



Common Sense Initiative

Mike DeWine, Governor
Jon Husted, Lt. Governor

Joseph Baker, Director

MEMORANDUM

TO: Katherine Hunter, Ohio Department of Taxation

FROM: Jacob Ritzenthaler, Business Advocate

DATE: October 5, 2023

RE: CSI Review – Municipal Net Profit Tax (OAC 5703-41-01 and 5703-41-02)

On behalf of Lt. Governor Jon Husted, 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 Department as provided for in ORC 107.54.

Analysis

This rule package consists of one amended rule and one no-change rule proposed by the Ohio Department of Taxation (Department) as part of the statutorily required five-year review process. This rule package was submitted to the CSI Office on August 28, 2023, and the public comment period was held open through September 12, 2023. Unless otherwise noted below, this recommendation reflects the version of the proposed rules filed with the CSI Office on August 28, 2023.

Ohio Administrative Code (OAC) Chapter 5703-41 establishes requirements for the filing of tax returns. OAC 5703-41-01 concerns the filing and electronic payment of municipal net profit tax returns. The rule includes the process for requesting exemption from electronic filing and payment requirements. The rule is proposed without changes. OAC 5703-41-02 concerns joint economic development districts (JEDD) and joint economic development zones (JEDZ), including requirements for providing the Tax Commissioner with information regarding contract renewals and termination, qualifying municipal corporations charged with administering, collecting, and enforcing municipal net profit tax on behalf of the JEDD or JEDZ, and distribution of tax collections. The rule is amended to adjust the date at which a JEDD or JEDZ must provide a copy of the signed contract or amendment to within thirty days of the effective date of the contract or amendment, as well as

77 SOUTH HIGH STREET | 30TH FLOOR | COLUMBUS, OHIO 43215-6117

CSIPublicComments@governor.ohio.gov

clarifying edits to rule language.

During early stakeholder outreach, the Department sent the rules to interested parties through its Tax Alert notification system. No comments were received during that time or during the CSI public comment period.

The business community impacted by the rules includes all taxpayers that elect to file municipal net profit tax returns with the commissioner. The adverse impacts created by the rules include the reporting of information regarding contracts, amendments, and municipal corporations, as well as requirements to file and pay returns electronically. The Department states that the adverse impacts are necessary to provide guidance to the business community. The Department also notes that the amendments offer stakeholders a streamlined procedure that is easier to understand.

Recommendations

Based on the information above, the CSI Office has no recommendations on this rule package.

Conclusion

The CSI Office concludes that the Department should proceed in filing the proposed rules with the Joint Committee on Agency Rule Review.