

Public Policy Report

PUBLIC POLICY REPORT – Tax Policy

TO: OMA Tax Policy Committee
FROM: Ryan Augsburger, OMA Staff
DATE: November, 2011
SUBJECT: TAX POLICY HIGHLIGHTS

Overview

Following completion of the main operating budget in June, only a House legislative study committee has been active. The November 8 General Election has dominated statehouse activity since last meeting.

State Issue 2 addresses state and local government service labor contracts and if not approved by voters may force budget corrections. A few bills are being considered, mostly in the House.

State Budget and Financial Condition

Tax and other revenue collection was \$19.5 million or 0.8% above estimates in September. State revenue collection is down \$36 million or 0.5% year to date. While collections are running at estimated levels, year to date figures are nearly 10% better than 2010. The largest contributions to this year-over-year growth were non-auto sales tax, personal income tax, and the commercial activities tax.

Administration officials have hinted that Governor Kasich may want to revise the budget (mid-term) to institute another rounds of cuts.

Estate Tax Repeal

The Estate Tax was repealed as a rider to the state budget with a 2013 effective date so it will not shortchange revenue collection in the FY12, FY13 biennium. The OMA advocated in support of repeal. See enclosed Wall Street Journal column referencing OMA member Summitville Tiles, Inc.

House Study Committee

Beginning in late August a legislative study committee met numerous times to hear learn about tax policy. OMA Tax Counsel Mark Engel of Bricker & Eckler appeared before the panel on behalf of the OMA (see testimony included in packet). He focused comments on the importance of the package of reforms, enacted in 2005. Most state representatives were not in the General Assembly during the reforms. Mark cautioned lawmakers about the importance of maintaining a broad base, in order to maintain the low rate. The committee is charged with looking at the CAT, considering the sales and use tax, and considering tax expenditures.

Over a dozen industries or companies have appeared before the committee asking for special treatment (exemption) from the CAT. A number of local government leaders are also appearing to express opposition to a rumored legislative proposal to consolidate municipal tax collection at the state level. Also see study committee presentation materials by Department of Taxation Deputy Director, Fred Church.

Unemployment Compensation

Like many states, Ohio's fund to pay unemployment compensation claims was depleted in early 2010. The state has borrowed federal funds (\$2.3 billion) that will need to be paid back. States are required to begin paying interest by September 2011 (nearly \$300 in interest alone in the 2012/13 biennial budget).

The OMA has signed on with other business groups in urging the federal government to provide greater flexibility for states to repay the debt. Eventually Ohio employers could see a premium increase to repay the federal loans and restore the state fund, probably coupled with benefit cuts. In the short term, the state budget appropriated funds to meet the interest payments that come due on Sept 30. This is a positive development for employers. See enclosed report by the tax foundation.

JobsOhio and Third Frontier

House Bill 1 / Senate Bill 1 created a non-profit corporation called JobsOhio to coordinate state economic development activity. The corporation is headed by a board of directors and chaired by the Governor. A series of informational presentations was held around the state recently. Also impacted was the eligibility criteria for popular Third Frontier Funds. See enclosed information on Third Frontier.