



Tax & Budget

Testimony on HB 69 before the Senate Ways & Means Committee

Wendy Patton

Good morning, Chairman Eklund, Vice-Chair Terhar, Ranking Member Williams and members of the committee. My name is Wendy Patton and I am a senior project director at Policy Matters Ohio, a nonprofit, nonpartisan organization with the mission of creating a more prosperous, equitable, sustainable and inclusive Ohio. Thank you for the opportunity to testify.

The proposed amendment to House Bill 69 that would modify Section 718.01 of the Ohio Revised Code should not move forward without further vetting, analysis and testimony.

Amendment to HB 69 on municipal income tax needs serious consideration

Lack of a Legislative Service Commission analysis and fiscal note works against public understanding of the proposal and the impacts of the amendment.

The provisions of this amendment could hurt municipal budgets at a time that state cuts and elimination of tax sources leave many communities struggling to provide basic services.

The language in the amendment would exempt Supplemental Executive Retirement Plans (SERPs) from the municipal income tax and may also exempt other benefit plans as well, in particular, plans typically provided by corporations for executives and other highly compensated employees. At the time this testimony is being written, there is no Legislative Service Commission (LSC) analysis to clarify all of the benefit plans covered by this amendment. Nor is there a fiscal note that estimates impact. This makes it difficult for the public to understand the proposal. Lack of analysis could lead to unintended consequences.

Proposed changes are made retroactive to Jan. 1, 2016. Municipalities would be required to refund two years' worth of SERP taxes, and possibly additional refunds for other benefit plans as well. The Ohio Municipal League points out that no community set aside funds for making such a retroactive payment, because taxes on these benefit plans were lawfully paid and collected over the past two years. Refunds would have to come out of 2018 municipal operating funds. This could hurt the ability of cities to provide basic public services all residents depend on.

Ohio's municipalities have been hard-hit by state cuts to the Local Government Fund, the elimination of the tangible personal property tax, phase-out of tax reimbursements and the abolition of the estate tax. This could be one more state-imposed blow to municipal budgets.

Municipal income tax treatment of SERPs is a complex topic that has been the subject of recent Ohio Supreme Court action and deserves serious consideration. This amendment should not move forward without further LSC analysis, time for legislators and the public to read and understand such analysis, and further debate on the merits of the proposed amendment.