



# 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, August 13, 2021

Re: Finance Department Updates

### Municipal Income Tax Revenue (MITR)

The full-year 2021 MITR trend is still positive compared to any of the previous five years due to the solid first quarter and real strong second quarter. Year-to-Date MITR for the first eight (8) months of the years is as follows:

<u>Year-to-Date</u>	<u>MITR</u>	<u>+/- Previous</u>
2021	\$24,441,717	+1,667,624
2020	\$22,774,093	- 116,079
2019	\$22,890,172	- 495,332
2018	\$23,385,504	+2,203,267
2017	\$21,182,237	+ 347,799
2016	\$20,834,438	

However, when just the last two months (July and August) are analyzed, a definite softening trend in MITR is clear:

<u>July- August</u>	<u>MITR</u>	<u>+/-Previous</u>
2021	\$5,300,286	- 284,229
2020	\$5,584,515	+ 369,894
2019	\$5,214,621	- 174,262
2018	\$5,388,883	+ 106,531
2017	\$5,282,352	+ 486,309
2016	\$4,796,043	

When just the month of August is looked at, MITR received this month was the lowest it's been since 2016 as follows:



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## **Municipal Income Tax Revenue (MITR) Continued**

<u>August</u>	<u>MITR</u>	<u>+Previous</u>
2021	\$2,437,236	- 494,427
2020	\$2,931,663	+ 410,448
2019	\$2,521,215	- 239,791
2018	\$2,761,006	+ 62,156
2017	\$2,698,850	+ 349,778
2016	\$2,349,072	

Granted, MITR in August of last year was likely abnormally high due to the tax filing deadline being pushed back into August in 2020 due to COVID-19. But this month's MITR is still lower than August of 2019, 2018 and 2017.

Something to worry about? The Finance Department typically likes to look at trends, and multiple period trends at that, when attempting to answer that question.

Does being down one month mean that the sky is falling? Not at all. Is a two-month downward trend concerning? Typically not. Year-to-Date MITR here in 2021 is still up quite a bit over 2020 and any of the recent previous years noted herein.

It is possible that the trend starting this month in August through the end of 2021 will offer a "sneak peak" into what the next year or two might look like. If the hundreds (over 1,000?) of Cleveland Clinic employees in the complex across the street from City Hall have officially transitioned to a remote work model and that operation's headquarters is now based in an east-side suburb instead of Independence, that could explain at least some of this month's decline.

If so, that dynamic is going to be in place until all of the office space in that complex is re-leased to other businesses or organizations that populate it with the same number of employees at similar compensation levels the Cleveland Clinic had employed there.

All cities and villages across Ohio are also monitoring the local income tax law changes that have either been introduced legislatively and/or are being litigated in various courts across the state.

For every Cleveland Clinic out there making material changes to its operations regarding employees and where they are based, the administration is working hard to ensure that recent past, present and future economic development successes over the long-term will more than offset the few losses incurred like the Cleveland Clinic in the short-term. (Note: Even with this restructuring, the Cleveland Clinic is still a very large tax payer and very important City partner).