

City of Findlay, Ohio

Income Tax Department

Annual Report

2019

Structure and Composition

The Income Tax Department is comprised of an Administrator, five full-time City employees, and two to four full-time and part-time staff members employed through employment agencies who are responsible for administering and enforcing the Income Tax Ordinance and the applicable Rules and Regulations. The Department's goal is to respectfully encourage the highest level of voluntary compliance by assisting, educating, and informing customers and stakeholders efficiently, effectively, and accurately.

The Tax Administrator is appointed by and reports to the Mayor, who serves as Chairman of the Income Tax Board. The Tax 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.

Pursuant to Section 718.11 of the Ohio Revised Code (Substitute House Bill 5 of the 130th Ohio General Assembly), the Mayor and Council appoint a total of three members to the newly-named Local Board of Tax Review, whose purpose is to rule on taxpayers' initial formal appeals. The Local Board of Tax Review members are Mayoral appointment John W. Pinski Jr., CPA and Council-appointed attorneys Douglas W. Huffman and Roger L. Miller. All three members are eligible for unlimited renewable terms. By the new State law, Council must renew each of its two appointees every two years.

2019 **Tax Department Staff**

Andrew Thomas
Tonya Stillberger
Melanie Donaldson
Seth Boice
Kevin Kiene
Joe Hoover
Kris Deerwester

2019 **Local Board of Tax Review**

John W. Pinski, Jr. CPA
Douglas W. Huffman
Roger L. Miller

2019 **Income Tax Board**

Christina Muryn
Don Rasmussen
Grant C. Russel
Jim Staschiak II
Susan Hite

Income Tax Department Activities

1. Villages of Arlington, Mount Cory, Vanlue, and Carey

The Tax Department has completed its seventeenth 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 170 employer withholding accounts and approximately 750 individual and business accounts for the Village.

The Tax Department began administering the taxes on behalf of the Villages of Mount Cory and Vanlue in 2016 and Mount Blanchard in 2019, when these villages initiated their municipal income tax ordinances. The Tax Department began administering the income tax on behalf of the Village of Carey in 2019. All five villages incur their own costs for refunds, tax forms, and court fees.

We continue to find the practice beneficial to all six municipalities. As anticipated, we have a greater opportunity to serve a wider range of Findlay taxpayers—non-resident individuals who are employed within our City limits. Notably, we estimate that Findlay derives 40 to 50 percent of its employer withholding revenue from non-resident individuals. 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 diligently and comprehensively serve the interests of non-residents who pay municipal income taxes to the communities where they work.

All five villages are prohibited from imposing tax on resident shareholders’ distributive shares from S corporations. Bills originating in both the Ohio House and the Ohio Senate established voting requirements available only to communities that were imposing tax on this income by ordinance, rule, or regulation as of December 2002. 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 of these bills, the villages are limited to imposing tax on S corporations only at the entity level.

Number of Accounts

<u>Municipality</u>	2019 <u>Individual & Net Profit</u>	2020 <u>Employer Withholding</u>
City of Findlay	24,486	1,656 (M); 1,334 (Q)
Village of Arlington	753	173
Village of Mount Cory	115	24
Village of Vanlue	182	45
Village of Carey	2,348	531
Village of Mount Blanchard	30	18

M = monthly
Q = quarterly

2. Past-due Collections

Past-due collections in 2019 amounted to at least \$750,408. This was a decrease of \$45,162 from 2018 (5.7 percent), but second highest of the last seven years by \$155,641.

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 virtual server in late 2016.

The Computer Services department introduced an on-line filing application that enables resident individuals from all six municipalities who have had all their applicable municipal income taxes withheld by their employers to submit paperless municipal income tax returns through the Internet.

4. Tax Forms Mailing

This marked the ninth year that the Tax Department mailed postcard filing notices to individual and business taxpayers in lieu of tax forms packages for an approximate annual savings of at least \$16,000.

5. 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 typically also hosts a biannual municipal income tax seminar for area tax professionals. The 2019 seminar was held in Rossford.

The Ohio Municipal League Income Tax Committee is comprised of income tax administrators 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 the meetings continues to be the municipal income tax reform bill, Substitute House Bill 5 of the 130th Ohio General Assembly, and the net profit opt-in provisions of Amended Substitute House Bill 49 of the 132nd Ohio General Assembly, and other Ohio legislative activities.

6. Equipment Purchases

We purchased three 5-drawer filing cabinets, two 4-drawer filing cabinets, two HP printers, one 50-inch 4K TV/monitor, seven office chairs, and four lounge chairs with swivel tablets for the visitor foyer.

Income Tax Board Activities

Council passed an ordinance to require estimate payments.

Ballot Issues, Ordinances, Federal & State Legislation

1. State of Ohio

Ohio House Bill 166 of the 133rd General Assembly amended Chapter 718 of the Ohio Revised Code regarding the definition of *pension* and *retirement benefit plan*. Non-qualified deferred compensation plans (e.g., SERPs) are not subject to Ohio municipal income tax as of January 1, 2020.

The bill also updated the process by which businesses can opt out of the Ohio Business Gateway municipal income tax filing program. Business taxpayers can opt out within their first two years of entering the program by submitting a sixty-day notice to the Ohio Department of Taxation.

2019 Collections

1. Collections

Total 2019 collections were \$26,229,208.08. This was an increase of \$1,537,612.97 (6.23 percent) over 2018 total collections.

Actual Collections	Withholding	Individual	Business	Total
Actual Collection Amount	\$19,095,066.01	\$2,745,075.44	\$4,389,066.83	\$26,229,208.08
Increase or Decrease from Previous Year	\$453,501.29	\$97,978.43	\$986,133.25	\$1,537,612.97
Percent Increase or Decrease	2.433%	3.701%	28.979%	6.23%
Percent of Total Collections	72.801%	10.466%	16.734%	100.0%
Compound Annual Growth Rate Since 1983	4.62%	6.81%	6.26%	5.00%

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 resident individuals who earn wages from employers that do not withhold the tax, from resident individuals who earn profits from rental properties or business operations located anywhere, and from non-resident individuals 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 offices in Findlay.

Year	Withholding	Individuals	Business	Penalty	Interest	Court	Annual Total	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%
2016	17,321,266.44	2,399,615.12	5,356,863.66				25,077,745.22	7.770%
2017	17,787,528.79	2,430,940.97	3,097,744.91				23,316,214.67	-7.024%
2018	18,641,564.72	2,647,097.01	3,402,933.38				24,691,595.11	5.899%
2019	19,095,066.01	2,745,075.44	4,389,066.63				26,229,208.08	6.227%

