



Jan 05, 2015

Categories:

[Publications](#)

Authors:

[Yazan S. Ashrawi](#)

House Bill 5

On December 19, 2014, Governor Kasich signed House Bill 5, known as the Municipal Tax Reform Bill, into law. The Governor's signature comes after the Ohio House of Representatives voted 60–32 to support the changes made by the Ohio Senate. House Bill 5 is an attempt by the State legislature to standardize the municipal income tax system across the State. The controversial law, however, will have a significant impact on all municipalities.

Most importantly, the new law requires Ohio municipalities to make significant changes to their existing local tax ordinances. All local tax ordinances must be amended by January 1, 2016, to comply with the provisions of the law. Municipalities will be prohibited from enforcing any ordinance that conflict with the law as amended by the bill.

Some of the key provisions of the Bill that will require municipalities to amend their existing tax ordinances are listed below:

Taxation

- The bill defines the forms of income that municipal corporations must tax as well as forms that may not be taxed.
- The bill creates a new net operating loss provision to allow a five-year carryforward of such losses.
- Currently, municipalities may tax pass-through entity net profits at either the entity level or the owner level, but not both. Under the bill, municipalities are no longer able to choose at which level to tax pass-through entities.

Residency and Exemptions

- The bill establishes a definition of "resident" for municipal income tax purposes. The bill defines a "resident" as "an individual who is domiciled in the municipal corporation." Furthermore, the bill codifies the 25 generally-recognized factors to be considered to determine whether an individual is domiciled in the municipal corporation.
- The bill modifies the "casual entrant" exemption to increase the number of days from 12 to 20. This number represents the

number of days per year that an individual may work in a municipality without incurring income tax liability there. The exemption will not apply to professional athletes, entertainers, or public figures.

- The “casual entrant” exemption also will not apply to employees of a business with less than \$500,000 in annual revenue. These employees are only taxed in the municipality where the business’ fixed location is located.

Filing

- The bill requires all municipalities to comply with a uniform annual tax return filing schedule.
- The bill adopts the “Mail Box” rule for annual tax returns as well as for quarterly estimated tax returns; taxpayers are considered to have timely filed any tax return if it is placed in the mail by the due date.

Furthermore, the new law makes several additional changes to the municipal tax system and will have a significant effect on municipal tax codes.

Additional client alerts will be forthcoming as Frost Brown Todd and a number of municipalities and associations move forward on developing a model municipal income tax code. In the meantime, for more information, please contact [Gene Hollins](#), [Yazan S. Ashrawi](#), [Jeremy Hayden](#) or any member of the Frost Brown Todd [Government Services Practice Group](#).

© 2026 FBT Gibbons LLP. May be considered attorney advertising in some jurisdictions.