

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, November 19, 2021

Re: Finance Office Updates

Municipal Income Tax Law Updates

People who are working a hybrid or all-remote work schedule here in 2021 will be eligible to file for and receive from the Regional Income Tax Agency (RITA) "work-from-home/days out" refunds of local income taxes withheld for the principal place of work municipality.

So for example, suppose an employee of an Independence-based business with annual compensation of \$50,000 worked in the Independence office two days a week and remotely from home in another municipality three days a week here in 2021.

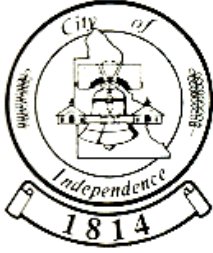
That employee's \$50,000/year in income would typically yield \$1,000 to the City of Independence in Municipal Income Tax Revenue (MITR) - \$50,000 times the 2% local income tax rate.

For 2021, the employee in this example could file a refund request with RITA to receive back \$600 of that \$1,000 since she or he was only working in Independence 40% of the time.

Since tax year 2021 is not over yet, it is unknown how many people whose employer is located in Independence but worked partly or fully remote this year will file for such refunds. (See below though for an update on Pending 2020 Refunds).

This issue presents somewhat of a challenge for tax year 2020. The law adopted in Columbus by the General Assembly essentially stated that even if work was completed remotely in 2020 and not at the principal place of work, all withheld income taxes would still be remitted to the municipality where that employer was located, and not the municipality where the work was actually performed.

That law has been challenged in courts across the state, with those plaintiff taxpayers essentially arguing that if they neither live in nor work in a municipality, that said municipality doesn't have the legal right to tax their income.



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Municipal Income Tax Law Updates Continued

RITA has already received 772 requests for 2020 refunds from all of the municipalities across Ohio that it collects and processes local income taxes for. RITA is holding those 2020 refund requests in a "suspended status" until the pending litigation is resolved.

For Independence only, RITA has already received 52 refund requests for 2020 totaling a little over \$108,000.

The Mayor's and Finance Offices as well as municipalities across the state are still working through historical local income tax laws, the more recent ones and the status of the pending litigation to get a better read on how all of this might play out in 2022 and beyond.

This will be critical for budgeting purposes, as the first step in the budgeting process is to estimate income/revenue. With these clouds over local income taxes, MITR estimates for 2022 will be a challenge to estimate with a high degree of confidence and accuracy.

Simple and Straightforward Practical Advice and Wisdom

The Bible might typically be viewed as purely a spiritual book, but it actually has quite a bit of down-to-earth, practical observations and advice in it. In fact, the Book of James has been summarized as "Practical instructions for living."

A recent perusal of a passage from James in a Study Bible version (a Study Bible contains not only the actual verses, but interpretations, summaries and amplifications of those verses too) yielded the following notes, which being about action using finance/money related analogies, caught some attention here:

"Intentions are not actions. If we are prompted to do something good, we should proceed on that path with a sense of urgency. The time is now."

Yesterday is a cancelled check. Tomorrow is a promissory note. Today is the only cash on hand."

We can't do anything about yesterday. Tomorrow is promised to nobody. But we can take proper actions right now, right here, today.

Who would have thought that the Bible could yield such simple and straightforward, but practical, advice and wisdom?!?!