

---

# POLICY MATTERS OHIO

---

CLEVELAND: 2912 EUCLID AVENUE • CLEVELAND, OHIO, 44115 • TEL: 216/931-9922 • FAX: 216/931-9924  
COLUMBUS: 1372 GRANDVIEW AVE. SUITE 242 • COLUMBUS, OHIO, 43216 • TEL: 614/486-4601 • FAX: 614/486-4603  
[HTTP://WWW.POLICYMATTERSOHIO.ORG](http://www.policymattersohio.org)

**Testimony before the House Committee  
on Economic Development and the Environment  
House Bill 414: Job Retention Credit**

*Wendy Patton, Policy Liaison  
Policy Matters Ohio*

**2/1/06**

Good morning Mr. Chairman and members of the committee. My name is Wendy Patton and I am the policy liaison in the Columbus office of Policy Matters Ohio. Policy Matters Ohio is a non-profit, non-partisan institute that does research on issues that matter to low- and middle-income Ohioans. Thank you for this opportunity to testify on House Bill 414, the proposed Job Retention Credit.

Like the rest of Ohio, we too are concerned about continued cutbacks and plant closures in the auto industry in Ohio. However, we do not believe that the policy response contained in House Bill 414 is the best course of action because it will make the new Commercial Activity Tax less fair and efficient and it may subsidize companies that reduce their Ohio workforce without providing real assurances that it will retain additional jobs in Ohio.

We sent you a letter on this topic in December, and we would like to highlight our concerns about three primary issues in House Bill 414.

- First, this is a time of budgetary constraints in Ohio, yet this legislation would provide special tax loopholes for just five companies: General Motors, Ford Motor, Daimler Chrysler, Honda and Delphi. This erodes the equity and efficiency of the newly created Corporate Activity Tax, which was supposed to be a fair tax applied at very low rates without loopholes. Under the current law, other Ohio taxpayers could end up paying for these tax breaks because the CAT tax rate may be adjusted upward if revenue targets are not met.
- Second, some of the companies that would benefit from this loophole are in healthy condition and would invest and create jobs here without the incentives. For example, Honda invested \$1.77 billion in its Ohio facilities between 1999 and 2003 without this tax incentive. Others, Delphi in particular, may be too fragile to benefit. The Ohio Tax Credit Authority must determine that a recipient of this incentive is economically sound, has the ability to complete the proposed capital

investment project, and intends to and has the ability to maintain operations at the project site for at least twice the term of the credit. (O.R.C. Section 122.171(D)(2)). Delphi's bankruptcy and questions about its long-term future suggest it might be difficult for the authority to make such determinations.

- Third, recipients of this new incentive could shutter plants and reduce jobs in Ohio even while they continue to receive benefits.

In summary, we believe this is a flawed bill that should not move forward in its current form because it will make the CAT tax less fair and effective, and may subsidize companies that reduce their Ohio workforce without providing real assurances that it will retain additional jobs.

Thank you for this opportunity to speak. I welcome the opportunity to answer any questions.