

Bond Case Briefs

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Laborde v. City of Gahanna

United States Court of Appeals, Sixth Circuit - April 1, 2014 - Fed.Appx. - 2014 WL 1282546

Taxpayers brought putative class action in state court against city, city official, and Ohio Regional Income Tax Agency, alleging city used a tax form that resulted in the overpayment of municipal income taxes, and asserting takings claims under the United States and Ohio Constitutions, as well as unjust enrichment. Following removal to federal court, the District Court granted defendants' motions for judgment on the pleadings, and taxpayers appealed.

The Court of Appeals held that:

- Alleged overpayment and city's retention of taxes was not a taking under the Fifth Amendment;
- Tax Injunction Act (TIA) applied; and
- TIA barred prosecution of takings claim in federal court.

Taxpayers' alleged overpayment of municipal taxes, allegedly caused by city's use of tax form that understated the amount of tax credit taxpayers were entitled to receive for income taxes paid to other municipalities, was not a taking of private property under the Fifth Amendment. Tax credits were part and parcel of the municipal income tax system, and Fifth Amendment takings clause was not implicated by the collection of taxes.

Tax Injunction Act (TIA) applied in taxpayers' action alleging that city used tax form that allegedly resulted in the overpayment of municipal income taxes by understating the amount of tax credit taxpayers were entitled to receive for income taxes paid to other municipalities, which allegedly amounted to a taking under the Fifth Amendment. Tax credit impacted taxpayers' tax liability and was a credit for taxes already paid to another municipality, and taxpayers' takings claims implicated the correct interpretation of the city code and sought relief that would have the effect of limiting their tax liability.

Taxpayers had a plain, speedy, and efficient remedy under Ohio statute, which allowed any person to obtain a declaration of their rights under, inter alia, municipal ordinances, and thus Tax Injunction Act (TIA) barred prosecution of taxpayers' Fifth Amendment takings claims, based on city's use of tax form that allegedly resulted in the overpayment of municipal income taxes by allegedly understating the amount of tax credit taxpayers were entitled to receive for income taxes paid to other municipalities, in federal court.