

House Bill 5
Proponent Testimony – House Ways and Means Committee
May 7, 2013

Chairman Beck, Ranking Member Letson and members of the House Ways and Means Committee, on behalf of the more than 22,000 members of The Ohio Society of CPAs, I much appreciate the opportunity to speak in favor of House Bill 5, which would provide much needed uniformity to Ohio's municipal income tax code.

I am Lee Beall, a CPA and Past Chair of The Ohio Society of CPAs. I am the CEO of Rea & Associates, a regional CPA firm of 200 Ohio employee taxpayers working in 11 offices located throughout Ohio (Lima, Medina, Mentor, Wooster, Millersburg, New Philadelphia, Cambridge, Zanesville, Marietta, Coshocton and Dublin). Rea & Associates is the 99th largest CPA firm in the US and the 4th largest Ohio based CPA firm.

I have been in practice in Ohio since 1975 and a general services practice partner since 1982 working in a national firm, a local firm and a regional firm. Throughout that time, I have advised on and prepared literally thousands of municipal income and net profits returns for clients including other state municipalities (NY, OR, KS). **That experience allows me to make the following unequivocal statement: Ohio's municipal income tax structure is the most cumbersome, complicated local tax structure in the country.**

The Ohio Society of CPAs has long been a proponent of simplifying the complex municipal income tax code that both individual and business taxpayers of Ohio face. House Bill 5 will help achieve the goals of any good tax policy: making Ohio's municipal income tax system simpler, fairer and more predictable by establishing one set of municipal tax rules and regulations that apply to nearly all Ohio cities that impose business and individual income taxes. The bill will minimize the administrative hassles many Ohio businesses are subjected to by cities with conflicting notice rules, administrative appeal procedures and tax forms / documentation requirements. Finally House Bill 5 makes Ohio more competitive for new investment and jobs – Ohio will no longer stand out negatively as an outlier state in terms of the difficulty of complying with municipal tax requirements.

I think it is important to emphasize key areas of the bill as they apply to my many years of working with clients and share with you why House Bill 5 should become law:

- The provision extending the occasional entry rule from 12 days to 20 days AND defining a “day” for occasional entry purposes to where the employee spends “preponderance of work day” will mitigate the large number of small dollar filing that occur today. Currently an Ohio worker (i.e. CITE CLIENT EXAMPLE) can owe tax to every city he visits in a single 8-hour workday, even if he’s only there for 10 minutes. Under this scenario businesses will not pay less in tax, however they will reduce their municipal tax compliance costs. This frees up capital and time to reinvest and grow their companies.

Virtually every individual tax client I work with has multiple city considerations because they generally work in one city and live in another. However, they may not have to file in both because they were withheld in one and the resident city does not require filing unless you owe.

Examples:

- I have a nurse who works in four cities (Columbus, Westerville, Newark and Sunbury) and has withholding on those but then does not have withholding when she works in a township. Her husband consults out of their house, has a business in Columbus, an LLC in Westerville and works in multiple states for his consulting. I have yet to file a return for them without getting a city notice assessing tax which they don’t owe.

We find many clients pay incorrect city tax notices because they don’t understand the rules, they don’t want to pay us to correspond about the notice and they don’t want a fight. I pledge to every client I will fight every incorrect city tax notice at no charge to protect my reputation and make certain my taxpayers pay the proper amount. In fact we offer a formal tax protection service to respond to such inquiries – over 90% of the notices we receive are wrong.

For our LLC and corporate clients the majority have multiple cities unless they are a storefront or office based business. One has 50 cities in a low margin business for which they pay more in city preparation fees than for federal fees.

- The importance of a uniform 5 year net operating loss is important because CITE SPECIFIC EXAMPLES. Rea’s 11 cities have a range of 0 / 2 / 3 / 5 / 7 years.
- Creates uniform treatment of filing requirements – extensions, penalties, due dates, etc. CITE WHY THIS IS IMPRTANT

In closing I am often asked why do we have this compliance burden and why has it not been addressed years ago?

Nor can I can I explain to my clients why legislators and their staff are exempt from a municipal filing requirement.

If every legislator had to sit in the shoes of their constituent taxpayers they would understand the compliance challenges with our municipal tax in Ohio.

House Bill 5 is much needed legislation that will take an important step toward improving Ohio's municipal tax compliance effectiveness and efficiency.

Thank you. I will be pleased to answer any questions you may have.