

Ways & Means Committee Minutes

Honorable Council
City of Newark, Ohio
November 15, 2013

The Ways and Means Committee met Tuesday, November 12, in Council Chambers following the Service Committee, with these members in attendance:

Carol Floyd, Chair Doug Marmie
Bill Cost, Jr.

We wish to report:

Mrs. Floyd- called the meeting to order and announced that they would not be voting on anything tonight that Barb Jobes would be giving a presentation on House Bill 5, which deals with Municipal Income Tax Reform and the problems that it might create for the City of Newark.

Please see attached narrative regarding the presentation supplied by Barb Jobes.

Comments/Questions:

Lesa Best- what does Jay Hottinger have to say?

Barb Jobes- at the beginning he came out and supported House Bill 5. He said the losses are awful but the good part of it is good so he would vote for it but that was very early in the negotiations of House Bill 5. This came out so quickly that we haven't had an opportunity to get a reaction from him.

Lesa Best- it hasn't gone to vote at the House yet?

Barb Jobes- tomorrow

Lesa Best- Schaffer has he said anything?

Barb Jobes- no

Lesa Best- the Senate is Democrat majority correct?

Barba Jobes- no Republican

Lesa Best- the House is.

Barb Jobes- no both are

Mr. Ellington- you did a good job Barb. Also after hearing this I am sure all you folks new to Council are thrilled about this. You said that there are 600 cities in Ohio, 107 cities that carry 0 like we do, 70 who less than 5 years so there are 360 that are already doing this 5 year plan now.

Barb Jobes- not necessarily 5 years but the net operating loss in the state of Ohio goes anywhere from 0 to 7. So approximately I think the figure was 38% of the cities have 5 years or

higher. The bill was put forward because it was said that businesses were not coming to Ohio because of Municipal Income Tax. The question that we have put to all the proponents and the sponsors is that if businesses are not coming to Ohio because of Municipal Income tax why are we 3rd in the nation for job creation. No one will answer that question.

Mayor Hall- Barb and I worked on this for a long time and Mayor Johns is sitting back here from Heath, we worked in unison for well over a year on this. The Mayors and City Managers that do have income taxes in their municipalities put forth a collaborative effort. We really thought that we had it crunched pretty good to 10 or fewer items a little more revenue neutral, you loss in some areas and gain in others. The original proponents of this are the Ohio Chamber of Commerce and the Ohio Association of CPAs. The Ohio Association of CPAs has nothing to loss. Their job if they are doing it properly is to minimize their client's tax liability; they want to get those dollars down. Understand that when those dollars go down we have less money coming through the window over here. We really count on that money. The money that Barb's and Tim's offices collect today we can use tomorrow. It is cash flow in this City. The money that we get from Licking County from property taxes, we get two lump distributions a year that is it. You balance it the right way. We also believe that one size does not fit all and it is not the most efficient way to do government, the proper way to do delinquency collections, the proper way to administer your taxes might be totally different in this community than in another community. It depends upon the makeup of your community. We have worked hard for that. I believe that it is a little deceptive how they are bringing this up so quickly and how they changed it completely. It is tax based, at the end of the day there are going to be losses. Nobody wants to pay taxes, we get that, but that is how government survives. I am really surprised that Columbus is trying to tell cities how to do their business. I would say why not let the IRS collect all of the state's taxes, make it simple, and why not let them run your business. There is a little bit of what we call a home rule, a Charter City, we should be able to determine what is best for our city at our local level. Does it make it a little more complicated, yes but we also have a grievance on how to address this and improve tax collections in the State of Ohio through forms and certain penalties and different things that make it a little bit easier. At the end of the day all these businesses hire CPAs to do their work for them, it is not like their accounting office is sitting there figuring this all out for them. Probably about 50% of our returns come into the City of Newark CPA prepared maybe higher than that Barb?

Barb Jobes- closer to 75%

Mayor Johns- I want to echo what Mayor Hall said about the cooperation and the collaboration among local government leaders throughout Licking County regardless of political affiliation, that doesn't matter. For over a year now we have been working as hard as I think we can. Barb talked about some of the time invested by the folks in her office and I can assure you that Kim Gellar, the City of Heath's Tax Commissioner and her staff worked equally hard to analyze the impact of this for the City of Heath and they mirror very closely the impacts to the City of Newark because Heath also does not allow loss carry forward. I believe local government officers here in Licking County have done everything that we could do to inform Representative Hottinger, Representative Hayes, and I have had a couple of conversations with Senator Schaffer on this as well already. We have done everything that we can to inform them of what the impact of this bill will be. I don't know what that affect will be, we will find out probably tomorrow when they vote, I am not optimistic. I understand completely the massive amount of

pressure that must be on them to vote for this bill. We are talking as Mayor said special interest groups who fund their campaigns. I get it. It takes a lot of political courage to be able to look at your supporter and say I am with you 90% of the time but this bill is not good and it could be better and I can't go with you on this. It takes a lot of political courage to be able to do that. I guess we will see where our Representatives stand on this when they vote. I also felt that I really needed to be here tonight because I want to make sure that Newark's City Council understands how great of an asset Barb is. She has worked tremendously hard on trying to break down each of the components of this bill and provide that feed back to our State Government to try to influence as best as possible a quality bill. There are provisions in House Bill 5 that are good. There are provisions that are helpful. As Barb said it is in cities best interest to have businesses be successful, it is how we fund the services that the residents of our city need and expect. But those provisions that focus on those items of uniformity are some pretty good provisions and there are a lot of provisions that are tax breaks and they will devastate local government services. I for one as a Local Government Official am tired of getting kicked in the teeth by our State Government as it relates to the revenue that we try to provide services with to the residents. They have made our job extremely difficult over the past few years and this is just another indication of it. Like I said there are a lot of powerful, deep pocketed interests pushing this bill and isn't that the problem we see in Washington. My fear is that with House Bill 5 as I have said the wheels on the bad government bus will continue to go around and around. I would encourage you to contact your State Representatives and let them know what you think about this bill.

Mayor Hall- all of our General Fund is 20-30 million I will give that range you have to understand 2 to 3 million is a big chunk, that is our safety forces, that is everything outside of Water and pretty much outside of Streets and Traffic is funded through license plate permissive tax and gasoline excise tax. Economic Development comes from a lot of fashion but you have to in turn make it look like somebody wants to live here that doesn't now and somebody wants to move a business here. When we have less dollars to have good strong safety forces as we do today and we have less dollars to make the streets look good and make sidewalks and etc. There are going to be cuts, 2.5 million out of 30 million, its math, simple. I don't see how it is economic growth in these communities. We have a 1 3/4 % income tax; it is probably proven today that you can't raise that unless you go to the voters. Heath tried it and lost 2 to 1. Columbus is 2 1/2% that is why they can do a whole lot more things. If we had 2 1/2 % it would probably give us \$8 million more dollars a year and that would fix a whole lot of problems but we don't have that kind of latitude. We can't raise the cost of what I call what we sell per say on the general fund side at least because it is tax driven. We have taken local government fund cuts, state tax cuts, I think the state tax is double taxation but still it was anywhere from 650,000.00 to a million dollars revenue for this city. I cut a million out of our General Fund in 2012, another million in 2013; I am looking at little bit of cuts for next year. This is going to be devastating, the hard thing is any time a tax issue gets say printed in the Advocate no one responds to it because I will be honest it is a little boring, taxes, it's not dynamic like a dog or cat issue, they don't care but they are going to care if we get these cuts. I encourage you to reach out.

Mr. Rath stated that Jay Hottinger is voting yes on this.

Lesa Best said he should come here and tell us why.

Mayor Hall said he would tend to agree.

Lesla Best- you also said that the two proponents of this bill are CPAs and Chamber of Commerce, does that include Licking County Chamber of Commerce?

Mayor Hall- no, we met early with Licking County Chamber of Commerce and they took a neutral stance on it.

Lesla Best asked if Mayor would invite Representative Hottinger here

Mayor Hall said sure, whether or not he comes would be interesting. We will see how votes go if they vote on it tomorrow, it still has to go to the Senate and I know the Governor will not veto it he is for it, you are going to have to participate please.

Mr. Marmie- I have heard the Ohio CPAs and the Ohio Chamber, other special interest groups that you are alluding to are they businesses or are they additional interests outside of business, what are the additional special interest groups.

Barb Jobs- the coalition that was for the Municipal Income Tax Reform included the Ohio Society of CPAs, the Ohio Chamber of Commerce and the National Federation of Independent Businessmen and the Board of Directors throughout the State of Ohio.

Mayor Johns- in general business groups are in favor of this legislation, it is safe to say.

Mr. Marmie- just in general and I don't know if it is just some additional information that you could utilize in your discussions and any correspondence, sometimes it is best to just impose these in the form of a question but they indicated that these business are going to end up transferring those funds into salary dollars. Well businesses are looking for ways to save money because of the Affordable Care Act, in addition the down tick in 2007 and 2008 that we saw in the economy and how investments went. It is anticipated that there are going to be another one of those adjustments and it could be anywhere from in 2013 still to 2014 or 2015.

Recession isn't the only thing that we have to be concerned about inflation is another. We don't which way it is going to go, the Economists out there are saying that you can just flip a coin; we have no idea which way this economy is going to go or where the Country is going to go. It is a definite period of uncertainty and they are putting municipalities in the position where we are providing certainty for a business that won't have to pay taxes in a period which could be very uncertain. We could end up seeing an even larger decline in revenue in businesses or for individuals if something where to occur in investments and everything else. Not to put doom and gloom on anything, it is a matter of prepare for the worst and hope for the best. This bill is not doing that, what it is doing is trying to say is well if we build it, it will come and we don't care what kind of swarm we have to weather to build it, we are going to build it anyway. I am pro-business, I am a business owner and I also look at the fact though that I need the services of a local government in the city. I also don't believe that businesses are going to come to Ohio for this reason. There are a lot of reasons why businesses do or do not come to Ohio and most of them are not tax related. There are a lot of tax related instances where people establish residency in other states but that was kind of done away with last year. I think that we need to look at other areas where we can entice businesses to come here, our state. There are problems with the state taxes also but they are not looking to correct some of those. There are other reasons why businesses don't come to Ohio; we also need to educate our employer, employee forces a little bit better in order for those businesses to want to come here. There are a number of reasons and they are trying to pinpoint it on one thing and I don't think that this one thing is going to fix it. The fix it that they are trying to put on this one thing

could be the detriment for a lot of different municipalities. Layoffs are not something that we want or need in any municipality, in particular in ours. We are bare bones now in the City of Newark, basically what will end up happening is we will just end up cutting services period. We won't be able to provide certain services. That will be unfortunate and it will be to the citizens' detriment. Hopefully everybody will communicate with those who needs communicated to. It is not only important, like Barb said that you communicate and those that are in here because we are kind of preaching to the choir in here, get on your email lists and makes sure that you send this out to your friends and your family members and talk to them and ask them for their support also and for them to contact. That is another thing that really needs to be done and needs to be heard by a number of people. There are powers in numbers, I hope that everybody gets put there and does their part to at least communicate. I am sure the Mayors and Barb would definitely agree there are parts of this that would be beneficial and could be beneficial but as a whole it is not and it needs to be fixed.

Mayor Johns- thank you so much for saying that. The feedback that I have received is that the only push back that the legislature is hearing is from Local Government interests and as a business owner who understand the value of the services that are provided by the municipality in which you have a business that is the message that they need to hear. I couldn't agree with you more. A business is not going to make a hiring decision in Heath because after a \$100,000.00 profit that year they have saved \$1500.00 in local income tax. They aren't going to hire somebody based on that, it isn't going to happen. This will not generate jobs in the state. I have been fortunate enough to be involved in a few conversations in my four years as Mayor with major employers looking to locate in the City of Heath. I have spoken with many of our other economic development leaders in Licking County who have been involved in far more of those conversations than me. The consensus is that the question never comes up what your local income tax policies and procedures may be. The questions are why would we want our people to relocate here, what is the quality of life here, what is there to do, are you going to meet my work force needs. Those are the questions and the issues that most businesses look at when they look to Licking County and compare us to the rest of the world as far as where they want to expand. It is not local income tax policy and collection. So to what you just said, I say Amen. Please express that opinion about because I don't see how it is more efficient for a business when municipalities can no longer plow the roads to keep schools open so now employees are going to have to stay home with their kids because there is no school that day. I don't see how it helps businesses when law enforcement is reduced or fire protection is reduced. What you said Amen and please get as many fellow business owners as possible to express that opinion.

Mr. Rath- Barb, did I hear you right did you say that if I work in a city that I don't reside and I work there for less than 20 days that I will no longer have to file a tax return but I have to now? Barb Jobses- if you are there less than 20 days your income is not subject to withholding. If you are self-employed there that is different. Self-employed people it is taxable from day one.

Mr. Marmie- if you find out, the 10-99 reporting is no longer there so you may not know about those self-employed anymore.

Barb Jobses- they are actually tying our hands. 78-81% of our tax revenue is from withholding on average. If you do contact them please make sure that they know about the Dayton Area Plan Municipal Coalition Bill. Some of the worst legislation gets passed because they said there is

nothing else out there for us. There is a complete bill; it is a complete rewrite of the ORC Section 718. There is a full and complete bill out there that they can choose but nobody knows about it. It is being stifled. We need them to know to look at this other bill.

Mrs. Floyd- Barb can you tell us what we should specifically call that

Barb Jobes- call it the Dayton Area Plan Tax Reform Bill and ask them to contact Peter Beck, he was in favor of it in July but somehow by October he no longer favored it. We had the opportunity to listen to chairman Beck and ranking minority representative on the House Ways and Means Committee Tom Letson in July at the Ohio Municipal League tax Conference. At that time they were both in favor of the Municipals Coalition Bill. By October Chairman Beck no longer was. This is a bill to save businesses money that is what this is for. Currently if a business sends in their local payment one day late the City of Newark's penalty on that is 5%. Under House Bill 5 that penalty is 50% of the tax due and this is in favor of businesses. That is something that they are not telling businesses. Imagine if your \$500.00 is late you can pay me \$2.50 or you can pay me \$250.00 in penalty. That is part of this bill and that is not being advertised.

Mr. McElfresh- does that 20 day withholding apply to temp agencies? That seems to be the big thing now with all of the temp hiring. Can they hire 20 days at a time and never pay taxes?

Barb Jobes- yes as long as the individual is not in for 21 days.

Mr. Rath- the reason that I brought that up is I was wondering how Cincinnati, Columbus and Cleveland felt about this because there has got to be millions of dollars of tax revenue that they are going to be missing out on from the professional teams.

Barb Jobes- they exempted professional athletes and performers.

Mrs. Floyd- I want to thank Barb, I think she did a wonderful job. This is a very confusing, complicated issue. I know you have been working on it a long time. Hopefully we can get our way; I am a little concerned that we won't. If not it is certainly going to effect the City of Newark and the services that we can provide and I think that should be a concern to all citizens. I think that we all have our homework to do, I think we all need to go home and turn on our computers and do it.

Carol Floyd, Chair