

CHANGES COMING TO OHIO MUNICIPAL TAX LAW

In March of 2020—as part of a massive COVID-19 relief bill—the Ohio General Assembly passed a provision that radically changed municipal income taxation. In an effort to maintain the status quo for cities while many employees were working from home, the provision required that for purposes of determining municipal income tax, employees working from home would be “deemed” to have been working at their usual place of business. The result is that since March of last year, cities have been taxing nonresidents on income earned outside of their borders.

But that will soon be changing.

Wegman attorney Jay Carson, on behalf of Wegman client The Buckeye Institute, has challenged this expansion of municipal power to tax nonresidents’ income as a violation of the Constitution’s Due Process Clause. Please visit [Jay’s Attorney Page](#) for links to Jay’s recent press releases and TV appearances regarding these lawsuits. One of those lawsuits was successfully settled, two cases are pending in the Court of Appeals, and two more cases are still in their early stages at the lower court level.

Regardless of the eventual result in those cases, the Ohio General Assembly heard and responded to frustrated taxpayers. Specifically, there are several measures pending in the General Assembly which will end the municipal tax expansion going forward. One of those measures, currently a part of Ohio’s biennial budget legislation, would repeal last year’s expansion and allow employees to seek refunds for municipal taxes paid while working from home but would still require employers to withhold taxes at the usual place of business. Because the General Assembly is constitutionally required to pass the State budget on June 30th, it seems likely there will be some significant change to the municipal tax law within the next two weeks.

Moreover, because the tax expansion was tied to the Governor’s COVID-19 Emergency Order (which the Governor rescinded on June 19th, 2021), cities’ ability to tax nonresidents who are working from home will sunset in mid-July.

Having taken the lead on this issue across the State, Wegman Hessler stands ready to assist you or your business with navigating these significant changes in the upcoming months.