

Green- Items needed in bill	Red – items negative to cities and/or not revenue neutral	City of Bedford Ohio Loss analysis of HB 601 As of 12/13/2012	***** Some Changes have occurred from this HB 601 to HB 5 now pending a vote!	Major problems for the city will exist if this is passed!		
	Line #'s	Bill Suggests	City of Bedford Current Treatment	Impact	Dollar Impact	Comments
1	52-54	S-Corp distributive shares taxable to owners	Taxed at entity level in Bedford	Possible Positive	(Unknown) Very small amount of tax for our city!	Possibility of increase revenue could be less if S Corp income is due to rental activity. NOL extended to individuals decreases net profit
2	71-73	Lottery & gambling taxable where "earned" and losses allowed.	We tax residents for full value won no offset due to finding receipts vs. actually having losses occur. 2010 Ohio lottery winnings Were \$245,575	Negative	\$(5,525.44) Lottery Overall (\$10,000)	Language unclear where taxation occurs. We had a \$13 million winner once who gave us \$292,500 payment without any complaint! Would you?

3	143-144	Minimum taxable age 18, except qualifying wages regardless of age.	All income for taxpayers under 18 exempt.	Minimal gain	Very small gain! Not worth the aggravation	May gain a few dollars from high school students bagging groceries, ridiculous suggestion.
4	290-293	Residency definition changed to Ohio bright line test	We currently tax as domiciled for the months in the city	Negative	Estimated loss per year (10,000)	State's bright line test is tied to contact days 183 days
5	208-261	5 Year NOL-phased in starting 2015	Removed carry forward starting 2009 We do not allow NOL Carry forward or back! I suggest language remains for only lines "253 through 256" and use dates of January 1, 2015 and pass ordinance by January 1, 2014. Let the Municipalities decide what is important to them as this is not hard to adjust to on the tax forms!	Extremely Negative	(1,350,000)	No provision on how losses of various entities or various locations are netted. Poorly written. Loss carry forwards would be devastating to the city. One company Just lost hundreds of millions we can't afford to carry this forward even one year. IRS Section 179 expensed items should be enough for companies to incur losses in current year no need for carry forward. See state add back of 5/6 th rule over \$25,000

6	357-360	3 rd party sick pay not qualifying wages, sick/disability pay exempt	No withholding required, but still taxable	Negative	Minimal loss expected (5,000)	Exempts sick pay even when short term disability and reported on a W2
7	392-395	Includes clergy pay as taxable qualifying wages; does not seem to allow Sch C deductions from that pay.	Sch C deductions from clergy pay allowed.	Negative	(14,062)	We have about 25 of churches or other house of worship in Bedford.
8	508-577 With simpler language!	20 day rule, no withholding until day 21	12 day rule, retroactive to day 1, 20 day rule	Negative	(20,000)-(80,000) with major construction Projects not withholding for 20 days!	Begin w/holding on day 21. No remittance of tax for days 1-20. All employers within city must withhold if business located in city for their employees or a major contract is acquired in the city!
9	612-614	Wages earned on days 1-20 to be excluded from our city allocation in Sch. Y	No exclusion of 12-day rule wages from apportionment.	Negative	Unknown	Reduces net profit apportioned to City.
10	643-674	Alternative apportionment method with approval	Currently allowed	Negative	(Unknown)	Wages exempt for 20 days will not be part of the apportionment Formula
11	703-720	Sales factor of Sch. Y no longer has throwback rule. Sales are situated based on place of receipt/use.	Throwback allowed through 718, but difficult to audit apportionment	Negative	Could be Significant impact	Our large corps. need to file sales at situated based on where inventory located. Online

						Sales?
12	721-723	Realtors taxed where property is located	Taxed where Realtor located	Negative but easier on accountants	(2000-4000)	We have many sales not many realtors located in Bedford. We would lose some \$\$\$
13	760-768	Separate accounting method allowed with conditions	Currently allowed but not used in our city yet.	Negative	(Unknown) Could be significant Millions!	Separate accounting method and for 5 years
14	865-894	Withholding thresholds changed to require semi-monthly if > \$11,999/yr. or \$1,000/mo. in a qtr.; monthly if > \$2,399/yr. or \$200/mo.; or quarterly payments if > \$0	Monthly if >\$150/mo. This is much simpler to follow and errors will not occur I withholding changes. More of a burden on accountants and staff of companies to pay more often. This is what we want to avoid! Looks like state requirements!	Negative	(\$15,000)	Increases cost of compliance for taxpayers and Modify tax system. Semi-monthly may increase cash flow. Courtesy withholdings effected, penalties would be generated while not enforced now!
15	1088-1095	Signature of taxpayer required or authorized agent	Disabled can fax in w-2's for preparation	Negative	-0-	We prepare returns for disabled an approximately 2500 returns annually in house, 1500 online.
	1244-1249	Net profit returns and payments <u>may</u> be submitted via the OBG.	Same, except we also provide other means of electronic submission. Cash flow faster if filed with us	Negative	(Unknown)	Less returns/payments will be received electronically. OBG System doesn't

			directly!			work many days!
16	1252-1255	Employers <u>may</u> file withholding returns and payments via the OBG.	We are going to offer electronic payments soon. OBG not a very reliable source! No OBG general format or posting to our systems electronically.	Negative		Administrative burden if payroll companies start using OBG. OBG doesn't work many days. Not reliable.
17	1060-1064 1456-1504	Estimates required > \$250 with due dates of 4/15, 6/15, 9/15, and 1/15	Estimates not enforced but recommended if annual payments >\$200 with due dates of 4/15, 7/31, 10/31, 12/31	Negative	+20,000	The negative is that I would have to enforce estimated penalties while I currently let the adult residents decide for themselves how to pay or their taxes. I would then have to penalize everyone late for not making these payments!!! I will blame the state reps on these penalties. Let the people decide this for themselves!!! Why do we need The state of Ohio interfering?
18	996-1026	Current Ordinance must be repealed by 1/1/14 and replaced	We have tax levy approvals already from our residents and	Administrative Burden, and not efficient	Costs of lawyers (10,000)	Are we prohibited from enacting provisions not

			don't need the burden or costs incurred to redo ordinances o tax levies or address State unfunded mandates suggested!	use of time!		included in the new 718?), DW-3 electronic filing requirements, 1099 Filing requirements
19	1106-1137	Extension automatic to federal extended date	Extensions filed by due date, we take them later up to October! Why file with business gateway just or email to city only use gateway for many extensions! If its working?	Negative	Minimal	Delay in delinquency processes and penalties assessed for naught! Just have them file when they file with federal return!
20	1146-1165	Business return exemptions (except individuals). File exempt if alloc % < 1% and tax due < \$50.	Returns required	Negative	(Minimal)	Audit burden related w/holding. More room for tax avoidance.
21	1156-1157	Business return exemptions for individuals: File exempt if alloc % < 1%, tax due <\$50, and qualifying wages for city are < \$50,000	Returns required	Negative A statement or verification letter should be sent to state this at the very least! Tax avoidance!	(Minimal)	Need clarification. Does "qualifying wages" in this sentence refer to wages paid? Harms audit of related w/holding. More room for tax avoidance.

22	1754-1794	Board of Review: 2 citizens & 1 non-finance employee	3 Employees	Negative	(Unknown)	Bedford has Board of Tax Appeals and Tax Equalization Board
23	1803-1812	Taxpayer issued an assessment or is aggrieved has 60 days to make an appeal (60 days after <u>received</u>)	Taxpayer has 30 days (from issuance) to make an appeal	Negative to administer	(35,000) Certified mail	Returns corrected are rebilled (assessment) to taxpayer and explained, certified mail more costs involved. Takes up more employee time!
24	1813-1816	Hearing scheduled within 45 days, but taxpayer may request additional time.	45 days; no specific rule for additional time	Negative	See above	See above
25	1819-1821	If a hearing is continued, it may not be continued more than 120 days.	No specific rule for continuance			
26	1841-1849	Board of Review rules, member names, address for appeals shall be posted on web & by state.	Not required	Negative Penalties should not be given to cities too many State mandated penalties now!	-0-	Much time will be taken up by board of review, usually volunteers! Do we pay them or state or meeting!
27	1795-1802 and 1876-1882	An assessment or decision must include notice of appeal rights & method of appeal	Not required now!	Very negative	(35,000) postage	Results in every notice to include appeal info. Certified mail expensive if posted this should be good

						enough!
28	1923-1947	Issuance of an assessment must include: basis of assessment & penalty, rights to appeal, steps to appeal, collection remedies available to Tax Administrator.	Not included now	Negative very costly and inefficient for processing	See above	Results in every notice including this info. Excuse taxpayer from interest and penalties for non-notice??? If posted more than enough notice!
29	1823-1825	Board of Review can consider appeals of penalty and interest.	Imposition of P&I is not a basis for appeal.	Negative	(Unknown)	Will result in more appeals when P&I have been correctly assessed.
30	1948-1955	Assessments become final after 60 days if no petition for reassessment is received via personal delivery or certified mail.	Not required	Negative	See above	60-day periods Lengthen collection process.
31	1964-1980	If final assessment is unpaid, Tax Administrator files entry with the clerk of court of common pleas of t/p county or Franklin County of t/p out of state. Clerk enters judgment.	We use our Bedford Municipal Court, and file Criminal/ Civil complaints in the majority of cases.	Substantially Negative DO you require police officers to file speeding tickets in courts where people live?	(Unknown)	We would not be able to use our own municipal courts. Instead, we would be left with civil statutory judgments. Less effective than our current system.
32	2058-2065	Revenue Reporting to State	Not required.	Negative Again penalties are tied to this! Is this all the state does to it's municipalities?	(Unknown)	Reporting requirement to AOS. Administrative burden put on City, penalties For noncompliance, no extension allowed? Why?

33	2546-2547; 2535-2542	Withholding penalty cannot exceed 50%	15% of tax due per month capped at 100% of tax due	Positive but we are way lower than this!	None	What about Fraud charges, Criminal charges?
34	2543-2545; 2535-2542	Penalty on unpaid income tax (other than withholding) cannot exceed 10%	1.5% per month, estimate penalties not enforced!	Negative	(Unknown)	We would have to force estimated payments on residents and penalize!
35	2548-2551	Individual failure to file penalty \$25	\$25.00 also	None	none	Enforces it only if there is a balance due
36	2552-2558	Other than individual failure to file penalty \$25 per month not to exceed \$150	\$25.00 per year	Negative	Minimal	Enforces it only if there is a balance due
37	2532-2534	Interest cannot exceed the penalty	1.5% of unpaid balance	Negative	\$125,000	Non-w/h pen can't exceed 10%?
38	2568-2572	Tax Administrator may abate penalty or interest	Accounts Receivable write off committee	None	0	
39	2745-2760	City > 30,000 population must appoint a resolutions officer	Under \$30,000	Negative	-0-	Who pays for this person?
39a	2865-2932	Taxpayer aggrieved by action omission of a tax administrator's employee or compensatory damage costs of litigation and attorney fees	No authority under tax statutes	negative	Thousands	This should not be brought against city in course of employment! The laws would need language to penalize tax preparers for filing frivolous incorrect returns!

40	3124-3169	Pass-through entities required to withhold on distributive shares annually by 4/15, based on % apportioned to each city.	Taxes at the entity level	Positive		Will be difficult to administer this section. Hard to allow credits on owner returns with the tax is also due 4/15.
41	2988-3051	Municipal Tax Policy Board	None	Negative		Reduces local control. State mandates without representation.
42	3052-3063	Municipal Tax Policy Board may adopt rules; shall apply to all municipalities in the state.	City issues its own rules, within confines of ORC.	Very negative, no representation from city!	Could be huge effect like NOL carry forward	Gives LOTS of power (TOO much) to MTPB.
43	3069-3077	MTPB shall create all forms required to be filed by taxpayers.	City has its own forms, but accepts all generic forms.	None	None	OK, but don't require a form with all cities on it when it is not necessary
44	3106-3112	MTPB shall provide an instruction booklet for filing returns, forms & schedules, and re: method of assessment and rights & responsibilities of taxpayers.	We have an instruction form, a booklet is not necessary! Bedford's are much simpler than RITA's or CCA!	Negative	20,000	If the forms are to go out from each of the municipalities
45	1166-1175	Postmark date used	Receipt date & grace period used.	Negative	(Unknown)	We will have to keep & image envelopes.

46	1281-1295	Active duty military can request extension of time to file and to pay up to 60 days after service	Military pay non taxable	Negative	10,000	Will need to modify tax system, unless paper system acceptable
47	1296-1307	Military with extension can pay via pay plan with no P&I. If <\$2400 12 mos.; if >\$2400 24 mos.	Payment plans allowed for all taxpayers using same guidelines.	None	-0-	Just record on paper these transactions
48	1850-1868	Personal liability of payer for failure to remit withholding	Same	None	-0-	Just record on paper these transactions
49	2058-2065	Tax Administrator to report annual income tax revenue to Municipal Tax Policy Board by 6/15.	None	None		Already reporting to DOT and Certify the collection
50	2080-2181	Assessments, decisions, and final determinations must be sent via certified mail or personal delivery.	We do not send any mail certified	Substantially Negative	(35000)	Will increase mailing costs substantially.
51	2200-2210	No 90 period to issue refunds without payment of interest if refund is an erroneous assessment.	Interest paid only if refund issued beyond 90 days.	Negative	(Unknown)	We cant possibly send refund immediately for improper payment to our city!

						Sometimes not notified of error until year end. We share same zip as other cities, not fair to give up our interest when taxpayer pays in error to our city and not neighboring city!
52	2242-2260	Reduction of refund amount considered an assessment, notice must contain method of appeal language.	Notice of refund reduction sent via regular mail.	Negative	(1,000)	Costs to notify t/p via certified mail higher. Getting review board involved more costs!
53	2356-2375; 2590-2592	Tax Administrator has subpoena power. T/P who fails to comply will pay \$50-\$500 for each day it fails to comply, not to exceed \$1,000.	Subpoena power does not include monetary penalties.	Positive	unknown	Fines for noncompliance should be for judge in local municipal court!
54	2408-2409	Tax Administrator has authority to compromise tax claims	Currently tax administrator can allow	Negative		Time consuming for staff again!
55	2427-2428	Tax Administrator can "allow" the filing of tax returns and payments by electronic means.	Ordinance requires filing and payment of some withholding returns by electronic means.	Negative		Bedford currently allows this however the state should not be the place for filing returns for our computer input!
56	2434-2441	Rounding defined; if some entries rounded, all must be rounded.	Rounding not required.	Negative	(10,000)	Would require software change to round P&I.

57	2580-2589; 3170-3180	Tax Administrator may seek reimbursement of collection costs including attorney fees, etc.	We do include the cost of collection and court costs	Positive	None	Bedford does this now with Keith Wiener & Associates law firm!
58	3176-3180	City is liable to the taxpayer for costs of litigation when taxpayer is successful on appeal.	Not in regulations now	Negative	(unknown)	The city would never question a filing even if filed wrong!!! Because of costs!
59	2609-2653	Tax Administrator can accept payment plan	Payment plan within 12 months.	Positive		We try to collect in 6 months very inefficient! Allow sooner collection also if we can! 12 months already due for next year too!
60	2654-2659	Tax Administrator's office shall be open during business hours every day except Sat, Sun, & holidays.	Same			Can we open on a Saturday for processing returns which the state does not do!!!
61	2660-2672	Rules can be adopted if not in conflict with 718; rules only valid if published & posted on web.	We post rules now and have our Home Rule regulations	Negative	See all problems above!	There should only be a couple of issues in this house bill!

62	2673-2686	Tax Administrator can inspect books/records; penalty imposed if t/p does not comply not to exceed \$1,000.	Currently no monetary penalty	Positive: Add penalty of preparer if return incorrectly filed!	minimal	Add penalties for preparers too!
63	2705-2712	At or before an "audit" Tax Administrator must provide written notice of roles of tax administrator & t/p, statement of t/p rights, and when audit is to commence.	All returns are audited this would slow our process down significantly. Audit should be defined to include any request for detailed work, papers or documents, from taxpayer other than w-2 or items as filed with the Municipality	Negative	Substantial if look at all returns for correction!	Need clearer definition of "audit."
64	2772-2864	Tax Administrator may issue "opinion"; binding to Tax Administrator	Opinions not binding.	Maybe positive or negative and self - incriminating	Unknown	Opinion are based upon administrator's known rules and regulations, not to be used against the administrator in court!
65	2853-2861	Municipal tax policy board may issue opinion on issues having relevance state-wide or generic; binding to all tax administrators in the state with respect to the taxpayer for whom the opinion was prepared.	None	Probably negative as all this HB601 indicates	unknown	Home rule is out when this is done!
66	2865-2921	T/P aggrieved by action or omission can file suit in court of common pleas against Tax Administrator, employee, or City for	No provision	Negative,		City will have to provide insurance coverage and

		damages. Frivolous action by t/p may cause penalty up to \$10,000 against t/p.				bonding requirements for staff in Taxation Division. Many hours of court preparation and unfunded mandate of costs to city!
67	2933-2947	Taxpayer must file amended city return within 60 days after final determination of a federal adjustment.	Currently due within 90 days	Positive	unknown	Would go through CCA to get this info!
	Grand Total				\$1,752,062	There are many items that we cannot assign a dollar figure that will impact negatively.