

The City of Rittman Offices

30 North Main Street
Rittman, Ohio 44270
330-925-2045
www.rittman.com

January 19, 2023

Dear Taxpayer:

We are writing to let you know that the City of Rittman has identified an issue with its municipal income tax. Rittman has been collecting municipal income taxes at the rate of 1.5% when the correct, authorized rate for the last 15 years was 1%. Our research has revealed that the cause of the incorrect income tax rate was simple human error that occurred years ago. We are taking steps to correct this situation immediately.

We have instructed the Regional Income Tax Agency (RITA), which administers our municipal income taxes, to ensure that City income taxes for 2022 are correctly assessed at the rate of 1%. Here's what you need to know:

- When you file your City tax return, your Rittman income tax rate will automatically be calculated at 1%, not 1.5%.
- If you have already paid your municipal income taxes for 2022 at the 1.5% rate, or your employer withheld the tax at the 1.5% rate, you can request a refund by filing a Short Form 10A being developed by RITA for Rittman taxpayers. The form is available at City Hall and on the City website (www.rittman.com).

How did this happen?

Under Ohio law, municipal income tax rates that exceed 1% must be approved by voters. In the third quarter of 2022, while researching our tax rate ordinances, we learned that in 1977, Rittman voters approved a 1.5% rate for 30 years by authorizing an additional 0.5% income tax that was to expire at the end of 2007. In 1996 voters approved changes to the City's tax code, which led to an update of the City's codified ordinances. When the new ordinances were published, the end date of the additional 0.5% income tax, December 31, 2007, was inadvertently omitted. City administrations and taxing authorities then followed the incorrectly updated ordinance with the unfortunate result being that since 2008, Rittman city income taxpayers have been taxed at the rate of 1.5% rather than 1.0%.

You may be asking yourself, "if I paid an extra 0.5% income tax for the last 15 years, why can't I get it all back?" There are legal and practical reasons for this. Under Ohio law there is a one-year statute of limitations for recovering the payment of an unauthorized income tax, and significant procedural requirements that taxpayers must satisfy to obtain such a refund. The City is passing legislation to make sure that the proper rate is charged for taxpayers who will be filing returns for 2022 income, and to make the process to obtain refunds of unauthorized 2022 income taxes already paid (through withholding or estimates) as easy as possible, in fairness to City taxpayers. Practically, refunding 15 years' worth of these taxes would bankrupt the City.

What is the City doing to remedy the situation?

On Monday, January 23, Rittman City Council will have the first reading of legislation to correct the tax rate and direct RITA to utilize a 1.0% rate to calculate income taxes beginning January 1, 2022. On January 30, City Council will hold a special meeting for a second reading on the legislation. City taxpayers are invited to attend that January 30 meeting, at 7 p.m., at the Recreation Center, 200 Saurer Street, Rittman. We want to hear from you and to answer questions you may have about refunds.

The City regrets and sincerely apologizes for the error that occurred in 1996. We have reported the issue to the Ohio Auditor of State and the firm that conducts the annual City audit. In addition to passing new legislation to correct the tax rate, we will work with our auditor, finance department and law department to identify best practices and improved internal controls to help guard against this ever happening again.

What has City income tax money been spent on?

The money collected through the city income tax, going back to 1977 when the 1.5% rate started and even earlier, has gone to one place and one place only: paying for city services provided by our Police, Fire/EMS, Public Health, Parks, Recreation, Administration, Finance, Legal and Cemetery departments, street services, and much more. We know this because we are audited by the state every year to ensure tax money is spent properly and that our internal controls meet state standards and best practices.

The City's finances have been tight and will now be even tighter. We will need to study how to make our budget work without the additional 0.5% income tax. While you may rest assured that the safety of the people who live, work and visit here will remain our top priority, you should be aware that we may have to consider cutbacks in the services identified. This is a simple fiscal reality.

For now, we're ready for your questions about this situation, and we'll do our very best to answer.

Sincerely,



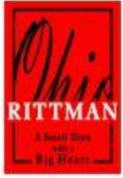
Bobbie Beshara, City Manager



Matthew Bubp, Finance Director



Melissa Shows, Council President



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Fact Sheet: Discovering and Correcting an Unauthorized Tax

For the past 45 years, the City of Rittman has collected a 1.5% municipal income tax from Rittman residents and people who work in Rittman and live elsewhere. In 2022, while researching city ordinances, we discovered that 0.5% of the municipal income tax has been unauthorized since 2008. Here are the facts behind what we've found and what it means to our municipal income taxpayers.

The Background and What We Found

- Under Ohio law, municipal income tax rates that exceed 1% must be approved by voters.
- In 1977, Rittman voters approved an extra 0.5% income tax, for a total income tax rate of 1.5% for 30 years. The extra income tax was to expire at the end of 2007 so the total tax would revert to 1% in 2008.
- In 1996, Rittman voters approved changes to the tax code. When the City income tax ordinance was updated as a result of the changes, the end date of December 31, 2007, was inadvertently omitted.
- The extra 0.5% tax that should have ended December 31, 2007 continued until we discovered the issue in the third quarter of 2022, while researching our tax rate ordinances.

What We're Doing: The 2022 Refund

- We conducted months of additional research to be sure we understood what had happened.
- We then informed RITA about the unauthorized 1.5% rate.
- The City has requested that RITA, the City's tax collection agency, apply the correct 1% rate for the collection of Rittman's 2022 municipal income taxes.
- If you haven't yet filed your 2022 taxes, your Rittman municipal income tax rate will be 1%, not 1.5%. Simply file your tax returns as usual.
- If you have already paid your municipal income taxes for 2022 at the 1.5% rate and you want to request a refund, you need to file a Short Form 10A developed by RITA especially for Rittman taxpayers. The form is available at City Hall and on our website (www.rittman.com).
- If you are retired and solely collecting a pension or Social Security benefits or are collecting Social Security Disability benefits, you should not be affected by this.
- We can only correct this for 2022. The City is not required to refund any amounts already collected, and Ohio law clearly establishes a one-year statute of limitations on taxpayer claims for the repayment of unauthorized taxes. We're following that law.

What This Means to Our Community

- Money that Rittman receives from the municipal income tax has **always** been used to pay for city services. That includes services provided by our Police, Fire/EMS, Public Health, Parks, Recreation, Administration, Finance, Legal and Cemetery departments, along with street services and much more.
- While we must apply the authorized 1% rate now and going forward, we will receive considerably less money as a result, meaning less funding for those essential city services.
- We know our residents count on these essential services and do not want them to be reduced or eliminated, so we need to have a community-wide discussion as soon as possible about returning to the 1.5% rate that municipal income taxpayers paid for the past 45 years.