Tax Committee
February 16, 2012

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2012 Tax Committee Calendar

Thursday, February 16
Thursday, July 19
Thursday, November 15

OMA Tax Committee Meeting Sponsor:

OMA Tax Policy Committee

February 16, 2012

AGENDA

Welcome & Self-Introductions:	Tony Long of Honda of America Manufacturing, Committee Chair
OMA Counsel Report JobsOhio	Mark Engel of Bricker & Eckler, OMA Tax Counsel
Legislative Report HB 18	Ryan Augsburger, OMA Staff
Guest Presenter	Amy Mignogna, Ohio Society of CPAs
Discussion Agenda	Economic Development Audit Activity 2012 Legislative Priority Review Shale Gas Tax Policy Medical Devices Tax Competitiveness

Committee Meetings begin at 10:00 a.m. and conclude by 1:00 p.m. Lunch will be served.

Register for committee meetings online at www.ohiomfg.com, click on Events.

Additional committee meetings or teleconferences, if needed, will be scheduled at the call of the Chair.

Amy Mignogna, MPA, CAE

Director of Tax Policy

Amy Mignogna is director of tax policy for The Ohio Society of CPAs (OSCPA). As the fourth largest state CPA association, OSCPA has over 22,000 members.

As director of tax policy, Amy is responsible for lobbying state legislators and regulatory officials in the executive branch on tax and general business issues. In addition, she contributes to several of OSCPA's publications, serving as section editor for tax content in *CPA Voice*, Amy regularly authors articles for *OSCPA Weekly*, the Society's weekly electronic newsletter, and for the Society's tax section newsletter.

She frequently speaks to groups across the state on tax policy issues and has led lobbying efforts on OSCPA's behalf on a number of legislative initiatives, including 2005's landmark overhaul of Ohio's tax code.

Before joining the Society in 1999, Amy worked in local government.

Amy graduated with honors from Otterbein College with a B.A. in Political Science and The Ohio State University, where she earned the degree of Master of Public Administration. While at Ohio State, she collaborated on numerous research projects in the area of school funding. In 2005 she earned her Certified Association Executive (CAE) designation.

A member of the Ohio Lobbying Association (OLA), Ohio Society of Association Executives (OSAE) and American Society of Association Executives (ASAE), Amy serves on the Board of Directors of OSAE, currently as President-Elect, and on numerous committees for ASAE and OLA, including ASAE's government relations section council.

In her spare time she volunteers as a member of the school funding advisory committee for her school district and for her sorority's alumni association.

Frustrated with the municipal tax structure? *Tell your employer and clients*

By Jim Gottfried, CPA

As we enter another tax filing season, I can't help but dread the frustration I know I will experience when dealing with Ohio's municipal income tax system. Based on the numerous calls OSCPA has received in recent years expressing concern – and sometimes even outrage – I know many of you feel my pain.

The problem isn't paying what is necessary and fair to provide essential local services. Certainly Ohio's constitution allows each jurisdiction's voters to determine the appropriate rate. Instead, it comes down to the administrative compliance nightmare we all experience: Ohio is one of very few states where cities impose a personal income tax and a business tax. With almost 600 municipalities assessing this tax, the resulting crazy quilt of diverse definitions of income, varying filing processes and procedures and wide range of penalty and interest rates is enough to frustrate any business owner and taxpayer – and also the CPAs charged with keeping their clients or employers in compliance.

OSCPA's top legislative priority this year is achieving meaningful, common sense reforms to Ohio's municipal income tax system. Specifically, we are pushing hard to have Ohio adopt a single definition – while staying as revenue neutral as possible to the bottom line of both cities and taxpayers – for taxable income for withholding and taxes due. Uniformity among rules and regulations is also critically important. Further, we are pursuing some form of centralized collection, whether by adding another line to the state tax return or creating a mandated regional approach for collection. I think I speak for almost every Ohio CPA when I say the current system is badly broken and needs to be fixed.

The time to act on this critically important issue is now. Ohio taxpayers have a good opportunity this year to see some meaningful, common sense changes to the administration of Ohio municipal taxes. A growing number of Ohio legislators are beginning to understand the very real economic burden the current process is placing on Ohio's individual and business taxpayers, and the damage it is doing to our ability to drive economic development. We hope to see much greater attention paid by the Ohio General Assembly to this important issue in the coming months, and this is where you can help.

For those of you in public practice, make it a point to explain to your clients how much it costs them just for you to calculate their municipal tax liability. Point out to business clients the withholding and filing burden in terms of complexity and cost. Help taxpayers understand how they can move the needle on reforming our state's municipal income tax collection process by sharing their concerns with their state legislators, or allowing you to do so for them. For those of you working directly for companies, please consider doing the same on behalf of your employer. You understand better than anyone the unnecessary monetary and personnel costs involved with complying with this regulatory burden.

Be sure to check the next issue of *CPA Voice* for more details, and don't hesitate to reach out to the OSCPA governmental affairs team at any time for more information or to find out how you can best discuss this issue with your colleagues, clients and legislators. Working together, we can help Ohio take this important step toward making ours a more attractive state in which to run a business and raise a family.

section editor: Amy Mignogna, CAE

Municipal income tax reform – The stakes have never been higher

By Scott Gill

Since 1946 when Ohio authorized cities and villages to assess and collect income taxes, local governments across Ohio have relied on this tax as the major revenue source for their general funds.

Municipalities have since been given latitude over more areas of their tax ordinance. While this has been beneficial for cities wishing to exercise their right of taxation "home rule," the tax preparation community has become increasingly frustrated by the confusing myriad of rules and regulations that have evolved over 65 years.

Lack of municipal tax uniformity has been highlighted recently as Ohio looks for ways to curb its giant budget deficits. At the heart of the matter is the notion that businesses would be more likely to come to Ohio if we could eliminate such barriers to economic development. It's hard to argue with this assertion. Upon further investigation, it becomes difficult to defend the complexity and cumbersome nature of a tax that only exists in a handful of states.

For nearly three years, OSCPA members and staff have sporadically held uniformity meetings with select municipal tax officials. These meetings have been productive, but a lot of work remains. Remaining issues include:

- Net operating losses
- Form 2106 expenses
- Penalty and interest rates/structure
- Schedule E allocations
- Third-party sick pay
- Consolidated returns
- Board of tax review makeup
- The 12-day rule
- Certification of tax administrators
- Various other Ohio Revised Code technical cleanup provisions.

This level of uniformity, if crafted with general revenue neutrality for cities in mind, could provide modest relief – but would that even be enough? Several times over the past decade we've seen significant gains in the municipal tax uniformity process, notably with HB 477 in 2000 and HB 95 in 2003. HB 477 made several key strides in achieving uniformity, such as generic forms, extensions and posting forms and ordinances on the Internet. HB 95 went a step further by creating a uniform net profits tax base, a uniform withholding tax base and creation of a web-based filing and payment option on the Ohio Business Gateway.

These incremental gains have helped many Ohio CPAs. However OSCPA has testified that the Ohio municipal tax system remains overly burdensome for practitioners, and that another round of changes is sorely needed. Because of the economic crisis facing Ohio, OSCPA was invited to make fiscal recommendations which were included in OSCPA's 2009 Ohio Budget Advisory Task Force Report. One of the components studied was radical reform to the current municipal income tax system. I get the sense, as do many of my colleagues, that this time real change is imminent whether cities and villages are ready or not.

OSCPA has long been a proponent

TAKEAWAYS

- Unlike most other states, Ohio communities have a confusing array of tax ordinances.
- This has become a focus of attention as Ohio looks for ways to attract businesses and reduce budget deficits.
- OSCPA members and staff have held productive meetings with municipal tax officials, but issues remain.
- OSCPA advocates uniform municipal income taxes and centralized collection via the Ohio Department of Taxation.

of absolute uniformity for municipal income taxes, and has even recently recommended centralized collection via the Ohio Department of Taxation. While the merits of such a proposal will not be debated here because of space constraints, it should be noted that the undercurrent of centralized collection would be consummate uniformity. But at what cost? Even if we assume it is plausible to reach 100% uniformity, it is imperative that revenue neutrality as a whole, along with simplicity and ease of filing, be the primary focus of any legislation. Any time sweeping changes are made in the tax arena there are always some winners and losers. The goal is to minimize the impact of lost revenue on Ohio's 579 municipalities whose budgets have been slashed because of reductions in state funding.

One cannot dispute that municipal tax uniformity would lead to reduced costs for everyone. Simplicity and uniformity would promote better compliance by taxpayers as well as easier administration for tax officials and their collection agencies. It is important to remember that much of the predicament we find ourselves in can be linked directly to elected local officials making thoughtful decisions on what is best for their own communities. The atmosphere is certainly ripe for change, but an effort of this magnitude should be done thoroughly and deliberately without time constraints. If we rush the process, we run the risk of wiping out everything gained over the last decade. It is a complex and convoluted project that will require a great deal of collaboration to mend. The stakes have never been higher or the impact greater for a majority of Ohioans. This is our opportunity to fix it right and put it to rest forever!

Scott Gill, CPA is tax administrator for the City of Upper Arlington and past president of the Greater Ohio Association of Tax Administrators. He has 15 years of experience in private industry and 11 years in the public sector. He has a master's degree in taxation from Capital University.

LEARNING OPPORTUNITIES

Mega Tax Conference
Columbus | Dec. 6-7 | 04871CO
Get the tax answers and updates you need at OSCPA's Mega Tax Conference. This conference promises to deliver updates and changes to federal, state, municipal and business taxes.

Designed for tax professionals, this conference will cover information such as Roth conversions, bankruptcy, retirement planning and advanced S-corps. This two-day event will give you the information you need to comply with changes and simplify the tax season.

Tax Update
Webinar | Dec. 15 | 80258WB
Tim Oatney, CPA, MT will cover the highlights of any changes in tax laws that have been changed during the year during this timely tax update.

Tax Practitioner's Guide to Accounting and Reporting Issues
Toledo | Dec. 20 | 00872TO
Meet your A&A CPE requirement with topics that relate to your responsibilities. This course will teach you why a tax return and a tax basis financial statement are not the same. You'll also learn what book versus tax differences need to be disclosed in tax basis financial statements. The course also addresses frequently encountered accounting and performance issues by tax practitioners and uncertain tax positions.

Dayton Daily News

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State wants to consolidate collection of city income taxes

By Lawrence Budd, Staff Writer

10:14 PM Monday, January 30, 2012

Some state leaders want to end Ohio's unique status as the only U.S. state where its municipalities still collect local income taxes.

But municipal leaders throughout Ohio are concerned that efforts to simplify the hundreds of different tax forms into a single universal form are part of a shift to consolidate collecting the taxes through one agency. Cities say this could impact its operating budgets and create hardships for its taxpayers.

Nearly 600 cities and villages in Ohio collect $4 billion annually in income taxes, about 70 percent of total revenues.

During a speech last week at the Ohio Tax Conference 2012, Ohio Tax Commissioner Joseph Testa said his agency could collect the municipal income taxes for "considerably less" than what local municipalities currently spend to handle the task.

Next month, state Rep. Cheryl Grossman, R-Grove City, will host a meeting to discuss creating a single form that all Ohio taxpayers and businesses can use to pay their municipal income taxes.

"There are hundreds of forms" to complete, she said. "My goal is to come up with a general form that would simplify this."

Grossman would not discuss whether simplifying the paperwork is a step toward centralizing collection by regional agencies or the state itself. But the Ohio Municipal League said it is concerned Grossman's proposal is moving in this direction and question whether the state can collect the taxes more effectively or efficiently.

Grossman will meet Feb. 9 with municipal officials about their concerns.

While willing to compromise on "revenue neutral' aspects of simplifying the process, city officials said they worry the changes could affect individual taxpayers and its largest source of municipal income.

"Leave us alone. It's working fine," said Brad Townsend, West Carrollton's city manager and a member of the Ohio Municipal League's board.

Joining other U.S. states

Centralizing municipal income tax collection would bring Ohio in line with the rest of the country.

Only nine states collect municipal income taxes, and most of the municipalities are in Ohio, according to finance experts.

The number of U.S. cities collecting municipal income tax dropped by about half this year when Pennsylvania consolidated collection by 560 municipalities into 69 collection districts.

This leaves only about 700 of about 19,000 U.S. cities, towns and other municipal organizations collecting its own income tax, said Michael Pagano, a former professor at Miami University in Oxford and co-author of a report by the National League of Cities on cities and state fiscal structure.

Pagano, now dean of the College of Urban Planning and Public Affairs at the University of Illinois at Chicago, said more than 90 percent of all municipalities that collect municipal income taxes are in Ohio and Pennsylvania."

In Ohio, 577 municipalities — 341 villages and 236 cities — levy an income tax. About 300 have contracts with regional authorities for collection. The Regional Income Tax Authority, with offices primarily in northeast Ohio, collects taxes for 207 communities, including Clayton and Riverside in Montgomery County; Cedarville, Fairborn and Yellow Springs in Greene County; Corwin, Maineville and Waynesville in Warren County; Oxford in Butler County, Pleasant Hill in Miami County; and South Charleston and Tremont City in Clark County.

Grossman said legislators are "not that far along in our discussions" on deciding if Ohio's local income tax collections should be administered through Testa's office or regional agencies.

Simplifying, if not consolidating, municipal income tax collections is a response to the Commonsense Initiative Group proposed by Gov. John Kasich in August 2010 to make Ohio more attractive to businesses.

Since last year, Grossman has been meeting with lawmakers and "interested parties," including representatives from the Ohio Society of Certified Public Accountants.

"What we've been advocating, really for many years, is a simplification of this local income tax system," said David Reape, a CPA and spokesman for the state group.

Under the current system, Reape said one road construction firm he represents reports income to about 100 different Ohio municipalities.

Reducing forms and consolidating collections should simplify tax issues for businesses operating in multiple Ohio cities. Supporters say centralizing collections should save expense.

The implications for local governments and residents will vary, according to experts.

Ohio lawmakers will have to weigh the costs and benefits, said Pagano, a fellow of the National Academy of Public Administration.

"It depends on whose costs you're trying to save," Pagano said.

Cities oppose losing collections

The Ohio Municipal League is leading opposition.

More than 100 cities and villages have passed resolutions to oppose any plans to prevent it from collecting the tax, according to the league. In the Miami Valley, cities and villages on record include Carlisle, Centerville, Clayton, Englewood, Franklin, Greenville, Hamilton, Huber Heights, Kettering, Lebanon, Mason, Miamisburg, Moraine, Oakwood, Piqua, Riverside, Springboro, Springfield, Tipp City, Trenton, Troy, Vandalia and West Carrollton.

The potential problems could range from taxpayers dealing with an out-of-town consolidated collection agency to cities receiving less revenue if collections miss businesses that should be paying income tax to one or more municipalities.

"Centralized collection by the State of Ohio would result in additional costs and potential lost revenue," Kettering Mayor Don Patterson said in a letter to Testa. "Municipal income tax represents over 70 percent of our general fund revenues, and the City of Kettering relies on these funds to provide essential city services."

City officials warn also the change could compromise local service and weaken their efforts to ensure every company and worker pays a fair share.

They down played any savings by cutting employees, since they either who work part-time or handle other city responsibilities.

Another concern is how consolidation would affect collections from Ohioans who work in one city and live in another — a multimillion-dollar issue for cities like Dayton.

"I consider Ohio to be the shining example of how cities can collect revenues from nonresidents who use the services provided by the cities," Pagano said. "It's a fair thing. Because of that, it's a good thing."

As for now, Grossman said she hopes to introduce a bill proposing a single municipal income tax form.

She said the next step is to consider consolidating municipal income tax collections though a timetable has not been set.

"I think we're looking at options right now, at what makes sense," she said. "If we can be more efficient and save money that's what we have to do."

Contact this reporter at (937) 225-2261 or lbudd@DaytonDailyNews.com.

Find this article at:

http://www.daytondailynews.com/news/politics/state-wants-to-consolidate-collection-of-city-income-taxes-1320968.html

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City Income Taxes - U.S. Cities That Levy Income Taxes

From Tonya Moreno, CPA, former Contributing Writer

Sep 20 2010

State income taxes can really take a bite out of your paycheck. And if you live in certain states, your city, county, or school district could take another chunk of your hard earned cash. Fourteen states and the District of Columbia allow cities, counties, and municipalities to levy their own separate individual income taxes in addition to state income taxes. If you live in these areas or are thinking of moving to these areas, be ready to fork over income taxes to the federal government, the state, and the city:

- **Alabama:** Birmingham levies an income tax of 1%
- **Arkansas**: Seven Arkansas school districts assess an income tax surcharge equal to 10% of state income tax before tax credits. They are: Berryville, Green Forest, Westside, Hope, Huntsville, Waldron, and Marshall.
- **Colorado:** Three cities impose flat taxes on compensation. Aurora charges $2 per month on compensation over $250, Denver charges $5.75 per month on compensation over $500, and Greenwood Village charges $4 per month on compensation over $250.
- **District of Columbia:** D.C. has a bracketed income tax system. The rates are 4% for the first $10,000 of income, 6% for $10,000 to $40,000 of income, and 8.5% for income over $40,000.
- **Delaware:** Wilmington has a flat 1.25% tax on income.
- **Iowa:** 666 school districts impose an income tax surcharge ranging from 1% to 20% of state income tax owed.
- **Indiana:** All 92 counties in Indiana have an individual income tax. Tax rates are in the process of being changed, and will be announced on the Indiana Department of Revenue's website once they are finalized.
- **Kentucky:** Eight cities in Kentucky levy income taxes on residents and non-residents. They are: Bowling Green (1.85%), Covington (2.5%), Florence (2%), Lexington-Fayette (2.25%), Louisville (2.20% for residents and 1.45% for non-residents), Owensboro (1.33%), Paducah (2%), and Richmond (2%). Lexington-Fayette Urban County Government and Louisville - Jefferson County also impose taxes on businesses.
- **Maryland:** All 24 Maryland counties levy income taxes on residents and non-residents. Tax rates range from 1.25% to 3.20%. Baltimore also has an income tax of 3.05%.
- **Michigan:** Several Michigan cities impose income taxes with rates ranging from 0.50% to 2.50%. Detroit's income tax rate is 2.50% for residents and 1.25% for non-residents.
- **Missouri:** Both Kansas City and St. Louis have an income tax of 1%.
- **New York:** Yonkers and New York City both have individual income taxes. New York City's income tax rates range from 2.907% to 3.648%. Yonker's income tax rate is equal to 10% of your net (after credits) state income tax.
- **Ohio:** 235 cities and 331 villages in Ohio have an income tax, including Columbus, Toledo, Cincinnati, and Cleveland. Ohio law requires a flat rate that cannot exceed 1%, unless it is approved by the voters. Ohio local income tax rates range from 0.40% in Indian Hill to 3% in Parma Heights.
- **Oregon:** The Tri-Met Transit District (includes Portland) assesses an income tax of 0.6318% and the Lane County Transit District (includes Eugene) assesses an income tax of 0.60%. Multnomah County (Portland) also assesses a 1.45% business income tax.
- **Pennsylvania:** Most municipalities in Pennsylvania assess a tax on wages, known as the Earned Income Tax. This tax is usually split between the municipality and the local school district. The local Earned Income Tax is only assessed on earned income, like wages. Unearned income like interest and dividends are not taxed. Pennsylvania state law limits the Earned Income Tax to a maximum flat rate of 2%, but Home Rule cities like Philadelphia and Scranton are not subject to this maximum. Cities with tax rates above 2% include: Philadelphia (3.98%), Pittsburgh (3%), Reading (2.70%), Scranton (3.40%), and Wilkes-Barre (2.85%). Non-residents have to pay the Earned Income

Tax as well, but are usually taxed at a lower rate. You can look up local tax rates on Pennsylvania state's website. Local income taxes are also assessed on the net profits of businesses.

Source: About.com. More information: The Tax Foundation has created a table of all local income tax rates for residents and non-residents.

TOLEDO AREA CHART

MUNICIPAL

TAX CHART

2010

DISCLAIMER

The information contained herein was accumulated by members of the Municipal Taxation Committee, along with representatives from the tax office of the City of Toledo.

You are hereby cautioned that the relevant municipal tax ordinances and/or regulations were not researched for the purpose of validating the information provided herein. Therefore, if you must be absolutely certain that the information is correct, you should contact the person supervising the appropriate tax entity.

TOLEDO AREA CITY TAX CHART - 2010

CITY	Archbold	Arlington	Bellevue	Bloomdale	Bluffton
COUNTY	FULTON	HANCOCK	HURON & SANDUSKY	WOOD	ALLEN
DUE DATE	4/30	4/15	4/15	4/15	4/15
TAX RATE	1.5%	1%	1.5%	1%	1.25%
CREDIT FOR TAX TO ANOTHER CITY	1.5%	1%	1.5%	.5% (5)	1.25%
COPY OF FEDERAL EXTENSION REQUIRED PRIOR TO DUE DATE	Y	Y	Y	Y	Y
MANDATORY FILING	N	Y	Y	Y	Y
PENALTY FOR UNDERPAYMENT OF ESTIMATE	N	Interest	Y	N	N
PENALTY RATE	N	N	$10.00	.5%/mo.	N
INTEREST RATE	N	1.5%/mo.	N	1.5%/mo.	N
LATE FILING FEE - AMOUNT	Greater $5 or 4%/mo.	$10	$25.00	$5.00 (4)	(8)
RATE OF PENALTY	Greater $5 or .5%/mo.	-6	.5%/mo. (1)	.5%/mo.	1.5%/mo.(7)
RATE OF INTEREST	.5%/mo.	1.5%/mo.	18%/yr.	1.5%/mo.	.5%/mo.
WHAT IS TAXABLE:					
ANNUITIES AND PENSIONS	N	N	N	N	N
FRINGE BENEFITS (PER IRS RULES)	Y	Y	Y	N	N
JURY DUTY	Y	Y	Y	N	Y
ORDINARY INCOME PORTION OF LUMP SUM DIS. PER IRS	Y	N	Y	N	Y
PRIZES AND LOTTERIES	Y	Y	N	N	N
RENTAL (MO.) IN EXCESS OF...	$100	$300	$250	$100	$250
ROYALTIES	N	N	N	N	N
SICK PAY	Y	Y	Y	N	Y
STOCK OPTIONS (ORDINARY INCOME PORTION)	Y	Y	Y	N	Y
STRIKE PAY	Y	Y	Y	N	Y
SUB PAY	Y	Y	Y	Y	Y
WAGES UNDER 18 YEARS OF AGE	N	Y	N	Y	Y (Under 16)
WHAT IS DEDUCTIBLE OR EXCLUDABLE:					
BUSINESS LOSS AGAINST W-2 INCOME	N	Y	N	Y	Y
LOSS OF ONE SPOUSE AGAINST W-2 INCOME OF OTHER SPOUSE	N	Y	N	N	Y
MOVING REIMBURSEMENT	Y (2)	N	Y If Included	N	N
TAX SHELTERED ANNUITIES (IRA, KEOGH)	N	N	N	N	N
NOL CARRYFORWARD - YEARS	5	5	1	5	5
2106-DEDUCTION AS ALLOWED BY IRS	(3)	Y	Y	N	Y

(1) Withholding Penalty - 5% per month.
(2) If included on W-2 and for actual expenses allowed.
(3) 2106 Expenses transferred to Schedule A
less 2% of adjusted gross income (ONLY IF ITEMIZE).
(4) $5.00 per month after 4/30.
(5) 1/2 of 1% of Earned Income thru Year 2003.
(6) Greater $10 or 1.5%/mo.
(7) Late Filing Penalty - The Greater of:
- $10 if 1-90 Days Past Due
- $25 if 91-120 Days Past Due
- $50 if 121-150 Days Past Due
- $75 if 151-180 Days Past Due
- $100 if over 181 Days Past Due

or 1 1/2% Per Month of Amount Due.

TOLEDO AREA CITY TAX CHART - 2010

CITY	Bowling Green	Bradner	Bryan	Clay Center	Clyde
COUNTY	WOOD	WOOD	WILLIAMS	OTTAWA	SANDUSKY
DUE DATE	4/15	4/15	4/15	4/15	4/15
TAX RATE	1.92%(3)	1%	1.8%	1.5%	1.5%
CREDIT FOR TAX TO ANOTHER CITY	1/2 of lower rate	1/2%	1.8%	1.5%	1.5%
COPY OF FEDERAL EXTENSION REQUIRED PRIOR TO DUE DATE	Y	Y	Y	Y	Y
MANDATORY FILING	N	Y	Y	Y	Y
PENALTY FOR UNDERPAYMENT OF ESTIMATE	Y	Y	N	N	N
PENALTY RATE	$10 min/$.50 per day	1.5%/mo.		Y	
INTEREST RATE	1.5%/mo.	1.5%/mo.		1.5%/mo.	
LATE FILING FEE - AMOUNT	Penalty and Interest	$15.00	Penalty and Interest	$15.00	$25.00
RATE OF PENALTY	$10min/$.50bus day(1)	1.5%/mo	$15 or 1%/mo.	1.5%/mo.	$25.00
RATE OF INTEREST	1.5%/mo.	1.5%/mo.	10%/yr.	1.5%/mo.	12%/yr.
WHAT IS TAXABLE:					
ANNUITIES AND PENSIONS	N	N	N	N	N
FRINGE BENEFITS (PER IRS RULES)	Y	N	Y	Y	Y
JURY DUTY	Y	Y	Y	Y	Y
ORDINARY INCOME PORTION OF LUMP SUM DIS. PER IRS	Y	Y	Y	Y	Y
PRIZES AND LOTTERIES	Y	Y	N	Y	Y
RENTAL (MO.) IN EXCESS OF...	$100	-0-	$100	$100	$100
ROYALTIES	N	N	N	N	N
SICK PAY	Y	Y	Y	Y	Y
STOCK OPTIONS (ORDINARY INCOME PORTION)	Y	Y	Y	Y	Y
STRIKE PAY	Y	Y	Y	Y	Y
SUB PAY	Y	Y	Y	Y	Y
WAGES UNDER 18 YEARS OF AGE	Y	Y	Y	Y	N
WHAT IS DEDUCTIBLE OR EXCLUDABLE:					
BUSINESS LOSS AGAINST W-2 INCOME	N	N	Y	Y	N
LOSS OF ONE SPOUSE AGAINST W-2 INCOME OF OTHER SPOUSE	N	N	Y	N	N
MOVING REIMBURSEMENT	Y If Included	N	Y	N	Y
TAX SHELTERED ANNUITIES (IRA, KEOGH)	N	N	N	N	N
NOL CARRYFORWARD - YEARS	5	5	0	5	5
2106-DEDUCTION AS ALLOWED BY IRS	Y	Y	Y	Y	Y

(1) Withholding Penalty - 3% Per Month.
(2) Effective 1/1/06.
(3) Tax Rate 2% effective 1/1/11

TOLEDO AREA CITY TAX CHART - 2010

CITY	Defiance	Delta	Edgerton	Elmore	Fayette
COUNTY	DEFIANCE	FULTON	WILLIAMS	OTTAWA	FULTON
DUE DATE	4/15	4/15	4/15	4/15	4/15
TAX RATE	1.5%	1.5%	1%	1.75%	1.5%
CREDIT FOR TAX TO ANOTHER CITY	1.5%	1.0%	1%	None	1.5%
COPY OF FEDERAL EXTENSION REQUIRED PRIOR TO DUE DATE	Y	Y	Y	Y	Y
MANDATORY FILING	Y	Y	Y	Y	Y
PENALTY FOR UNDERPAYMENT OF ESTIMATE	Y	Y	Y	Y	N
PENALTY RATE	1.5%/mo.	1%/mo.	(1)	1.5%/mo.	N
INTEREST RATE	.5%/mo	1%/mo.	(1)	1.5%/mo.	N
LATE FILING FEE - AMOUNT	$25.00	$50.00 (5)	(2)	$25.00	$15.00
RATE OF PENALTY	1.5%/mo.	1.5%/mo.	(1)	1.5%/mo.	
RATE OF INTEREST	.5%/mo.	1.5%/mo.	(1)	1.5%/mo.	6%/yr.
WHAT IS TAXABLE:					
ANNUITIES AND PENSIONS	N	N	N	N	N
FRINGE BENEFITS (PER IRS RULES)	Y	N	N	N	N
JURY DUTY	Y	N	Y	Y	N
ORDINARY INCOME PORTION OF LUMP SUM DIS. PER IRS	Y	Y	Y	Y	Y
PRIZES AND LOTTERIES	N	Y (4)	Y	Y	Y
RENTAL (MO.) IN EXCESS OF...	$100	$100	No Min.	No Min.	$200
ROYALTIES	N	N	N	Y	N
SICK PAY	Y	Y	Y	Y	N
STOCK OPTIONS (ORDINARY INCOME PORTION)	Y	Y	Y	Y	N
STRIKE PAY	Y	N	Y	Y	N
SUB PAY	Y	Y	Y	Y	N
WAGES UNDER 18 YEARS OF AGE	Y	Y	N	Y	N
WHAT IS DEDUCTIBLE OR EXCLUDABLE:					
BUSINESS LOSS AGAINST W-2 INCOME	N	N	N	Y	N
LOSS OF ONE SPOUSE AGAINST W-2 INCOME OF OTHER SPOUSE	N	N	N	Y	N
MOVING REIMBURSEMENT	Y if included	N	Y	N	Y
TAX SHELTERED ANNUITIES (IRA, KEOGH)	N	N	N	N	N
NOL CARRYFORWARD - YEARS	3	0	0	5	5
2106-DEDUCTION AS ALLOWED BY IRS	Reduce By 2% AGI Y (3)	Y (3)	Y (3)	Y (3)	Y (3)

(1) Interest - 12% per anum on the amount of unpaid tax.
Penalty - 3% of the unpaid tax for each month or fraction of a month for the first 18 months of non-payment, or $25.00, whichever is greater.

(2) $25.00 - Not more than 30 days. $50.00 - Late by 30 or more days.
$100.00 - Fails to file twice in any 3 year period.

(3) Copy must be attached.

(4) In excess of $1000.00.

(5) Late filing fee is $50 with an additional $10 per mo. on the 15th day.

TOLEDO AREA CITY TAX CHART - 2010

CITY	Findlay	Fostoria	Fremont	Genoa	Gibsonburg
COUNTY	HANCOCK	SENECA	SANDUSKY	OTTAWA	SANDUSKY
DUE DATE	4/15	4/15	4/15	4/15	4/15
TAX RATE	**1.25% (4)**	**2%**	**1.5%**	**1.5%**	**1%**
CREDIT FOR TAX TO ANOTHER CITY	0%	2%	1.5%	(1)	None
COPY OF FEDERAL EXTENSION REQUIRED PRIOR TO DUE DATE	Y	Y	Y	Y	Y
MANDATORY FILING	Y	Y	Y	Y	Y
PENALTY FOR UNDERPAYMENT OF ESTIMATE	Interest	N	Y	Y	Y
PENALTY RATE	N/A	N	(3)	1.5%/Mo.	1.5%/Mo.
INTEREST RATE	1.5%/mo.	N	(2)	1.5%/Mo.	1.5%/Mo.
LATE FILING FEE - AMOUNT	$10.00	None	$25.00	$15.00	$15.00
RATE OF PENALTY	Grtr $10 or 1.5%/mo.	Grtr $25 or 1%/mo.	10%min.$25	1.5%/mo.	1.5%/mo.
RATE OF INTEREST	1.5%/mo.	1.5%/mo. (Incl. w/h)	1%/mo.	1.5%/mo.	1.5%/mo.
WHAT IS TAXABLE:					
ANNUITIES AND PENSIONS	N	N	N	N	N
FRINGE BENEFITS (PER IRS RULES)	Y	N	Y	Y	Y
JURY DUTY	Y	Y	Y	Y	Y
ORDINARY INCOME PORTION OF LUMP SUM DIS. PER IRS	N	Y	Y	Y	N
PRIZES AND LOTTERIES	Y	Y	Y	Y	Y
RENTAL (MO.) IN EXCESS OF...	$300	$100	$100	No Min.	No Min.
ROYALTIES	N	N	N	N	N
SICK PAY	Y	Y	Y	Y	Y
STOCK OPTIONS (ORDINARY INCOME PORTION)	Y	Y	Y	Y	Y
STRIKE PAY	Y	Y	Y	Y	Y
SUB PAY	Y	Y	Y	Y	Y
WAGES UNDER 18 YEARS OF AGE	Y	N	Y	Y	Y
WHAT IS DEDUCTIBLE OR EXCLUDABLE:					
BUSINESS LOSS AGAINST W-2 INCOME	Y	Y	N	N	N
LOSS OF ONE SPOUSE AGAINST W-2 INCOME OF OTHER SPOUSE	Y	Y	N	N	N
MOVING REIMBURSEMENT	N	N	N	N	N
TAX SHELTERED ANNUITIES (IRA, KEOGH)	N	.N	N	N	N
NOL CARRYFORWARD - YEARS	5	0	N	5	5
2106-DEDUCTION AS ALLOWED BY IRS	Y	Y	Y-Subject to 2% AGI	Y	Y

(1) Up to 50% of tax paid to other cities. Max .0075.
(2) Net Profit 1.0%/mo.
Withholding 1.5%/mo.
(3) Net Profit - 10% or $25 whichever is greater.
Withholding - 15% or $25 whichever is greater.
(4) 2010-2012 rate is 1.25%.

TOLEDO AREA CITY TAX CHART - 2010

CITY	Grand Rapids	Green Springs	Holland	Leipsic	Lima
COUNTY	WOOD	SENECA	LUCAS	PUTNAM	ALLEN
DUE DATE	4/15	4/30	4/15	4/30	4/15
TAX RATE	**1%**	**1%**	**2.25%**	**1.5%**	**1.5%**
CREDIT FOR TAX TO ANOTHER CITY	1/2 of 1%	1/2 of 1%	2.25%	1.5%	1.5%
COPY OF FEDERAL EXTENSION REQUIRED PRIOR TO DUE DATE	Y	Y	Y	Y	Y
MANDATORY FILING	Y	Y	Y	Y	N
PENALTY FOR UNDERPAYMENT OF ESTIMATE	Y	N	N	N	Y
PENALTY RATE	1.5%	N	N	N	2% after 10% 1st
INTEREST RATE	1.5%	N	N	N	1%/mo.
LATE FILING FEE - AMOUNT	$25.00 min.	$15.00	$10.00	None	None
RATE OF PENALTY	1.5%/mo.	1.5%/mo.	2%/mo. (1)	1.5%/mo. (2)	2% after 10% 1st
RATE OF INTEREST	1.5%/mo.	1.5%/mo.	1.5%/mo.	8%/yr.	1%/mo.
WHAT IS TAXABLE:					
ANNUITIES AND PENSIONS	N	N	N	N	N
FRINGE BENEFITS (PER IRS RULES)	N	Y	Y	Y	Y
JURY DUTY	Y	Y	N	N	N
ORDINARY INCOME PORTION OF LUMP SUM DIS. PER IRS	Y	Y	Y	Y	Y
PRIZES AND LOTTERIES	Y	Y	Y-over $9999.99	Y	Y
RENTAL (MO.) IN EXCESS OF...	$125	No. Min.	No. Min.	$50.00	$500 (1/1/96)
ROYALTIES	N	N	Y	N	N
SICK PAY	Y	Y	Y	Y	Y
STOCK OPTIONS (ORDINARY INCOME PORTION)	Y-When Exercised	Y	Y	Y	Y
STRIKE PAY	Y	N	Y	Y	Y
SUB PAY	Y	Y	Y	Y	Y
WAGES UNDER 18 YEARS OF AGE	N	N	Y	N	Y
WHAT IS DEDUCTIBLE OR EXCLUDABLE:					
BUSINESS LOSS AGAINST W-2 INCOME	N	Y	N	Y	Y
LOSS OF ONE SPOUSE AGAINST W-2 INCOME OF OTHER SPOUSE	N	Y	N	Y	N
MOVING REIMBURSEMENT	N	N	Y	Y	Y
TAX SHELTERED ANNUITIES (IRA, KEOGH)	N	Y	N	N	N
NOL CARRYFORWARD - YEARS	5	5	5	5	5
2106-DEDUCTION AS ALLOWED BY IRS	Y Subject to 2% AGI	N	Y Subject to 2% AGI	Y	Y

(1) Withholding 1.5% Per Month.
(2) Withholding 5% Per Month.

TOLEDO AREA CITY TAX CHART - 2010

CITY	Luckey	Maumee(3)	Millbury	Montpelier	Napoleon
COUNTY	WOOD	LUCAS	OTTAWA	WILLIAMS	HENRY
DUE DATE	4/30	4/15	4/15	4/15	4/15
TAX RATE	1%	1.5%	1.5%	1.5%	1.5% (6)
CREDIT FOR TAX TO ANOTHER CITY	1/2 of 1%	1.5%	1%	1.5%	1.5% (6)
COPY OF FEDERAL EXTENSION REQUIRED PRIOR TO DUE DATE	Y	Y	Y	Y	Y
MANDATORY FILING	Y	Y	Y	Y	Y
PENALTY FOR UNDERPAYMENT OF ESTIMATE	N	N	Y	N	Y
PENALTY RATE	N	N	1.5%/mo.		N
INTEREST RATE	N	N	1.5%/mo.		1%/mo.
LATE FILING FEE - AMOUNT	$5.00/mo.	$10 1st mo/$5 mo after	$15.00	$25 1st mo/$75 mo (4)	$25.00
RATE OF PENALTY	1%/mo.	1%/mo. (1)	1.5%/mo.	5%/mo. or $25 (5)	2%/mo.
RATE OF INTEREST	1%/mo.	1%/mo.	1.5%/mo.	1%/mo.	1%/mo.
WHAT IS TAXABLE:					
ANNUITIES AND PENSIONS	N	N	N	N	N
FRINGE BENEFITS (PER IRS RULES)	Y	Y	N	Y	Y
JURY DUTY	Y	Y	N	N	Y
ORDINARY INCOME PORTION OF LUMP SUM DIS. PER IRS	Y	Y	Y	Y	Y
PRIZES AND LOTTERIES	Y	Over $100	Y	Y	Y
RENTAL (MO.) IN EXCESS OF...	Yes(All)	$100	$100	Y(All)	$100
ROYALTIES	Y	Y	N		N
SICK PAY	Y	Y	Y	Y	Y
STOCK OPTIONS (ORDINARY INCOME PORTION)	Y	Y	Y	Y	Y
STRIKE PAY	Y	Y	Y	Y	Y
SUB PAY	Y	Y	Y	Y	Y
WAGES UNDER 18 YEARS OF AGE	Y	Y	Y	N	Y
WHAT IS DEDUCTIBLE OR EXCLUDABLE:					
BUSINESS LOSS AGAINST W-2 INCOME	N	N	N	N	N
LOSS OF ONE SPOUSE AGAINST W-2 INCOME OF OTHER SPOUSE	N	N	N	N	N
MOVING REIMBURSEMENT		Y	N	Y	N
TAX SHELTERED ANNUITIES (IRA, KEOGH)	N(2)	N	N	N	N
NOL CARRYFORWARD - YEARS	5	5	5	N	3
2106-DEDUCTION AS ALLOWED BY IRS	Y	Y Subject to 2% AGI	Y	Y	TOTAL & SCHEDULE A

(1) Withholding 3% Per Month.
(2) IRA-No; Keogh-Yes.
(3) MMT JEDZ Non-Resident Rules Similar to Maumee Rules.
(4) $25 first time late; $75 every time later after that.
(5) 5% per month for first 6 months or $25 for first 6 months; whichever is greater.
(6) Rate effective 7/1/09

TOLEDO AREA CITY TAX CHART - 2010

CITY	N. Baltimore	Northwood	Oak Harbor	Oregon	Ottawa Hills
COUNTY	WOOD	WOOD	OTTAWA	LUCAS	LUCAS
DUE DATE	4/15	4/15	4/15	4/15	4/15
TAX RATE	1%	1.5%	1%	2.25%	1.5%
CREDIT FOR TAX TO ANOTHER CITY	1.0%	1.5%	1%	2.25%	1/2 of lower rate
COPY OF FEDERAL EXTENSION REQUIRED PRIOR TO DUE DATE	Y	Y	Y	Y	Y
MANDATORY FILING	Y	Y	Y	Y	Y
PENALTY FOR UNDERPAYMENT OF ESTIMATE	Y	N	N	Y	N
PENALTY RATE	1.5%	N	N	1.5%	N
INTEREST RATE	1.5%	N	N	.5%	N
LATE FILING FEE - AMOUNT	$10 min./.50 Bus.Day	$5 1st mo/$10 mo after	$25.00	$25.00	
RATE OF PENALTY	18%/yr. (3)	1%/mo. (2)	1.5%/mo. (plus $5/mo.)	1.5%/mo. (4)	1%/mo. (1)
RATE OF INTEREST	18%/yr.	1%/mo.	1.5%/mo.	.5%/mo.	1%/mo.
WHAT IS TAXABLE:					
ANNUITIES AND PENSIONS	N	N	N	N	N
FRINGE BENEFITS (PER IRS RULES)	N	Y	Y	Y	Y
JURY DUTY	Y	Y	Y	Y	Y
ORDINARY INCOME PORTION OF LUMP SUM DIS. PER IRS	Y	Y	Y	Y	Y
PRIZES AND LOTTERIES	Y	Y (5)	Y	N	Y
RENTAL (MO.) IN EXCESS OF...	$125	$100	$125	-0-	$100
ROYALTIES	N	Y	N	N	Y
SICK PAY	Y	Y	Y	Y	Y
STOCK OPTIONS (ORDINARY INCOME PORTION)	Y-When Exercised	Y	Y	Y	Y
STRIKE PAY	Y	Y	Y	Y	Y
SUB PAY	Y	Y	Y	Y	Y
WAGES UNDER 18 YEARS OF AGE	N	Y	Y	Y	Y
WHAT IS DEDUCTIBLE OR EXCLUDABLE:					
BUSINESS LOSS AGAINST W-2 INCOME	N	N	N	N	N
LOSS OF ONE SPOUSE AGAINST W-2 INCOME OF OTHER SPOUSE	N	N	N	N	N
MOVING REIMBURSEMENT	N	N	N	N	Only 3903
TAX SHELTERED ANNUITIES (IRA, KEOGH)	Y On Schedule C	N	N	N	N
NOL CARRYFORWARD - YEARS	5	5	5	5	5
2106-DEDUCTION AS ALLOWED BY IRS	Y-Subject to 2% AGI	N-As Reported on 2106	Y Subject to 2% AGI	Y Subject to 2% AGI	Y-Reduced By 2% AGI

(1) Withholding 3% per month penalty. 1% interest.
(2) Withholding penalty - 5% per month.
(3) $10.00 min. / .50 bus. day.
W/H penalty $10.00 min. or 10%/mo. 1.5%/mo. interest.
(4) Withholding 3% per month penalty. .5% Interest.
(5) Over $10,000.

TOLEDO AREA CITY TAX CHART - 2010

CITY	Pemberville	Perrysburg	Port Clinton	Rossford	Swanton
COUNTY	WOOD	WOOD	OTTAWA	WOOD	FULTON
DUE DATE	4/15	4/15	4/15	4/15	4/15
TAX RATE	**1%**	**1.5% (3)**	**1.5%**	**2.25%**	**1.25%**
CREDIT FOR TAX TO ANOTHER CITY	None	1/2 of lower rate	1.0%	2.25%	1/2 of 1%
COPY OF FEDERAL EXTENSION REQUIRED PRIOR TO DUE DATE	Y	Y (7)	Y	Y	Y
MANDATORY FILING	Y	Y	Y	Y	Y
PENALTY FOR UNDERPAYMENT OF ESTIMATE	N	Y	Y	N	N
PENALTY RATE	N	1%/mo.(10% Min.)(1)	$50/year	N	N
INTEREST RATE	N	1%/mo.	N	N	N
LATE FILING FEE - AMOUNT	None	$25 or amt tax liab (12)	$50.00	$10.00	$5 1st mo/$10 mo after
RATE OF PENALTY	$2/mo. or 1%/mo. (13)	N/A	1.5%/mo. (8)	1.5%/mo. or $10.00 (2)	3/4%/mo.
RATE OF INTEREST	1%/mo.	1%/mo.	1.5%/mo. (9)	.5%/mo.	3/4%/mo.
WHAT IS TAXABLE:		(6)			
ANNUITIES AND PENSIONS	N	N	N	N	N
FRINGE BENEFITS (PER IRS RULES)	N	Y	N	Y	Y
JURY DUTY	Y	Y	Y	Y	N
ORDINARY INCOME PORTION OF LUMP SUM DIS. PER IRS	Y	Y	Y	Y	Y
PRIZES AND LOTTERIES	Y	Y	Y	Y	Y
RENTAL (MO.) IN EXCESS OF...	No Min.	No Min.	$200	$100	$100
ROYALTIES	Y	Y	N	Y	Y
SICK PAY	Y	Y	Y	Y	Y
STOCK OPTIONS (ORDINARY INCOME PORTION)	Y	Y	Y	Y	N
STRIKE PAY	Y	Y	Y	Y	Y
SUB PAY	Y	Y	N	Y	Y
WAGES UNDER 18 YEARS OF AGE	Y	Y	N	Y	Y
WHAT IS DEDUCTIBLE OR EXCLUDABLE:					
BUSINESS LOSS AGAINST W-2 INCOME	N (4)	N (4)	N	N	N
LOSS OF ONE SPOUSE AGAINST W-2 INCOME OF OTHER SPOUSE	N (4)	N (4)	N	N	N
MOVING REIMBURSEMENT	N	N	N	N	N
TAX SHELTERED ANNUITIES (IRA, KEOGH)	N	N	N	N	N
NOL CARRYFORWARD - YEARS	5	5	0	5	5
2106-DEDUCTION AS ALLOWED BY IRS	Y	Y(5)	(11) Y - Reduce by 2% AGI	(10) Y-Reduce by 2% AGI	Y

(1) Withholding 3% per month. (10% minimum)
(2) Withholding 5% per month or $5.00.
(3) Perrysburg/Toledo JEDZ Tax is 1.5%.
(4) Don't allow netting of Federal Schedules against each other or W-2.
(5) 2106 will reduce tax credit available for other cities. Each 2106 must be identified to a specific W-2(s).
(6) S Corporation "flow-through" K-1/taxable at the individual level.
Credit for tax paid other cities may partially offset the liability.
(7) Including payment of expected liability.
(8) Withholding 6% with $25.00 minimum per mo
(9) Withholding 1.5 % per month.
(10) Y-Only mileage and/or auto expense may be taken. Expenses must be reduced by 2% of total gross wages.
(11) Port Clinton Taxable Income
(12) Lesser of $25.00 or tax liability.
(13) Whichever is greater.

TOLEDO AREA CITY TAX CHART - 2010

CITY	Sycamore	Sylvania	Tiffin	Toledo	Tontogony
COUNTY	WYANDOT	LUCAS	SENECA	LUCAS	WOOD
DUE DATE	4/15	4/15	4/15	4/15	4/15
TAX RATE	1%	1.5%	1.75%	2.25%	1%
CREDIT FOR TAX TO ANOTHER CITY	1/2 of 1%	1.5% (1)	1.75%	2.25%	1%
COPY OF FEDERAL EXTENSION REQUIRED PRIOR TO DUE DATE	Y	Y	Y	N - Attach to Return	Y
MANDATORY FILING	Y	Y	Y	N	Y
PENALTY FOR UNDERPAYMENT OF ESTIMATE	Y	N	N	Y	N
PENALTY RATE	1.5%/mo.	N	N	1.5%/mo.	N
INTEREST RATE	1.5%/mo.	N	N	.5%/mo.	N
LATE FILING FEE - AMOUNT	$15.00	$25.00 (2)	$25.00	None	$25.00
RATE OF PENALTY	1.5%/mo.	1.5%/mo. (3)	$25.00	5% 1st 5 mos/1.5% mo	$10/mo.
RATE OF INTEREST	1.5%/mo.	1.5%/mo. (4)	1.5%/mo.	.5%/mo.	1%/mo.
WHAT IS TAXABLE:		(5)			
ANNUITIES AND PENSIONS	N	N	N	N	N
FRINGE BENEFITS (PER IRS RULES)	Y	Y	Y	Y	N
JURY DUTY	Y	Y	Y	Y	Y
ORDINARY INCOME PORTION OF LUMP SUM DIS. PER IRS	Y	Y	Y	Y	Y
PRIZES AND LOTTERIES	N	Y (7)	Y	Y (6)	Y
RENTAL (MO.) IN EXCESS OF...	No. Min.	$250	No Min.	$250	$100
ROYALTIES	N	Y (10)	N	N	N
SICK PAY	Y	Y	Y	Y	Y
STOCK OPTIONS (ORDINARY INCOME PORTION)	Y	Y	N	Y	Y
STRIKE PAY	N	Y	Y	N	Y
SUB PAY	Y	Y	Y	Y	Y
WAGES UNDER 18 YEARS OF AGE	Y	Y	N	Y	Y
WHAT IS DEDUCTIBLE OR EXCLUDABLE:			-9		
BUSINESS LOSS AGAINST W-2 INCOME	Y	N	N	N	N
LOSS OF ONE SPOUSE AGAINST W-2 INCOME OF OTHER SPOUSE	Y	N	N	N(8)	N
MOVING REIMBURSEMENT	N	If In Gross Wages	N	N	N
TAX SHELTERED ANNUITIES (IRA, KEOGH)	N	N	N	N	N
NOL CARRYFORWARD - YEARS	5	5	0	5	5
2106-DEDUCTION AS ALLOWED BY IRS	Y	Y-Reduce by 2% AGI	Y	Y-Reduce by 2% AGI	Y

(1) Credit for tax paid is limited to other municipalities.
(2) No amount under $10.00 will be due. No refunds will be given for an overpayment under $10.00.
However, these overpayments will be credited to the following year.
(3) Withholding 3% per month.
(4) Statutory interest will be charged from original due date of the return until the actual date of payment.
(5) Taxable wage will include non-qualified plans to the extent they are subject to Medicare Tax.
(6) In excess of $2,500.
(7) In excess of $9,999.99.
(8) Separate Filing Required for Each Spouse.
(9) Can take deduction on premium on Self-Employed.
(10) Gas and oil only.

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TOLEDO AREA CITY TAX CHART - 2010

CITY	Walbridge	Waterville	Wauseon	Weston	Whitehouse
COUNTY	WOOD	LUCAS	FULTON	WOOD	LUCAS
DUE DATE	4/15	4/15	4/15	4/15	4/15
TAX RATE	1.5%	2%	1.5%	1%	1.5%
CREDIT FOR TAX TO ANOTHER CITY	1%	1.5%	1.5%	None	.75%
COPY OF FEDERAL EXTENSION REQUIRED PRIOR TO DUE DATE	Y	Y	Y	Y	Y
MANDATORY FILING	Y	Y	Y	Y	Y
PENALTY FOR UNDERPAYMENT OF ESTIMATE	Y	'Y	Y	Y	N
PENALTY RATE	1%/mo.	1%/mo.	1.5%/mo.	.5%/mo.	N
INTEREST RATE	1%/mo.	1%/mo.	1.5%/mo.	.5%/mo.	N
LATE FILING FEE - AMOUNT	$20.00	(3)	(1)	$10.00/mo.	$5.00/mo.
RATE OF PENALTY	1%/mo.	1%/mo.	(1)	.5%/mo.	1%/mo.
RATE OF INTEREST	1%/mo.	1%/mo. (2)	1.5%/mo.	.5%/mo.	.5% mo./6% yr.
WHAT IS TAXABLE:					
ANNUITIES AND PENSIONS	N	N	N	N	N
FRINGE BENEFITS (PER IRS RULES)	N	Y	Y	Y	Y
JURY DUTY	Y	Y	Y	Y	Y
ORDINARY INCOME PORTION OF LUMP SUM DIS. PER IRS	Y	Y	Y	Y	Y
PRIZES AND LOTTERIES	Y	Y	Y	Y	Y
RENTAL (MO.) IN EXCESS OF...	$100	$100	$100	$100	$100
ROYALTIES	N	N	Y	N	N
SICK PAY	Y	Y	Y	Y	Y
STOCK OPTIONS (ORDINARY INCOME PORTION)	Y	Y	Y	Y	Y
STRIKE PAY	Y	Y	Y	Y	Y
SUB PAY	Y	Y	Y	N	Y
WAGES UNDER 18 YEARS OF AGE	Y	Y	Y	Y	Y
WHAT IS DEDUCTIBLE OR EXCLUDABLE:					
BUSINESS LOSS AGAINST W-2 INCOME	N	N	N	N	N
LOSS OF ONE SPOUSE AGAINST W-2 INCOME OF OTHER SPOUSE	N	N	N	N	N
MOVING REIMBURSEMENT	N	If in gross wages	If in gross wages		If in gross wages
TAX SHELTERED ANNUITIES (IRA, KEOGH)	N	N	N	N	N
NOL CARRYFORWARD - YEARS	5	5	N	5	5
2106-DEDUCTION AS ALLOWED BY IRS	Y (4)	Y (4)	N (5)	Y	Y (4)

(1) $25 or 10% whichever is greater late filing penalty.
$25 if no tax liability is due but filed after 4/15/88.
(2) Withholding 6% per year.
Interest 3% per month.
(3) $10 first month, $5.00 each month thereafter.
(4) Subject to 2% of AGI Income.
(Only if Itemize)
(5) Passed ordinance effective 11/5/01 to disallow 2106 exp. effective for returns filed for year starting 2001.

DRAFT - Municipal Income Tax Non-Uniformity Topics

Gateway:
Needs $
E-file
Batch file

Uniformity:
Application
Law

NOL:
Phase in/out over X years
Revenue neutral

Days In/Out
12 days occasional entry provision
$150 minimum filing threshold

Penalty and Interest
OML language
Late change

Residency:
Bright line test
Criminal law
Other/follow state law on contact periods

Consolidate tax return:
OML language

Assessment and Appeals:
Assessment process
Appeals process
SOL
Due dates
What if city doesn't follow federal law? (taxpayer bill of rights)
Posting law/rules
Extensions
Residency for out-of-state residents

Tax base/uniformity:
Pensions
NOL
Deferred comp
S/O
HSA – eliminate for city?

2106
Lottery
Casinos
Minimum threshold - NP
Earned income versus unearned
Electric and telephone – 5745
Passive activity loss
General Assembly
3rd party sick pay
Schedule E

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Ohio Manufacturers' Association

Tax Policy Committee Tax Counsel Report
February 16, 2012

By Mark A. Engel
Bricker & Eckler LLP

Administrative Actions:

In Information Release CFT 2012-01, Issued January 2012, the Tax Commissioner waived for the 2012 tax year the requirement for S corporations to file Form 1120S, Notice of S corporation status.

In December 2011, the Individual Income and Business Tax Divisions announced that in certain cases, taxpayers would be permitted to take a foregone 168(k) or 179 1/5 depreciation deduction in a future year. R.C. 5747.01(A)(20) requires 5/6 of the election under 179 and the bonus depreication under 168(k) be added back to taxable income , while R.C. 5747.01(A)(21) allows 1/5 of that amount to be deducted in the succeeding 5 tax years. R.C. 5747(A)(21)(c) precludes the deduction for a taxable to the extent the depreciation resulted in an increased federal net operating loss carryback or carryforward to a taxable year. In such a case, taxpayers who are unable to claim the benefit of the 1/5 deduction as a result of this provision may fully use the deduction in the earliest future tax years in which the deduction does not result in or increase a federal NOL. This ruling is to be applied prospectively, beginning with the 2011 tax year.

Legislative Actions:

See Mr. Augsburger's report.

Judicial Actions:

Ohio Supreme Court

In *WCI Steel, Inc. v. Testa*, 129 Ohio St. 3d 256, 2011-Ohio-3280, the Supreme Court ruled that a notice of appeal to the board of tax appeals sufficient specified error if it (i) states the taxpayer's objection to the commissioner's actions and (ii) identified the treatment that the commissioner should have applied. Moreover, the court recognized that since the BTA has a statutory duty to receive additional evidence, evidence that was not submitted to the Tax Commissioner may still be presented in the first instance to the BTA.

Ohio Court of Appeals

In *Durabilt, Inc. v. Testa*, 2011-Ohio 5781 (5th Dist. 2011), the court of appeals upheld a decision of the BTA that the taxpayer was a construction contractor liable for sales tax on its purchases of materials. Customers contracted with Durabilt to provide pole buildings; Durabilt engaged in a joint venture with a material supplier pursuant to which the supplier provided the material and Durabilt provided the labor to complete the project; the supplier billed Durabilt for the cost of the materials used. Durabilt contracted to construct the buildings and its relationship with the supplier was not disclosed to the customer. Based upon these facts, the court of appeals ruled the BTA's decision that Durabilt was a construction contractor and was liable for tax on the materials was both reasonable and lawful.

Ohio Board of Tax Appeals

In *Errington v. Levin*, Nos. 2009-A-282 & 283 (Dec. 20, 2011), the BTA held the taxpayers were responsible parties liable for the unpaid sales tax liability of an LLC. The evidence showed the taxpayers were 25% owners of the entity and engaged in its daily operations. They also signed several of the entity's sales tax returns. The fact that a bank may have seized funds out of their account did not alter the fact of their statutory liability.

In *Borger v. Levin*, No. 2008-A-1905 (January 10, 2012), the BTA held the taxpayer was not personally liable for the unpaid sales tax of the business. While the individual was an owner, he was neither an officer, nor an employee, during the period in question.

In *Target Corporation v. Lake County Bd. of Revision*, No. 2008-M-1088 (Dec. 20, 2011), the BTA wrote another chapter in the tomb relating to the valuation of big box store properties. The BTA determined that long-term rental rates, entered into many years before, nevertheless represented lease rates in the current market. It is interesting to note that a review appraiser testified that the position to discount older, long-term lease rates that was rejected by the BTA was in fact the accepted appraisal method.

Tax Commissioner Opinion

No opinions to report.

Ohio | Department of Taxation

Joseph W. Testa, Tax Commissioner

Individual Income and Business Tax Divisions

Ability to Take A Foregone §168(k) and §179 1/5th Depreciation Deduction in a Future Tax Year

The Ohio Department of Taxation has received several inquiries regarding the effect of R.C. 5747.01(A)(21)(c) on certain income tax payers. The IRC §179 election and the IRC §168(k) bonus depreciation provision allow taxpayers to deduct an accelerated amount of the cost of certain depreciable property. For state purposes however, Ohio requires that these depreciation amounts instead be taken over a 6 year period. The deferral provision in R.C. 5747.01(A)(20) requires 5/6th of such depreciation to be added back to Ohio adjusted gross income. R.C. 5747.01(A)(21) allows a subsequent 1/5th deduction for 5 years until the total depreciation amount has been deducted. Notwithstanding these provisions, R.C. 5747.01(A)(21)(c) precludes Ohio's 1/5th deduction to the extent that such depreciation resulted in or increased a federal net operating loss carryback or carryforward to a taxable year. Currently, if the 1/5th Ohio deduction is not taken due to this provision, the taxpayer has no guidance as to whether or when the deduction can be recovered in a future year. Instead, the taxpayer has been losing the benefit of the deduction regardless of having previously added that portion back for the year in which the depreciation expense was taken for federal purposes. As such, the Department now intends to offer guidance on the following inquiry: If the Ohio 1/5th depreciation deduction is precluded from being taken in a certain tax year under R.C. 5747.01(A)(21)(c), can it be preserved and taken in a future tax year during which a federal and Ohio net operating profit exists?

Our Chief Counsel has reviewed this matter and the relevant sections of the Ohio Revised Code. After diligent consideration of the law and its intent, he has determined the following: A taxpayer who has properly made a 5/6th depreciation add back under R.C. 5747.01(A)(20) and who is precluded from taking a corresponding 1/5th deduction pursuant to R.C. 5747.01(A)(21)(c), may instead fully utilize this deduction in the earliest occurring future tax year during which the deduction does not result in or increase a federal net operating loss. In the case of multiple 1/5th deductions not taken, the taxpayer may fully utilize the aggregate of these foregone deductions in the earliest occurring future tax year during which the deductions do not result in or increase a federal net operating loss.

This determination will be applied prospectively to all income tax filings beginning with tax year 2011. Only foregone 1/5th deductions whose corresponding 5/6th add backs occurred in tax year 2006 and thereafter may be taken on the 2011 and subsequent tax returns. Foregone deductions resulting from asset purchases in tax

Individual Income Tax Section &
Pass-Through Entity Tax Section
4485 Northland Ridge Blvd.
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years prior to 2006 are not eligible for this treatment. Taxpayers are precluded from filing amended returns to claim this adjustment for tax years prior to 2011.

If you have any questions, please call the Individual Income Tax section at (800) 282-1780 or the Pass-Through Entity Tax section at (888) 405-4039.

Waiver of Corporation Franchise Tax Filing Requirement for tax year 2012 (based on taxable year ending in 2011) for S Corporations

Information Release CFT 2012-01
Issued: January 2012

The Tax Commissioner has waived, for tax year 2012, the requirement that S corporations file form FT 1120S (Notice of S Corporation Status).

Ohio Revised Code 5733.09(B) provides:

- A corporation that has made an election under subchapter S, chapter one, subtitle A, of the Internal Revenue Code for its taxable year under such code is exempt from the tax imposed by section 5733.06 of the Revised Code that is based on that taxable year.
- A corporation that makes such an election shall file a notice of such election with the tax commissioner between the first day of January and the thirty-first day of March of each tax year that the election is in effect.

The Tax Commissioner has issued an administrative journal entry, dated Oct. 12, 2011, waiving the filing requirement for S corporations for tax year 2012, based on taxable year ending in 2011. Accordingly, S corporations do not need to file form FT 1120S for tax year 2012, as the administrative journal entry overrides the filing requirements in R.C. 5733.09(B) for S corporations. Investor information previously reported on the FT 1120S will now be reported on either the IT 4708 (Composite Income Tax Return for Certain Investors in a Pass-Through Entity) or IT 1140 (Pass-Through Entity and Trust Withholding Tax Return).

Anyone with questions concerning this matter should contact the Department of Taxation at 1- (888) 405-4039.

Public Policy Report

PUBLIC POLICY REPORT – Tax Policy

TO: OMA Tax Policy Committee
FROM: Ryan Augsburger, OMA Staff
DATE: February 16, 2012
SUBJECT: TAX POLICY HIGHLIGHTS

Overview

The state operates on a two-year budget cycle. The budget was completed last June. A mid-biennium budget review (MBR) is intended for later this winter. The MBR process was an innovation of Governor Kasich. Like budget legislation, the MBR could be a vehicle for a wide range of policy changes.

There have been rumors for some time that the MBR could be a vehicle for tax relief as well as new taxes and fees to anticipated revenue from shale gas plays. (Shale gas in Ohio has been estimated to yield as much as $500 billion over several decades. See OMA Energy Committee Resources for more information on shale gas).

The General Assembly has been in session but few tax related bills seem to be moving. 2012 is an election year. Politics and campaigns are likely to pre-empt policy shifts in the short term. Rumored legislative proposals may be introduced in late summer / autumn, or not at all. Stay tuned.

State Issue 2

Last November, Ohioans voted to repeal SB 5. The legislation was enacted by Republican majorities last March and would have curtailed union organizing and union rights among public employees at the state and local government levels. SB 5 was sold by proponents as a public employer management tool that would yield cost-savings in government.

With the repeal of the legislation, some government spending hawks would like to see it re-introduced. “TEA party” activists are advancing a more broad proposal to make Ohio a right-to-work state. State leaders have not embraced a redo, nor have they embraced a broad proposal.

The issue is important from a tax perspective due to the correlation of taxes and government spending. The Administration was counting on some cost-savings from SB 5 provisions which would seem to reduce any possible surplus that could have been used to fund additional tax relief. Coupled with the budget which reduced local government funding, State Issue 2 has resulted in numerous local governments seeking revenue enhancement. This is a noteworthy trend.

State Budget and Financial Condition

See enclosed monthly financial report by Ohio Office of Budget and Management. State revenue in recent months has come in at or above estimates. For fiscal 2012 to date, tax collections are $918 million (9.2%) higher than at the same point in 2011. The largest contributors to the year-over-year growth are the non-auto sales tax, personal income tax, and the commercial activities tax.

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. This was a significant policy gain during the current General Assembly.

House Study Committee
Late last year a legislative study committee met numerous times to hear from parties about tax policy. OMA Tax Counsel Mark Engel of Bricker & Eckler appeared before the panel and described the rationale and merits of tax reform. The committee is charged with looking at the CAT, considering the sales and use tax, and considering tax expenditures. A report is in review and expected to be released later this winter and may drive legislation.

Municipal Tax Collection
For much of 2011, a concept to consolidate local income tax collections was rumored with apparent support from the Administration. The project seems to now be more focused on uniformity rather than consolidation. Timing seems to be on hold until autumn.

Pending Legislation
House Bill 18 takes aim at the problem of vacant buildings by creating a financial incentive for businesses to occupy a vacant building with FTEs conducting business. Initially the legislation was crafted as a tax credit against the CAT. The OMA was instrumental in reshaping to a grant program. The bill has advanced out of the House and is pending in the Senate where a panel is poised to amend the grant to tap an existing ODOD fund and specify that recipient businesses are ineligible for existing state business tax credits such as JRTC or JCTC.

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 were required to begin paying interest by September 2011 (nearly $300 in interest alone in the 2012/13 biennial budget).

Ohio employers are seeing FUTA increases to repay the federal loans. Legislation to revise the state fund could be coupled with benefit revisions. No action to report.

JobsOhio and Third Frontier
Priority legislation last year created a non-profit corporation called JobsOhio to coordinate state economic development activity. Structural, legal, and financial negotiations have transpired and the new entity is up and running with staff. Further legislation is expected later this year to authorize operations.

Tax Management

IRS Announces New Taxes on Medical Devices

On February 3, 2012, the IRS issued new regulations to implement a 2.3% excise tax on medical devices. This new tax was created by the Patient Protection and Affordable Care Act to raise revenues to pay for health benefits established by the law.

U.S. medical device manufacturers are the world market leaders; the imposition of this new tax will impede U.S. industry's capital capacity to invest in research and development, new technologies and new employees.

The OMA is asking Ohio members of Congress to pass HR 436 (Paulsen, R – MN). The bill would repeal the new tax. For more, read this Advanced Medical Technology Association (AdvaMed) press release. *02/10/2012*

New Economic Development Details Announced

The Kasich administration this week released a series of fact sheets about how JobsOhio will operate its economic development functions.

Earlier this year, the governor won support to use state liquor sales revenue to create a dedicated economic development investment fund. About $100 million will be available each year for job creation and retention.

Citing figures by the U.S. International Economic Development Council, Bloomberg News Reports this amount "would be larger than similar arrangements in Michigan, Kentucky and California and would be one of the biggest such dedicated funding sources in the U.S."

01/27/2012

Governor Pushes Additional Taxes on Oil and Gas

Governor Kasich announced his intention to push for new taxes and fees on the oil and gas industry. Specifically, the Governor is advocating for "impact fees" to help cover the costs of maintaining local infrastructure and expanding the state's severance tax, a tax on entities that consume the state's natural resources, to encompass natural-gas liquids.

The Governor stated, "At some point, these counties are going to benefit, but in the early years, when it comes to the erosion of roads and infrastructure, we need to make sure that these locals are going to be in a position to manage their infrastructure."

It is likely that these modifications will be included in the mid-year budget review bill expected sometime in March.

01/23/2012

Economists to Senators: Tax Incentives and Right to Work Impact State Competitiveness

In a Senate hearing, two Ohio economists debated the merits state tax incentives. Professor Richard Vedder of Ohio University offered perspectives that tax credits are generally bad policy. Dean Edward "Ned" Hill of Cleveland State University made the case that states need to offer economic development incentives including tax breaks in order to remain competitive. Dr. Hill highlighted the importance of auditing to ensure compliance by incentive recipients.

Both experts agreed that tax policy alone doesn't drive business investment and they cited right-to-work as a detriment to Ohio's competitiveness. Read coverage of the hearing by *Gongwer News Service.*

01/20/2012

Senate Panel Approves Unemployment Benefit Extension

A Senate committee acted this week to amend HB 337 to respond to a federal deadline regarding unemployment benefits. The amendment allows more than 20,000 eligible Ohioans to continue receiving state extended benefits, up to 99 weeks. The state will be reimbursed by the federal government for the extended benefits.

01/13/2012

Get Ready to Comply with New Pension Plan Disclosure Rules

According to Mike Kozlowski, CPA and Director, Assurance & Business Advisory Services, GBQ Partners, the Department of Labor (DOL) has implemented new rules regarding disclosure of expenses for pension plans, including employer-sponsored 401(k) plans. Plan sponsors will be required to make these new disclosures in 2012.

The new rules require the disclosure of service provider fees and other compensation on Schedule C of the Form 5500, which was required to be reported for plan years beginning on or after January 1, 2009. These disclosures include both direct and indirect compensation that was paid by the plan.

Kozlowski explained, “DOL is trying to get more information into all participants’ hands so they can make better informed decisions on their investments. Also, hidden expenses in plans are very tough for a participant to determine so more disclosure is being required. And he advised, “Plan sponsors need to be aware of the rules and communication with your service provider is essential to make sure the disclosures are made timely.” GBQ Partners is an OMA Connections Partner.

01/13/2012

Economic Development Incentive Compliance Questioned

Ohio newspapers are reporting widespread non-compliance by companies that received state economic development incentives in recent years. The media is reacting to a new report from Ohio Attorney General Mike DeWine that found fewer than 53 percent of award recipients were in compliance.

The Lima News listed individual companies, and the Columbus Dispatch editorialized in strong support of better monitoring for compliance saying, “... contracts governing awards inconsistently protect taxpayer interests,” and found that the Ohio Department of Development “often does not strictly enforce reward requirements.”

OMA staff will be scrutinizing the attorney general’s report. Member comment is invited.

01/06/2012

InvestOhio Tax Credit Launched

Governor Kasich this week signed an executive order authorizing the Ohio Department of Development to immediately adopt rules to implement the "InvestOhio" program. The program provides a non-refundable tax credit to eligible investors who make a qualifying investment in an Ohio small business enterprise.

Registration opens on November 14. Visit the Department of Development to learn more about the program.

11/11/2011

Manufacturers Face Unemployment Tax Hikes

Members of the OMA Tax Policy Committee this week heard a presentation by the Ohio Department of Job and Family Services on the state’s unemployment compensation system. With unemployment still around 9% and benefits extended to 99 weeks by the federal government, Ohio’s system has had to borrow $2.6 billion: funds that will need to be repaid.

Significant rates hikes are potentially ahead for many Ohio employers. Take a minute to review Assistant Director Bruce Madson’s PowerPoint to learn how the system is structured and how your company may be impacted.

Further system reforms including possible rate hikes could come in early 2012. Contact Ryan Augsburger at the OMA to help shape the reforms.

11/04/2011

Third Frontier Program Changes

Also this week at the meeting of the OMA Tax Policy Committee, Mark Engel of Bricker & Eckler LLP, OMA Tax Counsel, shared a report describing changes that are designed to make the awards more competitive to ensure the best (economic development) projects get approved.

Engle's report will be useful to manufacturers interested in the variety of programs funded through the Third Frontier.

11/04/2011

OMA Tax Committee Materials - 11/03/2011

These are the materials that support the June15, 2011 OMA Tax Committee meeting, and they have utility to the tax - and broader - community of practice among Ohio manufacturers as well.

Addendum: Guest Presentation - Ohio Jobs & Family Services - Unemployment Insurance Update

11/02/2011

Taxation Legislation

Prepared by: The Ohio Manufacturers' Association
Report created on February 15, 2012

HB1 **JOBSOHIO** (DUFFEY M) To authorize the Governor to create JobsOhio, a nonprofit economic development corporation.

Current Status: 2/18/2011 - **SIGNED BY GOVERNOR**; Eff. 2/18/2011

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_1

HB3 **REPEAL ESTATE TAX** (GROSSMAN C, HOTTINGER J) To repeal the estate tax for the estates of individuals dying on or after January 1, 2011.

Current Status: 2/16/2011 - **REPORTED OUT**, House Ways and Means, (Fourth Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_3

HB8 **TAX PROMPT REMITTANCE DISCOUNT** (BLAIR T) To increase the sales and use tax prompt remittance discount and to authorize a discount for prompt remittance of income tax withholding.

Current Status: 1/11/2011 - Referred to Committee House Ways and Means

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_8

HB10 **REMEDIATION OF CONTAMINATED SITE** (SEARS B) To authorize refundable tax credits for the completion of a voluntary action to remediate a contaminated site and for the return of such sites to productive use, and to exempt persons through 2017 who have issued covenants not to sue under the Voluntary Action Program from certain fees and penalties for one year after the issuance of such a covenant.

Current Status: 3/2/2011 - House Ways and Means, (Fifth Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_10

HB17 **TAX CREDIT FOR HIRING UNEMPLOYED** (BAKER N) To authorize a $2,400 income tax withholding credit for an employer that hires and employs a previously unemployed individual.

Current Status: 1/11/2011 - Referred to Committee House Ways and Means

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_17

HB18 **TAX CREDIT - EXPANDING BUSINESSES** (BAKER N) To authorize a nonrefundable tax credit for a business that increases payroll and expands into a vacant facility.

Current Status: 2/15/2012 - Senate Ways & Means & Economic Development, (Third Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_18

HB43 **OHIO VENTURE CAPITAL AUTHORITY** (GOYAL J, WILLIAMS S) To increase the annual and aggregate limit on the amount of tax credits the Ohio Venture Capital Authority may authorize.

Current Status: 1/26/2011 - Referred to Committee House Economic and Small Business Development

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_43

HB44 **SMALL BUSINESS WORKING CAPITAL LOAN PROGRAM** (GOYAL J, GARLAND N) To create the Small Business Working Capitol Loan Program.

Current Status: 1/26/2011 - Referred to Committee House Economic and Small Business Development

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_44

HB58 **INTERNAL REVENUE CODE** (BECK P) To expressly incorporate changes in the Internal Revenue Code since December 15, 2010, into Ohio law.

Current Status: 3/7/2011 - **SIGNED BY GOVERNOR**; eff. 3/7/2011

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_58

HB81 **PERFORMANCE BUDGETING** (SNITCHLER T) To require performance budgeting by most state agencies.

Current Status: 2/22/2011 - House State Government and Elections, (Second Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_81

HB98 **INCOME TAX RATE FOR 70 1/2 YEARS OR OLDER** (HOLLINGTON R) To reduce the maximum effective income tax rate applicable to unearned income of persons age 70 1/2 years or older to 1% beginning in 2013.

Current Status: 3/30/2011 - House Ways and Means, (Fourth Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_98

HB101 **JOB CREATION/RETENTION CREDITS** (WILLIAMS S) To provide for a six-year trial period in which taxpayers may include a limited number of the taxpayer's employees who work from home and whose rate of pay is at least three times the federal minimum wage as employees employed in the project for purposes of the job creation and retention credits if the recipient of the credit provides a specified level of capital investment, and to require the Director of Development to issue a report at the end if the six-year period.

Current Status: 6/1/2011 - House Ways and Means, (First Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_101

HB111 **TAX DEDUCTION-SMALL BUSINESS** (WILLIAMS S) To authorize an income tax deduction for small business owners' reinvestment of undistributed profits in business property, employee training, or research and development.

Current Status: 5/11/2011 - House Ways and Means, (First Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_111

HB114 **TRANSPORTATION BUDGET** (MCGREGOR R) To make appropriations for programs related to transportation and public safety for the biennium beginning July 1, 2011, and ending June 30, 2013, and to provide authorization and conditions for the operation of those programs.

Current Status: 7/13/2011 - HB114 had a provision amended by SB187

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_114

HB134 **CAPITAL GAINS INVESTMENTS** (SCHURING K) To reduce the income tax rate on capital gains reinvested in Ohio-based investments.

Current Status: 6/1/2011 - House Ways and Means, (Fourth Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_134

HB153 **BIENNIAL BUDGET** (AMSTUTZ R) To make operating appropriations for the biennium beginning July 1, 2011, and ending June 30, 2013, and to provide authorization and conditions for the operation of state programs.

Current Status: 6/30/2011 - **SIGNED BY GOVERNOR**; Effective 6/30/2011; some sections different dates, 7 line item vetos

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_153

HB198 **PROPERTY TAX COMPLAINTS** (COLEY II W) To permit property tax complaints to be initiated only by the property owner.

Current Status: 5/12/2011 - House Financial Institutions, Housing and Urban Development, (Second Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_198

HB220 **CAT TAX CREDIT INVESTMENT LOSSES** (BECK P, BAKER N) To allow a refundable commercial activity tax credit for investment losses recognized by foreign entrepreneur investors who invest in certain projects in Ohio.

Current Status: 6/23/2011 - House Economic and Small Business Development, (Sixth Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_200

HB258 **APPRENTICESHIP PROGRAMS** (GROSSMAN C, DOVILLA M) To exempt from taxation for five years the earned income of an individual who obtains journeyperson status or a baccalaureate degree and works in Ohio; and to prohibit the Apprenticeship Council from adopting standards for apprenticeship ratios that are stricter than those requirements specified in the federal regulations governing apprenticeship programs and from discriminating against open or merit shops.

Current Status: 2/8/2012 - **BILL AMENDED**, House Ways and Means, (Third Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_258

HB261 **ALTERNATIVE FUEL FACILITY** (MCGREGOR R) To allow a credit against the personal income tax or commercial activity tax for the installation of an alternative fuel facility.

Current Status: 9/21/2011 - House Ways and Means, (Second Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_261

HB310 **ELECTRIC VEHICLE SALES TAX REDUCTION** (GOODWIN B) To reduce the amount of sales tax due on the purchase or lease of a qualifying electric vehicle by up to $2,000.

Current Status: 11/16/2011 - House Ways and Means, (Second Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_310

HB327 **JOB CREATION-RETENTION TAX CREDIT** (GONZALES A) To provide for a six-year trial period in which taxpayers may receive a job creation or job retention tax credit for the employment of home-based employees and to require the Director of Development to issue a report at the end of the
six-year period.

Current Status: 1/26/2012 - **BILL AMENDED**, House Economic and Small Business Development, (Fourth Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_327

HB365 **ENHANCED FEDERAL INCOME TAX DEPRECIATION DEDUCTION** (BECK P) To allow taxpayers who claim an enhanced federal income tax depreciation deduction to reduce the amount of the
deduction the taxpayer must add-back for Ohio income tax purposes if the taxpayer increases payroll in the year the enhanced federal deduction is taken.

Current Status: 2/14/2012 - Referred to Committee Senate Ways & Means & Economic Development

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_HB_365

HB446 **TAX EXPENDITURES EFFECTIVENESS** (DRIEHAUS D, FOLEY M) To provide for an appraisal of the effectiveness of tax expenditures.

Current Status: 2/14/2012 - Referred to Committee House Finance and Appropriations

More Information: No link available

SB1 **JOBSOHIO** (WAGONER M) To authorize the creation of JobsOhio, the non-profit economic development corporation.

Current Status: 2/2/2011 - Referred to Committee Senate Finance

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_1

SB4 **PERFORMANCE AUDITS OF STATE AGENCIES** (SCHAFFER T) To require the Auditor of State to conduct performance audits of certain state agencies.

Current Status: 4/5/2011 - **SIGNED BY GOVERNOR**; Eff. 4/5/2011

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_4

SB5 **COLLECTIVE BARGAINING REFORM** (JONES S) To make changes to Ohio's Collective Bargaining Law, which was first enacted in 1983.

Current Status: 11/8/2011 - Repealed by Voter Referendum

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_5

SB6 **JOB RETENTION TAX CREDIT** (PATTON T) To authorize a refundable job retention tax credit.

Current Status: 2/22/2011 - SB6 became part of HB58

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_6

SB7 **IRS TAX CHANGES** (OBHOF L) To expressly incorporate changes in the Internal Revenue Code since December 15, 2010, into Ohio law, and to declare an emergency.

Current Status: 2/17/2011 - Senate Ways & Means & Economic Development, (Second Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_7

SB12 **SMALL BUSINESS SET ASIDE** (KEARNEY E) To generally require that state agencies set aside a certain amount of purchases for which only small business enterprises may compete.

Current Status: 2/2/2011 - Referred to Committee Senate State & Local Government & Veterans Affairs

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_12

SB13 **UNEMPLOYMENT MODERNIZATION TASK FORCE** (SCHIAVONI J) To allow an individual to receive unemployment compensation benefits for unemployment related to domestic abuse or compelling family circumstances, to allow an individual to receive unemployment training extension benefits under specified conditions, and to create the Unemployment Modernization Review Task Force.

Current Status: 3/22/2011 - Senate Insurance, Commerce & Labor, (First Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_13

SB47 **CAT TAX CREDIT GROCERY STORES** (KEARNEY E) To authorize a commercial activity tax credit for underserved community grocery stores.

Current Status: 2/17/2011 - Senate Ways & Means & Economic Development,

(First Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_47

SB58 **TAX CREDIT EMPLOYMENT CONVICTED FELONS** (TAVARES C) To create a tax credit for the employment of individuals who have been convicted of felonies.

Current Status: 2/10/2011 - Senate Ways & Means & Economic Development, (First Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_58

SB90 **ESTATE TAX** (JORDAN K) To repeal the estate tax for the estates of individuals dying on or after January 1, 2011.

Current Status: 4/14/2011 - **REPORTED OUT AS AMENDED**, Senate Ways & Means & Economic Development, (Fifth Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_90

SB115 **PROPERTY SALE GAINS** (KEARNEY E) To exempt from income taxation any gains from the sale of Ohio property used in a trade or business and held for at least two years.

Current Status: 3/24/2011 - Senate Ways & Means & Economic Development, (First Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_115

SB188 **ALTERNATIVE FUEL FACILITY** (PATTON T) To allow a credit against the personal income tax or commercial activity tax for the installation of an alternative fuel facility.

Current Status: 9/22/2011 - Senate Ways & Means & Economic Development, (First Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_188

SB200 **EDISON JOBS DEVELOPMENT PROGRAM** (HUGHES J) To create the Edison Jobs Development Program within the Department of Development and to make an appropriation.

Current Status: 12/6/2011 - Senate Finance, (First Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_200

SB206 **TAX CREDIT-TEMP EMPLOYMENT AGENCY HIRES** (SCHAFFER T) To allow taxpayers to count employees employed through a temporary or professional employment agency toward the payroll and income tax withholding requirements of the job creation and job retention tax credits.

Current Status: 9/20/2011 - Referred to Committee Senate Ways & Means & Economic Development

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_206

SB209 **ELECTRIC VEHICLE SALES TAX REDUCTION** (HITE C, TURNER N) To reduce the amount of sales tax due on the purchase or lease of a qualifying electric vehicle by up to $2,000.

Current Status: 9/22/2011 - Senate Ways & Means & Economic Development, (First Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_209

SB256 **RIGHT TO CURE AGREEMENT** (COLEY W) To allow suppliers and consumers to enter into a Right to Cure agreement.

Current Status: 12/13/2011 - Senate Insurance, Commerce & Labor, (First Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_256

SB265 **BUDGET STABILIZATION FUND BALANCE** (BACON K) To increase the balance that must exist in the Budget Stabilization Fund, from 5% to 10% of the General Revenue Fund revenue, before revenue surpluses are applied to income tax reductions.

Current Status: 12/13/2011 - Senate Finance, (First Hearing)

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_265

SB278 **ECONOMIC DEVELOPMENT** (KEARNEY E, TURNER N) To authorize programs and tax credits to encourage the hiring of unemployed individuals, to make changes to the Unemployment Compensation Law, to authorize grants and tax credits for the rehabilitation of distressed areas and the expansion of broadband connections to rural areas, to create a revolving loan fund and a bonding program for small businesses, to make changes to the Minority Business Bonding Program, and to make an appropriation.

Current Status: 1/18/2012 - Referred to Committee Senate Finance

More Information: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_278

February 10, 2012

MEMORANDUM TO: The Honorable John R. Kasich, Governor
The Honorable Mary Taylor, Lt. Governor

FROM: Timothy S. Keen, Director TK

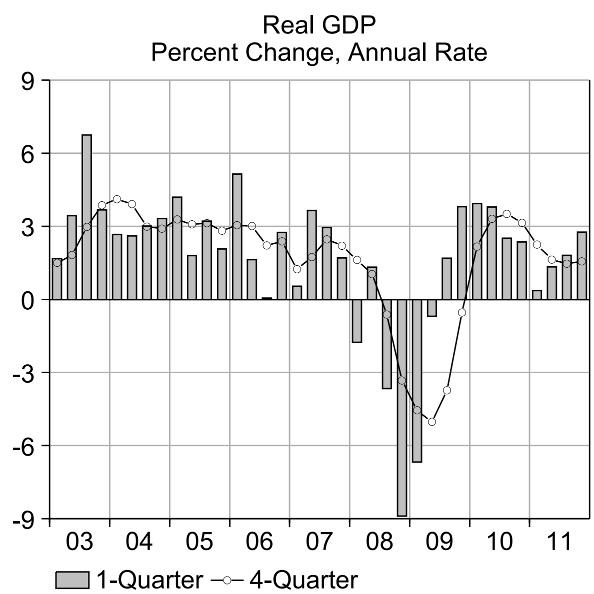
SUBJECT: Monthly Financial Report

ECONOMIC SUMMARY

Economic Performance Overview

- Real GDP accelerated in the fourth quarter, rising 2.8% in the best showing since the second quarter of 2010.
- The labor market picture brightened further in January, as the level of employment increased by 243,000 jobs and the unemployment rate decreased to 8.3%.
- Ohio employment decreased by 3,300 jobs in the month of December but increased by 72,400 jobs over December 2010. The Ohio unemployment rate dropped to 8.1% in December, down 1.4 points from December 2010.
- Leading economic indicators remain consistent with moderate activity both nationally and in Ohio.

Economic Growth



During the fourth quarter of 2011, the economy limped to its second full calendar year of growth. Real GDP accelerated to an annual rate of 2.8% in the fourth quarter and was 1.6% higher than a year earlier. The fourth-quarter growth rate was in line with expectations and the best since the second quarter of 2010, but still fell slightly short of the long-run trend. The economy has expanded for ten straight quarters and was 0.7% larger in the fourth quarter than the previous all-time high in the fourth quarter of 2007.

The pace of real GDP growth since the recession officially ended in mid-2009 essentially matches the weakest performance among the nine other post-war expansions that have lasted for at least as long. The increase in real final sales has been the weakest in the post-war period by a notable margin. With respect to both real GDP and real final sales, the rates of growth during the first ten quarters of the most recent three recovery periods are distinctly lower than growth rates in all previous recovery periods.

The composition of activity during the fourth quarter raises questions about the momentum in the economy as the first quarter began. The increase in real GDP from the third to the fourth quarter primarily reflected positive contributions from inventory accumulation, personal consumption expenditures, exports, residential fixed investment, and nonresidential fixed investment. These positive contributions were partly offset by negative contributions from federal government spending and state and local government spending. Imports, which are subtracted from the sum of other components of GDP to avoid double-counting, increased.

The acceleration in real GDP during the summer primarily reflected larger additions to inventories and bigger increases in personal consumption expenditures and residential fixed investment. The deceleration in nonresidential fixed investment, decline in federal government spending, acceleration in imports, and a larger decrease in state and local government spending tempered the acceleration in GDP.

The economy has performed markedly better than anticipated since late summer. There is some legitimate question as to whether the improvement is partly illusory and partly temporary. Some have speculated that the sharp deterioration in the economy in the fall of 2008 and winter of 2009 skewed seasonal adjustment factors in a way that causes economic reports to be artificially inflated. In addition, the milder-than-usual winter so far could also have inflated economic reports through the seasonal adjustment process.

The Conference Board's composite business cycle indexes are mixed, but in combination do not signal a near-term recession. The **Leading Economic Index** was restructured with the December 2011 release. The index increased for the third straight month in December, but the 6-month smoothed rate of change – while still positive – is much closer to zero than it was for the old index. The ratio of coincident to lagging indexes – itself a leading indicator – was unchanged in December after six declines in ten months. The ratio is down 0.5% from a year earlier.

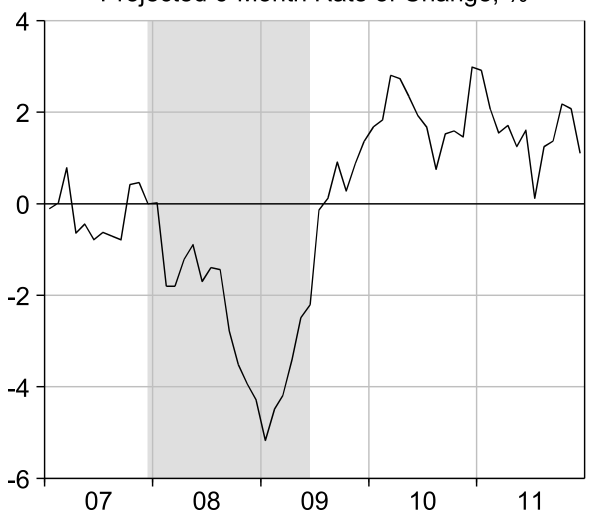
The 4-week moving average of the **Weekly Leading Index** increased for the third week in a row in late January. The 26-week smoothed rate of change improved to -5.2% after slipping back to -8.6% a few weeks ago. The rate of change had reached a low of -12.1% in mid-October. The pattern in recent months is consistent with the slow rate of economic growth, but is not by itself sufficient indication of near-term recession.

The Economic Cycle Research Institute (ECRI), which developed and publishes the index, announced to its subscribers on September 21st that in combination with other indicators, the Weekly Leading Index points to recession. ECRI has continued to stand by its recession call despite the recent improvement in economic reports, saying that its analysis indicates that the economy will enter a new recession either in the first or second quarter of 2012.

The consensus among forecasters, however, remains that the economy will expand again in 2012 and by a larger amount than in 2011. The *Blue Chip Economic Indicators* panel projects that real GDP will expand by 2.2% in 2012 after expanding by 1.6% in 2011. The projection for 2012 is unchanged from December but up from a low of 2.0% in October. None of the 56 Blue Chip contributors projected a decline in real GDP for 2012 in early January.

In the meantime, the pace of expansion in the Ohio economy has improved modestly. The **Ohio Coincident Economic Index**, compiled by the Federal Reserve Bank of Philadelphia, increased by 0.3% in December for the 28th consecutive monthly increase in the revised data series. Some recent changes included revisions from small declines to increases. The 12-month rate of change was 3.5% in December, down from a recent peak of 4.6% in February. The index combines four state-level indicators to summarize current economic conditions. The four components are nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and real wage and salary disbursements.

Ohio Leading Economic Index
Projected 6-Month Rate of Change, %



Source: Philadelphia Federal Reserve Bank

The companion **Ohio Leading Economic Index** deteriorated moderately to 1.1% in December from a downwardly revised 2.1% in November. The initial November estimate was 2.7%. The index was essentially zero in July raising the possibility that the Ohio economy was on the brink of recession. The index – also compiled by the Federal Reserve Bank of Philadelphia – is designed to predict the rate of increase in the coincident index during the next six months. The index was as high as 3.0% in December 2010.

Employment

Recent trends in labor markets continued through the fall and into winter, marking January as another month of moderate expansion in the economy. National **nonfarm payroll employment** increased by 243,000 jobs in January. Private payrolls increased by 257,000 jobs – the best showing since a 3-month run of greater than 200,000 monthly job gains in February-April 2011. The November and December increases were also revised upward. Employment gains averaged 152,000 jobs per month in 2011.

The index of **aggregate hours worked** increased by 0.6% in January, continuing the string of solid advances late last summer and through the fall. The trajectory of recent increases is such that, even if total hours are unchanged in February and March, the index will increase at an annual rate of 3.1% in the first quarter. Meanwhile, **average hourly earnings** remained lackluster, rising 0.1% for the third consecutive month. The year-over-year rate of change slowed to 1.5% in January, down from 2.3% last July, and less than the approximately 2.0% increase in consumer prices during the same period.

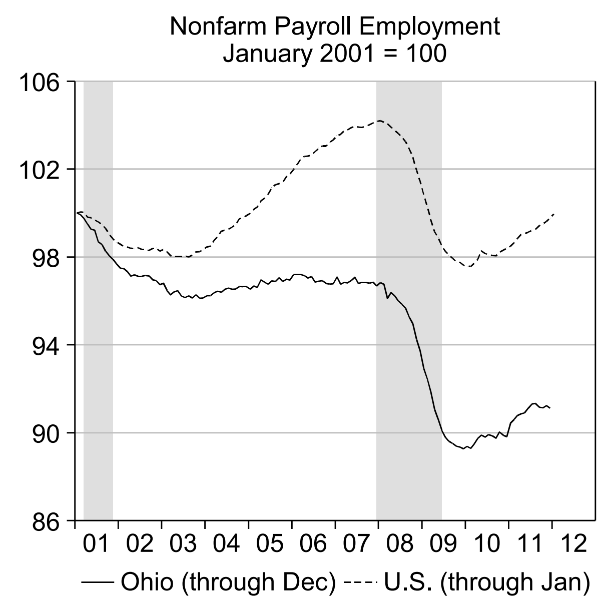
The continued drop in the **unemployment rate** underscores the promising trend in employment. After hanging within 0.1 percentage points of 9.0% in each of the first ten months of 2011, the unemployment rate dropped 0.2 percentage points each in November, December and January to 8.3% – the lowest mark since January 2009. The economy has never been in recession when the unemployment rate has been below its low point during the previous twelve months (it was lower by 0.2 percentage points in January), but the situation can change quickly.

The decrease in the unemployment rate in January resulted from a larger gain in employment than in the total labor force. During the year ending in January, the number of unemployed decreased by 1.2 million to 12.8 million – the lowest since January 2009. The percentage of workers not on temporary layoff fell to 47.0% – the lowest since December 2008.

Nonetheless, the circumstances of those remaining without jobs remain difficult. At 21.1 weeks, the median **duration of unemployment** was still elevated in January near its all-time peak. The broadest measure of unemployment, which includes discouraged workers and those marginally attached to the work force, was 15.1%. In addition, as many analysts have noted, the labor force participation rate fell to a 30-year low of 63.7% in January, reflecting a large share of the population that is neither working nor looking for work.

Employment gains were widespread, led by professional and business services (+70,000), manufacturing (+50,000), leisure and hospitality (+44,000), and education and health services (+36,000). Subtracting from the overall increase were government (-14,000), information (-13,000), and financial activities (-5,000).

Ohio employment decreased by 3,300 jobs in December, but increased 72,400 jobs from December 2010 to December 2011. All of those gains occurred during the first two-thirds of the year, as employment declined by 12,100 jobs from August to December. The decline in employment occurred outside manufacturing, which added 4,400 jobs during the four months, and outside government, which added 900 jobs. Weakness during the final one-third of the year was concentrated in leisure and hospitality (-9,200), professional and business services (-7,200), and construction (-5,500).



During the full year, employment gains were led by educational and health services (+24,600), trade, transportation and utilities (+19,400), manufacturing (+18,300), and professional and business services (+9,700). Construction added 5,200 jobs. Posting net job losses during the year were government (-6,700) and leisure and hospitality (-2,000). Private sector employment increased by 79,100 jobs in 2011.

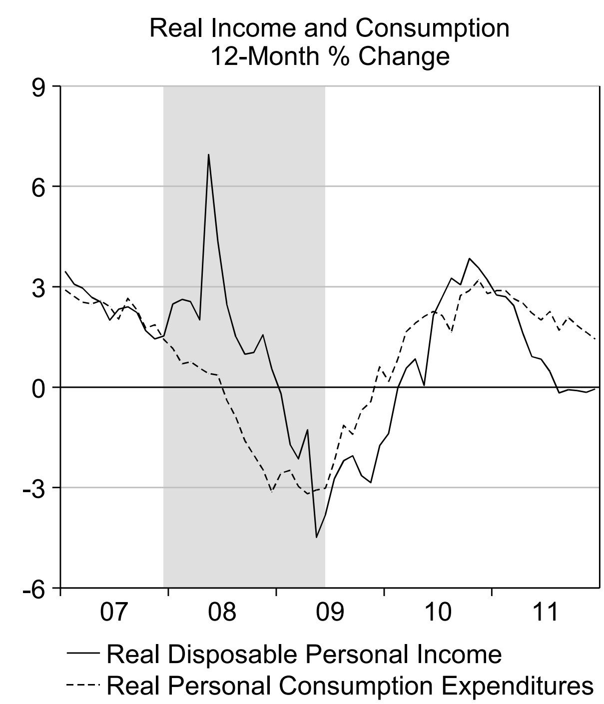
Among the **contiguous states**, year-over-year employment growth was strongest in Kentucky and Michigan (+1.7%), followed by Ohio (+1.4%), West Virginia (+1.3%), Pennsylvania (+1.0%), and Indiana (+0.6%). For the Ohio and contiguous state region, employment increased by 1.3% during 2011, the same as for all states outside the region combined.

Outpacing the nation again in December, the **Ohio unemployment rate** declined 0.4 percentage points to 8.1% – the lowest rate since November 2008 and 0.4 percentage points below the national rate – after falling 0.5 percentage points in November. On average since 1970, the Ohio unemployment rate has been approximately 0.4 percentage points above the national unemployment rate. The two-month drop followed a four-month plateau near 9.0% that was preceded by a long string of declines from the peak of 10.6% reached in February 2010.

Consumer Income and Consumption

Personal income increased 0.5% in December, and **personal consumption expenditures** were flat, lifting the **savings rate** to 4.0% and reversing a 5-month decline. In the case of both income and spending, growth peaked on a year-over-year basis last year but remains ahead of inflation. Personal income was 3.8% higher than a year earlier in December. Spending was higher by 3.9%.

Disposable income increased 2.3% year-over-year in December, but was unchanged after adjusting for inflation. At the same time, real personal consumption expenditures increased 1.4% year-over-year. While incomes were flat, the rise in consumption was financed by borrowing and by reducing the amount saved out of current income, both signs of improved confidence among consumers.



Recent increases in spending appear to have carried over into 2012. **Chain-store sales** increased 3.3% from December to January, according to the International Council of Shopping Centers, lifting the year-over-year comparison to 4.8%. The December to January increase was the largest since March 2010. The year-over-year gains in discount, drug and wholesale clubs were much stronger in January than in December. The gains were weaker in apparel, department, and luxury.

After peaking at 3.9% in September, the year-over-year change in **consumer prices** moderated abruptly, with the level of the CPI for all items edging down slightly from September to December. For the year ending in December, consumer prices rose 3.0%. Core inflation was a tamer 2.2%, and the personal consumption deflator rose 2.4%. The median CPI compiled by the Federal Reserve Bank of Cleveland increased 2.3% last year. The slowing of price increases recently and the relatively low level of inflation might support consumer spending in the current quarter.

Survey measures of **consumer confidence** were mixed in January, but generally confirmed the substantial improvement since late last summer and early last fall. The Conference Board index of consumer confidence dipped in January after large gains in November and December. The weakness occurred in both assessments of current conditions and expectations. In contrast, the University of Michigan index of consumer sentiment improved for the fifth month in a row during January, based on better evaluations of current conditions and expectations. Despite the recent improvements, consumer confidence remains well below levels observed at this point in previous economic expansions.

Manufacturing

Industrial production increased for the tenth-straight quarter in the fourth period, rising 3.1% from the third quarter and 3.7% from the same quarter a year ago. Industrial production tacked on 0.4% in December. Capacity utilization increased in December back to the October level of 78.1% from 77.8% in November. Utility output posted a 2.7% weather-related drop. Manufacturing production increased 0.9% after a 0.4% auto-and-utility-related decline in November. Manufacturing production in December was 3.7% above the year earlier level and 14.9% above the recession trough, but remained 8.5% below the pre-recession peak.

Contributions from three sectors with a concentration of employment in Ohio were positive during December. Primary metal, fabricated metal and machinery production increased 3.2%, 1.1% and 2.1%, respectively. Compared with a year earlier, production was up 9.0%, 8.2% and 10.4%, respectively, but still 10.3%, 11.8% and 8.7% below their respective pre-recession peaks.

Midwest manufacturing output rebounded 1.7% in December after no change in November, which was originally reported as a 0.1% decline, according to the Federal Reserve Bank of Chicago. The increase reflected production gains in all four sectors: auto (+1.8%), steel (+2.4%), machinery (+2.5%) and resource (+0.9%). Compared with a year earlier, Midwest manufacturing production was up by 8.4%, down from the peak growth rate so far for this cycle of 14.6% in June 2010. The level of Midwest production in December was 28.0% above the low in June 2009 but still 13.8% below the peak in January 2008.

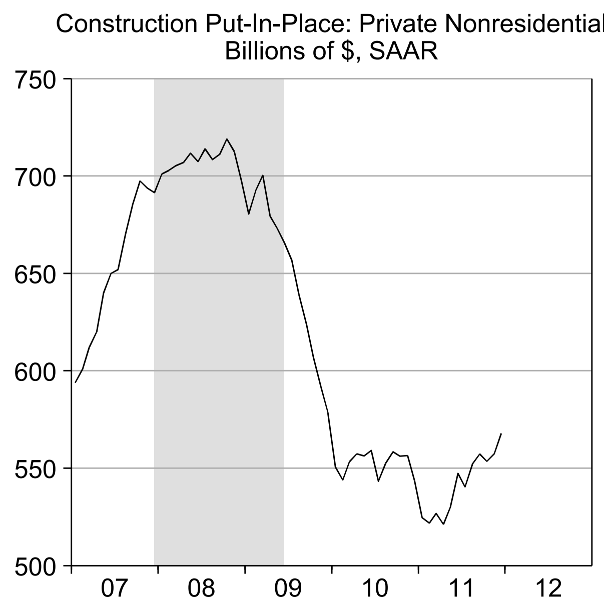
In a promising sign, regional Federal Reserve Bank surveys of manufacturing activity in the Northeast improved again in January. The Philadelphia Federal Reserve Bank's business conditions index increased for the second month in a row, due to higher prices paid as both orders and shipments indexes retreated somewhat. Similarly, the overall Empire State survey (Federal Reserve Bank of New York) improved for a third consecutive month, reflecting gains in all three components.

Reports from **purchasing managers** in manufacturing across the country also improved during January. The Purchasing Managers Index increased to 54.1 in January to the highest level since June, lifted by strong improvements in the new orders, backlogs of orders, speed of supplier deliveries (slower) and higher prices paid. In combination with the regional Fed bank surveys, the report from purchasing managers suggests that the momentum in manufacturing activity during the fourth quarter carried over into 2012.

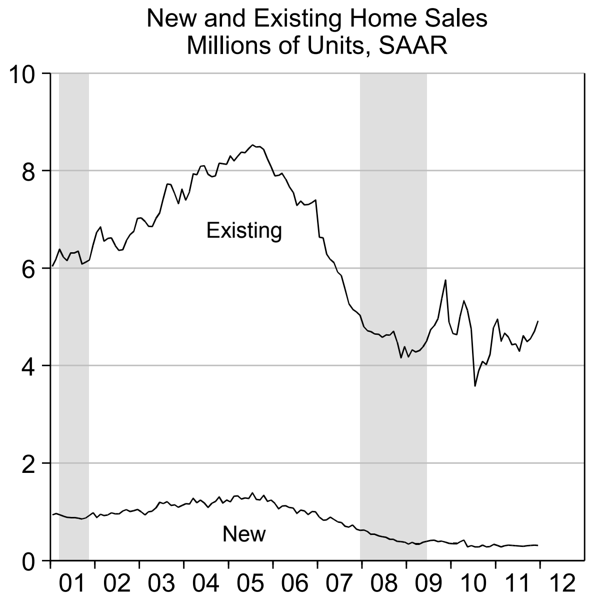
Construction

Total **construction put-in-place** increased 1.5% in December. Excluding improvements to residential structures, which is volatile and often revised significantly, construction spending increased 1.8%. Private construction increased 2.1% and public construction increased 0.5%. Compared with a year earlier, total construction activity was up 4.3% but still remained 32.7% below the March 2006 peak.

Private nonresidential construction jumped 3.3% in December, more than recouping a 0.5% decline in November. Compared with a year earlier, private nonresidential construction was up 11.4%, having traced out a clear cyclical trough at the beginning of 2011. The **Architecture Billings Index** from the American Institute of Architects held its ground in December after posting significant gains in October and November. The **Inquiries for New Work Index** dipped to 64.0 from 65.0 the month before, but remained well ahead of the 45.1 reading in July. The **Billings Index for the Midwest** moved higher to 53.1 – the best reading since February 2011.



Private residential construction-put-in-place increased 0.8% in December, but the November change was revised down from a 2.0% increase to a 0.3% decrease due mainly to a large downward revision to the initial estimate of improvements. The 3-month moving average of housing starts increased 0.6% in December for the eighth monthly gain in a row. Midwest housing starts increased 3.7% in December on a 3-month average basis. Permits increased 4.7% in December on a 3-month average basis for the third gain in a row. Midwest permits rebounded 0.9% in December on a 3-month moving average basis, recouping a similar-size decline in November that followed a 6-month string of increases.

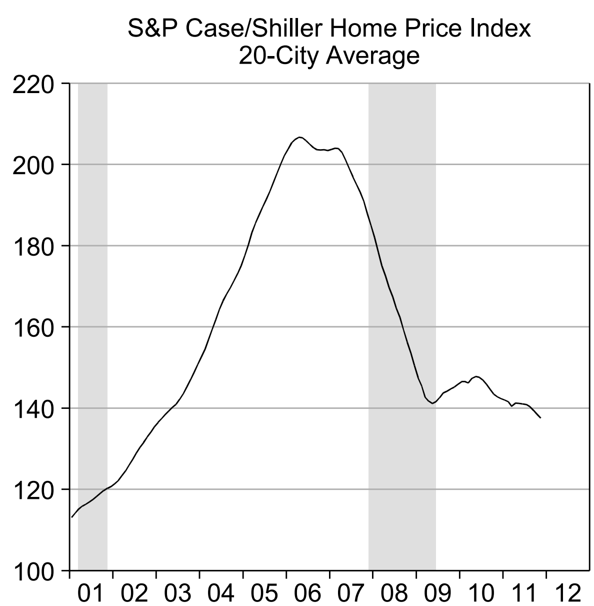


Home financing is widely available at attractive interest rates, but on more traditional terms. In addition, already problematic debt levels, large inventories of unoccupied houses in many markets, relatively soft labor market conditions, and expectations of little or no price appreciation are restraining building activity. Despite month-to-month swings, which are sometimes substantial, housing construction remains essentially flat at a historically low level.

Sales of existing homes increased 3.3% in the U.S. and 4.7% in the Midwest to 9.2% and 14.1% above year earlier levels, respectively, on a 3-month average basis. Despite the large fluctuations recently, the pace of existing home sales is little changed on balance during the past four years. **Sales of new homes** were up 0.5% nationally and 3.3% in the Midwest on a 3-month average basis in December, as sales activity continues to bounce along a plateau that is far below peak levels of a few years ago.

The inventory of existing homes for sale fell in December for the sixth month in a row. The **inventory-to-sales ratio** dropped to 6.2 months – the lowest since April 2006. The ratio reached a peak of 12.4 months in July 2010. The inventory of newly built homes fell to a new all-time low in December. At 6.1 months, the inventory-to-sales ratio was the lowest other than the 6.0 reading in November since before the housing crisis. The ratio is down from a peak of 12.2 months in January 2009.

Home prices temporarily stabilized in the spring after a long string of substantial declines, according to the S&P/Case-Shiller index, but began falling again in the summer and into the fall. The 20-city composite home price index decreased 0.7% each in September, October and November, extending the string of uninterrupted monthly declines to six. The index was down 33.5% from the all-time peak reached in April 2006. The price index for Cleveland – the only Ohio city in the index – decreased 0.2% for the second month in a row in November. Prices in Cleveland are off 20.2% from the 2006 peak.



REVENUES

January 2012 GRF receipts totaled $2,389.1 million and were $504.7 million (17.4%) below the estimate. For the month, tax receipts totaled $1,916.0 million and were $70.0 million (3.8%) above the estimate, while non-tax receipts totaled $473.1 million and were $574.7 million (54.8%) below the estimate. Transfers equaled the estimate of zero. Year-to-date variances by category are provided in the following table ($ in millions).

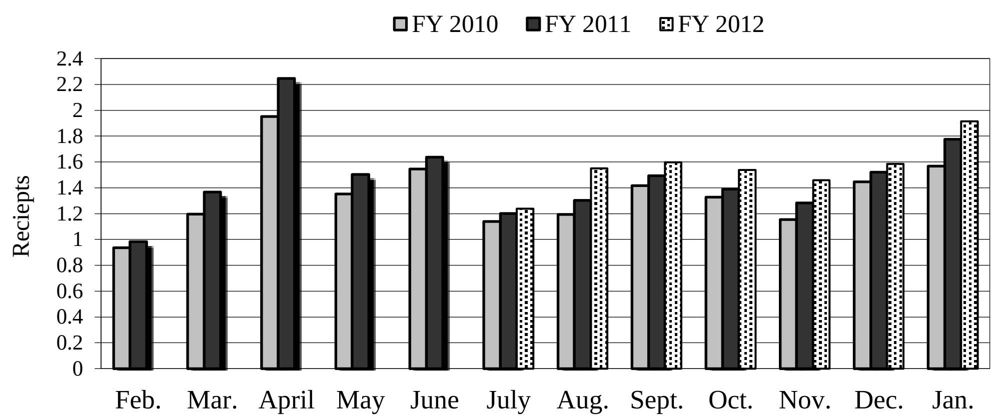
Category	**Includes:**	**YTD Variance**	**% Variance**
Tax receipts	Sales & use, personal income, corporate franchise, public utility, kilowatt hour, foreign & domestic insurance, other business & property taxes, cigarette, soft drink, alcoholic beverage, liquor gallonage, estate & horse racing	$147.1 million	1.4%
Non-tax receipts	Federal grants, earnings on investments, licenses & fees, other income, intrastate transfers	($726.9 million)	(13.8%)
Transfers	Budget stabilization, liquor transfers, capital reserve, other	$223.2 million	278.7%
TOTAL REVENUE VARIANCE:		($356.5 million)	(2.2%)

January tax sources totaled $1,916.0 and were above estimate by $70.0 million (3.8%). On a year-over-year basis, total tax receipts for January 2012 were $140.5 million (7.9%) greater than they were in January 2011. For fiscal year 2012 year-to-date, total tax collections are $918.4 million (9.2%) higher than at the same point in fiscal year 2011. The largest contributors to this year-over-year growth are the non-auto sales tax, personal income tax, and the commercial activities tax (CAT). Personal income tax receipt growth was driven by growth in quarterly estimated payments and lower-than-anticipated refunds.

GRF Revenue Sources Relative to Monthly Estimates
($ in millions)

Individual Sources Above Estimate		Individual Sources Below Estimate	
Non-Auto Sales Tax	$17.8	Corporate Franchise Tax	($1.7)
Auto Sales Tax	$11.2	Public Utility Tax	($1.9)
Personal Income Tax	$46.0	Kilowatt Hour Tax	($1.1)
Commercial Activity Tax	$3.1	MCF Tax	($1.9)
Liquor Gallonage	$0.3	Cigarette Tax	($1.2)
ISTV's	$1.7	Alcoholic Beverage Tax	($0.7)
Other Sources Above Estimate	$0.2	Federal Grants	($23.0)
		Earnings on Investments	($0.4)
		License & Fees	($3.0)
		Other Income	($550.0)
		Other Sources Below Estimate	($0.0)
Total above	**$80.3**	**Total below**	**($585.0)**

Tax Revenue Comparison by Month
($ in billions)



Non-Auto Sales and Use Tax

Following a brief slip in December, the non-auto sales tax outperformed the estimate in January with receipts totaling $685.1 million, which was $17.8 million (2.7%) above estimate. The January overage nearly equaled the December shortfall, effectively causing revenues for this tax source to hit the estimate for the two months combined. OBM analysis indicates that much of the December shortfall and January overage was due to a holiday-related delay in processing a portion of December receipts and as a result, those receipts were credited to January. Year-to-date receipts for this tax source total $4,197.1 million and are $43.5 million (1.0%) above the estimate. On a year-over-year basis, receipts were $47.0 million (7.4%) above collections for January 2011, with fiscal year 2012 collections exceeding those of fiscal year 2011 by $205.9 million (5.2%).

Auto Sales Tax

Consistent with national trends, the auto sales tax continued its stronger-than-expected performance in January, as receipts totaled $84.5 million and were $11.2 million (15.3%) above the monthly estimate. Year-to-date receipts for this tax source total $595.8 million and are $45.9 million (8.3%) above the estimate. On a year-over-year basis, auto sales tax receipts experienced an increase of $11.2 million (15.3%) over receipts for the same month a year ago, while year-to-date collections are 8.3% higher than for the first seven months of fiscal year 2011.

Personal Income Tax

With better than expected performance across most of the components of the tax, January personal income tax receipts totaled $973.2 million, and were $46.0 million (5.0%) above estimate. The withholding component rebounded from the weakness experienced in recent months as it was $9.4 million (1.2%) above estimate. Despite this stronger-than-expected performance however, it should be noted that for the year-to-date, the withholding component remains $48.9 million (1.1%) below estimate. Considering the erratic performance of this component, as well as recent employment trends, OBM is closely monitoring this component of the tax.

Quarterly estimated payments also contributed significantly to the positive variance in January as receipts totaled $345.6 million and were $17.3 million (5.3%) above estimate. As in December, refunds were again lower-than-expected in January by $18.3 million (13.9%), thus augmenting the overall positive performance of the tax relative to estimate.

On a year-over-year basis, personal income tax receipts for January 2012 exceeded the January 2011 level by $61.9 million (6.8%), with much of this growth ($54.4 million) coming from the withholding component. Also contributing to year-over-year growth was the quarterly estimated payments component, which was $17.2 million (5.2%) ahead of receipts for the same month a year ago. While higher refunds this January – compared to January 2011 – have dampened this growth, a smaller distribution to the Local Government Fund in the corresponding period has boosted net annual growth in personal income tax revenue.

FY2012 PERSONAL INCOME TAX RECEIPTS BY COMPONENT ($ in millions)						
	ESTIMATE JAN	ACTUAL JAN	$ VAR JAN	ESTIMATE Y-T-D	ACTUAL Y-T-D	$ VAR Y-T-D
Withholding	$748.4	$757.8	$9.4	$4,539.5	$4,490.6	($48.9)
Quarterly Est.	$328.3	$345.6	$17.3	$760.6	$788.4	$27.8
Trust Payments	$8.2	$8.7	$0.5	$18.5	$20.0	$1.5
Annual Returns & 40 P	$15.0	$14.5	($0.5)	$132.1	$144.3	$12.2
Other	$7.8	$9.3	$1.5	$59.4	$58.9	($0.5)
Less: Refunds	($131.3)	($113.0)	$18.3	($313.0)	($274.2)	$38.8
Local Distr.	($49.1)	($49.5)	($0.4)	($335.1)	($337.7)	($2.6)
Net to GRF	**$927.3**	**$973.2**	**$46.0**	**$4,862.0**	**$4,890.4**	**$28.3**

Corporate Franchise Tax

Corporate franchise tax receipts for the month of January totaled $62.3 million, and were $1.7 million (2.6%) below the estimate of $64.0 million. For the year-to-date, receipts for this tax source now total $68.4 million and are $8.7 million (14.5%) above the estimate. As stated in previous monthly reports, monthly variances in this tax versus the estimate are attributable at least in part to changes in the tax base in H.B. 66 of the 126th General Assembly leading to lack of a long historical base to build estimates.

Commercial Activity Tax

January 2012 Commercial Activity Tax (CAT) receipts to the GRF totaled $12.6 million and were $3.1 million (33.0%) above the monthly estimate. All-funds CAT receipts for January totaled $50.9 million and were $12.3 million (31.9%) above the estimate of $38.6 million. Through the first seven months of the fiscal year, total GRF CAT receipts are $209.1 million, which is $15.6 million (8.1%) above the estimate, while all-funds CAT receipts are $852.4 million and $79.6 million (10.3%) above the estimate.

Public Utility Tax

Due to refunds, January public utility tax receipts totaled -$1.9 million and were $1.9 million below the estimate. On a year-to-date basis, total public utility tax receipts are $53.4 million and are $7.4 million (12.2%) below the estimate. On a year-over-year basis, receipts were $1.9 million below January 2011 levels and $3.1 million (5.4%) lower than at the same point in the previous fiscal year. This continued underperformance relative to the estimate is believed to be primarily due to lower-than-expected prices for natural gas.

Kilowatt-Hour Tax

Kilowatt-hour tax receipts during the month of January totaled $25.3 million and were $1.1 million (4.2%) below the estimate. As stated in last month's report, this shortage is likely due to the milder weather throughout the year compared to previous years. Year-to-date receipts total $182.3 million and are $9.2 million (4.8%) below the estimate. On a year-over-year basis, receipts were $12.8 million (102.7%) higher than the same month in the previous fiscal year. This significant year-over-year growth is largely the result of changes in distributions made in H.B. 153.

Cigarette Tax

Cigarette tax receipts during the month of January totaled $66.2 million and were $1.1 million (1.7%) below the estimate. Year-to-date cigarette tax receipts total $444.8 million and, despite a string of four consecutive months of under-performance relative to estimate, are still $5.8 million (1.3%) above the year to date estimate. On a year-over-year basis, cigarette tax receipts were $4.2 million (5.9%) lower than for the same month a year ago, while fiscal year 2012 receipts to-date are $13.7 million (3.0%) lower than at the same point in fiscal year 2011 – a performance that is consistent with the 3.0 percent historical decline we have seen with this tax source. However, given the string of negative months experienced with this tax, OBM will closely monitor the performance of the tax throughout the remainder of the fiscal year to try and identify what factors are contributing to the recent trend of greater than expected declines in revenues.

GRF non-tax receipts totaled $473.1 million in January and were $574.7 million (54.8%) below the estimate. This is largely the result of lower-than-anticipated other income and federal grants. Receipts in other income that were originally estimated to be deposited in January were liquor transaction proceeds ($500.0 million) and prison lease proceeds ($50.0 million) that OBM anticipates will be deposited later in the fiscal year. **GRF transfers** during the month of January equaled the estimate of zero.

The Ohio Manufacturers' Association
Economic Competitiveness
2010 Volume 8
Retooling OHIO
A bulletin for leaders on policy issues critical to Ohio manufacturers

THE POLICY POINT: *A Competitive Ohio Tax System*

Few people would dispute that tax policy has a major impact on a state's business climate and ability to stimulate investment, growth and job creation. But, it can be difficult to reach consensus on exactly how favorable or unfavorable a given state's tax policies are. There is no shortage of reports, statistics and rankings on the subject – however, they do not always yield the same conclusions.

The purpose of this edition of Retooling Ohio is to help inform tax policy discussions among leaders in Ohio. To develop informed views on appropriate tax policy strategy, it is useful to study history and context. To that end, this document provides three things: (1) a brief history of key Ohio tax reforms implemented over the last several years, (2) an overview of recent analyses of Ohio's tax policies compared to other states, and (3) a discussion of major tax policy concerns and priorities.

A Snapshot of Recent Major Tax Reforms in Ohio

In June 2005, the Ohio General Assembly approved a landmark tax reform package (HB 66) that represented a major overhaul of state tax policy. Prior to HB 66, Ohio's tax code was widely regarded to be outdated – and in particular, a disincentive to new investment and unfair in favoring some industries over others.

The reforms approved in 2005 were designed to achieve the following objectives:

- **Reduce overall tax rates** (for businesses and individuals) to make Ohio more competitive for investment and talent
- **Eliminate tax on investment** to spur innovation, growth and job creation
- **Broaden the tax base** to treat similar businesses in a similar fashion and spread the tax burden more equitably among all sectors of the economy
- **Provide more stable, predictable revenues** for essential state programs and services
- **Simplify compliance** with state tax requirements

The underlying economic strategy for the HB 66 reforms was to stimulate robust economic growth by eliminating obstacles to investment and capital formation. Reform advocates sought a system that would increase capital investment, gross state product, personal income and job creation – and that the resulting economic growth would generate increased tax revenues.
To realize this vision, HB 66 authorized the following structural changes to the state's tax system, which have been implemented over a five-year period:

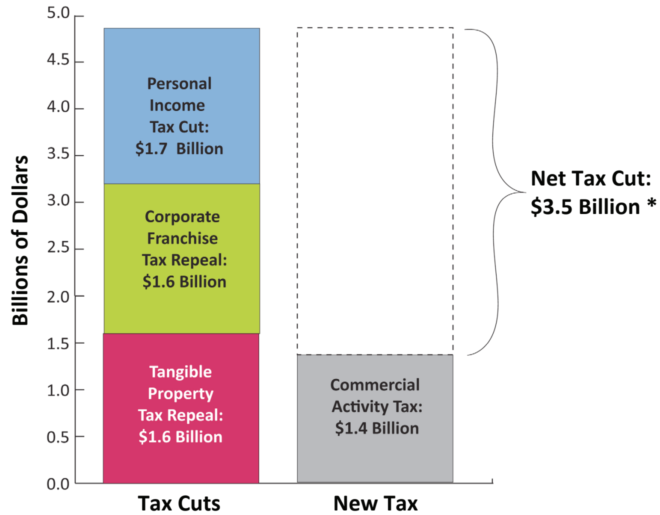
- **Phased out the tangible personal property tax** on most business inventory, manufacturing machinery and equipment, furniture and fixtures, long considered the most anti-competitive element of Ohio's tax system
- **Phased out the high-rate, narrow-based, loophole-ridden corporation franchise tax** on profits and net worth for most companies
- **Phased in a new Commercial Activities Tax (CAT)**, a broad-based, low-rate tax on gross receipts for virtually all types of businesses with annual gross receipts of $150,000 or more
- **Phased in a reduction in personal income tax rates** for all taxpayers, including owners of S-corporations, typically small businesses, who essentially pay their business tax through their personal income tax

continued inside

The only component of the 2005 reforms that has not been fully implemented is the final installment of the 21 percent personal income tax reduction that was being phased in over five years. The final 4.2 percent cut, scheduled to be implemented in tax year 2009, has been temporarily delayed by the Ohio General Assembly until tax year 2011 to help balance the state budget.

According to Ohio Tax Commissioner Richard Levin, HB 66's phased-in reforms resulted in a tax cut of $3.5 billion for FY 2010. When other HB 66 changes that took immediate effect are factored in (i.e., increases in sales and cigarette taxes, repeal of the business real estate tax rollback), annual tax savings for FY 2010 still total $2.1 billion.

HB 66's Phased-In Business Tax Reform Savings: $3.5 Billion (FY 2010)



Source: Ohio Tax Commissioner Richard Levin, presentation to Ohio Tax Conference, Jan. 28, 2010

Note: This chart shows the impact of phased-in business and personal income tax reforms provided under HB 66. When additional HB 66 changes that took immediate effect are also considered (increased sales tax and cigarette tax, repealed business real estate tax rollback), annual savings from HB 66 savings are $2.1 billion in FY2010.

Delaying Final Phase of Income Tax Best of Limited Options Available

As fallout from the nation's economic recession took its toll on state tax revenues, the already challenging job of balancing Ohio's state budget became even more difficult. From 2007 well into 2009, spending cuts helped keep the budget in balance. In September 2009, however, an Ohio Supreme Court ruling effectively prevented the state from using video lottery revenue in the FY 2010-11 biennial state budget – a ruling that created an $850 million hole.

That hole was plugged, and the budget was balanced, by policymakers' decision to temporarily delay implementation of the final 4.2 percent of the 21 percent reduction in personal income tax that HB 66 had been phasing in over five years. In the absence of any serious or viable alternative, the OMA – together with many other major statewide business organizations and most major daily newspaper editorial writers who had joined us in supporting HB 66 back in 2005 – reluctantly supported HB 318, the budget corrections bill, which delayed the final installment of the income tax reduction.

The OMA's position was simple: Balancing the state budget – as Ohio law requires – by temporarily postponing the last scheduled part of the of HB 66's phased-in income tax reduction was the best of the limited and difficult policy options available. Our support for HB 318 was qualified, however, and contained a clear directive to Ohio's elected leaders to turn their focus going forward to cost-down activities that improve efficiency without compromising value.

Clearing the Air Surrounding Ohio's Tax Policy Climate

So, where does Ohio stack up compared to other states in the region and nationally?

A frequent source of criticism of Ohio's tax code is the Washington D.C.-based tax research group called the **Tax Foundation**, which attracts much attention each year with the release of its annual State Business Tax Climate Index (SBTCI). The SBTCI includes five component indices for corporate tax, individual income tax, sales tax, unemployment tax and property tax.

The group's 2010 report contends that Ohio's "high tax burden" and "unfriendly tax environment for business" are driving away investment, stunting growth and hampering job creation. According to the Tax Foundation, Ohio has the 7th-highest state and local tax burden in the country and one of the worst business tax climates in the nation, ranking 47th out of 50 states on the 2010 Index.

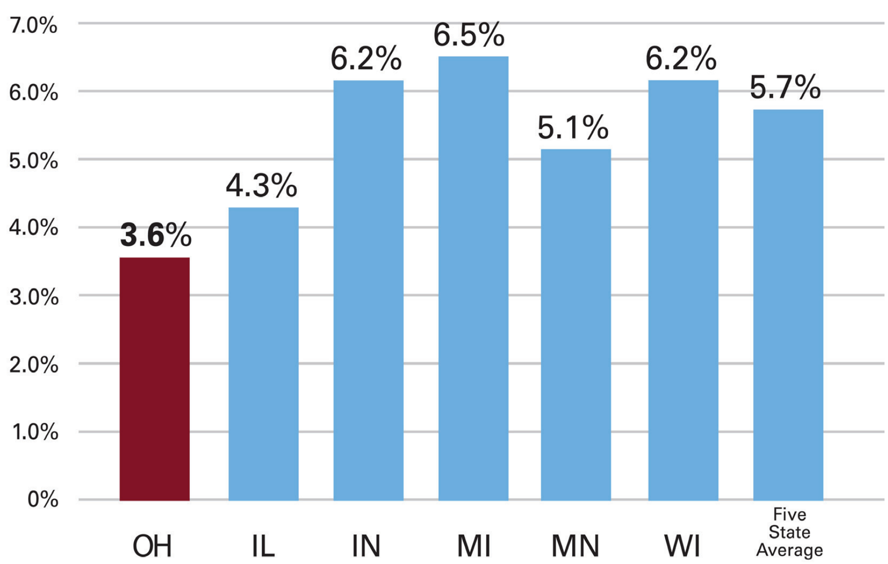
Other parties have taken issue with the Tax Foundation findings. **The Education Tax Policy Institute (ETPI),** for example, has concluded that the Tax Foundation's business tax climate index "provides a poor indication of Ohio's true tax situation." ETPI cites a number of shortcomings in the Tax Foundation methodology. For example, it focuses on tax structure rather than on measuring actual tax levels – so a state with a more attractive tax structure (in the Tax Foundation's eyes) but higher actual taxes may rank more favorably than a state with a less attractive structure but lower actual taxes.

Such is the case with Ohio. While Ohio's state tax burden on business is quite low after tax reform, the Tax Foundation's generally unfavorable ranking is due largely to its dislike of a gross-receipts-based tax structure such as Ohio implemented with the Commercial Activity Tax. Also, according to ETPI, the Tax Foundation index is "based wholly on subjective judgments" about the relative role of different tax factors.

The fact is, many other reports and data paint a considerably more favorable view of Ohio's business tax climate than the view advanced by the Tax Foundation. Consider the following examples:

- A January 2009 **Ernst & Young study of total state and local business taxes** found that Ohio ranked:
  - **20th best nationally** for business taxes as a share of total state and local taxes (FY 2008),
  - **18th best nationally** for business taxes as a share of private sector Gross State Product (FY 2008), and
  - **23rd most favorably nationally** for ratio of business taxes to government expenditures benefitting businesses (FY 2006).
- According to analysis conducted by Ernst & Young for the Ohio Business Development Coalition, Ohio has the **lowest effective tax rates on new capital investments in the Midwest.**

Effective Tax Rates on New Capital Investments



Ernst & Young analysis. The effective state and local tax rates (taxes divided by before-tax income) on new capital investments are calculated for four selected manufacturing industries (food processing, pharmaceuticals, electronic components, and motor vehicles) and three service industries (information services, computer services and research and development). The representative firms are multi-state companies selling primarily in regional national and international markets. The included state and local taxes are those imposed directly on a company's new capital investments (machinery, plant and equipment): corporate income and net worth taxes, property taxes, the sales tax imposed on the purchases of capital equipment and structures and the Commercial Activity Tax. The tax parameters for each state are based on the tax features scheduled to be in effect by 2010, the year that Ohio's tax changes are fully effective.

Is Tax Reform Working in Ohio?

It's reasonable to ask, "Are the HB 66 tax reforms working as intended?" The economic recession of the past two to three years makes it difficult – if not impossible – to assess the true impact of the reforms on Ohio's economy. The recession has almost certainly stunted some of the growth reform advocates expected to see. On the job creation side, for example, Ohio has seen a net loss of jobs since HB 66 was approved.

On the investment side, however, the picture is much more positive. In 2009, Ohio won *Site Selection* magazine's "Governor's Cup" for an unprecedented fourth consecutive year. The Governor's Cup is awarded annually to the state having the most major business expansions in the nation. Qualifying projects, which include new developments and expansions of existing companies, must involve at least $1 million in investment, 20,000 square feet of new work space and 50 new jobs. In 2009, Ohio led the nation with 381 projects meeting these criteria.

Considering that HB 66 has been phased in over five years, and keeping in mind the impact of the lingering national and state recession, Ohio manufacturers believe it's too early to draw definitive conclusions about the impact of the HB 66 reforms. They need to be allowed to come fully into force before we can accurately measure their true impact on the state's economy.

- The **Small Business & Entrepreneurship (SBE) Council's Business Tax Index** ranks states from best to worst regarding the cost of their tax systems on entrepreneurship and small business. In SBE's 2008 index, Ohio's state tax system ranked as the **14th best nationally.**

- In the **Anderson Economic Group's third annual State Business Tax Burden Rankings** (2008), Ohio tied for the **third-lowest business tax burden** as measured by business taxes as a share of profits.

- In March 2010, the **Federation of Tax Administrators** released an analysis of new data from the U.S. Census Bureau showing that **Ohio's state tax burden in FY 2009 was 16th lowest in the nation on a per capita basis** and **18th lowest when measured as a percentage of Ohioans' personal income.**

- According to the Ohio Department of Taxation, Ohio is **one of just 6 states** that do not tax corporate profits and **one of just 10 states** that do not tax business personal property.

This composite of data, which provides multiple perspectives on Ohio's overall tax climate, provides a more thorough view of the competitiveness of Ohio's revamped tax system than any single study can offer.

Notable Progress Made – And More Improvements to Consider

From manufacturers' perspective, the business tax climate in Ohio today is certainly more conducive to investment, growth and job creation than it was five years ago.

The tax cuts and reforms launched in 2005 have helped Ohio businesses boost productivity, reduce operating costs and maximize profits, while also rewarding entrepreneurialism. And the broad-based, low-rate Commercial Activities Tax has created an equitable and level playing field.

While Ohio's tax system has improved in recent years, there is plenty of room for additional improvement as well as a continuing need for vigilance to protect recent gains.

Tax policy priorities for the short term begin with **preserving the integrity of the 2005 reforms**. Ohio must adopt a zero-tolerance response to any efforts to (a) carve out exemptions or credits to avoid paying the CAT or (b) earmark any portion of CAT revenues for specific government services.

Efforts to avoid paying the CAT, whether via exemptions or credits, undermine the broad-base, low-rate philosophy that is key to the CAT's success. The more exemptions there are, the narrower the tax base will become. Increased stress on tax revenues will create pressure on policymakers to increase the tax rate to recover the lost dollars. As with exemptions and credits, earmarking any category of CAT receipts unfairly creates winners and losers and ties the hands of the General Assembly to engage in the normal give and take of the state budgeting process where competing interests are evaluated and spending priorities are established.

To date, efforts to weaken the CAT have been largely unsuccessful. Exemptions have been sought by the motor fuel industry and grocery industry, with the grocers' challenge being rejected by the Ohio Supreme Court. Such efforts will certainly continue in both legislative and judicial arenas. Thwarting these efforts must be a priority.

Additional tax policy priorities include the following:

- **Improve Ohio's tax appeals process** that, due to budget cuts and severe staffing cutbacks, has helped create such a backlog of cases at the Ohio Board of Tax Appeals that it now routinely takes two years to advance from the date of filing an appeal to the date of the first hearing. As the backlog of cases grows, collection of tax revenues slows because a taxpayer filing an appeal often is not required to submit payment until the case is resolved. Furthermore, this situation

Unemployment Compensation Amplifies Impact of Tax Burden

State policymakers evaluating the overall impact of Ohio's business tax burden should not overlook the impact of Ohio's mandatory employer-paid unemployment "tax." While technically an insurance premium, this is a government-imposed cost that all businesses are required to incur – and it increasingly is subject to rate increases.

For nearly a decade Ohio's unemployment compensation fund has paid out more than it has collected; by the end of 2010, it will be $3 billion in debt to the federal government. While the federal government has funded significant extensions in unemployment benefits, **the underlying structure of the state fund eventually will need to be addressed.**

The OMA has been working with state lawmakers in recent months to prevent unfunded new expansions of the unemployment premium. Without action by state leaders, the federal government will effectively force additional tax increases on employers, further illustrating the critical need to hold state business taxes in line.

has resulted in a downgrade in the Council on State Taxation rating of Ohio's appeals process and could lead to further downgrades in the future if the situation is not remedied.

- **Improve energy cost competitiveness** by (a) enabling multi-site industrial consumers to pool electricity consumption levels in order to qualify for self assessment of kWh tax and (b) lowering the self-assessment threshold to allow a broader group of industrial and commercial consumers to qualify.

- **Promote heightened public scrutiny of the trend of funding government programs with fee revenue** instead of general fund revenue to ensure transparency regarding the true cost of government and the rate of its growth. Protection of our environment and natural resources is of value to all Ohioans, but those state functions are now funded largely by fees or taxes paid by businesses. Additionally, the growing popularity of so called "public-private partnerships" frequently comes with new hidden taxes on businesses, shrouding the true cost of necessary public projects.

- **Improve efficiency and certainty in Ohio's business tax incentive process.** For Ohio to strengthen its ability to attract new investments and business expansions, the state's economic development process needs to be streamlined and assurances provided that incentives granted in writing will be delivered and not withdrawn due to state budget challenges. Additionally, Ohio should consider repealing the state's duplicative "look-back" audit and "accountability" program approved in 2009, which requires the Ohio Attorney General to pursue recovery from companies awarded government incentives but that have not achieved their growth targets – regardless of prevailing economic conditions. A "look-back" audit function already exists under the authority of the Ohio Department of Development, so a secondary audit for this purpose is redundant and unnecessary.

- **Eliminate Ohio's estate tax.** The estate tax serves as a disincentive to invest in existing businesses and as an impediment to the capital formation that is so vital to Ohio's economy. It has a potentially onerous impact on thousands of small- and medium-size family businesses; it burdens those individuals who create economic opportunities for their communities and want to be able to continue to do so; and it encourages tax avoidance strategies, diverting capital that could be used to acquire new technology or to create new jobs. The estate tax should be repealed.

- **Guard against trends to wholly exempt certain forms of energy generation from taxation.** Bipartisan legislation is pending in the Ohio General Assembly that would exempt wind and solar generation from Ohio's tangible personal property tax. Energy production is one of the few industries that remain subject to the tangible personal property tax. If policymakers choose to exempt any form of renewable energy generation from the tangible personal property tax, they also should insist that these industries be subject to the Commercial Activity Tax, like virtually all other business activity in our state, or to some other comparable business tax. Additionally, to the extent that the tax code is used to address energy policy, it is important to ensure that the state's tax policy priorities align with its energy policy priorities.

- **Streamline and simplify the sales tax.** Over time Ohio's state sales tax, much like the former corporate franchise tax, has become riddled with exemptions, carve-outs and credits. While some carve-outs have more merit than others (because Ohio needs to be competitive with other states' sales tax schemes), the resulting diminished sales tax base puts pressure on the remaining taxpayers – in other words, the tax rate must rise to make up for the exempted taxpayers. The time is right for a comprehensive examination of the state sales tax by lawmakers.

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An Imperative to Address Ohio's Structural Budget Deficit

Any discussion of the effectiveness of state tax policy must also acknowledge the critical need to take a close, hard look at state government spending practices. While the sluggish economy certainly has contributed to a decline in state tax revenues, compounding already limited budget-balancing options available to policymakers, the fact is Ohio faces a huge structural budget deficit in which state spending is dramatically out of balance with state revenue collection.

Ohio's most recent biennial state budget process was particularly sobering as a constitutionally required balanced budget was achieved only through a combination of painful cuts, depletion of the state's Rainy Day Fund, one-time federal stimulus dollars, delay of income tax rate reductions and the deferral of certain expenses to the next biennium. Most projections for the FY 2012-13 state biennial budget point to an expected deficit of $6 billion to $8 billion – a situation that will create enormous pressure to raise taxes, perhaps by rolling back some of the cuts achieved through HB 66.

A structural deficit of such magnitude will not be closed easily. Confronting this reality without derailing the progress brought about by the HB 66 reforms will require an honest, hard look at the spending side and – just as importantly – united, bipartisan support to reign in unwarranted expansion of local government entities and services. Or, as a March 2010 editorial in the *Akron Beacon Journal* observed, "Such budget realities underscore the need for state and local governments to think more creatively about how they provide services."

Tackling the state budget's structural deficit problem will require a commitment from state leaders to seriously explore opportunities for consolidation of school districts, taxing districts, libraries and other local government entities. The 2010 Restoring Prosperity Report from the Brookings Institution and the Greater Ohio Policy Center noted that Ohio has more than 600 school districts and 3,800 cities, villages and townships, resulting in enormous – and costly – duplication of infrastructure, staffing and services. According to the report, Ohio has the ninth-highest local tax burden in the nation (compared to the 34th-highest state tax burden).

Manufacturers urge Ohio's elected leaders to commit to cost-down activities that increase efficiency without compromising value, while also protecting the state's most vulnerable citizens and maintaining the necessary investment in job creation. While there are many areas on the spending side that are important to manufacturers – e.g., education, infrastructure, workforce development – state leaders should strive to resolve Ohio's continuing budget challenges without sacrificing an economically competitive tax structure.

General Principles for Effective Tax Policy

For Ohio to be successful in a global economy, the state's tax structure must encourage investment and growth, and it must be competitive nationally and internationally. A globally competitive tax structure embodies the following characteristics:

- Certainty
- Equity/fairness
- Simplicity
- Transparency

Economy of collection and convenience of payment also are important considerations.

As a general rule, manufacturers support efforts to broaden the tax base, which enables lower rates. To preserve the integrity of the broad tax base and ensure fairness, credits and exemptions should be reduced and discouraged. Where needed, government incentives are better structured as grants than as tax credits. And, in general, earmarking and dedicating tax revenue should be discouraged.

Finally, good tax policy generates necessary revenues to support the essential functions of government. Good budgeting and spending restraint, at all levels of government, are vital to ensure a competitive tax environment.

The mission of The Ohio Manufacturers' Association is to protect and grow Ohio manufacturing. Through the OMA, manufacturers and manufacturing stakeholders work directly with the members of the Ohio General Assembly, state regulatory agencies, the judiciary community and statewide media with the sole focus of improving business conditions for manufacturers in Ohio.

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JOHN R. KASICH
GOVERNOR OF OHIO

Renewing Ohio's Job-Creation Efforts

Overview

Over its nearly 50 years of existence, the Ohio Department of Development had become calcified and was no longer meeting the needs of businesses to help create jobs and revive Ohio's economy. When Governor John Kasich took office in 2011, one of his first priorities was to realign Ohio's economic development efforts and replace this once cutting-edge organization with a private, not-for-profit entity—JobsOhio—that could quickly and effectively respond to the needs of job creators. The four items below outline the next steps that will be taken in renewing Ohio's job-creation efforts.

PART I: LIQUOR ENTERPRISE "FRANCHISE TRANSFER AGREEMENT"

The directors of OBM and Commerce have agreed in principle to the terms and conditions that govern the transfer of the Liquor Enterprise to JobsOhio in the form of a grant of an exclusive, non-transferable 25-year franchise. ***Click here for more information***.

PART II: LIQUOR ENTERPRISE MANAGEMENT CONTRACT

Once Ohio's Liquor Enterprise is transferred to JobsOhio, JobsOhio will contract with the Department of Commerce to continue to run its operations. The contract between JobsOhio and the Department of Commerce requires Controlling Board approval. ***Click here for more information***.

PART III: CONTRACTING WITH JOBSOHIO TO LEAD OHIO'S JOB CREATION EFFORTS

House Bill 1, passed by the General Assembly and signed by Governor Kasich in February 2011, requires the Director of the Ohio Department of Development (ODOD) to execute a contract with JobsOhio to provide strategic business retention, expansion, and attraction services on behalf of Ohioans. ***Click here for more information***.

PART IV: LEGISLATION FINALIZING THE TRANSITION

The legislation would update sections of the Ohio Revised Code that address the Department of Development to reflect Ohio's new relationship with JobsOhio and implement internal reorganization recommendations from a required analysis of agency functions that was submitted to the General Assembly in August 2011. ***Click here for more information***.

Connect

We want to work with you to create a better Ohio. Contact the Governor, tell us how you'd fix Ohio, or stay informed by signing up for our mailing list.

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Renewing Ohio's Job-Creation Efforts

PART IV: LEGISLATION FINALIZING THE TRANSITION

Ohio Department of Development to the Ohio Development Services Agency

BACKGROUND

Over its nearly 50 years of existence, the Ohio Department of Development (ODOD) had become calcified and was no longer meeting the needs of businesses to help create jobs and revive Ohio's economy. When Governor John Kasich took office in 2011, one of his first priorities was to realign Ohio's economic development efforts and replace this once cutting-edge organization with a private, not-for-profit entity—JobsOhio—that could quickly and effectively respond to the needs of job creators. In February 2011, Governor Kasich signed Amended Substitute House Bill 1 refocusing Ohio's development efforts under JobsOhio. Follow-up legislation was anticipated at the time to complete the transition of the Ohio Department of Development into its successor organization—the Ohio Development Services Agency (ODSA). That legislation will be sought this year and is outlined below.

OVERVIEW

The legislation would update sections of the Ohio Revised Code that address the ODOD to reflect the state's new relationship with JobsOhio and implement internal reorganization recommendations from a required analysis of agency functions that was submitted to the General Assembly in August 2011. Key provisions include:

- Protecting Public Funds with Strong Oversight of JobsOhio: The legislation clarifies the relationship between ODSA and JobsOhio through contractual services [*see Part III fact sheet*].
- Name Change: Officially changes the name of the "Ohio Department of Development" to the "Ohio Development Services Agency."
- Funding: Sets appropriation levels for ODSA for Fiscal Year 2013.
- Incentive Approval Process Efficiencies: Phases out the Development Finance Advisory Council (DFAC), allowing ODSA to submit loan requests directly to the Controlling Board for final approval and streamlining the process to allow for faster approval of loans.
- Integrating JobsOhio's Leadership: Places the JobsOhio Chief Investment Officer on the Ohio Third Frontier Commission, Ohio Tax Credit Authority, and the Tourism Advisory Board.
- Tax Credit Process Reforms: Changes the initial date of the income tax revenue period from when the Ohio Tax Credit Authority acts to when ODSA and JobsOhio recommend a tax credit to the Ohio Tax Credit Authority.
  - Under the current structure, business expansions have been delayed due to difficulties in scheduling Ohio Tax Credit Authority meetings. This change allows Tax Credit Authority projects to move forward upon the recommendation of both JobsOhio and ODSA, ensuring a business is not penalized by delays in advance of an Ohio Tax Credit Authority meeting.
- Improving Access to Capital for Job Creation: Provides revisions in the Capital Access Loan Program and the Minority Business Loan Program, making them more efficient and business friendly.
  - The Capital Access Loan Program would have a new credit reserve pool within Ohio banks to offset losses in the event of default. Changes will provide discretion for ODSA to provide smaller loan guarantees in order to assist more small businesses.

- The Capital Access Loan and Minority Direct Loan Programs would be authorized to accept certifications from the minority supplier development councils.
- The Minority Direct Loan Program would have more flexibility by increasing the amount of a project that can be financed.

- InvestOhio: Provides administrative updates to the InvestOhio program to clarify that investors can only claim one tax credit for the amount invested even if the investor meets the qualifications for a second tax credit, and to require that ODSA collect data regarding the number of Ohio jobs created or retained as a result of the investments.
- Strengthening Tourism Promotion: Creates an advisory board for the Office of TourismOhio comprised of the Chief Investment Officer of JobsOhio, the Deputy Chief of the Office of TourismOhio and eight directors appointed by the Governor.
  - Of the Governor's eight appointments, three must be representatives of the tourism industry, one from the convention and visitor's bureau, one from the lodging industry, one from the restaurant industry, one from the attractions industry, and one representing special events and festivals.
  - A new pilot program would dedicate a portion of annual growth in tourism and recreation sales taxes, such as taxes on travel transportation, taxes paid for travel agent services, taxes collected at attractions, and hotel and restaurants taxes, in order to fund the Office of TourismOhio beginning in Fiscal Year 2014 and ending in Fiscal Year 2018. The pilot program shall be evaluated after this five-year period and recommendations shall be made to the Governor and General Assembly on whether to make it permanent, change it, or end it.

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Bloomberg

Jan 23, 2012 3:31 PM ET

Ohio Will Use $1.4 Billion From Revenue Bond Sale for Development Agency

By Mark Niquette

Ohio (STOOH1) will use about $1.4 billion from the sale of long-term bonds backed by future liquor profits to pay for an agency created to keep and attract jobs, said Tim Keen, the state budget director.

The state is transferring its wholesale liquor-distribution enterprise for 25 years to JobsOhio, a private, nonprofit entity the Legislature brought into being last year at the behest of Republican Governor John Kasich. Ohio doesn't have government- run liquor stores; it buys and distributes alcohol to retailers.

"This model that we are creating in the state of Ohio is one that's going to be studied across the country," Kasich said during the call. "If we do it right, it will be one that will be envied."

Liquor profits averaged $221.9 million annually from fiscal 2008 to 2010, the Ohio Department of Commerce has said. The state projects about $100 million will be available each year for job creation and retention after debt service on new bonds, said Mark Kvamme, JobsOhio's interim chief investment officer. That would be larger than similar arrangements in Michigan, Kentucky and California, and would be one of the biggest such dedicated funding sources in the U.S., the International Economic Development Council in Washington said last year.

Bond Sale Coming

JobsOhio will pay the state $500 million for the transfer and use an estimated $750 million to pay off existing debt backed by the liquor money plus $150 million for economic revitalization projects, Keen told reporters in a conference call today.

The agency expects to issue revenue bonds during the first quarter, said Kvamme, a former Silicon Valley venture capitalist. He said a final amount of the issuance is being determined.

Article continued here: http://www.bloomberg.com/news/2012-01-23/ohio-will-use-1-4-billion-from-revenue-bond-sale-for-development-agency.html

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Ohio Attorney General Mike DeWine

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News releases RSS

Attorney General DeWine Issues Compliance Report on State Awards for Economic Development

12/29/2011
(COLUMBUS, Ohio)—Ohio Attorney General Mike DeWine today submitted an annual report to the Ohio General Assembly regarding business entities that were granted economic development awards from the Ohio Department of Development (ODOD) with performance periods ending in 2010 detailing the extent those entities complied with the terms and conditions of the awards they received.

"In these challenging economic times, it is critical that Ohioans know whether companies receiving public money or tax credits from the Ohio Department of Development are delivering on their promises," said Attorney General DeWine. "I am pleased to provide this analysis of our findings to provide a benchmark for performance and to ensure transparency for Ohio taxpayers."

In December of 2008 the Ohio General Assembly enacted a measure directing the Ohio Attorney General's Office (AGO) to monitor the performance of businesses accepting state awards for economic development from ODOD. The Attorney General's Office conducted a three-phase review of the active economic development awards administered by ODOD. In the first phase, the AGO identified all 2,990 active economic development awards in which incentives are characterized as Grants, Tax Credits, Loans, and Workforce Guarantee awards. In the second phase, the AGO audited the information reported by ODOD to assess its reliability. And, in the third phase, the AGO identified those businesses which were subject to specific performance metrics and for which an ODOD compliance determination was possible.

Among all active awards, the performance periods for 420 awards ended in 2010. The businesses receiving the 420 awards were obligated to file a closeout report covering calendar year 2010. After examining the information provided in the closeout reports and determining whether the businesses met the terms and conditions of their state awards, ODOD reported to the AGO that businesses receiving 220 awards did comply and businesses receiving 200 awards did not. This represents an overall compliance rate of 52.4 percent.

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Documents

***2011 Report to the General Assembly: Business Entity Compliance with State Awards for Economic Development* (PDF)**

SHARE

IMPOSED ON INDUSTRY

Kasich seeks taxes on oil, gas drilling

Assessments would help pay to repair roads

By Dan Gearino and Joe Vardon
Wednesday January 18, 2012 6:34 AM

Ohio's oil and gas industry would pay an "impact fee" for deep-shale wells to cover the cost of infrastructure damage caused by oil and gas extraction, part of a package of taxes and fees for the industry that Gov. John Kasich soon will propose.

Kasich confirmed his intentions to *The Dispatch* yesterday and said he has maintained contact with industry leaders regarding his plans.

This is occurring as energy companies invest billions in leases to drill for oil and gas in Ohio's Utica shale, and amid rising concerns about the environmental consequences of drilling.

Drilling activity in the state is expected to increase truck traffic on rural roads, potentially damaging roads and bridges.

"We have to make sure we have impact fees," Kasich said. "At some point, these counties are going to benefit, but in the early years, when it comes to the erosion of roads and infrastructure, we need to make sure that these locals are going to be in a position to manage their infrastructure."

In addition to the fee — the amount has not been determined — Kasich wants to revise the state's severance tax to include natural-gas liquids. The tax now applies to the withdrawal of coal, natural gas and other resources but does not include natural-gas liquids such as propane.

The proposals probably will be included in Kasich's midbiennial budget review, to be introduced in the first half of this year, although they could be announced separately before the budget review is unveiled, he said.

Partly to head off this talk of new taxes, the Ohio Oil and Gas Association is releasing a report projecting that state and local governments will see a $1 billion increase in annual tax income from the industry by 2015 under the current tax system. That would represent a 4 percent increase in proceeds from all businesses, said the report, produced by Kleinhenz & Associates of Cleveland.

“It’s just not good policy to start a new tax because you can,” said Tom Stewart, executive vice president of the trade group.

Environmental advocates say that new taxes are a good idea if some of the proceeds go to communities that need to cover costs related to drilling activity.

“There will be more and more stress on local communities to have the fire and emergency support there to help fund the infrastructure that’s needed” for drilling, said Trent Dougherty, a staff attorney for the Ohio Environmental Council.

But lawmakers need to be careful in deciding how to structure a new tax, said Donald Tobin, tax-policy professor at the Moritz College of Law at Ohio State University. “The question is whether the tax is at such a level to discourage the activity,” he said.

Tobin also has concerns about the state government increasing its reliance on a “revenue source that has significant peaks and valleys.” This could be a problem, particularly if an increase in oil-and-gas taxes coincides with a decrease in taxes from less-volatile sources.

Kasich said he doesn’t want to “discourage development” by imposing fees and taxes that are too high, but he also said that “you can’t have the local people out there having their roads undone and say, ‘It’s not my problem.’”

“I think we’re going to be in a really good place on this,” Kasich said, referring to the levying of taxes and fees without pricing companies out of investing in Ohio.

Leaders in the oil and gas industry argue that they already face a substantial tax burden from four state taxes: the personal income tax, sales tax, commercial activities tax and severance tax. They also pay taxes to county and municipal governments.

The severance tax took in $10.6 million in 2010, most of which was related to the coal industry. That is barely a blip in the state budget, but the sum is poised to triple by 2015, according to the Kleinhenz report.

Contrary to perceptions, most oil and gas companies do not earn huge profits from which to pay higher taxes, said Jerry James, president of Artex Oil in Marietta and also president of the Ohio Oil and Gas Association.

“You can kill a business before it has a chance to get started,” James said.

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Severance Tax

Taxpayer

The tax is paid by holders of a severance permit.

Tax Base

The tax is levied on the weight or volume of certain natural resources extracted from the soil or water of Ohio.

Rates

Resource	Tax Rate
Coal	10 cents per ton[1]
Salt	4 cents per ton
Dolomite, gravel, sand and limestone	2 cents per ton
Oil	10 cents per barrel
Natural gas	2.5 cents per Mcf[2]
Clay, sandstone, shale, conglomerate, gypsum and quartzite	1 cent per ton

Major Exemptions

Natural resources with a market value of $1,000 or less annually are exempt if they are used on the same property from which the property owner extracted them.

Revenue

(In Millions)

Fiscal Year	Total
2007	$7.0
2008	9.4
2009	11.1
2010	10.6
2011	11.2

Disposition of Revenue

Fractional amounts of the severance tax are allocated to the following funds:

- Oil and Gas Well Fund.
- Unreclaimed Lands Fund.
- Coal Mining Administration and Reclamation Reserve Fund.
- Reclamation Supplemental Forfeiture Fund.
- Geological Mapping Fund.
- Surface Mining Administrative Fund.

Payment Dates

Payments are due May 15, Aug. 14, Nov. 14, and Feb. 14 for the quarterly periods ending the last day of March, June, September, and December, respectively. Annual returns are due Feb. 14.

Special Provisions/Credits

The levy imposed on coal operations without a full cost bond can vary from 12 cents to 16 cents depending on the amount in the Reclamation Forfeiture Fund at the end of each fiscal biennium. The current rate, effective Jan. 1, 2010, is 16 cents; the previous rate was 14 cents.

Although not a part of the severance tax, oil and gas well owners are subject to an oil and gas regulatory cost recovery assessment effective July 1, 2010. The assessment is based on a formula that takes into consideration the number of wells owned, the production of those wells, and the amount of severance tax paid. This assessment is reported on the severance tax return by either the owner or severer.

Sections of Ohio Revised Code

Chapter 5749.

1 This base rate does not include an additional 1.2 cents per ton levy for surface mining operations or an additional 12, 14 or 16 cents per ton levy on operations without a full cost bond. The additional rate on operations without a full cost bond varies based on the amount remaining in the Reclamation Forfeiture Fund at the end of each state fiscal biennium. The rate is 12 cents if the balance of the fund is $10 million or more; 14 cents if it is between $10 million and $5 million; and 16 cents if it is $5 million or less.

2 An Mcf is 1,000 cubic feet.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1971	General Assembly enacts House Bill 475, creating the tax effective Jan. 1, 1972.
1981	House Bill 1051 enacts a temporary 1 cent per ton additional tax on coal, to be collected depending on the balance in the Defaulted Areas Fund.
1983	Effective July 1, 1983, House Bill 291 increases rates from 3 cents to 10 cents per barrel on oil and from 1 cent to 2.5 cents per Mcf of natural gas.
1985	House Bill 238 increases the permanent rate on coal from 4 cents to 7 cents per ton, and includes a second 1 cent per ton temporary tax on coal, also conditioned on the balance in the Defaulted Areas Fund. On July 1, 1985, collection begins on both temporary coal levies.
1989	Effective July 1, House Bill 111 increases the rate on limestone, dolomite, sand, and gravel by 1 cent per ton. The bill also levies a 1 cent per ton tax on clay, sandstone, shale, conglomerate, gypsum, and quartzite.
1998	The 122nd General Assembly enacts Senate Bill 187, making one of the temporary 1 cent per ton coal levies permanent effective the following year.
2006	Effective April 1, 2007, House Bill 443 changes the base rate on coal to 10 cents per ton, eliminating the old temporary levy. The bill also adds an additional levy of 1.2 cents per ton for surface mining operations and an additional levy of up to 16 cents per ton on operations without a full cost bond.
2009	House Bill 1 directs all revenue from the salt component of the tax to the Geological Mapping Fund; previously, the fund received only 15 percent of this revenue.
2010	Senate Bill 165 creates an oil and gas "regulatory cost recovery assessment" effective July 1, 2010. While not part of the severance tax, the assessment is reported on severance tax returns.

Comparisons with Other States

(As of March, 2009)

Massachusetts, New Jersey, New York, and **Pennsylvania** do not have severance taxes. Rates in other states are listed below.

State/Resource	Rate
California	
Oil and gas	7.90758 cents per barrel of oil or each 10 Mcf of natural gas.
Timber	2.9 percent of total immediate harvest value.
Florida	
Oil	5 percent of gross value for small well oil and tertiary oil; 8 percent of gross value for all other oil; escaped oil, 12.5 percent additional.
Gas	45.7 cents per 1,000 cubic feet of gas produced.
Sulfur	$4.78 per long ton.
Minerals[1]	8 percent of market value.
Illinois	
Timber	4 percent of market value.
Indiana	
Oil and gas	Either 1 percent of value or 24 cents per barrel and 3 cents per Mcf, whichever is greater.
Kentucky	
Oil	4.5 percent of market value.
Coal and other natural resources[2]	4.5 percent of gross value; the minimum tax on coal for a reporting period is 50 cents per ton severed.[3]

1 Except phosphate rock and heavy minerals.
2 The Kentucky tax on limestone for specified purposes is limited to 14 cents per ton; the tax on clay used for specified purposes is 12 cents per ton. Taxpayers who sell and process clay within the state to landfill owners for the purpose of landfill construction are eligible for a credit equal to tax paid.
3 Coal used for burning solid waste is taxed at the lesser of 50 cents or 4 percent of the selling price per ton.

Michigan	
Oil	7.6 percent of gross value.[1]
Gas	6 percent of gross value.
Ohio	
	(As described in the Rates **section in this chapter.)**
Texas[2]	
Gas	7.5 percent of market value.
Oil and gas condensate	The greater of 4.6 percent of market value or 4.6 cents per 42-gallon barrel.
Recovered oil	2.3 percent of market value.
Sulfur	$1.03 per long ton.
West Virginia	
Coal	5 percent of gross market value.[3]
Coal refuse (or gob piles)	2.5 percent of gross market value.
Coal bed methane	5 percent of gross market value.
Limestone and sandstone	5 percent of gross market value.
Oil	5 percent of gross market value.
Natural gas	5 percent of gross market value plus 4.7 cents per Mcf.
Timber	4 percent of gross market value.
Other natural resources	5 percent of gross market value.

1 In Michigan, a lesser rate of 5 percent of gross cash market value for crude oil from stripper wells and marginal producing properties.
2 Rates shown for Texas do not include additional oil field and gas field clean-up fees.
3 Rate shown includes a 0.35 percent additional local tax on coal. However, the rate shown does not include the following: 14.4 cents per ton of clean coal mined through a surface mine operation, and 58 cents per ton on all coal mined in the state.

As Passed by the House

129th General Assembly
Regular Session
2011-2012

Sub. H. B. No. 18

Representative Baker
Cosponsors: Representatives Adams, J., Beck, Blair, Blessing, Boose, Combs, Derickson, Dovilla, Hayes, Henne, Huffman, Pillich, Ruhl, Snitchler, Stinziano, Uecker, Letson, Anielski, Barnes, Bubp, Buchy, Driehaus, Duffey, Garland, Grossman, Hackett, Hagan, C., Hall, Hill, Johnson, Kozlowski, Landis, Lundy, Maag, Martin, McClain, Milkovich, Newbold, Sears, Slaby, Sprague, Terhar, Winburn, Young Speaker Batchelder

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A BILL

To amend section 166.03 and to enact section 166.31 of the Revised Code to authorize grants to an employer that moves operations into a previously vacant facility and increases payroll by hiring and employing employees at the facility.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That section 166.03 be amended and section 166.31 of the Revised Code be enacted to read as follows:

Sec. 166.03. (A) There is hereby created the facilities establishment fund within the state treasury, consisting of proceeds from the issuance of obligations as specified under section 166.08 of the Revised Code; the moneys received by the state from the sources specified in section 166.09 of the Revised Code; service charges imposed under sections 166.06 and 166.07 of the Revised Code; any grants, gifts, or contributions of moneys received by the director of development to be used for loans made under section 166.07 of the Revised Code or for the payment of the allowable costs of project facilities; and all other moneys appropriated or transferred to the fund. Moneys in the loan guarantee fund in excess of the loan guarantee reserve requirement, but subject to the provisions and requirements of any guarantee contracts, may be transferred to the facilities establishment fund by the treasurer of state upon the order of the director of development. Moneys received by the state under Chapter 122. of the Revised Code, to the extent allocable to the utilization of moneys derived from proceeds of the sale of obligations pursuant to section 166.08 of the Revised Code, shall be credited to the facilities establishment fund.

(B) All moneys appropriated or transferred to the facilities establishment fund may be released at the request of the director of development for payment of allowable costs or the making of loans under section 166.07 or the awarding of grants under section 166.31 of the Revised Code, for transfer to the loan guarantee fund established in section 166.06 of the Revised Code, or for use for the purpose of or transfer to the funds established by sections 122.35, 122.42, 122.54, 122.55, 122.56, 122.561, 122.57, 122.601, and 122.80 of the Revised Code and, until July 1, 2003, the fund established by section 166.031 of the Revised Code, and, until July 1, 2007, the fund established by section 122.26 of the Revised Code, but only for such of those purposes as are within the authorization of Section 13 of Article VIII, Ohio Constitution, in all cases subject to the approval of the controlling board.

(C) The department of development, in the administration of the facilities establishment fund, is encouraged to utilize and promote the utilization of, to the maximum practicable extent, the other existing programs, business incentives, and tax incentives that department is required or authorized to administer or supervise.

Sec. 166.31. (A) For purposes of this section:

(1) "Vacant commercial space" means space that has been

unoccupied and available for use in a trade or business for the twelve months immediately preceding the lease or purchase date described in division (B) of this section, located in either of the following:

(a) A building, seventy-five per cent or more of the square footage of which has been unoccupied and available for use in a trade or business for the twelve months immediately preceding the initial lease or purchase date described in division (B) of this section;

(b) A business park, seventy-five per cent or more of the square footage of which has been unoccupied and available for use in a trade or business for the twelve months immediately preceding the initial lease or purchase date described in division (B) of this section.

For the purpose of determining whether a building, the construction of which is not complete, has been unoccupied for the required length of time, the building first becomes "unoccupied" when its construction discontinues as determined by the person who owned the property at that time.

(2) "Business park" means two or more buildings located on the same or adjacent parcels held under common ownership.

(3) "Building" means a building as defined in section 5701.02 of the Revised Code the construction of which is at least eighty-five per cent complete and that may be lawfully occupied.

(4) "Qualifying employee" means an employee employed by an employer, provided the employee is employed at the vacant commercial space for at least one year, employment of the employee increases the employer's payroll above the employer's base employment threshold, and the employee had not been employed by the employer within sixty days before the date the employer purchases or enters into a lease for a vacant commercial space.

(5) "Base employment threshold" means the total payroll of

the employer on the date the employer purchases or enters into a lease for a vacant commercial space.

(B) This section does not apply to the federal government, the state, the state's political subdivisions, or nonprofit organizations.

An employer required to deduct and withhold income tax from an employee's compensation under section 5747.06 and remit such amounts under section 5747.07 of the Revised Code may apply to the director of development for a grant from the facilities establishment fund, provided that, on or after the effective date of this section as enacted by H.B. 18 of the 129th general assembly, the employer occupies under a lease or purchases vacant commercial space at which the employer employs at least fifty employees or at least fifty per cent of its employees who are employed in this state. An employer may qualify for the grant only once. The amount of the grant awarded under this section shall be five hundred dollars for each qualifying employee. No grant application shall be accepted by the director three years or later after the effective date of this section.

The director shall prescribe application materials and explanations. An employer applying for a grant under this section shall submit the following with the employer's application to the director:

(1) An affidavit from the person who, in the case of a lease of vacant commercial space, owns the property or, in the case of a purchase, is the most recent owner of the property indicating that the building meets the requirements of a vacant commercial space;

(2) Payroll records indicating, for each qualifying employee, that the employee was employed for one year or longer at the vacant commercial space;

(3) Quarterly reports of wage information submitted by the employer to the department of job and family services pursuant to section 4141.20 of the Revised Code indicating the employer's

qualifying employees and the employer's base employment threshold.

Upon receipt of an application, the director shall review the application and attached materials and approve the application if, to the director's satisfaction, the employer fulfills all the grant requirements of this section, and if, in the judgement of the director, the unencumbered balance in the facilities establishment fund is sufficient to fund the amount of the grant. Upon approval of a grant application, the director shall authorize the award of the grant from the facilities establishment fund to the employer. If the director finds that the unencumbered balance in the facilities establishment fund is not sufficient to fund a grant under this section and the grant applicant otherwise qualifies, the director shall forward the application to the director or chief executive of any entity authorized or charged by law to perform job creation and other economic development functions for this state.

Upon receipt of the application, the director or chief executive of the entity shall authorize the award of the grant from funds available to that entity from any portion of the unencumbered funds available to the entity that may be used for such purpose.

An employer receiving a grant under this section from the facilities establishment fund must use the grant for the acquisition, construction, enlargement, improvement, or equipment, of property, structures, equipment, and facilities used by the employer in business at the vacant commercial space occupied by the employer.

(C) An employer may claim a grant under this section with respect to a building, the construction of which is not complete, only if the employer submits both of the following with the employer's application:

(1) A copy of a certificate from the appropriate building authority indicating that the building is at least eighty-five per

cent complete and that the building may lawfully be occupied;

(2) An affidavit from the person who owned the property at the time construction discontinued indicating the date construction discontinued.

Section 2. That existing section 166.03 of the Revised Code is hereby repealed.

Ohio | Department of Taxation

The Report

Of The

Tax Commissioner

Board of Tax Appeals

Recommendations

November 15, 2011

Joseph W. Testa, Tax Commissioner
Ohio Department of Taxation

Presented to

John R. Kasich, Governor, State of Ohio

William G. Batchelder, Speaker Ohio House of Representatives

Thomas E. Niehaus, President of the Ohio Senate

Am. Sub. H.B. 153
129th General Assembly

SECTION 757.30. The Tax Commissioner shall conduct a review of the operations of the Board of Tax Appeals, and, not later than November 15, 2011, shall submit a written report to the Governor, Speaker of the House of Representatives, and President of the Senate providing an assessment of the Board's operations and recommendations for improvement. The Tax Commissioner's review shall include consultation with persons who have participated in or have had matters before the Board and are familiar with the Board's operations and procedures. The report shall include recommendations for improving the appeals process, internal operations, and other operational matters the Commissioner deems advisable. The Commissioner may designate an employee of the Department of Taxation to conduct the review.

Executive Summary

The Board of Tax Appeals ("BTA") has experienced challenging times in recent years. As budget cuts forced staff reductions to their lowest levels in recent history, the economic downturn has flooded the board with record numbers of appeals from county boards of revision ("BOR"). Since FY 2009 appeals from the Department of Taxation have more than doubled. Despite these challenges, the BTA has made few structural or operational changes to address the situation, which has contributed to an increasing backlog of unresolved cases.

The BTA hears appeals from determinations of the Ohio Tax Commissioner, the 88 county boards of revision, municipal boards of review, budget commissions, and other tax-related matters. Appeals from BOR decisions make up the majority of the BTA's docket. Annually, all 88 BORs receive tens of thousands of complaints against the valuation of real property set by county auditors for calculation of local property taxes. A survey of all Ohio BORs found that 68,292 complaints were filed for tax year 2010, which affected taxes paid in 2011. Of these complaints, up to 9% were appealed to the BTA on a county-by-county basis.

Given recent economic trends, the number of BOR complaints filed state-wide has increased dramatically since 2009 and will continue to do so in the future. With a current BTA case backlog of over 7,200 real property cases alone, the committee anticipates that the number of BOR appeals pending before the BTA will exceed 10,000 by the end of FY 2012. Although the number of cases decided by the BTA increased to 3,061 in FY 2011 and has grown by another 816 since July 1, 2011, it is apparent that the BTA has not been able to address the backlog of appeals or maintain its pace against incoming filings.

Background

In 2008, the BTA's operating budget was significantly reduced, which required it to lay off a majority of its staff (6 of 9 attorney examiners and additional support staff). In 2011, the BTA received additional funding ($450,000) which has enabled it to hire three new attorney examiners and an additional support staff member. While it's clear the reduced staff was a factor in the creation of the current backlog, it is also clear that simply adding more employees will not correct the problem.

The process of handling cases has not changed at the BTA in many years – not even in response to a mounting number of cases and reduced staffing levels. All cases, large and small, proceed through a discovery phase, motion practice, hearing procedure, drafting phase, and culminate in the issuance of a decision. The BTA has followed its historical process where an attorney examiner manages, hears, and drafts a detailed written decision, and the chief attorney examiner reviews the decision and circulates it to the three BTA board members. Currently, the chief attorney examiner conducts a thorough review of each case generated by multiple attorney examiners. The board members' involvement in reviewing cases varies by member. While some may base their decisions on the hearing examiner's written opinion, others opt to review the entire file which often extends from listening to audio recordings of the initial hearing before the local BOR to reviewing the transcript and evidence presented at the hearing before the BTA. Whether the case involves the valuation of a complex multi-million dollar commercial property or a small valuation dispute for a residential property, this review and decision process is the same.

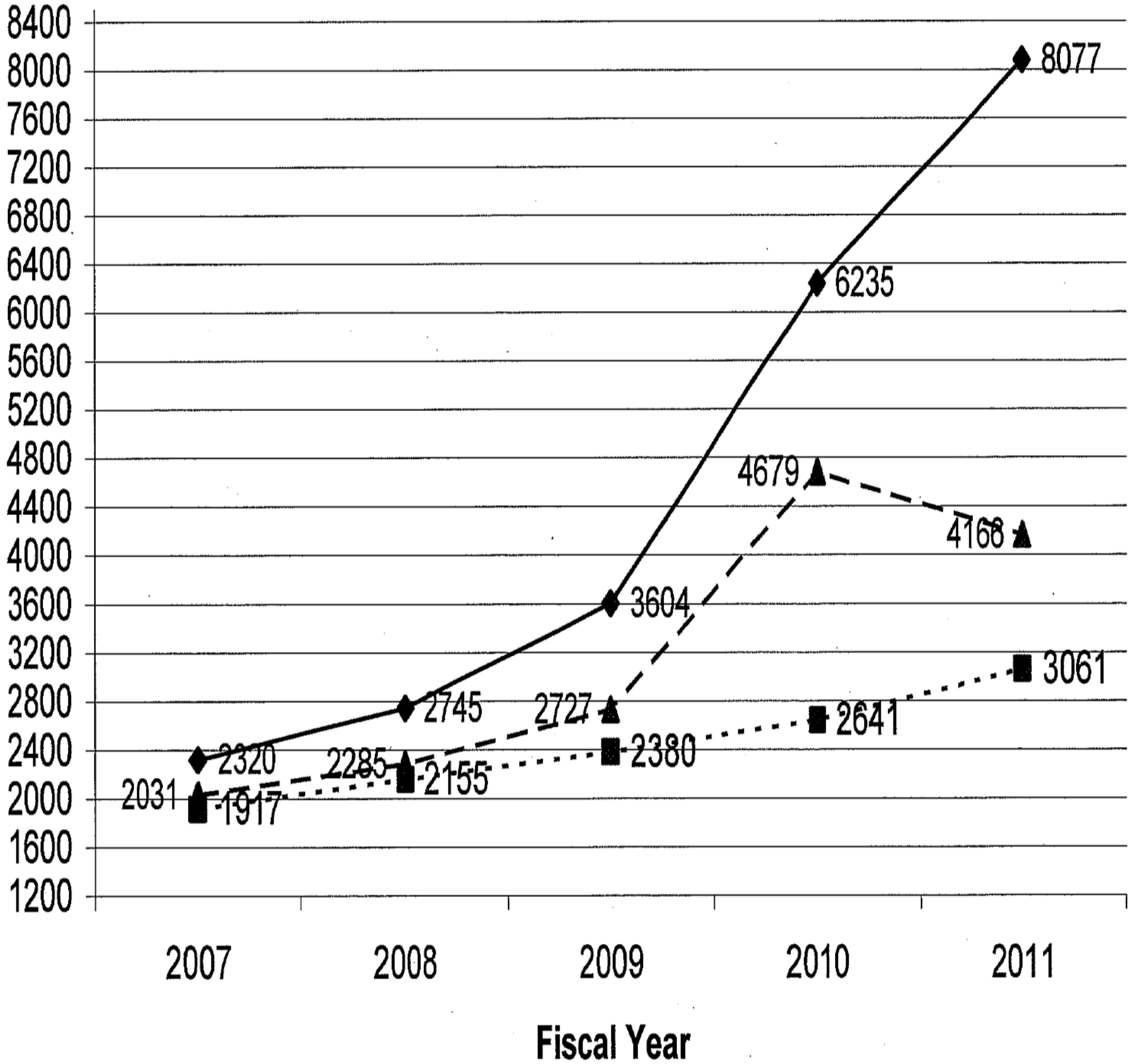
The process of scheduling cases also has not changed at the BTA. Historically, the BTA schedules all cases in the order in which they were received. The cases can be divided into two large groups: complex cases where the parties are represented by counsel (typically involving commercial property), and simpler cases where the property owner represents himself (typically limited to residential property). The BTA's discovery phase generally closes 120 days after the filing of the appeal. Cases are scheduled for hearing 30 to 60 days in advance, and parties are required to disclose exhibits and witnesses 14 days prior to hearing.

The hearing process is another procedure that has not evolved at the BTA. Generally speaking, the group of regular practitioners who appear before the BTA is relatively small, and they are well-familiar with the current hearing procedures and, naturally, use them to their clients' best advantage. For instance, although the statutes require a complainant before the BOR to bring all evidence in its possession to that hearing, the BTA hearing is a *trial de novo*, which means it can be tried as if the matter had not been heard before and as if no decision had been reached. Therefore, nothing precludes any party from presenting new evidence to the BTA. Practitioners typically do not wish to disclose their evidence, e.g., a new appraisal report, to opposing counsel until the last possible moment. This significant evidence is often exchanged only 14 days before trial. In large cases it is not unusual for practitioners to negotiate to avoid disclosing their appraisal evidence or to avoid the costs of obtaining an appraisal altogether. These practices cause an unnecessary number of continuance requests which result in an individual case being set for hearing multiple times, even though the case has been pending for many months if not years.

Given the instability of the current real estate market, the number of BTA appeals is projected to increase in coming years which will only serve to add to the current backlog of cases. Utilizing the historical processes to schedule, hear, and decide cases, the BTA will be unable to manage this docket in a timely and effective manner. The committee's proposed reforms for the BTA are focused on dealing with the current crisis and preventing future backlogs. The solution is two-fold: 1) establish a temporary, intermediate review process for residential valuation cases within the Tax Commissioner's Office to assist the BTA with its current backlog, and 2) remodel the historical processes at the BTA going forward.

Numbers

To discuss the number of cases mounting at the BTA is one thing; to see the number displayed as a graph certainly drives home the seriousness of the situation. A graph of the growing numbers of cases from the BTA's own annual report tells the story.



Number of Cases Received ▲

Number of Cases Decided ■

Pending Case Load ♦

6,972 cases were pending at the beginning of fiscal year ("FY") 2011. From the BTA annual report, 8,077 cases were pending at the end of the FY 2011. The BTA estimates that over 91% of these cases are real property valuation appeals from BOR complaints. In order to get a sense of upcoming cases, the Tax Commissioner conducted an informal survey in several heavily populated counties to determine how many BOR decisions were appealed for each tax year since the real estate market began to stagnate in 2008. For informational purposes, each county's current or upcoming reappraisal ("RE") or triennial update ("TR") is also listed.

Sample of Counties with Largest Number of BTA Appeals

County	**Update**		**2008**	**2009**	**2010**	**2011 to Date**	**Total Unresolved**
Cuyahoga	2012	RE	925	988	745	1372	2666
Montgomery	2011	TR	103	568	594	106	976
Summit	2011	TR	78	721	210	87	807
Franklin	2011	RE	288	313	213	311	691
Lake	2012	RE	75	196	321	100	488
Hamilton	2011	RE	65	200	189		251
Lucas	2012	RE	196	282		137	247
Butler	2011	TR		127	133	36	154
Ashtabula	2011	TR	64	130			107
Medina	2013	RE		118	60		161
Stark	2012	RE			82	45	136
Clark	2013	RE	64				106
Portage	2012	RE	95				54
Lorain	2012	RE				59	182
Licking	2011	RE				43	117
Delaware	2011	RE			78		118
Totals			1953	3643	2625	2296	7261

(Note: Due to system limitations some county data was unavailable)

The chart demonstrates the seriousness of the BTA's situation. In four months from July 1, 2011, the BTA has decided just over 200 cases per month. October 2011 set a new all-time record with 700 appeals filed at the BTA. If this pace continues the BTA will need to more than triple its monthly case production just to maintain the current backlog of over 9,000 pending cases. The questions posed are: can the BTA triple its output with its current operation, and whether more than 9,000 cases is an acceptable backlog for any administrative agency?

Kaizen Experience
Ohio Department of Taxation

Recently the Department of Taxation experienced a backlog of a significant number of cases. With the assistance of the Department of Administrative Services, staff members responsible for the petition process as well as staff from unrelated divisions came together to review and reform the petition procedures by participating in a Kaizen Event.[1] The goal of the Event was to reduce the backlog of un-worked petitions and improve the flow of those documents through the Department. All of the adopted changes realized through this examination are expected to lead to better tracking of petitions, faster results for taxpayers, and lower average handling costs per case.

The goal was to significantly reduce the backlog of 17,500 cases. As of November 10th, 2011, the pending docket stands at 4,600 cases and continues to decline resulting in cost savings and a more responsive government.

The lessons learned through the process review were that cases needed to be considered at the earliest entry point possible in order to be triaged into similar categories. Additionally, the group explored how technology can assist in the process and make the process smoother. In short, the Kaizen experience allowed the Department to employ staff with the appropriate level of skill sets, the right equipment, and at the right time in the petition process, to better serve Ohio citizens protesting tax assessments.

Keeping in mind the lessons learned from the Kaizen experience, the Department has drawn upon staff members of the Ohio Department of Taxation and stakeholders in the BTA process to address the issue of the BTA's backlog. The goal was to establish a procedure that will allow the BTA to efficiently and effectively respond to those who bring their appeals to that board, and the following pages outline the recommendations of that committee.

[1] *Kaizen* is Japanese meaning "break for the better" The Kaizen Event is a popular process improvement tool.

Recommendations

The method the Tax Commissioner's committee used to explore the practice and procedure of the BTA was to examine topics from previous studies and reports, research the practices in surrounding states, and to invite those from the community familiar with BTA's current practices to comment and make recommendations. Several themes developed from the responses. Most of the recommendations are addressed using these broad categories:

- small claims process
- BTA practice and procedures
  - technology updates
  - case management
- uniform rules of practice and procedure affecting county boards of revision.

Small Claims Process

The BTA has one procedure for handling every case that is appealed. As demonstrated by the numbers, this one process cannot handle the number of cases efficiently. Applying the "right-person-with-the-right-equipment-at-the-right-time" principle, the recommendation of the committee is that a small claims process be established by statute for all residential valuation cases.

Currently, pro se appeals (representing oneself) make up 34% of the BTA valuation cases. Given the state of the housing market, the Department anticipates that the percentage of home owners appealing property valuations will increase dramatically. The Franklin County BOR estimates 20,000 complaints will be filed in 2012. The Cuyahoga County BOR estimates 24,000 complaints to be filed in 2013. At the recently completed Franklin County informal property reviews, 75% were residential. By adopting a new statute that changes the way residential appeals are processed, taxpayers can be better served as decisions on less complex cases can be made more efficiently. This treatment is similar to state tax disputes, in that cases disputing $50,000 or less in controversy will qualify for the small claims process. A BTA case assigned to the small claims process would be administered with

- no discovery
- no additional evidence provided prior to hearing
- a decision with no precedential value
- no right of appeal
- summary decision rendered by hearing examiner.

The points listed above have long been advocated by practitioners that work with valuation cases. Due to the nature of the changes being proposed, any impact brought on by this newer process will take some time to realize. In an effort to aid the BTA in reducing its number of cases in the immediate future, the Tax Commissioner volunteers his employees to assist the BTA as explained in the next section.

Tax Commissioner Backlog Assistance Program

The Tax Commissioner Backlog Assistance Program is a temporary solution to this very real problem. With its current backlog of more than 9,000 cases, the BTA needs to focus on getting all cases decided as quickly as possible. The committee recommends passing a temporary law that would authorize the Tax Commissioner, who has expertise in valuing property, to process the current residential appeals using the proposed small claims process when the parties to the appeal agree to the alternative venue and: 1) voluntarily opt in to the program with a waiver of the right to appeal and, 2) agree that the evidence of value is limited to what was presented at the local BOR.

The Department's structure can readily adapt to the small claims process. Tax agents routinely address petitions for reassessment in other taxes and utilize financial and other data to reach decisions. Allowing the Department to finalize many of the current appeals will permit the BTA to focus its resources on those cases with more complex factual and legal issues.

The Backlog Assistance Program would apply to all docketed residential appeals pending on the effective date of authorizing legislation. The program would expire not later than two years after the effective date of the authorizing legislation.

BTA Practice and Procedure

Technology Updates

The BTA does not have electronic filing opportunities for appeals, motions, briefs or any other filings with the BTA. There are also no electronic notifications by the BTA to any of the parties involved in cases. In short, the BTA is woefully behind many state agencies in its use of technology.

The committee recommends that changes be made to Chapter 5717 to permit the electronic filing of notices of appeal. Beyond statutory changes the committee recommends the BTA should implement the following including but not limited to:

- electronic filings
- electronic management of cases
- electronic notifications to parties
- electronic exchange of discovery
- remote hearing capability e.g., telephonic and video conferencing.

BTA Practice and Procedure

Case Management

In examining the BTA's current procedures for processing appeals, the Tax Commissioner's committee chose to concentrate on those processes that would increase efficiency and decrease the existing backlog while preventing a new backlog in the future. As a result, the committee's recommendations focus on the following areas of case management:

- case management schedule and continuances
- notice of appeal
- discovery
- mediation/arbitration
- BTA authority to remand
- BTA authority to issue summary judgment entries.

Case Management Schedule and Continuances: Historically continuances have been granted freely by the BTA resulting in delays. Unlike the BTA, most courts establish an upfront outline of how a case will proceed. The advantage of a case management schedule is that all parties are put on notice regarding the anticipated timeline of a case. The parties to a case can anticipate the need for personnel involvement at specified periods of time, and the attorneys are able to adjust their schedules for client meetings and hearings. Because no schedule can anticipate all events, the schedule should be adaptable; however continuances should be limited to one per party. Another benefit of using a case management schedule is that all interested parties are immediately aware if there is a need to adjust the schedule. Placing the case management schedule online would further benefit all parties. The Case Management system would be made possible by statutory amendments to R.C. 5717.01 and R.C. 5717.02.

Notice of Appeal: (Tax Commissioner cases only) Expanding the ability to amend the notice of appeal may seem counterintuitive to efficiency, but considering overall tax administration, this will improve efficiency. The goal is to concentrate on the substantive tax issues by allowing the notice of appeal to be amended after the transcript is filed by the Tax Department. Allowing appellants to amend notices of appeal will allow for the resolution of the tax dispute without procedural interference.

Discovery: Use of the case management schedule will have an impact on discovery as issues will be defined earlier and the scope of discovery can be established sooner. Defining the scope of the issues earlier in the process should reduce the requests for continuances that delay the appeal process.

Mediation/Arbitration: The BTA stopped using mediation when its budget was reduced. The majority of the respondents to our questionnaire encourage the BTA to resume the mediation program. Mediation is a beneficial tool for all case types, and resolution of a case without litigation will have a positive effect on reducing the number of pending cases. BTA mediation procedures currently exist in Ohio Administrative Code Section 5717-1-21 and should be utilized.

Authority to Remand: RC 5717.03(G) allows the BTA to remand any issue that has not been previously raised back to the lower hearing body. In order to instruct the lower tribunals, the BTA should have the additional ability to remand cases based on the state of the law. The committee suggests that RC 5717.03(G) be amended to grant the BTA broader authority to remand cases where the lower tribunal has not correctly applied the law.

BTA Authority to Issue Summary Judgment Entries: The Supreme Court has repeatedly held that the BTA does not have the statutory authority to summarily dismiss cases. There are times, however, when the appellant fails to prosecute its appeal or fails to present evidence to support its position. The ability to issue summary judgment entries would allow the BTA to move quickly on appeals that are not well taken and reserve its resources for more substantive cases. The Ohio Revised Code should be amended to provide the BTA with summary judgment authority.

Rules and Uniformity Affecting the County Boards of Revision

The local boards of revision play a significant role in appeals to the BTA. Consistent rules applied uniformly by all BORs would reduce the number of appeals to the BTA. The committee recommends a statutory change that requires the Tax Commissioner to prescribe uniform BOR rules including, but not limited to, the following areas:

- standardization of hearing procedures
- development of uniform documentation
- encourage resolution of cases through settlement or mediation.

Summary

In summary, the Tax Commissioner's committee recommends the following to reduce the current case backlog and maintain future efficiencies at the Ohio Board of Tax Appeals including:

- creation of a small claims process
- acceptance of the Tax Commissioner's Backlog Assistance Program
- improvement of the BTA's current technology and the incorporation of new technology, e.g., electronic filing
- development of a formal Case Management Program
- adoption of uniform rules and procedures for county boards of revision.

Tax Commissioner Committee and Participants

I selected a committee within the Department to aid in the development of these recommendations to improvements of BTA policies and procedures. Input was also requested from twenty-seven (27) groups and associations throughout the state. Those invited to respond included those who practice before the BTA and parties affected by the outcome of its decisions.

Eleven of the invited participants responded and represent the various interest groups. Most commented on the recommendations presented in this report. The committee reviewed all the responses carefully while developing the recommendations found in this report.

- Ohio Board of Tax Appeals
- Ohio Attorney General
- County Auditors' Association of Ohio (CAAO)
- Rich & Gillis Law Group, LLC
- Jim Williamson CPA
- Ohio Township Association
- Ohio Association of School Business Professionals (OASBO)
- Seigel Seigel Johnson & Jennings Co., LPA
- Ohio State Bar Association Taxation Committee
- Ohio Chamber of Commerce
- Brindza McIntyre & Seed LLP

I wish to thank all those who submitted recommendations as well as the tax department staff who reviewed the information and contributed to this report.

Linda Allbright
Margaret Brewer
Matt Chafin, Chief Legal

Stan Dixon, Chair
Gloria Gardner
Michael Heller

Respectfully submitted:

Joseph W. Testa, Tax Commissioner
Ohio Department of Taxation
November 15, 2011

AdvaMed
Advanced Medical Technology Association

Bringing innovation to patient care worldwide

FOR IMMEDIATE RELEASE
February 03, 2012

AdvaMed
Advanced Medical Technology Association

CONTACT: Wanda Moebius
202-434-7240
wmoebius@advamed.org

Release of Proposed IRS Regs to Implement Medical Device Tax Underscores Need for Swift Repeal

WASHINGTON, D.C. – Stephen J. Ubl, president and CEO of the Advanced Medical Technology Association (AdvaMed) today released the following statement following the release of proposed regulations to implement the $20 billion medical device tax:

"The release today of proposed regulations to implement the $20 billion medical device tax scheduled to go into effect next year highlights the need for prompt action by Congress and the Administration to repeal this anti-competitive, job-killing tax.

"Studies have shown the tax will cost jobs – as many as 43,000 are at risk -- at a time when the American economy is struggling and U.S. medical technology leadership in the world market is threatened by competitor nations who have grown their industries through more favorable tax and regulatory policies.

"The anticipated tax has already forced companies to lay off workers and to reduce critical R&D that will help drive the next wave of treatments and cures.

"Failure to repeal the device tax flies in the face of the President's comments during the State of the Union about the need to reform our tax system to make our nation more competitive in the world market, a view shared by members of Congress from both parties. We urge the Administration and Congress to act swiftly to repeal this tax.

"We appreciate the time and effort IRS staff have spent reviewing our comments and considering the issues we raised. Implementing the tax will create a number of complex administrative and technical burdens that must be addressed. The unique characteristics of our industry make it ill-suited for blanket application of existing excise tax authorities, which were drafted for other industries at an earlier time. We will be carefully examining the proposed regulations."

The comments submitted previously by AdvaMed to the IRS regarding the implementation of the device tax may be viewed here . The accompanying letter may be viewed here .

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AdvaMed member companies produce the medical devices, diagnostic products and health information systems that are transforming health care through earlier disease detection, less invasive procedures and more effective treatments. AdvaMed members range from the largest to the smallest medical technology innovators and companies. For more information, visit www.advamed.org.

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AdvaMed
Advanced Medical Technology Association

March 22, 2011

Via email and United States Mail

Internal Revenue Service
CC:PA:LPD:PR (Notice 2010-89)
Room 5203
Post Office Box 7604
Benjamin Franklin Station
Washington, DC 20044

Attention: Ms. Natalie Payne

Dear Ms. Payne:

This letter responds to the request of the Internal Revenue Service ("IRS") in Notice 2011-89 (the "Notice") for comments on the new excise tax on medical devices imposed by Section 4191 of the Internal Revenue Code of 1986, as Amended ("Code"). Section 4191 was added by Section 1405 of the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029, 1064-1065. The excise tax on medical devices takes effect on January 1, 2013. The Notice requested comments by March 28, 2011. Comments were requested specifically "on the exemption in Section 4191(b)(2)(D) for any medical device 'determined by the Secretary to be of a type which is generally purchased by the general public at retail for individual use.'" Comments were further requested "on issues pertaining to the application of existing Chapter 32 rules to Section 4191."

On behalf of the members of the Advanced Medical Technology Association ("AdvaMed"), we want to thank you for meeting with AdvaMed representatives on December 9, 2010, and we submit the attached comments for your consideration.

AdvaMed is the world's largest trade association of medical device manufacturers who produce the medical technologies that are transforming health care through earlier disease detection, less invasive procedures and more effective treatments. AdvaMed represents roughly 370 manufacturers of medical devices, diagnostics, and health information systems transforming health care with earlier disease detection and improved outcomes. Medical device and diagnostic manufacturers are major employers, accounting for more than 400,000 jobs in the United States and its possessions and territories. Its member companies account for approximately 60 percent of sales in the U.S. market and 40 percent of sales in the global market.

AdvaMed
Advanced Medical Technology Association

As an initial matter, we appreciate that the diversity and differentiation of medical devices and industry supply chains, coupled with continual innovation in devices brings tremendous complexity to implementation of the excise tax. In short, the application of a manufacturer's excise tax to this dynamic and complex industry presents issues and challenges beyond those seen with other manufacturer's excise taxes. For these same reasons, the industry will require significant lead time to implement the necessary recordkeeping and accounting systems to comply with the tax. We appreciate your efforts in this regard to request comments from affected taxpayers and their representatives prior to the issuance of proposed guidance.

AdvaMed looks forward to engaging in continued dialog as the guidance process proceeds.

Sincerely,

Stephen J. Ubl
President

Enclosures

cc: Stephanie Bland, Internal Revenue Service
Jeanne Ross, U.S. Department of the Treasury
Christopher L. White, Esq., General Counsel, AdvaMed