

# City of Findlay, Ohio

## Income Tax Department

### Annual Report

2015

#### Structure and Composition

The Income Tax Department is comprised of an Administrator, one full-time staff member, and two to five full-time and part-time third-party staff members who are responsible for administering and enforcing the Income Tax Ordinance and the Rules and Regulations.

The Department's mission is to respectfully encourage the highest level of voluntary compliance by assisting, educating, and informing customers and stakeholders efficiently, effectively, and accurately.

The Administrator is appointed by and reports to the Mayor, who serves as Chairman of the Income Tax Board. The Administrator reports also to this board, which was designed to depoliticize the Income Tax Department and to protect it from improper influence. The other Board members include the Law Director, Treasurer, Auditor, and Council's Appropriations Committee Chairman, who are responsible for offering oversight and counsel to the Income Tax Department and initiating most legislation during a minimum of four quarterly public meetings each year to ensure the department's funding, accountability, independence, and objectivity. The Tax Administrator is not a member of the Income Tax Board.

The Mayor, Law Director, and Treasurer each appoint an elector for lifetime service to the Board of Review, whose purpose is to rule on taxpayers' initial formal appeals. The Board of Review members were Mayoral appointment Martin Terry, Law Director appointment Douglas W. Huffman, and Treasurer appointment John W. Pinski, CPA.

#### **2015** **Tax Department Staff**

Andrew Thomas  
Tonya Stillberger  
Mary Snodgrass  
Joe Hoover  
Melanie Donaldson

#### **2015** **Board of Review**

Martin Terry  
Douglas W. Huffman  
John W. Pinski, Jr. CPA

#### **2015** **Income Tax Board**

Mayor Lydia Mihalik  
Don Rasmussen  
Susan Hite  
Jim Staschiak II  
R. Ronald Monday

## **Income Tax Department Activities**

### **1. Past-due Collections**

Past-due collections in 2015 amounted to \$502,176.22.

### **2. Tax Forms Mailing**

This marked the fifth year that the Tax Department mailed postcard filing notices to individual and business taxpayers in lieu of tax forms packages. To facilitate this change, we reserved the “findlaytaxforms.com” domain for customers to access the Tax Department’s website more easily.

### **3. Software**

We have been using our existing proprietary database software package developed, supported, and maintained specifically for Findlay since October 2003. The database, reports, and presentation were moved to a new server in early this year.

### **4. Ohio Business Gateway**

The Ohio Business Gateway is administered primarily by an arm of the Ohio Department of Administrative Services in conjunction with at least eight other State agencies. The Income Tax Department continues to receive a growing number of extension requests, estimate payments, income tax return filings, and employer withholding remittances through the Gateway.

### **5. Village of Arlington**

The Tax Department has completed its thirteenth year of administering the income tax on behalf of the Village of Arlington. The process continues to proceed smoothly and routinely. The Tax Department administers approximately 160 employer withholding accounts and approximately 750 individual and business accounts. Arlington incurs their own costs for refunds, tax forms, and court fees.

We continue to find the practice beneficial to both municipalities. As anticipated, we have a greater opportunity to serve a wider range of Findlay taxpayers—non-residents who are employed within our City limits. Notably, we estimate that Findlay derives 40 to 50 percent of its employer withholding revenue from non-residents. Considering the nation’s climate toward state and local taxes—particularly in Ohio over the past several years, it is vital for municipalities statewide to serve the interests of non-residents who pay municipal income taxes to the communities where they work.

Arlington is prohibited from imposing tax on resident shareholders’ distributive shares from S corporations. Bills originating in both the Ohio House and the Senate established voting requirements available only to communities that were imposing tax on this income by ordinance,

rule, or regulation as of December 2002, which the Village was not. Senate Bill 180 of the 124th Ohio General Assembly established a November 2003 voting requirement for distributions from *interstate* S corporations, followed by House Bill 127 of the 125th Ohio General Assembly that established a November 2004 voting requirement for distributions from *intrastate* S corporations. As a result, Arlington is eligible to impose tax on S corporations only at the entity level.

## **6. NWOTCA and OML**

The department continues its active participation in the Ohio Municipal League Income Tax Committee and, one of its regional arms, the Northwest Ohio Tax Commissioners Association. Members of the NWOTCA generally meet bimonthly in the northwest Ohio area to offer training and interdependent assistance and to discuss tax policies and procedures as well as current and emerging legislative issues. The NWOTCA also hosts a biannual municipal income tax seminar for area tax professionals.

The Ohio Municipal League Income Tax Committee is comprised of income tax administrators and commissioners from each of the major cities and from several other communities across the State. The committee functions in a similar fashion as the regional groups, but works directly with the OML. The focus of this year's meetings was again the municipal income tax reform bill, Substitute Ohio House Bill 5, that was signed by the Governor on December 19, 2014.

## **7. Equipment Purchases**

The Tax Department purchased three four-drawer lateral files and a laser jet printer.

## **Income Tax Board Activities**

The Income Tax Board's activities relate to legislative issues that would be discussed in part 1 of the section below entitled *Ballot Issues, Ordinances, and Federal & State Legislation*.

## **Ballot Issues, Ordinances, and Federal & State Legislation**

### **1. City of Findlay**

Findlay City Council passed Ordinance Number 2015-101 in response to the Ohio House Bill 5 municipal income tax uniformity requirements. The ordinance is effective January 1, 2016.

## 2. State of Ohio

After over three years of discussion and debate, the Ohio Legislature passed Substitute House Bill 5 of the 130th Ohio General Assembly (formerly House Bill 601 of the 129th General Assembly). Both chambers of the Ohio Legislature passed the bill which was signed by the Governor on December 19, 2014.

Interpretations, summaries, and impacts of the bill are beyond the scope of this report. The bill can be viewed at: [http://archives.legislature.state.oh.us/bills.cfm?ID=130\\_HB\\_5](http://archives.legislature.state.oh.us/bills.cfm?ID=130_HB_5).

## 2015 Collections

### 1. Collections

Total collections for 2015 were \$23,269,650.51. Compared to 2014, this was an 8.44 percent increase in the amount of \$1,811,151.13.

	Employer Withholding Actual	Employer Withholding One Percent	Individual Actual	Individual One Percent	Business Actual	Business One Percent
Collection Amount	16,830,156.15	16,829,341.71	2,098,015.79	2,061,154.28	4,341,478.57	4,335,811.44
Increase or Decrease	1,118,238.99	1,123,218.80	30,839.78	42,075.35	662,072.36	677,591.93
Percent Incr or Decr	7.117%	7.151%	1.492%	2.084%	17.994%	18.522%
Percent of the Total	72.327%	72.458%	9.016%	8.874%	18.657%	18.668%
CAGR since 1983	4.80%	4.80%	6.79%	6.73%	7.03%	7.03%
CAGR since 1998	3.70%	3.70%	4.14%	4.03%	6.16%	6.15%
CAGR since 2004	3.53%	3.53%	4.06%	3.90%	5.44%	5.43%

CAGR = compound annual growth rate

#### A. Employer Withholding

Collections in this category are comprised of withholding remittances from Findlay employers that withhold the tax from their employees who work in the City and from non-Findlay employers that voluntarily withhold the tax from their employees who live in the City.

#### B. Individual

Collections in this category are from residents who earn wages from an employer that does not withhold the tax, from residents who earn profits from rental properties or business operations located anywhere, and from non-residents who earn profits from rental properties or businesses located in Findlay.

## C. Business

Collections in this category are from tax on net profits apportioned to Findlay from C corporations, S corporations, partnerships, limited liability companies, and trusts that own rental properties, conduct business, perform services, solicit sales, operate, or maintain an office in Findlay.

### **2. Estimate Payments**

The Tax Department administers a provision in the estimate payment requirements that enables any taxpayer to request permission to pay the entire amount of tax due when the annual income tax return is filed by the original or extended due date.

Paragraph 5 of Article VII of the Income Tax Rules and Regulations reads, “In the event the requirements prescribed herein may cause hardship to the taxpayer or to the City, and subject to prior written approval by the Administrator, the taxpayer may disregard the estimate payment requirements and pay the entire amount of tax due for the year when the return is filed, provided the payment is made and the return is filed on or by the original or extended due date as prescribed in Article V.”

Business collections, which are taxes imposed on businesses’ net profits apportioned to Findlay, are historically volatile. Estimate payment requirements often make collections in this category even more volatile because the latter three of the four payments are due two weeks before the fiscal quarters end and six weeks before the quarterly results are announced. Thus, seven estimate payments will have been made before the first of those seven payments can be evaluated against the annual income tax return for its accuracy. As a result, estimate payments are too often based on the previous-year estimates rather than the current-year financial results.

The goals of the policy are to ease the taxpayers’ compliance burden, to stabilize the business tax collections at least to the stability of the apportioned net profits themselves, to maintain a reliable annual revenue stream for the City, to reduce substantial overpayments, and to minimize unnecessary refunds which are an expense item in the Tax Department’s operations budget.

By monitoring and evaluating the legitimacy of estimate payments, rejecting those that seem unnecessary, and granting permission for some taxpayers to pay the tax when the returns are filed, the Tax Department has reduced refunds to businesses from highs of \$189,000 in 2007 and \$215,500 in 2009, to lows of \$63,549 in 2012 and \$64,036 in 2014. This has reduced the Tax Department’s budget for refund expenses by approximately \$125,500 to \$151,500. Further, excluding extraordinary transfers of overpayments that occurred in 2008 and thereafter, the Tax Department has reduced transfers of overpayments from a high of \$1,266,000 in 2007 to a low of \$310,000 in 2013. This is a difference of nearly one million dollars.

Year	Withholding	Individuals	Business	Penalty	Interest	Court Costs	Annual Total	Percent Change
1983	3,759,023.38	256,561.98	492,979.21	10,343.79	7,712.11		4,526,620.47	
1984	4,099,910.71	261,778.12	500,817.35	18,472.18	8,775.69		4,889,754.05	8.022%
1985	4,319,335.66	266,777.96	597,036.91	19,363.93	9,217.38		5,211,731.84	6.585%
1986	4,535,912.71	280,826.24	735,800.80	23,635.45	10,229.30		5,586,404.50	7.189%
1987	4,742,921.72	277,580.70	669,662.73	22,763.67	8,740.45		5,721,669.27	2.421%
1988	5,163,757.03	226,986.09	848,066.77	25,897.25	9,846.35		6,274,553.49	9.663%
1989	5,476,502.70	170,799.84	979,710.34	26,058.96	10,949.12		6,664,020.96	6.207%
1990	5,675,101.72	188,207.58	1,025,850.19	24,888.77	9,346.84		6,923,395.10	3.892%
1991	5,931,941.86	166,208.66	1,010,756.14	27,302.08	10,643.97		7,146,852.71	3.228%
1992	6,289,451.95	186,443.83	988,063.95	33,152.40	9,890.77		7,507,002.90	5.039%
1993	6,684,164.38	205,929.18	1,155,081.49	9,493.19	6,478.25		8,061,146.49	7.382%
1994	7,758,133.70	799,090.40	795,075.82	5,872.52	9,425.80		9,367,598.24	16.207%
1995	7,575,764.07	840,226.83	1,009,398.45	8,527.82	12,019.63	2,007.15	9,447,943.95	0.858%
1996	7,980,004.16	953,301.40	998,036.93	8,179.61	16,439.74	2,192.61	9,958,154.45	5.400%
1997	8,428,257.21	940,620.66	1,114,185.32	28,090.57	17,095.17	2,443.46	10,530,692.39	5.749%
1998	9,072,423.87	1,052,110.75	1,570,677.71	9,235.34	13,624.36	2,288.12	11,720,360.15	11.297%
1999	9,898,733.34	1,200,636.61	1,984,944.09	13,131.96	22,186.85	3,293.53	13,122,926.38	11.967%
2000	10,349,064.23	1,124,236.26	1,579,555.77	15,574.38	24,984.17	3,861.17	13,097,275.98	-0.195%
2001	10,824,788.06	1,083,722.97	2,409,620.03	15,791.53	22,365.10	4,404.67	14,360,692.36	9.646%
2002	11,081,952.87	1,158,561.01	2,640,371.74	16,413.76	25,945.33	7,461.63	14,930,706.34	3.969%
2003	11,168,674.96	1,265,421.63	1,844,708.55				14,278,805.14	-4.366%
2004	11,487,765.80	1,353,537.81	2,424,514.11				15,265,817.72	6.912%
2005	12,000,950.29	1,461,004.10	3,869,817.42				17,331,771.81	13.533%
2006	12,266,197.92	1,561,949.10	4,714,847.44				18,542,994.46	6.988%
2007	12,926,239.03	1,511,186.46	6,748,538.47				21,185,963.96	14.253%
2008	12,988,959.04	1,582,588.29	1,114,157.16				15,685,704.49	-25.962%
2009	11,990,526.45	1,640,212.82	949,911.69				14,580,650.96	-7.045%
2010	15,385,538.83	1,973,146.33	1,218,868.23				18,577,553.39	27.412%
2011	17,136,493.06	2,465,978.05	1,429,072.43				21,031,543.54	13.209%
2012	17,850,224.19	2,505,396.68	1,688,434.43				22,044,055.30	4.814%
2013	15,811,122.25	2,486,360.48	6,684,682.49				24,982,165.22	13.328%
2014	15,711,917.16	2,067,176.01	3,679,406.21				21,458,499.38	-14.105%
2015	16,830,156.15	2,098,015.79	4,341,478.57				23,269,650.51	8.440%

Annual Collections

