidated federal taxable income of an affiliated group as filed with the IRS; specifies that consolidated federal taxable income is the basis for determining municipal AFTI.	1680-1778	718.06	<i>Neutral.</i> <i>Other than the new section 718.06(D) requirements, this is the same basis currently used by CCA for consolidated returns.</i> <i>New sections 718.06(D)(3) & (4) deal with affiliated groups that own PTEs and their inclusion in the owner’s net profit returns.</i>	<i>Neutral.</i> State law has expressly allowed corporations that file consolidated federal tax returns to file consolidated municipal net profit returns since 2000. (See current O.R.C. 718.06.)	<i>If the affiliated group owns >79% of a PTE the PTE does not file & pay municipal net profit tax. Instead, the PTE income/loss is included in the consolidated net profit return of the owner, & the PTE’s property, payroll & sales are included in the affiliated group’s apportionment factors. If the affiliated group owns <80%, then the PTE files its own net profit return.</i>

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HOUSE BILL (“H.B.”) 5 REVENUE IMPACT ANALYSIS

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Creates an estimated payment deminimus threshold of \$200.	1823-1828	718.08(B)	Negative. Cleveland does not have a deminimus threshold for estimated payments.	Negative. Only a small minority of CCA members currently do not require estimated payments.	One-time negative impact for year 2015 as municipalities will not receive estimated payments under threshold for tax year 2015 in 2015. Year 2016 and forward, estimated tax due will be paid annually on April 15 th for prior tax year (for 2016 will receive estimated payments for 2015, and so on). Will likely result in additional delinquency issues from TPs that owe less than the deminimus amount.
Allows a TP that files an amended return to pay any unpaid balance due reported on the amended return in equal installments on or before “the remaining payment dates.”	1884-1886	718.08(C)(2)	Negative. This is most likely a drafting error; the language is in the section that deals with estimated payment requirements & was likely meant to apply only to amended estimated payment declarations.	Negative.	

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Specifies the use of interest rate proscribed by the State Tax Commissioner each year for underpayment of estimated taxes; specifies penalty rate limit of 10%, in addition to interest in these situations.	1892-1921;	718.08(D); 718.27; current O.R.C. 5703.47	Negative. The state uses the federal short-term rate plus 3%; Cleveland’s interest and penalty rates are both 18%. Revenue loss for Cleveland based on this provision, combined with proposed new O.R.C. 718.27 below, is conservatively estimated at \$1,132,562 per year.	Negative. Approx. 70% of CCA members have an 18% or higher annual interest rate; all currently have interest rates higher than the current state rate; all CCA members currently apply penalties at rates similar to their interest rates.	Many CCA members will hold some or all penalty & interest charges “in abeyance” contingent upon TPs paying remaining outstanding assessments and remaining current with all future tax responsibilities.
Specifies make-up of local boards of tax review as 3 members. Two of the members cannot be (or cannot have been) employees of the municipality. The 3 rd member must be an employee of municipality but may not be the director of finance, tax administrator, or any official involved in municipal income tax matters.	2133-2169	718.11(A)	Unknown. Cleveland’s board of tax review consists of: Council President Law Director and Utilities Director or their designees.	Unknown. Make-up of current boards of tax review is determined by each municipality.	The legislative authority or each municipality will appoint the 2 non-municipal employee members. The top administrative official of each municipality appoints the municipal employee member.

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Assessments issued by municipalities <i>(including the denial of a qualified refund claim)</i> must include notification by personal service, certified mail or authorized delivery service of appeal rights to the local board of tax review. TPs have 60 days after receipt of assessment notice to appeal. Local boards of tax review shall schedule a hearing within 60 days of receiving appeal request. Eliminates most criminal prosecutions and all civil filings against TPs & replaces with certification filed with the county clerk of court of common pleas for judgment entry <i>in the county in which the municipal corporation is located.</i>	2170-2218; 2228-2401; 2464-2558	718.11(B)-(F); 718.12; 718.18; current O.R.C. 5717.011	Negative. Creates prohibitive & expensive assessment process. CCA database billing system will need major programming changes; opens the door for potential flood of frivolous claims to local board of tax review for reassessment of tax &/or penalty & interest charges. Revenues collected on statutory liens resulting from judgments filed by clerks of court are not guaranteed; loss of threat of criminal prosecution/record and civil judgments results in decreased enforcement abilities. Cleveland collected approx. \$764,000 from criminal prosecutions & \$48,000 from civil small claims filings in 2012. Cleveland’s annual court costs for both civil and criminal filings average <\$20,000 per year.	Negative. Annual additional costs for CCA related to certified mail requirement alone are estimated to range between \$200,000 to \$375,000, depending on whether return receipt of service is required.	Permits delivery of notice through alternative means such as secure email with permission of TP. CCA average annual postage costs for assessments totals \$38,000. Certified notices returned because of undeliverable addresses must be researched by municipality for last known address, etc. If unable to determine, assessment becomes final. Certified notices returned for other reasons must be resent via ordinary mail.

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<i>In cases where an employer incorrectly paid withholding to a municipality, & the municipality that should have been paid has a tax rate > the tax rate of the municipality that was incorrectly paid, the municipality that should have been paid may assess the difference between the tax rates against the employer, during the period of incorrect payment.</i>	2417-2421	718.121(C)	Nominal.	Nominal.	<i>Additional withholding tax assessments apparently may be assessed under this section even if they are for periods outside of the 3-year statute of limitations.</i>
Requires tax administrators to report by June 15 th each year to the MTPB & to the <i>State Tax Commissioner</i> the amount of annual tax revenue collected in the prior calendar year.	2442-2463	718.13(C)	Negative. Creates an additional reporting requirement and proscribes municipal penalty for non-compliance.	Negative.	Municipalities are already required to submit annual income tax revenue information to the state. Prohibits municipalities not complying from assessing any penalties for the year in which the report was due until report is submitted.

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HOUSE BILL (“H.B.”) 5 REVENUE IMPACT ANALYSIS

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Mandates same notification and TP appeal right requirements to TPs for reductions or denials of <i>certified refund requests</i> as for assessments. <i>Allows ordinary mail notification for reduction of refunds other than qualified refunds.</i>	2621-2655	718.19(E)	Negative. Increases costs due to certified mail requirement for <i>qualified refunds</i> , bogs down <i>qualified & other than qualified</i> refund processing, etc.	Negative. Additional costs related to certified mail requirement for <i>qualified</i> refund adjustments estimated to range between \$20,000 to \$40,000 annually. <i>Denial or reduction of refunds other than qualified refunds will likely result in additional amended refund requests being filed due to additional notice requirements discussed in the Additional Comments column to the right.</i>	<i>Requires the following notice for reduction of refunds other than qualified refunds, in “boldface capital letters:” “FULL OR PARTIAL DENIAL OF THIS REFUND MAY BE CHALLENGED ONLY BY FILING AN AMENDED TAX RETURN. SEE SEPARATE SHEET REGARDING HOW TO FILE AN AMENDED TAX RETURN.” And requires inclusion of separate sheet providing detailed instructions on the procedures for filing an amended tax return.</i>
Adds Ohio Secretary of State as agent for service of process or notice for assessments, actions or proceedings against <i>non-resident individuals & foreign corporations.</i>	2694-2730	718.21	Unknown.	Unknown.	

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HOUSE BILL (“H.B.”) 5 REVENUE IMPACT ANALYSIS

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<p>Specifies <i>interest rates & penalty limits</i> related to late or non-payment of income taxes & estimated tax payments, withholding taxes & late-filing penalty.</p> <p>Authorizes municipalities to charge back to TPs any collection costs & fees.</p>	2881-2998	718.27	<p>Negative. <i>Interest rates capped at federal short-term rate plus 3% (Cleveland’s interest rate is 18%).</i></p> <p><i>Penalty limits for unpaid income tax & estimated tax equal to 10% of related tax due (Cleveland’s penalty rate is 18%). Penalty limit for unpaid withholding tax equal to 50% of amount due (Cleveland’s rate is 120% per year).</i></p> <p>Late-filing penalty for individual annual returns capped at \$25 (same as Cleveland’s late-filing penalty for individual annual returns).</p> <p>Late-filing penalty for other annual returns capped at \$150 for each failure.</p>	Negative.	Specifically allows tax administrators to abate fully or partially any penalty or interest charges for good cause (new 718.27 [E]).

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Requires appointment by municipalities with populations >30,000 of a “Problem Resolution Officer” to receive & review inquiries & complaints about matters pending with municipal tax administrators “for an unreasonable length of time” or for “unsatisfactory responses.”	3135-3169	718.37	Unknown. No such formal position exists at CCA or any other municipality we are aware of at this time. Complaints are handled based on each municipality’s or tax administrator’s discretion.	Unknown.	Municipal tax administrator may appoint an existing or new employee as the problem resolution officer.
Defines “Opinion of the Tax Administrator” & specifies procedures for requesting & issuing tax administrator opinions. Authorizes MTPB to issue opinions similar to tax administrator opinions, but only on issues having state-wide application. MTPB opinions are binding for all municipalities.	3170-3262	718.38	Unknown.	Unknown.	Tax administrator opinions bind the tax administrator & the TP. Prohibits the appeal of opinions issued by tax administrators & MTPB.

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<p>Permits TPs “aggrieved by an action or omission” of a tax administrator or employees related to audits or assessments to bring an action for damages in common pleas court against the tax administrator, municipality, or both.</p> <p>The TP can bring the action for damages in common pleas court only if the action or omission resulted from frivolous disregard of O.R.C. 718 provisions, MTPB rules, or tax administrator instructions.</p>	3263-3320	718.39	Negative. Awards compensatory damages, reasonable costs of litigation & attorney fees to TPs if successful in their action.	Negative.	Does not apply to opinions of the tax administrator as defined in O.R.C. 718.38.

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Requires PTEs to withhold and remit the net profit tax due to a municipality, based on the entity’s net profits earned in a municipality, on behalf of each partner/owner of the PTE. Defines partnerships, S Corps, or any other entity given pass-through treatment for federal income tax purposes, but excluding trusts, estates, grantor trusts and single-member LLCs, as PTEs.	377-385; 3513-3581	718.01(N); 718.43	None. CCA currently requires PTEs to file and remit net profit taxes on behalf of the entity’s partners or owners; this is basically the same treatment included in H.B. 601.	None.	<i>Requires PTEs to make estimated payments during the year during the entity’s fiscal year, in addition to the filing of an annual return (similar to estimated payment & annual return requirements for any other type of business entity).</i>
Reinstates 3 municipal tax administrator representatives to Ohio Business Gateway (“OBG”) steering committee; adds the chair of the MTPB as the 4 th municipal tax administrator member.	3688-3689; 3708-3709	O.R.C. 5703.57(C) (1)(b),(h).	Unknown. Current state budget bill reduced number of municipal tax administrator representatives on OBG steering committee to 1.	Unknown.	

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Eliminates ability to appeal from decision of local board of tax review to the court of common pleas.	3737-3781	O.R.C. 5717.011(B)	Unknown. Current law allows dual track for appeals from local boards, either to court of common pleas or to state board of tax appeals.	Unknown.	<i>H.B. 601 vs. H.B. 5 analysis prepared by Amy Mignogna (OSCPA director of tax policy) & Tom Zaino (former Ohio Tax Commissioner) on 2/1/13 & distributed by Rep. Grossman to all House of Representative members incorrectly indicates that H.B. 5 reinstates the ability to appeal local board decisions to the court of common pleas.</i>