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H.B. 519
134th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Passed by the House

Primary Sponsors: Reps. Roemer and Lanese

Local Impact Statement Procedure Required: No

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The bill revises Ohio law regarding municipal income tax extensions and the penalty for failure to timely file municipal income taxes. The bill's provisions will reduce municipal income tax revenue, with the reduction variable and depending on the municipality. Statewide, total municipal fiscal losses from the bill are uncertain. The bill's changes are effective starting with the first tax year that ends on or after January 1, 2022.

Under current law, the penalty for failure to file a timely municipal income tax return is \$25 for each month the taxpayer fails to file a required income tax or withholding tax return, but cannot exceed \$150. The bill reduces the penalty to a one-time \$25 penalty. The bill also exempts from the penalty a taxpayer's first failure to timely file, and requires the tax administrator to refund or abate the penalty after the taxpayer files the late tax return.

Under continuing law, any taxpayer that has duly requested an automatic six-month extension for filing their federal income tax return automatically receives an extension for the filing of state and municipal income tax returns. Alternatively, a taxpayer may request that a six-month extension of the date for filing the taxpayer's municipal income tax return be granted by the municipal tax administrator. If the request is received on or before the date the municipal income tax return is due, the tax administrator is to grant the requested extension.

The bill prohibits a municipal tax administrator (including the Tax Commissioner for purposes of the state-administered municipal net profits taxes) from making an inquiry or sending a notice to the taxpayer with regards to the return before the extended due date of the return, if a taxpayer receives an extension for filing a municipal income tax return.¹ The

¹ In testimony on the bill in House Ways and Means Committee, several municipalities stated that most Ohio municipalities do not receive communication from the Internal Revenue Service that a taxpayer has filed or received a federal extension to file a tax return.

prohibition does not apply if the tax administrator has actual knowledge that the taxpayer did not apply for an extension. The bill also specifies that if a tax administrator sends a prohibited notice, the municipality must reimburse the taxpayer for reasonable costs (not defined in the bill) incurred in responding to it. If the administrator is the Tax Commissioner, the costs will be reimbursed from the GRF. Reimbursement of such costs from the GRF is likely to be minimal.