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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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S.B. 206
133rd General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Schaffer

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SUMMARY

- Requires municipal corporations that collect more than \$100 million in income taxes annually to provide an income tax credit for nonresidents

DETAILED ANALYSIS

Municipal income tax credit for nonresidents

The bill requires municipal corporations with annual income tax collections of \$100 million or more in any calendar year after 2009 to grant an income tax credit to nonresidents.¹ Each nonresident's credit must equal whichever of the following yields the **greater** credit: (1) 10% of the nonresident's tax liability or (2) the nonresident's tax liability in excess of 2% of the nonresident's taxable income. If the credit results in an overpayment, the taxpayer may elect to have the overpayment refunded or applied to the next year's tax liability.

The credit requirement begins to apply in a municipal corporation in 2019 or in the first year after 2019 in which annual collections from all taxpayers (individuals and others) exceed \$100 million. Once the credit requirement applies, it continues to apply even if collections fall below that threshold in a later year.

Municipal income taxation of nonresidents – generally

Under their home rule powers, municipal corporations may tax incomes, including the incomes of nonresident individuals who earn income within a municipal corporation. The power to tax such nonresidents has been upheld by the courts on the ground that individuals working in a municipal corporation enjoy the benefits and protections provided by the municipal corporation (such as police and fire protection) while working there. See *Angell v.*

¹ R.C. 718.17.

Toledo (1950), 153 Ohio St. 179 and *Thompson v. Cincinnati* (1965), 2 Ohio St.2d 292. Unlike most other home rule powers, municipal taxation powers are subject to limitation by the General Assembly (Article XIII, Section 6 and Article XVIII, Section 13, Ohio Constitution); the limitations are set forth primarily in Chapter 718. of the Revised Code.

For persons who work in one municipal corporation, live in another, and are taxed by both, it is likely that at least some part of their tax liability to the municipal corporation where they live will be offset, since most municipal corporations grant a credit against their own income tax for at least some part of the income taxes their residents pay to another municipal corporation.

HISTORY

Action	Date
Introduced	09-30-19
