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OHIO LEGISLATIVE SERVICE COMMISSION

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H.B. 228
134th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsor: Rep. Roemer

Local Impact Statement Procedure Required: No

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The bill makes several changes to the manner in which the state collects and administers municipal net profits taxes, and has minimal fiscal effect on the state or local governments. The bill's provisions apply to municipal taxable years beginning on or after January 1, 2022.

Under continuing law, a business subject to municipal income taxes on net profits may remit these taxes separately to each taxing municipality or elect to remit all municipal net profits taxes to the Department of Taxation, which ultimately directs the revenue to the appropriate taxing municipality. In FY 2020, state-administered municipal net profits taxes remitted to the Department of Taxation amounted to \$45.0 million, of which \$0.2 million was retained for administrative fees.

Among various provisions, the bill requires the Department of Taxation to develop and maintain a web portal that will be used by the Department and municipalities to securely share information for the purpose of administering the net profits tax. The Department already has such a web portal, so the bill codifies current practice. The bill also modifies several deadlines and reporting requirements related to state-administered municipal net profits taxes, and modifies the procedures for refunds and the distribution of revenue from such taxes. Finally, the bill repeals a provision authorizing the Tax Commissioner to retain 0.5% of all municipal net profits taxes the Commissioner collects; this provision codifies a recent Ohio Supreme Court decision. In November 2020, the Ohio Supreme Court invalidated the administrative fee and the Department stopped collecting it. Any additional costs for implementing the bill are likely to be paid for by existing appropriations of the Department of Taxation.