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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

H.B. 166  
135<sup>th</sup> General Assembly

## Bill Analysis

**Version:** As Introduced

**Primary Sponsor:** Rep. Stein

Zachary P. Bowerman, Attorney

### SUMMARY

- Subjects foreign temporary agricultural worker compensation to municipal income taxes.
- Requires employers of temporary agricultural workers to withhold municipal income tax for the municipality of the workers' residence.

### DETAILED ANALYSIS

#### Municipal income tax on foreign temporary agricultural workers

Under current law, temporary agricultural workers working in Ohio under an H2A visa are not subject to municipal income tax. This is because the municipal income tax base is based on the federal FICA tax base, i.e., Medicare and Social Security taxes, from which foreign agricultural worker compensation is excluded.<sup>1</sup> The bill adds foreign agricultural worker compensation back to the municipal tax base, subjecting it to municipal income taxation.<sup>2</sup>

Also under current law, employers are not required to withhold municipal income taxes for a municipality in which an employee resides if that municipality is different from the municipality in which the employee works, though an employee can request that the employer do so (referred to as "courtesy withholding"). The bill requires employers of temporary agricultural workers to withhold taxes to the municipality of those employees' residence, in addition to the municipality in which the employees work. In computing the amount to

<sup>1</sup> 26 United States Code 3121(b)(1).

<sup>2</sup> R.C. 718.01(R)(2)(g).

withhold, the employer must take into account any credit that the resident municipality offers for income tax paid to another municipality where the employee works.<sup>3</sup>

These taxation and withholding changes apply to taxable years ending on or after the bill’s 90-day effective date.<sup>4</sup>

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## HISTORY

| Action     | Date     |
|------------|----------|
| Introduced | 05-08-23 |

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<sup>3</sup> R.C. 718.03(A)(3).

<sup>4</sup> Section 3.