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H.B. 519
134th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Roemer and Lanese

Zachary P. Bowerman, Attorney

SUMMARY

- Limits the circumstances under which municipal income tax inquiries or notices may be sent to a taxpayer subject to a filing extension.
- Limits the penalty that may be imposed on a taxpayer for failing to timely file municipal income tax returns.

DETAILED ANALYSIS

The bill makes two changes to the administration and enforcement of municipal income taxes, whether such taxes are remitted to and administered by a municipal corporation or the Tax Commissioner. Under continuing law, taxpayers generally report and remit municipal income tax to municipal tax administrators, but a business may elect to report and remit municipal net profits taxes to the Department of Taxation, which then disperses payments to each municipality to which such tax is owed.¹

First, the bill limits when a municipal tax administrator or the Commissioner may make inquiries or send notices to taxpayers whose tax filing deadline has been extended. Second, the bill limits the monthly penalty that may be imposed for failing to timely file a municipal income tax return. Both changes apply to taxable years ending on or after January 1, 2022.²

Prohibited inquiries and notices

Under current law, the due date of a taxpayer's municipal income tax return, whether filed with a municipality or the Tax Commissioner, may be extended under various circumstances, including any of the following:

¹ R.C. 718.80, not in the bill.

² Section 3.

- The taxpayer has requested an extension for filing their federal income tax.
- The taxpayer has requested an extension from the municipal tax administrator or Commissioner.
- The Commissioner extends the state income tax filing deadline for all taxpayers.

When a taxpayer receives an extension, the bill prohibits a municipal tax administrator or the Commissioner from sending any inquiry or notice regarding the return until after either the taxpayer files the return or the extended due date passes. If a tax administrator sends a prohibited inquiry or notice, the municipality must reimburse the taxpayer for any reasonable costs incurred in responding to it. If the Commissioner sends such an inquiry or notice, the taxpayer's costs are reimbursed from the GRF.

The bill does allow a municipal tax administrator or the Commissioner to send such an inquiry or notice if either has actual knowledge that the taxpayer did not actually file for a federal or municipal income tax extension.³

Penalty limitations

The bill also limits the penalty a municipal corporation or the Tax Commissioner may impose for the failure to timely file a municipal income tax return. Currently, a municipal corporation may impose a penalty of \$25 for each month a taxpayer fails to file a required income tax or withholding return, up to \$150 for each return. The Commissioner may impose the same monthly penalty on those unfiled returns as well as on unfiled estimated tax declarations. The bill limits the cap on these penalties to 50% of the unpaid tax, if that amount is less than \$150.⁴

HISTORY

Action	Date
Introduced	12-16-21

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³ R.C. 718.05 and 718.85.

⁴ R.C. 718.27 and 718.89.