




TO: Members of Council Finance Committee

FROM: Matt Rubino, Director of Finance 

CC: Mayor Edward Kraus

DATE: April 13, 2022

RE: Monthly Income Tax Collection Update – April 2022

Monthly Income Tax Overview

The following monthly income tax collection summary includes all collections from December (2021) through March (2022) that were received by the City through April. All collection data are presented on a cash basis (Refer to Figure 1). The current monthly results of collections were as follows:

- Collections for the month totaled \$3.7 million and were 14.3% higher than the same monthly collection period in 2021
- The monthly collection received for March was 12.6% over the anticipated amount (refer to Exhibit A)
- YTD net income tax receipts (*collections less refunds*) totaled \$3.6 million and were 14.6% above the 2021 YTD net collections through the same period

Income Tax Collection Summary - April 2022 (March Collections)

Income Tax Component Summary	2022 Budget Estimate	2022 Monthly Collection	2022 YTD Collection	% Chg from PY YTD	% Chg from 2020	2021 YTD Collection	2020 YTD Collection
Withholding	\$35,084,300	\$ 2,966,879	\$ 12,757,879	16.8%	10.7%	\$10,922,379	\$11,529,813
Individuals	4,469,400	241,371	1,029,172	6.2%	5.8%	969,311	972,734
Business Net Profit	7,143,800	396,480	1,829,375	2.9%	-12.9%	1,777,837	2,100,635
Utility Net Profit	41,800	-	-			11,120	405
Penalty & Interest	421,600	55,155	201,092	23.2%	22.1%	163,186	164,636
Gross Income Tax Receipts	\$47,160,900	\$ 3,659,887	\$ 15,817,518	14.3%	7.1%	\$13,843,832	\$14,768,224
<i>Refunds & Adjustments</i>	<i>\$ (757,700)</i>	<i>\$ (57,016)</i>	<i>(192,723)</i>	<i>-6.2%</i>	<i>-14.8%</i>	<i>\$ (205,403)</i>	<i>\$ (226,159)</i>
Net Income Tax Receipts	\$46,403,200	\$ 3,602,870	\$ 15,624,795	14.6%	7.4%	\$13,638,429	\$14,542,065

Retainer Refund \$ 870,400 \$ - \$ - \$ - \$ -

Funding Allocation (Net Collections)

General Fund (75%)	34,802,400	2,702,153	11,718,597	14.6%	7.4%	10,228,821	10,906,549
Infrastructure Fund (25%)	11,600,800	900,718	3,906,199	14.6%	7.4%	3,409,607	3,635,516
Net Income Tax Funding	46,403,200	3,602,870	15,624,795	14.6%	7.4%	13,638,429	14,542,065

Figure 1

- The strong collections for the first fourth months are mostly attributable to stronger than expected withholding collections, at some point we expect withholding will begin to decrease to reflect the impact of remote work
- Collections for withholding were 16.8% above 2021 receipts and have continued to outperform the expected collections
- Employers are required to withhold income tax for employees from the work location and the expected diversion of income tax collections to the location where work is performed should start to show up in the numbers in the second quarter
- The individual collections were 6.2% higher as compared to 2021 and 5.8% higher than the 2020 collection amount
- The net profit collections were slightly higher (+2.9%) compared to the 2021 revenue which had included deferred payments from 2020
- The YTD net revenue received by the General Fund and Infrastructure Fund totaled \$11.7 million and \$3.9 million respectively

Current Trends and Other Considerations

- Figure 2 provides the year over year change of net collections, *as compared to 2021*, for each distribution, the average month to month change as compared to that of 2021 is up by 13.6%

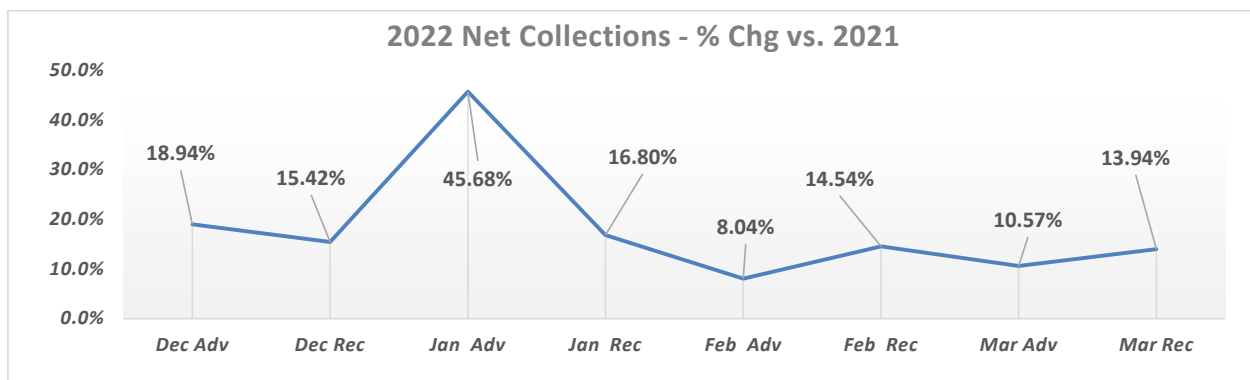


Figure 2

- Four months of distribution data has provided a preliminary trend for current year collections that are on track to exceed estimated collections
- The most recent information from RITA shows that Solon has 35 refunds for a total of \$111,964.29 in a suspend status for tax year 2020 and the status will be determined by the court cases

- Revenue from penalty and interest was up 23.2%, a probable sign that individual collections are beginning to normalize and taxpayers are able to “catch up” on paying tax outstanding liabilities
- Refunds to taxpayers totaled \$192,723 and are 6.2% lower than the same point last year
- RITA has indicated that refunds for the 2021 tax year have not exceeded the level observed for 2020
- As of April 1st, two employers that are Job Creation Grant recipients have approved employee refunds for remote work in 2021
- Withholding comprised 80.7% of gross collection, business net profits and individuals comprised 11.6% and 6.5% of gross collections respectively (refer to Figure 3)

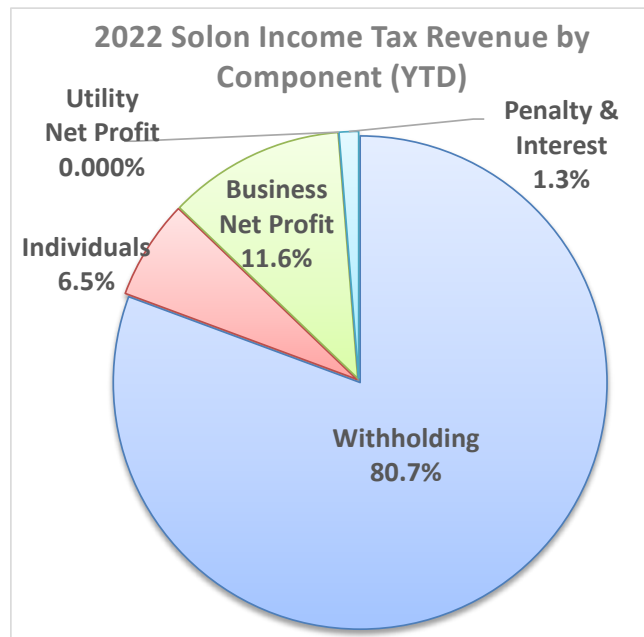


Figure 3

HB 519 Update

A new legislative proposal in the General Assembly would weaken the ability of cities to assess penalty for non-filing. As currently drafted, HB 519 would prevent municipalities, who require mandatory filing for municipal tax purposes, from applying late fees on those taxpayers who fail to file, even though there may be no municipal income tax assessed. Additionally, the legislation would take away the ability of tax administrators to communicate with taxpayers through delinquency notices and reminders that a filing has not been received and that there is a requirement to make the filing. The bill passed the House on March 30th.

Exhibit A of the collection summary provides a month by month reporting of income tax receipts as compared to the estimate for the current year

2022 Income Tax Collection Comparison Summary *											Exhibit A	
Tax Period	Month Collected	Est. % of Monthly	2022 Monthly Estimate	2022 MTD Income Tax Collections	2022 Monthly Collection Variance	Monthly Collection Variance %	2022 YTD Collection Estimate	2022 YTD Income Tax Collections	% of 2022 Est.	2022 YTD Collection Variance	YTD Collection Variance %	
Dec	Jan	7.2%	\$ 3,359,105	\$ 3,768,652	\$ 409,547	12.2%	\$ 3,359,105	\$ 3,768,652	8.1%	\$ 409,547	12.2%	
Jan	Feb	8.6%	\$ 3,996,449	\$ 4,807,967	\$ 811,519	20.3%	\$ 7,355,553	\$ 8,576,619	18.4%	\$ 1,221,065	16.6%	
Feb	Mar	6.3%	\$ 2,939,620	\$ 3,435,075	\$ 495,456	16.9%	\$ 10,295,173	\$ 12,011,694	25.7%	\$ 1,716,521	16.7%	
Mar	Apr	6.9%	\$ 3,201,917	\$ 3,604,731	\$ 402,814	12.6%	\$ 13,497,091	\$ 15,616,426	33.4%	\$ 2,119,335	15.7%	
Apr	May	11.7%	\$ 5,447,940	\$ -	\$ (5,447,940)	-100.0%	\$ 18,945,030	\$ 15,616,426	33.4%	\$ (3,328,605)	-17.6%	
May	Jun	10.2%	\$ 4,755,021	\$ -	\$ (4,755,021)	-100.0%	\$ 23,700,051	\$ 15,616,426	33.4%	\$ (8,083,626)	-34.1%	
Jun	Jul	10.0%	\$ 4,661,632	\$ -	\$ (4,661,632)	-100.0%	\$ 28,361,683	\$ 15,616,426	33.4%	\$ (12,745,258)	-44.9%	
Jul	Aug	6.4%	\$ 2,986,595	\$ -	\$ (2,986,595)	-100.0%	\$ 31,348,278	\$ 15,616,426	33.4%	\$ (15,731,853)	-50.2%	
Aug	Sep	7.8%	\$ 3,639,114	\$ -	\$ (3,639,114)	-100.0%	\$ 34,987,392	\$ 15,616,426	33.4%	\$ (19,370,967)	-55.4%	
Sep	Oct	9.9%	\$ 4,602,780	\$ -	\$ (4,602,780)	-100.0%	\$ 39,590,173	\$ 15,616,426	33.4%	\$ (23,973,747)	-60.6%	
Oct	Nov	7.7%	\$ 3,584,669	\$ -	\$ (3,584,669)	-100.0%	\$ 43,174,842	\$ 15,616,426	33.4%	\$ (27,558,416)	-63.8%	
Nov	Dec	7.5%	\$ 3,522,658	\$ -	\$ (3,522,658)	-100.0%	\$ 46,697,500	\$ 15,616,426	33.4%	\$ (31,081,074)	-66.6%	
Total Collections		100.0%	\$ 46,697,500	\$ 15,616,426	\$ (31,081,074)				Avq.	\$ (11,367,256)	-27.7%	

* Income tax collections beginning in December 2021 received by the City in calendar year 2022 (cash basis), not inclusive of P&I.