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## Legislators, Taft look at tax plan for business Gross receipts concept would shift the burden

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COLUMBUS - Republican legislators and Gov. Bob Taft are examining a proposal to create a new business tax that supporters say would let Ohio eliminate the corporate franchise and tangible personal property taxes.

The Ohio Business Roundtable is gathering comments from corporate leaders about a gross receipts tax, which would generate tax dollars based on business sales.

"We need to shift the burden away from taxing investment and profitability and wealth creation - and toward taxing consumption," said Richard Stoff, president of the Ohio Business Roundtable, which has 83 members including The Andersons, DaimlerChrysler, and FirstEnergy.

The 13-year-old group also is trying to build support from Mr. Taft and legislators.

A gross receipts tax would be a "cousin" to the state sales tax - with a rate applied to total business sales, said state Sen. Ron Amstutz, the Wooster Republican chairing the Senate Ways & Means Committee.

"The business pays the tax, not the consumer directly," Mr. Amstutz said.

The tangible personal property tax is applied to machinery, equipment, and inventories. Under Ohio's corporate franchise tax, corporations pay based on either their net worth or net income, whichever is higher.

The rate of a gross receipts tax would have to be low - such as three-quarters of 1 percent - to reduce the tax burden on some businesses, backers say.

But the challenge of a new tax is it could shift the burden to other types of businesses, said Eileen Granata, interim chief operating officer of the Regional Growth Partnership, the Toledo area's leading economic development group.

At the Feb. 8 State of the State address, Mr. Taft is expected to unveil his plan to overhaul Ohio's tax code.

Mr. Amstutz said he expects "a lot of overlap" among Mr. Taft's tax plan and proposals floated by the Business Roundtable, the Ohio Chamber of Commerce, and House of Representatives.

The Business Roundtable plan calls for an across-the-board reduction in personal income tax rates, which also will help small businesses, Mr. Stoff said.

Mr. Amstutz said he is aware of proposals that would lower the rates from 10 percent to 25 percent. Other plans would revise the brackets, he said.

A 20 to 25 percent reduction in personal income tax rates could be accomplished by renewing the increase in the state sales tax rate from 5 percent to 6 percent. The 1-point sales tax increase is set to expire June 30, Mr. Amstutz said.

Other elements include adding more services to the sales tax base, increasing the cigarette tax from 55 cents a pack to \$1, and boosting alcohol taxes.

Zach Schiller, research director for Policy Matters Ohio, a nonprofit group based in Cleveland, said the plan to extend the 2003 sales tax rate increase beyond June 30 so personal income tax rates could be cut would "transfer income from less affluent to more affluent people. I don't think that is something most Ohioans want or would benefit most Ohioans."

A major question whenever there is a proposal to eliminate the tangible personal property tax is whether school districts, counties, municipalities, and townships would receive less, the same, or more tax dollars if the state adopted a gross receipts tax.

The tangible personal property tax generates about \$1.8 billion annually, with school districts getting about 70 percent.

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