

EXHIBIT A

HOUSE BILL 5 – MUNICIPAL TAX REFORM:

Items Effecting Revenue/Cash Flow for the City of Hudson:

Net Operating Loss Carryover – currently our ordinance allows for operating losses to be carried forward for five years. The proposal in HB 5 would make the carry-forward five years for all municipalities therefore there is no impact on us.

Minimum Estimated Payment – our ordinance requires estimated quarterly payments for anyone with a tax liability over \$50. The proposal in HB 5 is to raise the limit to \$250. While the taxpayer with a tax liability less than \$200 (originally \$250) would not need to pay quarterly, they would still owe the tax. Rather than paying it throughout the year, they would pay it by April 15 of the following year. The result of this change would defer approximately \$119,000 in the first year only after implementation.

Pass-Through Entity Treatment – currently our ordinance does not allow us to tax the non-wage portion of the distributive share of net profits from S-Corps. The proposed HB 5 would make all distributive shares taxable. The estimated impact is unknown but is favorable to the City.

Eliminate 2106 Expenses – currently federal form 2106 expenses (unreimbursed business expenses) are deductible for muni income tax purposes. The proposal in HB 5 would eliminate this deduction. The estimated impact is positive but likely minimal.

Taxation on Minors – currently we do not impose an income tax on anyone under the age of 18. HB 5 proposes to eliminate this provision. The estimated impact is positive but minimal.

Bright Line Residency – taxpayers will not be considered a resident for Ohio for muni tax purposes if the taxpayer is considered a non-resident of the State of Ohio for state tax purposes. The impact is unknown but would be negative.

Occasional Entrant Rule – currently if a taxpayer works in a municipality for 12 or more days in a year, tax is owed to that municipality. Under HB 5, the limit is raised to 20 days. The impact is unknown but would be negative.

Gambling, lottery, winnings, etc – currently taxable under our ordinance. HB 5 would require these to be taxed. No impact on the City.

Federal Schedules C, E and F – currently excludes intangible income reported on these federal schedules. Under HB 5, all income on these schedules becomes taxable for muni tax purposes. The impact is unknown but would be positive.

Increase to minimums – currently we do not collect or refund amounts less than \$1. Under HB 5 the minimum would be raised to \$5. The impact would be negative but minimal.

Standardization of Penalties and Interest – currently our ordinance imposes a penalty of 10% per year for individuals and net profits; HB 5 proposes the same. Our ordinance imposes a penalty of 10% per month (up to a max of 50%) for withholding tax; HB 5

proposes a flat 50%. Our interest rate on delinquent taxes is currently 6%; HB proposes 3% to be adjusted annually. The impact is unknown but would likely not be significant.

De Minimus Test - Net Profit taxpayers would not have to file a net profit return nor pay a net profit tax if they meet three defined criteria. The impact would be negative but likely minimal.

Throwback Sales Eliminated – Currently, sales of goods delivered from a municipality to a location outside of the municipality are counted as a sale in the municipality if the business does not have employees soliciting sales in the location of delivery. Under HB 5, the “throwback” to the municipality is eliminated and the sale is allocated to the municipality at which the goods or services are received. The impact is unknown but would be negative.

Local Control Issues:

Municipal Tax Policy Board – the bill creates a board to be responsible for everything from uniform municipal income tax forms and instructions to the implementation of rules and regulations to supplement Chapter 718. The board would be appointed by the governor and will have representatives from municipalities of various sizes as well as third party administrators.

Chapter 718 Replaces Local Ordinance – the bill requires municipalities to repeal their local ordinance in favor of ORC Chapter 718 or amend their income tax ordinances to incorporate all of the provisions of Chapter 718.