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President
ERIC L. BURKLAND

5/16/2016

The Honorable Ryan Smith
Chairman
Ohio House Finance Committee
77 S. High St., 14th Floor
Columbus, OH 43215

RE: House Bill 475 – Motion Picture Tax Credit

Dear Chairman Smith:

The Ohio Manufacturers' Association (OMA) has been an ardent supporter of the 2005 tax reforms including the creation of the commercial activity tax (CAT). Some of the most important aspects of the CAT are its broad base, its low rate, and its broad application to business entities. Those attributes can only be maintained when the state stands firm against individual carve-outs and exemptions.

According to Ohio Department of Taxation Fiscal Year 2014 Commercial Activity Tax Returns data, manufacturers made up the second-largest group of CAT taxpayers, representing 10.2 percent of all taxpayers (retail trade is the largest). And, manufacturers pay 26.8 percent of the state's total – far more than any other group (in terms of CAT revenues based only on the 0.26 percent CAT rate for gross receipts in excess of \$1 million). Manufacturers are concerned that any new carve-outs, exemptions, or credits could provide strain on the CAT forcing an increase in its rate.

When it was first enacted, there were few exclusions from the CAT and only four credits. The tax expenditure associated with those exclusions in 2009, the first year the tax was fully phased in, was approximately \$300 million. Those exclusions were built into the tax as enacted and the 0.26 percent rate was established with those exclusions in mind.

In its fiscal year 2014 tax expenditure report, the Department of Taxation lists a larger number of exclusions and credits to the CAT. The total cost of those expenditures is over \$600 million! Thus, in just 10 years, additional credits and exclusions were added to the tax that doubled the amount of the tax expenditure.

House Bill 475 expands Ohio's current motion picture tax credit by increasing the total amount of credits that may be awarded from \$20 million to \$75 million per fiscal year and authorizes unallocated credit amounts to be carried forward. The credit can be taken against one of three taxes including the commercial activity tax. Expanding a credit against the CAT gives us pause.

We urge the General Assembly to stay strong against expanding any current credits and exemptions. Otherwise, we risk following the path of the former ineffective and exemption riddled corporate franchise tax with high rates.

Thank you for your time and we would be happy to discuss this matter further.

Sincerely,



Robert Brundrett
Director, Public Policy Services
The Ohio Manufacturers' Association

CC: The Honorable Kirk Schuring