

Chair Baker and Members of the Committee

My name is Don Brown and I am the managing director of Cargill's state government relations group. I hold a J.D. and a LL.M. in taxation from William Mitchell College of Law in Saint Paul, Minnesota. Prior to my current role, I managed Cargill's state income and franchise tax function.

I am testifying today in support of HB 343, which would exempt the purchasing of employment services from Ohio sales and use tax. Cargill supports this bill because it will improve our ability to compete with businesses in other states where these services are not taxable. Exempting employment services would also eliminate some of the challenges we face when complying with the sales and use tax laws as they currently stand.

Many of you may not know much about Cargill or about our presence in Ohio. I would like to take a few moments to talk about our operations and investments in the state.

This year Cargill is celebrating its 150th anniversary of when the company's founder WW Cargill purchased a grain warehouse in Conover, Iowa, at the end of the McGregor & Western Railroad line. The company is still privately held by the descendants of WW Cargill and is headquartered just west of Minneapolis, Minnesota.

Today, Cargill provides food, agriculture, financial and industrial products and services to the world.

Together with farmers, customers, governments and communities, we help people thrive by applying our insights and 150 years of experience.

We have 150,000 employees in 68 countries who are committed to feeding the world in a responsible way, reducing environmental impact and improving the communities where we live and work.

Here in Ohio, Cargill is privileged to have a dedicated group of over 1,600 professionals across the state, working in a diverse set of businesses. Our businesses and employees support the communities in which we operate by contributing over \$900,000 to local organizations and volunteer hours.

Our North American Cargill Deicing Technology business is headquartered in **North Olmsted**. The company's mission is to provide deicing solutions that save lives, enhance commerce and reduce environmental impact. CDT's main product is bulk deicing salt or road salt, but we also sell other salt products, including treated salt, with various benefits and value to its customers.

In **Cleveland**, the Deicing Technology business operates a salt mine on the edge of Lake Erie. Cargill acquired in 1997 and we have doubled the mine's capacity since acquiring it. We continue to invest millions of dollars to the mine each year. In 2011, Cargill invested \$13.8 million to expand the Cleveland mine that increased the annual base capacity Mine by 0.5 million tons to 4.0 million tons and create the ability to produce 0.2 million tons of additional surge production bringing total possible annual capacity to 4.2 million tons.

In **Dayton**, Cargill built its first corn wet milling plant in 1973. Today the plant serves customers in the food and animal feed industry. Cargill has continued to expand the plant throughout the years, with the most recent expansion being in 2013. The plant produces corn sweeteners, sucrose and a wide variety of animal feed products for the Midwest and Eastern regional markets. At full capacity, the Dayton plant consumes as much as 12% of Ohio's corn crop and can grind 180,000 bushels of corn per day that can be converted to eight million pounds of sweetener product.

Cargill Salt operates a vacuum evaporated salt production facility in **Akron** where salt is extracted from underground deposits. Fresh water is forced down a shaft, which dissolves the salt inside the deposit. The brine is pumped back up to the surface where the water is removed through a heat process in a vacuum evaporator. Cargill Salt serves customers in the agricultural, food, water conditioning, industrial and packaged de-icing markets.

Cargill's AgHorizons business unit operates grain elevators and farm service centers handling commodities such as corn, wheat and soybeans. Additionally, some of these farm service centers sell seed, bulk fertilizer, crop protection products and custom crop application services. Cargill has AgHorizons locations in **Cincinnati, Bloomingburg, Circleville, and Sidney**.

We operate an oilseeds crush plant and dressings, sauces, and oil refinery in **Sidney**.

Finally, our Premix & Nutrition facility in **Lewisburg** provides nutrition solutions for meat, milk and egg producers. Rather than focusing on standardized nutrition products, the business creates customized ingredient blends and management programs to fit each situation.

I hope that by providing this narrative, the committee understands Cargill's continuing commitment to Ohio and how important pro-business policies set by the legislature and the governor are critical to the success of our Ohio operations and employees.

Cargill operates in industries that earn very narrow profit margins. Which means we need to sell very large quantities of salt, oil, and animal feed to generate earnings. A location's payroll and tax costs impact our ability to generate earnings and remain profitable.

To be successful, we need to carefully manage input costs. We purchase employment services so that we can better manage our labor resources with the ebb and flow of the manufacturing orders and seasonality of the businesses.

Cargill supports HB 343 because it advances good tax policy in Ohio and supports Ohio businesses. If enacted, Ohio businesses such as ours will be better positioned to compete with competitors located in states where the purchase of employment services is not taxable. Ohio taxing these services adds several hundred thousand dollars of costs every year to our bottom line.

The Ohio sales/use tax was created as a tax on the final consumption of goods, which is why Ohio has a manufacturing exemption. The cost of labor, either provided directly by the manufacturer or purchased by the manufacturer from an employment services provider falls into this category. Unfortunately in Ohio, these services are taxed, and they do not fall under the manufacturing exemption. HB 343 rightfully exempts these types of service from the sales tax.

Cargill has plants and offices throughout the U.S., where employment services are not subject to sales or use tax. As Cargill evaluates growth and investment at existing Cargill facilities to meet growing customer demands, Ohio locations are at a disadvantage to similar locations in other states where employment services are not taxed. Ohio is a clear outlier on the taxability of employment services. HB 343 addresses a competitiveness issue.

Another benefit we see is that by exempting employment services from Ohio's sales and use tax, it would eliminate some of the ambiguity that exists regarding when employment services are taxable and when they are exempt. Determining when service personnel are under the direction of the purchaser

and when the personnel are under the direction of the service provider can be difficult to determine depending on the nature of the work. It is a challenge for the taxpayer to report and I understand for the department to audit.

Chair Baker, this concludes our testimony and all of us would be happy to answer any questions the committee may have.