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Kasich plan to take over business-profits tax collection raises concerns

Governor John Kasich has proposed having the state take over collection of the municipal income tax on business profits. But the move raises a host of concerns, including the loss of local control over a revenue source that accounts for more than \$600 million a year. Cities would receive revenue less frequently, taxpayer audits in some instances might not be done as consistently and administration of the new system is a question mark, according to a new report by Policy Matters Ohio.

Another element of the proposal would eliminate the tax on certain business profits and reduce local revenues. When a similar proposal was made in 2013, Grove City estimated it would cost \$106,000 a year, or the equivalent of one police officer. Savings under the overall plan to a number of cities appear to be exaggerated.

Concerns that the current tax system is an administrative burden on business are overstated; if they choose companies already can file their tax form with just two agencies, the Regional Income Tax Agency and the Central Collection Agency, which cover the majority of the municipalities in the state that levy a local tax on business profits.

Taking over the collection of local income tax on business profits also raises the prospect that the state will move to eliminate the local profits tax, much as the General Assembly repealed the state's corporate income tax in 2005.

"It's no wonder that city councils across the state have been passing resolutions opposing the tax collection proposal," said Zach Schiller, Policy Matters Ohio research director and author of the report. "The General Assembly should be wary of this plan."

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*Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute
with offices in Cleveland and Columbus.*