

November 29, 2023

TO: Mayor and Members of City Council

FROM: Sheryl M.M. Long, City Manager 

202302723

SUBJECT: Emergency Ordinance Modifying Chapter 311 "City of Cincinnati Income Tax"

Transmitted herewith is an Emergency Ordinance captioned as follows:

MODIFYING Chapter 311 of the Cincinnati Municipal Code, "City of Cincinnati Income Tax," by **AMENDING** Sections 311-15, "Exception to the Tax; Exempt Income," 311-17, "Net Profit; Income Subject to Net Profit Tax; Alternative Apportionment," 311-21, "Net Operating Loss (NOL)," 311-55, "Extension of Time for Filing," and 311-75, "Interest, Fees, Charges and Civil Penalties for Tax Years Beginning on or After January 1, 2016," to make changes required by changes to Ohio law and to simplify language in various provisions of the Cincinnati Municipal Code.

This modification brings the City's Income Tax Code into compliance with the changes to the municipal income tax provisions of the Ohio Revised Code enacted by the Ohio legislature through H.B.33 in June 2023. The effective date for most amendments is the tax year beginning January 1, 2023.

The modifications to the Ohio Revised Code recently enacted by the Ohio legislature required several significant changes to the Cincinnati Income Tax Code. The Income Tax Division worked closely with the City Solicitor's office to ensure compliance with all state mandates while minimizing the number of changes to our current tax laws.

The items below represent some of the major modifications mandated by state law that will have significant impact on tax revenues and expenditures.

- **Remote Worker Apportionment** - Allows businesses to apportion remote workers to a home-office and provides clarity to the net profit apportionment requirements for remote workers. Effective with tax year 2023.
- **Failure to File Penalty** – Reduces the maximum late fee from \$150 to \$25. The late fee for first time offenders shall be waived. This has minimal impact since the City already waives the current maximum fee when the taxpayer has a reasonable explanation of hardship or shows an extension request. Effective with tax year 2023.
- **Non-Filing Letters** - Municipalities face up to \$150 reimbursement charge if they request a return that is under Extension. This change has no impact since the mass mailing of non-filing letters does not start until months after the extended due date. Effective with tax year 2023.
- **Income Exemption for "Minors"** - All income is exempt for individuals under the age of 18. This has minimal financial impact. It may increase the number of refunds required to be processed because of employers continuing to withhold. Effective January 1, 2024.

- **Business Due Date extended one month** - The Business return due date is extended to the 15th day of the 11th Month instead of the 10th Month. This timing impact is minimal since it only extends the date to file, not the date to pay the final tax due. Effective with 2023 tax year returns which are normally due April 15, 2024.

The Administration recommends modifying Chapter 311, of the Cincinnati Municipal Code; to make changes required by Ohio law and to simplify language in various provisions of the Cincinnati Municipal Code.

cc: William "Billy" Weber, Assistant City Manager
Karen Alder, Finance Director

Attachments