



Mid-Ohio Regional Planning Commission

March 7, 2013

Hon. Cheryl Grossman  
77 S. High St, 14th Floor  
Columbus, OH 43215

111 Liberty Street  
Suite 100  
Columbus, Ohio 43215  
T 614.228.2663  
F 614.228.1904  
TTY 1.800.750.0750  
[www.morpc.org](http://www.morpc.org)

Dear Representative Grossman,

The Mid-Ohio Regional Planning Commission (MORPC) would like to thank you for your efforts to create uniformity in the Ohio Municipal Tax Code through House Bill 5 (HB5). We greatly appreciate you taking the time to meet with our representatives and agree with your belief that uniformity helps to build a stronger economy and encourages job creation in Ohio.

After several discussions about HB5 with MORPC members and other regional stakeholders, we would like to share with you some positive feedback and also some issues of concern that we hope to be helpful in working toward a common solution.

There are several items in HB5 that are important and helpful changes. For example, we support the bill's aim to create one tax form that can and must be used by every municipality. We also support the creation of a uniform tax return filing schedule and requiring the issuance of refunds only if they are in excess of \$5.00.

We do, however, have concerns we would like to share with you which currently preclude us from endorsing the bill. We seek your consideration of changes to the bill to ensure it is revenue neutral and focused on uniformity in the tax code.

First, we oppose the elimination of the "throwback" provision. This provision, which would eliminate the ability of municipalities to tax goods shipped or sold from a municipal corporation and delivered elsewhere, is problematic. In our view, this provision is the greatest threat to the stated goal of ensuring that HB 5 is revenue neutral. In our discussion with MORPC members, this provision will have the largest revenue impact on several of our municipal members. Our organization is unable to support HB 5 if this provision is not removed from the bill.

Second, we have concerns about the provisions of HB5 that require all municipalities to allow businesses to deduct net operating losses and to allow those losses to be carried forward for 5 years. We appreciate that there has been some compromise on this issue in

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HB5 with the inclusion of a phasing in of the requirement over 5 years, but this provision would impose too much of a hardship for our region's municipalities. A potentially workable compromise may be forged on this issue through reducing the amount of time that losses may be carried forward. Also, capping the amount of losses that can be claimed by each business will increase the ability of municipalities to forecast future revenues.

Another major issue of concern is the requirement for municipalities to use the State "bright line" test to determine residency for municipal income taxation. There are numerous court rulings that support the current method of determine residency for municipal taxation purposes.

The last issue we raise at this time relates to the provision in HB5 that increases the number of days -from 12 to 20 days - that a nonresident may work in a municipal corporation without incurring tax liability and without the individual's employer being required to withhold tax for that municipal corporation. This provision will increase the number of individual taxpayers who will be free from municipal income taxation in spite of the fact that they will continue to receive the same level of services and benefits from municipalities. This provision does not improve uniformity, but instead changes an existing uniform law. It also has the potential to be revenue negative by giving a tax break for the "occasional entrant" that will result in our municipal members losing revenue. We are advocating that the existing law be maintained.

As you are aware, many of our municipal members have been and will continue to be negatively impacted by reductions in state funding. The consequence of many of the provisions in HB5 is likely to cause a further reduction of the tax revenues that our member municipalities rely on to provide services to their residents and businesses. For this reason, individual members of MORPC may have additional comments or concerns regarding HB5 which will be shared separately.

Again, we appreciate all you have done to begin the hard work of reforming Ohio's Municipal Tax Code to bring consistency and uniformity to the process and to improve our competitiveness. We are hopeful that all interested parties can work together to agree to a bill that can be passed soon by the General Assembly and look forward to working with you to reach the consensus needed to accomplish this goal.

Sincerely,



William Murdock, AICP  
Executive Director  
Mid-Ohio Regional Planning Commission



Marilyn Brown  
Chair  
Mid-Ohio Regional Planning Commission