



City of Independence, Ohio

"THE HEART OF CUYAHOGA COUNTY"

6800 BRECKSVILLE ROAD

INDEPENDENCE, OHIO 44131

(216) 524-4131

MEMORANDUM

To: Mayor Gregory P. Kurtz
Members of Council

From: Finance Director Vernon Blaze

Date: Friday, April 22, 2022

Re: Finance Office and Related Topic Updates

Local Income Taxes

Although recent court rulings regarding the taxing of local income in 2020 have been favorable to cities, the Regional Income Tax Agency (RITA) is still holding local income tax refunds for 2020 in "Suspension" until firm and final rulings provide the direction needed.

Recall that the State passed legislation at the start of COVID-19 stating that even if employees worked remotely in 2020, their income would be taxed as if that work was being performed at the location of the employer.

That law was favorable to cities like Independence, as it didn't matter that many employees were not commuting into Independence in 2020 to perform their work. No matter where the work was being performed in 2020, it would be taxed as if all employees were still working at the location of the employer, and that's where the local income taxes would go.

But some Ohio residents challenged the legality of that law, feeling that income should be taxed and those taxes should go to where the work was being performed. A number of lawsuits on this issue were filed across the State in 2020.

As noted above, court decisions so far have not overturned that temporary 2020 law. But RITA is still holding all of the 2020 refund requests in "suspension," opting to wait until firm and final rulings that provide that needed direction are obtained.

For 2020, 55 people who had local Independence taxes withheld that year have filed a total of \$116,900 in refund requests.

Now for 2021, that 2020 law expired, and the taxing of local income reverted back to how it was taxed prior to Covid-19 – where the work was being produced.



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So far through the middle of this week, 21 local income tax refunds in Independence totaling \$28,100 have been approved by RITA for 2021. This is fairly routine, as usually a few higher-income earning tax payers who work in multiple locations across both the USA and/or other countries, typically file for at least a partial refund of local income taxes paid to cities like Independence, where they did not work in on a regular basis.

Capital Budget Meetings

The Finance Office looks forward to participating in the two Capital Budget Meetings scheduled for next week: Tuesday, April 26 at 3:00 PM and Wednesday, April 27 at 3:30 PM.

There still are a number of infrastructure projects under Engineer Ramm's purvey that need to be discussed and reviewed.

Once all 30 pages of the draft Five-Year Capital Improvement Plan (CIP) are reviewed, Mayor Kurtz and Council then have the very important, but not easy, task of allocating a finite amount of financial resources to the various departmental capital purchases, infrastructure projects and real estate acquisition opportunities.

Options that Mayor Kurtz and Council have include:

- Cut various proposed capital acquisitions, infrastructure projects and real estate acquisition opportunities
- Don't cut, but defer various acquisitions/projects to future years
 - Note though that the 2023 column of the draft Five-Year CIP has more currently listed in it than 2022 does
- The City borrows money on its own to fund various acquisitions/projects
- The voters are asked to approve taxing property owners for either a capital-type levy or to allow the City to borrow funds that would be paid back by the additional property taxes received
- A combination of two or more of the above options

Allocating capital. This column has said it before and it will reiterate it here again. It's one of the most important functions of local governance, which is why the Annual Appropriations Ordinance (The Budget) is so important. It is the ultimate capital allocating document adopted each year.