

Tax Management

OMA To Lawmakers: Preserve Tax Reform

OMA Tax Counsel **Mark Engel** of Bricker & Eckler LLC this week told a panel in the Ohio House of Representatives to hold the line on the broad-base, low-rate commercial activity tax (CAT). Dozens of other business interests have told the lawmakers that their business or industry is harmed by the CAT and are seeking exemption. Pharmaceutical distributors, retailers, grain elevator operators, and gas stations are among the parties protesting the “unfair” burden imposed on them by the CAT.

In his **testimony** on behalf of the OMA, Engel said, “The solution isn’t a tax system made of Swiss cheese; we tried that already, and it didn’t work. Hold fast to a broad-based, low-rate tax that is simple to enforce and simple to follow, and that treats all taxpayers the same.”

Last week, Cleveland State University Dean Edward “Ned” Hill made a presentation to the committee on the economic benefits of the tax reforms enacted in 2005.

09/23/2011

More Small Business Loans Available

The federal government recently approved the next wave of funds, \$767 million, to community banks for making commercial and industrial loans. The development is part of the Small Business Jobs Act enacted last year which set aside \$30 billion for this purpose. Manufacturers worked in support of the creation of this program.

Read more in the **PMA / NTMA One Voice**.

09/16/2011

OMA Recognized for Estate Tax Repeal

Earlier this year, state leaders repealed Ohio’s estate tax as an amendment to state budget legislation. Abolishing the tax had been an OMA priority for many years because the tax served

as a deterrent to necessary re-investment by family-owned businesses. **The Wall Street**



Journal chronicled the historic development. The OMA worked together with other supporter organizations including Citizens

United to End Ohio’s Estate Tax.

Pictured is the OMA’s Ryan Augsburger, Ron Alban and Jack Boyle of Citizens Untied to End Ohio’s Estate Tax, and OMA President Eric Burkland.

09/09/2011

House Panel Considers State Tax Policy

The Ohio House of Representatives this week began a series of “study committees” with a panel to examine the state’s tax structure.

Deputy Ohio Tax Commissioner Fred Church said the goal of the tax reform of 2005 was to create a broad-based, low-rate business tax to replace the corporate franchise and tangible personal property taxes and to lower the personal income tax rate. Church testified that the new “tax was designed to benefit manufacturing, creating a favorable ‘platform for production’ in Ohio.”

“Fred’s **presentation** described accurately how the significant tax reforms have dramatically improved Ohio’s tax climate,” commented the OMA’s Ryan Augsburger.

A threat to Ohio’s manufacturing-friendly state tax policy is special interest lobbying to obtain tax exemptions, which erode the tax base. A witness representing gas station/convenience store operators testified that the industry should be exempted from the tax. There’ll be more of this coming from other groups as the study committee continues its hearings.

08/26/2011

State Outlines New Economic Development Apparatus

The Kasich administration this week **unveiled details** about the state's new way of working with businesses to promote their growth and attract new investment in Ohio. To date, the functions of economic development have been shepherded by the Ohio Department of Development; however, with the passage of the JobsOhio bill (House Bill 1), Governor Kasich was authorized to form a nonprofit corporation which is responsible for economic development, job creation, job retention and the recruitment of businesses to Ohio.

The **full report** details which functions should remain within the state agency structure and which functions should transfer to JobsOhio.

Officials responsible for the new structure are holding **six regional meetings** to discuss Ohio's new economic development strategy. The meetings are intended to describe the role of the Ohio Department of Development and its relationship with JobsOhio and the JobsOhio Network partners.

"This new approach, which has a regional focus, represents perhaps the most sweeping reform ever of Ohio's economic development strategy," commented the OMA's Ryan Augsburger, who will be monitoring the developments and reporting them to members via this publication and to the OMA Tax Policy Committee. Manufacturers are invited to attend the regional events and to view a **presentation** the state is using to describe JobsOhio.

08/19/2011

Ohio GrowNOW Program Reduces Interest Rates on New or Existing Small Business Loans

State Treasurer Josh Mandel has created the **GrowNOW** program to make financing more affordable for small business owners.

Qualifying businesses can receive a three percentage point interest rate reduction on new or existing small business loans for two years

with the opportunity for renewal.

The program is a partnership between eligible banks and the Ohio Treasury. Small business owners must commit to the creation or retention of at least one full-time job or two part-time jobs in the state of Ohio for every \$50,000 borrowed, up to \$400,000. GrowNOW broadly serves as a catalyst for Ohio's economic development by supporting the small businesses that drive it.

07/29/2011

State Budget: Lots of Tax Changes

The budget bill signed into law by Governor Kasich last week contains numerous changes to tax law. The bill extends some existing tax exemptions or credits, enacts a number of new tax breaks, and contains no tax rate increases.

The bill completes the five-year, phased reduction of the personal income tax, and eliminates the state estate tax as of January 1, 2013. Both of these changes have been championed by the OMA and member companies.

Among the bill's tax exemptions or credits: nonrefundable jobs retention tax credit for certain qualified large projects, another exemption from the commercial activity tax (this time for uranium enrichment operations), a nonrefundable personal income tax credit for certain investments in qualified small businesses, an extension of an exemption for qualified energy projects, a new sales tax exemption for equipment used in the operation of a computer data center business, and others.

The bill creates the "Joint Tax Expenditure Review Committee" to review each tax expenditure, such as those contained in the bill, at least once every 8 years, and make recommendations whether the expenditure should be terminated, continued, or modified.

Read more in a **memo** from OMA tax counsel Mark Engel of Bricker & Eckler LLC.

07/08/2011

Unemployment Compensation: Funds Directed to Pay Federal Interest

Previously, *Leadership Briefing* reported that the state may be required to begin paying interest in September on \$2 billion borrowed against federal unemployment funds. Employers are ultimately responsible to help rebuild the state's unemployment insurance fund balance. The **OMA supported federal legislation** to provide flexibility to states on repayment.

This week, the Ohio General Assembly included an **eleventh hour amendment** to the state budget to transfer \$104 million earmarked for anti-tobacco programs to a newly-created Unemployment Compensation Contingency Fund to defray interest costs potentially owed to the federal government. This is intended to ease the burden on Ohio employers.

07/01/2011

New Income Tax Credit for Small Business Investors

In a last-minute move, Governor Kasich's "InvestOhio" plan was dropped into House Bill 153, the biennial budget bill, shortly before an agreement was reached by the conference committee to reconcile the different versions of the bill passed by the two chambers. The provision permits a nonrefundable credit of up to \$1,000,000 for qualifying investments in certain small business enterprises.

A "small business enterprise" is defined as an entity in which total assets do not exceed \$50,000,000, or annual sales do not exceed \$10,000,000. The enterprise must have at least 50 full-time equivalent employees, or more than one-half of its total full-time equivalent employees employed anywhere in the United States, in Ohio and subject to withholding of Ohio income tax.

Credits will be capped at \$1 million per individual. Credits claimed in the biennium cannot exceed \$100 million. It'll be first come first served under rules to be designed by the Ohio Department of Development.

Read more in a memo from OMA tax counsel Mark Engle of Bricker & Eckler, LLP.

07/01/2011

Kasich Gets His Budget and its Reforms

The conference committee on the state budget made **final changes**, sending **HB 153** to the House and Senate floors this week. The 4000 page budget bill then was adopted along partisan lines. Governor Kasich had one day to decide on line-item vetoes, and sign the bill. There were no vetoes of particular significance to manufacturers.

Top issues for manufacturers contained in the budget: repeal of the estate tax effective January 2013, final phase-in of personal income tax reduction, provisions to encourage innovation and shared services among local governments, construction reform for public works, lifting of prevailing wage threshold for public works, satisfactory compromise on emissions regulations, and the creation of InvestOhio.

Dubbed the "Jobs Budget" by Governor Kasich who first proposed it in mid-March, this budget closed an \$8 billion structural deficit. The Governor and the Republican majority in the General Assembly balanced the budget without increasing taxes.

The OMA thanks its members that testified in support of the bill and engaged with lawmakers to get it passed.

07/01/2011