



City of Independence, Ohio

"THE HEART OF CUYAHOGA COUNTY"

6500 BRECKSVILLE ROAD

INDEPENDENCE, OHIO 44131

(216) 524-4131

MEMORANDUM

To: Mayor Gregory P. Kurtz
Members of Council

From: Finance Director Vernon Blaze

Date: Friday, March 11, 2022

Re: Finance Office Updates

Income Tax Revenue

This is perhaps the first time in the current term that the Finance Office is not referring to Income Tax Revenue as "Municipal Income Tax Revenue," or MITR.

The term MITR is likely interpreted as the two-percent (2%) income tax withholding on wages incurred within Independence's borders. But the total amount booked in Fund 210 – Income Tax Fund – actually is composed of more than just Withholding taxes from wages.

Following are all of the categories that actually go into the revenue booked in this Fund:

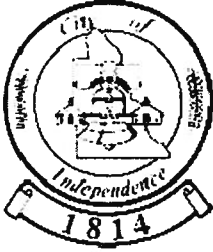
- Withholding from wages of people who work in Independence, but don't live here
- Penalties and Interest that RITA charges on withholdings
- Plus/Minus Refunds and/or Adjustments on withholding taxes

- Taxes from Individuals – Generally residents of Independence
- Penalties and Interest that RITA charges on those individuals
- Plus/Minus Refunds and/or Adjustments on taxes paid by those individuals

- Net profits paid to RITA by businesses
- Penalties and Interest that RITA charges on those net profits
- Plus/Minus Refunds and/or Adjustments on net profits taxes paid by those businesses

- Net Profit Taxes paid to the State of Ohio by businesses
- Local utility taxes paid to the State of Ohio

That's 11 categories of revenue that comprise the total amount booked each month in the Income Tax Fund – Fund 210.



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Income Tax Revenue Continued

Because the income tax issue has been front-and-center in Ohio for a few years now due to Ohio allowing cities and villages to levy and income tax and the increase in the number of employees now working from a location other than their employer's location, Income Tax Revenue is now going to be reported each month by the Finance Office in a format that shows the 11 categories that comprise its total.

The next page is a summary of the months of January, February and March (1st Quarter) of 2020, 2021 and 2022. It is the first time this data is presented in this new format.

For those who only want the most basic of data, say the totals for each month or quarter in each year, then all that needs to be looked at is the last column on the far right.

The 11 columns to the left of that one contain the details on how each total is arrived at.

On a "total" basis, Income Tax Revenue is down about \$564,000 in the first quarter of this year vs. the first quarter of 2021. However, the first quarter of 2021 included a large Net Profit receipt. Had that amount been smaller, the "total" decline in first quarter from 2021 to 2022 would have been much less than that \$564,000.

What might be more helpful to look at is the second column from the left – "Taxes From Withholding." The amounts in this column generally reflect income taxes withheld from people who work in Independence.

Rounded, this amount has fallen from \$7.5 million in the first quarter of 2020 to \$7.2 million in the first quarter of 2021 to \$6.8 million here in the first quarter of 2022.

Obviously, Income Tax Revenue is being monitored very closely by the Finance Office so that timely and valuable data can be conveyed to Mayor Kurtz and Council so that it can be utilized to make informed decisions with.

After the second quarter of 2022 is complete – the end of June – how this whole remote work model and its related taxing is impacting Independence's Income Tax Revenue, will become more clear.

There's no need to panic, but short-term trends that become long-term ones have to be recognized for what they are and dealt with accordingly.

City of Independence
Income Tax Collections - Comprehensive

Month/Year	Withholding			Individuals			Net Profit - RITA			Thru the State of OH		Total Income Tax/Month
	Taxes From Withholding	Plus Penalties/ Interest	Less Refunds/ Adjustments	Taxes From Individuals	Plus Penalties/ Interest	Less Refunds/ Adjustments	Net Profit Thru RITA	Plus Penalties/ Interest	Less Refunds/ Adjustments	Net Profit Thru The State	Utilities Thru The State	
January 2022	2,043,665	19,877	(4,025)	56,767	10,163	(2,707)	495,314	4,131	0	0	0	2,623,184
January 2021	1,932,904	2,290	(2,869)	23,501	1,953	(2,460)	457,936	12,952	(52,509)	0	0	2,373,698
January 2020	2,426,053	7,259	(454)	64,174	7,939	(2,468)	531,122	3,024	(2,242)	0	0	3,034,406
February 2022	2,737,098	7,715	(4,368)	99,360	8,174	(10,210)	278,543	20,901	4,152	0	0	3,141,367
February 2021	2,804,894	2,570	(458)	166,933	21,717	(808)	88,658	4,456	109	525,170	0	3,613,240
February 2020	2,626,989	7,127	(2,521)	159,437	13,864	(427)	91,572	17,513	(42,908)	0	3,430	2,874,077
March 2022	2,052,567	312	(940)	25,612	2,006	(4,190)	156,171	7,814	(90,429)	130,058	4,044	2,283,023
March 2021	2,491,857	6,716	(2,307)	59,475	6,261	(2,500)	13,656	24,137	(1,002)	18,122	10,219	2,624,633
March 2020	2,464,785	6,413	(16,306)	59,571	10,047	(4,223)	118,994	(2,376)	(17)	0	0	2,636,888
YTD 2022	6,833,330	27,905	(9,333)	181,739	20,344	(17,107)	930,027	32,846	(86,276)	130,058	4,044	8,047,574
YTD 2021	7,229,655	11,575	(5,634)	249,908	29,931	(5,768)	560,250	41,545	(53,402)	543,291	10,219	8,611,571
YTD 2020	7,517,827	20,799	(19,281)	283,181	31,850	(7,118)	741,689	18,160	(45,167)	0	3,430	8,545,371