

State budget's targeted tax breaks draw criticism

Liberal group cites \$400M-plus; Kasich defends policies

By Darrel Rowland

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At the same time that lawmakers were making wide-ranging cuts in the state budget enacted this month, they gave more than \$400 million in tax breaks, a public policy group says in a new analysis.

"Some of the kind of tax breaks we are generating do not have any job requirements attached to them," said Zach Schiller, research director of Policy Matters Ohio, a liberal-leaning group based in Cleveland.

"We've got every state trying to do this type of thing, and it's a zero-sum game. We create a new tax break, and then everybody else does it. And vice versa."

The beneficiaries of these new or extended incentives approved by legislators and Gov. John Kasich range from horse tracks to private operators of the state's development efforts and Ohio Turnpike to gift cards and customer-loyalty programs to buildings for captive deer.

The new tax breaks take their place alongside 128 others totaling around \$7 billion a year already in Ohio law.

"We comprehensively overhauled our business tax system in 2005 under the theory we were cutting large numbers of special breaks and abatements because we would have a tax system that would have lower rates and attract business."

"Are we in effect saying that's failed?" Schiller said.

The 2005 changes eliminated the corporate franchise tax in favor of a new commercial-activities tax. A 21 percent cut in the state income tax also was part of the plan; the final phase took effect this year.

Kasich defended his budget approach as "absolutely correct."

"These are policies that have driven a strong job-creating economy throughout the history of our country," he said.

Kasich accused his predecessors of “raising taxes” every time “we got ourselves in a bind,” and he cited Standard & Poor’s recent upgrade of Ohio’s credit-rating outlook as proof that his budget and policies have the state on the right track.

When asked about business- and income-tax cuts implemented by previous Govs. Bob Taft and Ted Strickland, Kasich said those reductions didn’t reach far enough.

“As the CAT tax applies to people who are exporting out of the state, it’s good,” Kasich said. “But for those who are not in that business, it doesn’t help them much. The idea that we should continue to reform government and reduce taxes and make the state more competitive is the winning ticket, and that’s exactly what we are doing.”

House Democratic leader Armond Budish of Beachwood agreed with the Policy Matters assessment.

“It is inexcusable that Ohio’s recently passed budget cuts millions from education, police and fire protection, mental-health services and long-term care for seniors, while giving huge tax cuts to the wealthiest among us and to special interests,” Budish said.

“The effects of the hundreds of millions in lost revenue will be catastrophic, and the burden of fixing it will be left for the next General Assembly, while communities across the state pay the price.”

Mike Dittoe, spokesman for House Speaker William G. Batchelder, R-Medina, had a different take: “Besides failing to recognize that the last General Assembly’s budget set the stage for the problems we face today, this report unfortunately does nothing more than advocate for tax increases on farmers, small-business owners and other job creators throughout Ohio.”

The Senate’s version of a state budget called for a panel to study the state’s tax breaks, but that provision was stripped out in the final deal with the House and governor’s office.

However, Senate President Tom Niehaus hopes to accomplish much the same thing in asking Sen. Tim Schaffer, a Republican from Lancaster and chairman of the Ways and Means Committee, to regularly review all tax expenditures in relation to economic development, said Niehaus spokesman John McClelland.

Dispatch reporter Joe Vardon contributed to this story.

drowland@dispatch.com