



THE HEART OF CUYAHOGA COUNTY

**6800 Brecksville Road
Independence, Ohio 44131
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MEMORANDUM

To: Mayor Gregory P. Kurtz
Members of Council

From: Finance Director Vernon Blaze

Date: Friday, November 18, 2022

Re: Finance Office and Related Topic Updates

Municipal Income Tax Revenue (MITR)

Municipal Income Tax Revenue (MITR) during the third quarter of 2022 resulted in the lowest third quarter in many years as noted below. The Finance Office was getting concerned that the impact of the Remote Work Model and office-based employers generally needing less office space than in the past were finally combining to materially and adversely impact Independence's primary revenue source.

<u>3rd Quarter</u>	<u>MITR</u>
2022	\$7,184,667
2021	\$7,860,625
2020	\$8,588,127
2019	\$7,590,104
2018	\$7,712,204
2017	\$7,428,377
2016	\$7,278,616

Municipal Income Tax Revenue (MITR) – Continued

November's Income Tax Remainder (Recall that RITA breaks up monthly income tax submittals into two tranches – the "Advance," which is posted around the first of the month, and the "Remainder," which is posted around the 15th of the month) was posted earlier this week, and now October and November have combined to result in what could be the highest October-November total ever received as follows:

<u>October- November</u>	<u>MITR</u>
2022	\$6,002,487
2021	\$5,572,525
2020	\$5,421,494
2019	\$5,996,942
2018	\$5,668,201
2017	\$5,455,803
2016	\$4,995,239

As a result of these strong two months, Year-to-Date MITR for 2022 is still just trailing YTD MITR for 2021, but is ahead of YTD figures for 2016 – 2020 as follows:

<u>1st 11 Months</u>	<u>MITR</u>
2022	\$32,222,959
2021	\$32,574,581
2020	\$31,199,199
2019	\$31,262,597
2018	\$31,377,026
2017	\$28,784,065
2016	\$28,312,250

December will be the determining month as to whether or not MITR exceeds, matches, or falls short of 2021's \$35.06 million mark.

Edward C. Prescott

Edward Prescott completed his PhD in economics from Carnegie Mellon University in Pittsburgh, but also completed graduate work here in Cleveland at Case Western Reserve University.

Dr. Prescott, an economics Nobel Prize recipient in 2004 and a four-decade adviser to the Federal Reserve Bank of Minneapolis, died a few weeks ago. Some quotes from his obituary in last Weekend's edition of the *Wall Street Journal* about what he believed regarding economic policy are worth repeating here – They make a lot of sense given what recent federal level/central bank monetary decisions have been.

- Policy makers could err by straying from long-term goals to address short-term problems.
- Sticking to a sound policy was more effective than jolting the economy with frequent adjustments.
 - *“You should not think in terms of controlling the economy. This leads to bad outcomes. You should think in terms of committing to good policy rules.”*
- Dr. Prescott's research provided justification for central banks to be independent of elected leaders, while also encouraging them to set interest rates according to rules rather than discretion.
- Dr. Prescott and his colleague Dr. Finn Kydland challenged John Maynard Keynes' idea that economic slumps were caused by inadequate demand for goods and services and should be cured with such means as higher government spending and lower interest rates.
- Dr. Prescott prescribed tax and regulatory policies that would increase productivity by removing obstacles to efficiency.
- He argued that nations' economies often were held back by tax policies that discouraged work or efforts to protect established companies from newcomers with better technology.
- *“We should get away from thinking about stimulus policies and worry about long-run growth policies.”*

Next Week

Unless there is something pressing to communicate next week, there will likely be no Finance Office Memorandum. Happy Thanksgiving!!