

PUBLIC POLICY REPORT – Tax Policy

TO: OMA Government Affairs Committee
FROM: Ryan Augsburger, OMA Staff
DATE: September, 2011
SUBJECT: TAX POLICY HIGHLIGHTS

Overview

Following completion of the main operating budget in June, only a House legislative study committee has been active. A few bills are being considered, mostly in the House.

State Budget and Financial Condition

Tax and other revenue collection continues to track above estimates. Administration officials have hinted that Governor Kasich may want to revise the budget (mid-term) to institute another rounds of cuts.

Estate Tax Repeal

The Estate Tax was repealed as a rider to the state budget with a 2013 effective date so it will not shortchange revenue collection in the FY12, FY13 biennium. The OMA advocated in support of repeal.

House Study Committee

Since late August a legislative study committee has been meeting to hear public testimony. OMA Tax Counsel Mark Engel of Bricker & Eckler educated lawmakers about the important package of reform, enacted in 2005. Most state representatives were not in Columbus during the reforms. Mark cautioned lawmakers about the importance of maintaining a broad base, in order to maintain the low rate. The committee is charged with looking at the CAT, considering the sales and use tax, and considering tax expenditures.

Over a dozen industries or companies have appeared before the committee asking for special treatment (exemption) from the CAT. A number of local government leaders are also appearing to express opposition to a rumored legislative proposal to consolidate municipal tax collection at the state level.

Unemployment Compensation

Like many states, Ohio's fund to pay unemployment compensation claims was depleted in early 2010. The state has borrowed federal funds (\$2.3 billion) that will need to be paid back. States are required to begin paying interest by September 2011 (nearly \$300 in interest alone in the 2012/13 biennial budget). The OMA has signed on with other business groups in urging greater state flexibility in repayment. Eventually Ohio employers could see a premium increase to repay the federal loans and restore the state fund, probably coupled with benefit cuts. In the short term, the state budget appropriated funds to meet the interest payments that come due on Sept 30. This is a positive development for employers.

JobsOhio and Third Frontier

House Bill 1 / Senate Bill 1 created a non-profit corporation called JobsOhio to coordinate state economic development activity. The corporation is headed by a board of directors and chaired by the Governor. A series of informational presentations was held around the state last month. See additional information included.