

**MEMORANDUM**

**TO:** Kerrie Ryan, Ohio Department of Taxation

**FROM:** Emily Kaylor, Director of Regulatory Policy

**DATE:** October 27, 2017

**RE:** **CSI Review – Municipal Net Profit Tax Rules (OAC 5703-41-01 through 5703-41-04)**

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On behalf of Lt. Governor Mary Taylor, and pursuant to the authority granted to the Common Sense Initiative (CSI) Office under Ohio Revised Code (ORC) section 107.54, the CSI Office has reviewed the abovementioned administrative rule package and associated Business Impact Analysis (BIA). This memo represents the CSI Office's comments to the Agency as provided for in ORC 107.54.

**Analysis**

This rule package from the Ohio Department of Taxation consists of four new rules regarding the municipal net profit tax. The rule package was submitted to the CSI Office on October 11, 2017. The public comment period ended on October 25 with no comments received.

The rules provide guidance on electronic filing for municipal net profit tax returns, contracts for joint economic development zones and districts, short taxable years, and consolidated tax returns. These rules are to comply with the Department's statutory authority related to the municipal net profit tax, which was amended by House Bill 49 of the 132nd General Assembly.

No comments were received during CSI review, but during early stakeholder outreach the Department received three comments. One was in total support of the rules, another had suggested changes which were incorporated into the rules, and the third opposed one of the rules. The third comment wanted to be able to file consolidated tax returns in some municipalities instead of the current structure of an all-or-nothing approach. In response, Taxation added a paragraph and is attempting to change the filing system to accommodate the request. The

Department has told CSI they have met further with the stakeholder, believe they will be able to adapt the system and, in the event that they can, will withdraw the fourth rule.

The BIA identifies no adverse impact but CSI notes that the rules have reporting and documentation requirements that will require time and knowledge. A taxpayer may be excused from the electronic filing if they submit an application to the Department and are approved. There are no fines or penalties for non-compliance with these rules, and the centralized electronic filing is intended to make filing the municipal net profit tax more efficient for taxpayers.

### **Recommendations**

For the reasons explained above this office does not have any recommendations regarding this rule package.

### **Conclusion**

Based on the above comments, the CSI Office concludes that the Ohio Department of Taxation should proceed with the formal filing of this rule package with the Joint Committee on Agency Rule Review.