

Fact Checking the Ohio Tax Commissioner

By Mike Barhorst

In response to a guest editorial (*Governor's Budget Includes Pitfalls*) that was recently published in the *Sidney Daily News*, Ohio Tax Commissioner Joe Testa responded with a Letter to the Editor regarding the centralized collection of the municipal income tax. Interestingly, the letter was very similar to one he wrote to other newspapers in Ohio in which he included similar misinformation, mischaracterization and misrepresentation.

The real story is that centralized collection (translation, state collection) would be bad for Sidney residents and businesses. Let me examine his claims in detail.

Claim #1: Businesses complain about having to file in multiple cities.

Facts: I have served six terms as mayor, and an additional three terms as vice-mayor. I regularly visit with business and industry leaders in Sidney. Not one of them have ever complained to me about filing local tax returns.

In addition, not one business has ever complained to our tax administrator about filing multiple tax returns. Rather, businesses appreciate the personal service they receive. On the other hand, we have heard many complaints from businesses and residents alike about the fact that no one at the Ohio Department of Taxation will meet with them regarding questions they have about filing taxes with the State of Ohio.

Claim #2: The mandate would require that “businesses would file just one form in one place and be subject to one consistent set of rules.”

Facts: Businesses are already allowed to file in one place. The State of Ohio established the Ohio Business Gateway (OBG) for that very purpose. Few of our businesses use the OBG for a very important reason. It is inefficient, time consuming, and rarely works. That is the why not only Sidney businesses, but businesses state-wide don't voluntarily use it.

In fact, the OBG is so broken that it will cost millions of dollars to make it fully operational. When a business currently files through the OBG, Sidney can access their information, audit it and enforce penalties when mistakes have been made. The governor's proposal would take those rights away!

Claim #3: Municipalities would save more than \$9M per year if the state were collecting business net profit taxes for us.

Facts: There is no basis in reality for expecting that the City of Sidney will save any money from this change. In fact, the state would charge an unconstitutional one percent for administration of their “service” to the City of Sidney. That would reduce Sidney's income tax revenues by an estimated \$51K per year.

Additionally, the state of Ohio does not audit all income tax returns, which Sidney does. Therefore, businesses would be trusted to file voluntarily. Sidney would not have the right to appeal any state action. Currently, if a business gets caught, Sidney can enforce its rules and require the business to pay its fair share. The state of Ohio conducts no enforcement activity.

The city and all other municipalities in Ohio stand to lose as much as \$9M in revenue, but certainly would not save any money.

Claim #4: Requiring businesses to file their taxes only through the OBG is a “pro-business proposal” that will reduce burdens on companies and make them more productive.

Facts: Requiring businesses to use a broken system that they won’t voluntarily use now does nothing to reduce their burden, it only adds to it. Forcing businesses to deal with the Ohio Department of Taxation and not get answers to their questions will only add to their stress.

Costing municipalities yet more funds (on top of the revenues the state confiscated previously), will significantly reduce the dollars available to support our businesses on the local level — where they receive all of their health, safety and welfare services. Reduced revenue at the local level will simply result in reduced local services.

The state of Ohio is once again trying to confiscate local money, keep it in Columbus, and send back only the amount that they don’t need to build their “rainy day fund” and pay for their ever increasing expenses. Written into the law is the fact that these funds would no longer be considered local tax monies, but rather state tax monies. While they will only keep 1% this year, there is nothing to say that they won’t appropriate more of the money in subsequent years. Indeed, if a future governor decides to mount a campaign for the presidency, there is nothing to say that he/she won’t eliminate the tax altogether.

Local government leaders are accountable to you, the residents and businesses of our community, to provide the services necessary for this community. That’s why municipalities across Ohio have passed or are in the process of passing legislation similar to Sidney City Council’s resolution opposing what I can only describe as some of the worst legislation to ever be proposed in Columbus. I strongly urge you to contact Ohio’s 12th District State Senator Matt Huffman and 85th District State Representative Nino Vitale to let them know that centralized municipal tax collection is bad business.