Dayton Daily News
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EDITORIAL

Facts, fairness must drive tax reform

By the Dayton Daily News

Ohio house speaker Jon Husted was on the money when he identified tax reform as vital to the state's future. The "time is now," he recently told the *Dayton Daily News* editorial board.

His sense of urgency is driven mainly by the steady stream of bad numbers describing Ohio's economic condition, all showing a state that's lost considerable ground in key categories during the past decade.

Job creation. Per capita income. Housing starts. Bankruptcies. Out migration of young people. In all these areas, the statistics show Ohio to be a middling state at best, one increasingly likely to be dropping back toward the tail end of the pack both nationally and among peer states in the industrial Midwest.

But Speaker Husted also is motivated by what he and others now say was a missed opportunity to fundamentally rethink Ohio's tax system during the 1990s, when relative prosperity may have made an inevitably touchy task easier.

There seems to be increasing broad agreement that Ohio's tax code is antiquated and unfair to certain kinds of businesses. There's less consensus, though, on what direction reform should take.

Relying on facts is the best way to bridge differences. That means strict financial reporting on who's being asked to bear what share of the tax burden. It means complete disclosure about who will benefit from any change in tax policy, and what public purpose is served by changes.

And priorities and interests have to be balanced. Some economists, for example, argue that fostering economic growth requires not just a favorable business climate, but also investments in first-class public education systems, public services and infrastructure.

Meanwhile, there's also disagreement about the personal income tax. Some are complaining bitterly that Ohio's top personal income tax rate discourages well-off people from living here. Census data and information from the Internal Revenue Service, however, seem to dispute that charge.

According to numbers collected by the Cleveland Federation for Community Planning, there was no uptick in Ohio residents leaving the state after a new top tax rate was added in 1993. Rather, the federation says the exodus came later, when $2.2 billion in temporary tax cuts were in place in the late 1990s.

Policy Matters Ohio, another liberal think tank, argues that eliminating the top rate would cost the state $114 million a year, but would yield an average tax cut for top earners of just over $2,000 — that's hardly make-or-break money for a crowd that averages $619,000 in income.

Gov. Bob Taft, Speaker Husted and Republicans generally are most focused on the business tax rules, which is sensible. They seem to be leaning toward a single "business activity tax" that collects from a wider range of enterprises — including out-of-state companies that do business here but currently elude taxation.

There is a simplicity and logic to this approach. But more needs to be known. And the idea can't fairly be judged until accompanied by all the pesky — and revealing — facts and details.