

INCOME TAX BOARD

City of Findlay
March 26, 2020

MINUTES

ATTENDANCE

Members Present: Mayor Christina Muryn, Treasurer Susan Hite, Auditor Jim Staschiak II, Councilman Jeff Wobser.

Staff Present: Andrew Thomas, Safety Director Paul Schmelzer, Service Director Brian Thomas, and Kathy Launder.

NEW BUSINESS

Potential Changes in Income Tax Revenue Due to COVID-19: Thomas distributed the projection report as revised on March 24, 2020, for year to date December 31, 2020. Employer Withholding is anticipated to be down 7.354%; Individual collection is anticipated to be up 2.001%; and Business collection is anticipated to be down 58.989%. Overall collections are anticipated to be down 15.015%. For Business collections, looking historically, 25% of what we collect will be for the current year. Under the circumstances, took out anything we would receive in 2020 for 2020. What remains is tax we would collect this year for tax year 2019. What we can't take into consideration is any impact on any taxpayer's ability to pay. Auditor Staschiak asked why all of 2020 was eliminated. Thomas stated that he was trying to give a worst case scenario. Auditor Staschiak asked that presuming this lasts 4-6 weeks and then business ramps up to normal over the next month or two, what is the best case scenario. Thomas stated that he spoke with a firm that is surveying an industry that is essential and they are still saying that their business is going to drop 80%. Director Schmelzer asked Auditor Staschiak what he thinks it should be. Auditor Staschiak stated that with the statutory responsibility of projecting this particular revenue for the county budget certificate and for the budgeting purposes that you need, Auditor Staschiak stated he will differ on the number in what he ultimately files. The income tax revenue estimates for 2019 and throughout the year and the year before which were pretty accurate were \$4 million plus for 2019. The waived business tax estimates declarations from 2019 for 2020, the 2019 taxes that the estimates were not paid for that were collectible in 2020 and through the whole year, it was stated to Council that between \$2-\$3 million was going to be paid in deferred payment in 2020 and since then some information has changed, and the estimate has been rounded down to \$582,000. That being said we historically try to do things conservatively and we also know all our businesses haven't closed, a large portion of them have closed now, but he doesn't think it is realistic to say that all of them will not pay 2020 tax in 2020 in the form of estimated payments. Part of the other reasoning for that is we eliminated the program allowing them to defer or waive those estimated payments so they are required to make those payments, and the change in the federal tax laws from what he understands and what the state is doing in the omnibus, it waives those payments for a temporary period of time not a permanent period of time. He will in the initial estimate that he does will probably be closer to \$2.5 million than \$1.8 million in the estimate for business component of this tax for 2020 as a whole collected subject to reviewing it in another 30-40 days. He is not going to assume worst case scenario at this point. He doesn't have grounds to assume worst case in projecting our revenues.

Director Schmelzer stated he appreciates both perspectives. Historically what he wants from Thomas is a good guess and worst case scenario. We all know the numbers in the chart were given to Thomas by the businesses. That's his source of information. It's only as reliable as the information he gets. The businesses told him the original estimates were no good in significant fashion. He appreciates the worst case scenario. Also appreciates the position of the Auditor. He doesn't think we will end up in worst case scenario, hope we don't. We are about to see the benefits of all the planning that we have

done over the last eight years. There isn't any more valuable information that Thomas can give than worst case scenario. If we can live within the worst case scenario, then we know we have a survivable situation. If we plan for that and we come out better, then we are in a good situation.

Auditor Staschiak commented that on the report regarding waived estimated payments, the ordinance states we need to put a number of entities that are in that \$582,000. Auditor Staschiak asked Thomas if he had the number of businesses. Thomas will amend the report to show the number of businesses included in the \$582,000. Thomas also stated that the estimated due date in the first period 2020 will change to July 15. Auditor Staschiak stated that as a board we made a recommendation to Council and said we don't want to continue that program we initially understood all those payments would be in by February. He stated that the payment due date was extended as well as the fund payments through at least April. Thomas stated that the Board determined that they would have to make the 2019 extension payment which will be due April 15, which will be all of their 2019 tax due. The extension payment due date has not been changed. We will need to see if the federal government has changed the due date then we need to change.

Mayor Muryn stated that we know that this situation will continue to change. As we get new information every day on potential changes to the Stay at Home Order. Most likely we will see it go beyond that. We told our department heads to continue to manage budgets as tightly as needed.

Auditor Staschiak stated that the change in the tax laws a few years ago allows corporations to have those structures to shelter taxes properly than the traditional structure did. He thinks that will have an impact in the small term. Mayor Muryn stated that we would already have seen the impact of those changes on our numbers so that really doesn't play a role at this time.

Thomas stated that we don't have data on any March activity for Employer withholding. We won't get that data until the middle of April. Thomas stated that collections in the Employer Withholding category are comprised of withholding remittances from Findlay employers that withhold tax from their employees who work in the City and from non-Findlay employers that voluntarily withhold the tax from their employees who live in the City. Thomas stated one week equals 1.9%. $1.9\% \times \$19,165,000 \times 4$ weeks of "total" shut down = \$1,474,230 for a worst case scenario until establishments begin to reopen. $\$19,165,000 - \$1,474,230 = \$17,690,770$. Thomas stated that one week of activity is 1.9%. For a worst case scenario, 4 weeks have been taken off as if all employers were to be closed and we know that is not the case, and for those that are shut down there are employees that are able to take vacation or sick leave. Thomas stated that he wouldn't be surprised if April collections will be minimally impacted. We receive the employer withholding monthly. As we continue to see how exaggerated the numbers are we will keep everyone informed.

Councilman Wobser commented that in June collections we will see what the overall impact has been for March.

Auditor Staschiak commented he looked at the 2009 downturn and previous Cooper shut down numbers and will be more pessimistic on his estimate of Employer Withholding.

Mayor Muryn asked the question of Governor DeWine for any unemployment data on the county level would be very beneficial so that we can understand what we are seeing locally as well as when we are ramping back up that recovery what does that look like because we know we need people here if some of these organizations decide not to bring people back for some reason how can we work them into other jobs that we do know we have available. Governor's office is going to follow up. Mayor will continue to follow up with the Chamber and Economic Development regarding the Small Business Administration programs.

Thomas commented that the Individual collections will be trickier to estimate. It will be tied to Employer Withholding and net profits. Thomas stated he glanced at Ohio Municipal League (OML) summary of

the 21 day rule will not impact us as much principle place of duty remains rather than where working from home essentially. Director Schmelzer commented that individuals can request a credit if working at home and not living here, and normal place of business is Findlay. Thomas stated that number could be higher than usual. Will show up in our refunds.

Auditor Staschiak will turn in the certificate at \$2.9 million.

Auditor Staschiak commented that as regards to the collections that this board recognizes the lesson that we have been taught and that is, every other city in the state, and we would have been one of them if we would have collected like every other city in the State, we would have \$3 million more approximately in reserves sitting in our accounts than we have today and then we would refund that money according to the ability that the law allows us to which would be over reasonable amounts of time should that request have even been made. So the difference is based on how we did this, we don't have that \$3 million and we don't know what portion of those businesses would not have asked for a refund. In other words we don't know how much of that \$3million we would or would not have retained but we would have it today to rely on for operations and to protect ourselves and have a buffer in place.

Director Schmelzer commented that he thinks that's a fair point. He also commented that relying on dollars that aren't truly yours can be a very devastating thing to do, as evidenced by 2007, 2008, and 2009. So there are pros and cons to the policy and I personally believe that if the private sector has the dollars in their hands and they are being productive with those dollars keeping people employed then that is where we are ultimately financially successful. Not in the fact that we are temporarily able to use someone else's money.

Mayor Muryn stated that we are all on the same page with what we need to do moving forward. We will watch for the Auditor's updated revenue projection. We will meet as needed moving forward.

Director Thomas stated that he has begun to look at Capital budget and projects that we have to bid out due to grant funds being attached the project.

Auditor Staschiak stated that as soon as he has the Certificate of Resources updated, he will circulate to Councilman Wobser as Chair of the Appropriations Committee and Council President.

Thomas stated that he will keep doing the weekly collection report. The date to watch for is April 17 when the monthly withholding comes in. Report will be completed around April 20. Mayor Muryn stated that she will double check that the extension payment date has not changed.

Being no further business, the meeting adjourned.

Respectfully submitted,

Kathy K. Launder
City Clerk