



## 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, September 30, 2022

Re: Finance Office and Related Topic Updates

#### **Income Tax Refunds**

Taxpayers in Ohio have been allowed to file for local income tax refunds for 2021 if they performed work in one taxing district (usually the community of residence) but had local income taxes withheld from another taxing district (usually the community where the employer is located) that year.

For most taxpayers for most of time up until early 2020, these two communities – where the work was performed and where the employer was located – were one-in-the same, so the taxing aspect wasn't an issue.

So far here in 2022, the Regional Income Tax Agency (RITA) has issued just over \$425,000 in 2021 refunds filed by taxpayers who did not commute into Independence in 2021 to perform work, but nonetheless, had local Independence income taxes withheld from their paychecks.

For 2020, this taxing issue became a little more complex this week.

Baked into Ohio law was the stipulation that while taxpayers could file for these kinds of refunds for 2021, they could not do so for 2020. The thought was that during the heart of the Covid year, 2020, it was best to leave Ohio's local taxing system as-is.



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### **Income Tax Refunds -Continued**

Even though many taxpayers worked remotely during 2020 and did not commute to another city where their employer was located to perform that work, Ohio law stipulated that it was going to be deemed that local income would be taxed assuming that such work was performed, and therefore taxed, where the employer was located in 2020.

A taxpayer whose employer is located in Cuyahoga County, Ohio, filed suit against that law, challenging the constitutionality of local taxes being withheld for calendar year 2020 even though this taxpayer performed no work in a community within Cuyahoga County for most of 2020.

The Cuyahoga County Common Pleas Court ruled in this taxpayer's favor earlier this week. The defendant in this case is the City of Cleveland, and the court not only denied Cleveland's motion to dismiss the case, it ordered Cleveland to refund all "*withholdings or payments collected on income*" from the plaintiff in 2020 and ordered Cleveland to pay the plaintiff's court costs.

Obviously, this case directly impacts cities like Independence, and all municipalities in Ohio that tax income at the local level.

With \$425,000 in refunds issued so far for 2021, if this court case stands, how much in refunds will RITA have to issue for Independence for 2020?

It's obviously way too early to know for sure. But one thing is likely – all those people that filed for and received refunds for 2021 will now be thinking of doing the same for 2020.

Challenges. Headwinds. Both are a constant in life, in business and in government. Local leaders just have to keep their eyes forward and deal with everything that arises, to the best of one's abilities. That's what leaders do.