

FREQUENTLY ASKED QUESTIONS - Euclid ballot issue for RITA income tax administration
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Will I pay more tax if we switch to RITA?

No, the tax rate of 2.85% stays the same, as does the 100% reciprocity. RITA will not have the authority to change our tax rate or reciprocity.

I'm retired. Will I have to file a tax return now?

No. If you are in Euclid's system as retired, that information will be transferred to RITA, and you will not be required to file if you have no taxable income. If you are not "retired" in Euclid's system, you might need to file a one-time Exemption form to update RITA's records.

Is there any guarantee RITA will increase revenue to Euclid?

No. But they have a proven track record with other cities. They have increased revenue

by millions of dollars in some cities, and they estimate Euclid could see \$1-\$3 million.

When you look at how they operate it makes sense. Access to information from federal taxes and other RITA members, combined with the technology to electronically compare that info to the city tax returns filed, will lead to better identification of non-filers and under-reporters. This results in more tax revenue collected.

How could Euclid tax department possibly be missing such a large amount (over \$1 million per year) in tax revenue?

Euclid uses a paper based system. They don't have access to complete income information and we have a large transient population. Euclid tax department knows there are delinquent taxpayers. They find some of them. They simply don't have the resources or infrastructure to find them all.

RITA administers most of Euclid's neighboring cities, and they track when taxpayers move. RITA will be able to identify these residents who only live in Euclid for part of the year, or who don't include all of their W2s on the tax return. It doesn't take long for the tax dollars to add up.

Of course, other economic changes, like the new Amazon facility, will create additional revenue, too. This would be *in addition* to those RITA identifies as not paying their fair share.

When I mention to friends about Euclid switching to RITA they cringe and say how bad RITA is and that they hate paying RITA. Why is that?

Sometimes people equate RITA with their city taxes. RITA does not make up the tax rules or tax rates. They simply process the tax returns according to your city's rules.

If RITA has all this technology and access to valuable information, how much will it cost?

The cost of RITA is currently estimated to be slightly more than Euclid's in house budget. Based on historical norms, RITA estimates Euclid's cost will end up at around 1.7% of revenue. My understanding is that the current cost of the Euclid tax department is about 1.4% of revenue (\$434,000). RITAs estimated cost of 1.7% of revenue (\$527,000) would make the cost of RITA \$93,000 higher per year.

How does RITA get paid?

RITA is a non-profit government agency, run by and funded by its own members. To ensure they operate properly, RITA withholds 3% of what they collect; they forward everything else twice a month. At year end, RITA calculates the actual cost of collections and spreads that cost among all the member cities. They refund the difference in June of the following year.

There are complaints about RITA all over the internet. Why would we want to use them?

RITA is a tax collector. The taxman rarely gets a positive review. Similarly, there are plenty of complaints about the IRS and not a lot of positives, even though the IRS successfully processes millions of tax refunds every year. My experience with RITA has been positive; they are a well-run organization and I have never had a problem resolving an issue. In addition, RITA records all phone calls. If you find that a RITA representative has treated you inappropriately you can request a review of that interaction.

I've heard that RITA charges exorbitant penalties, even if you owe a very small amount. That doesn't sound fair.

By Ohio law, RITA and Euclid assess the same penalties on an account. Ohio law, effective 2016, provides consistency across ALL cities in Ohio regarding many aspects of city taxes. That includes how penalties and interest are calculated.

If a person did not file a required tax return, even if there is no tax due, they would be subject to the late filing penalty of \$25/month, up to \$150 maximum. Euclid (and all RITA members) could choose to waive certain penalties according to their city ordinance. Many RITA cities have given RITA authority to automatically waive one penalty without appealing to the city. Otherwise, the taxpayer would have to appeal to the city to get anything waived.

Why does RITA send out so many non-filing notices and other letters?

There are residents who are not paying their required taxes. RITA's job is to identify those residents who have failed to file or failed to include all of their income on their tax return. No one likes to pay taxes, but RITA's job is to help ensure all residents are paying their fair share.

That said, in the process of transferring information, some honest, law-abiding residents may receive letters from RITA they are not used to seeing. You might have to initially communicate your situation so RITA knows you are in compliance.