



Ohio Legislative Service Commission

Bill Analysis

Bethany Boyd

Sub. H.B. 50

129th General Assembly
(As Reported by H. Local Government)

Reps. Snitchler, Burke, Murray, Schuring, Blessing

BILL SUMMARY

- Exempts from municipal income taxes, compensation paid to persons performing personal services for a political subdivision on its property when that property is annexed to a municipal corporation under the expedited type II annexation procedure.
- Makes an exception to this municipal income tax exemption for those persons who perform services for the political subdivision but who also reside in the municipal corporation.

CONTENT AND OPERATION

Municipal income tax consequences of an expedited type II annexation

The bill prohibits a municipal corporation, which expands its territory through an expedited type II annexation to include property owned by a political subdivision, from taxing compensation paid to a person for personal services performed for the political subdivision on that property. The prohibition applies regardless of whether the compensation is received by an employee of the subdivision or by another person performing services for the subdivision under a contract with the subdivision. The only exception to this prohibition is if the person is subject to taxation by the municipal corporation because of the person's residence or domicile in the municipal corporation. If the person's compensation is subject to taxation because of residence or domicile, municipal income taxes are payable only to the municipal corporation of residence or domicile.¹ Thus, under the bill, employees and others who perform services in the territory annexed but live in unincorporated territory would not be subject to the

¹ R.C. 718.01(H)(12).

municipal income tax. Likewise, those employees of, and other persons under contract with, the political subdivision who reside in other municipal corporations would only be subject to the municipal income tax of the municipal corporation wherein they live.

The prohibition applies when property owned by the political subdivision is annexed on or after the bill's effective date to a municipal corporation in an expedited type II proceeding.²

The political subdivisions to which the bill applies include townships, municipalities, counties, school districts, boards of education, all state and municipal universities, park boards, and any other entity whose ownership of real property would constitute public ownership.³ Accordingly, the tax treatment provided in the bill will apply to compensation earned by persons working for those political subdivisions.

Expedited type II annexations

Enacted in 2002, the expedited type II annexation procedure is a special procedure for annexing no more than 500 acres of land in the unincorporated territory of a township into a municipal corporation. Unless otherwise provided in the annexation agreement or in a cooperative economic development agreement, the land annexed is not excluded from the township from which it is being annexed.

To initiate the expedited type II annexation procedure, 100% of the owners of real estate in the unincorporated territory of the township area proposed for annexation must sign the annexation petition. If the municipal corporation and the township of the territory being annexed agree to the annexation, the board of county commissioners must approve it. The procedure is expedited in that there is no hearing and no right to appeal, and a municipal corporation or township may only object to the failure of the petition to meet any of seven conditions specified in continuing law.

Given that the annexed territory becomes part of a municipal corporation, but also remains part of a township, land in the territory is subject to real property taxation by both political subdivisions. The residents of the annexed territory are residents of both the municipal corporation and the township, and are entitled to vote on officers, issues, and tax levies of both subdivisions.⁴

² R.C. 709.023(J) and 718.01(H)(12).

³ R.C. 709.021 and 5713.081, not in the bill.

⁴ R.C. 709.021, not in the bill, and 709.023.

HISTORY

ACTION

DATE

Introduced
Reported, H. Local Gov't

01-26-11
03-21-12

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