

Editorial: Tax breaks not free; they put drain on budget

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For weeks now, the news out of Columbus has been about the budget — how big the cuts are going to be, who is going to be hit.

With a June 30 deadline to pass the next two-year spending plan almost here, and the House and Senate both having taken their turn at changing the governor's proposal, the issue is heading to a small committee made up of House and Senate members. That's where the real decisions will be made.

Though tax revenues have picked up, the hacking still will be severe, especially for schools, local governments and social services.

One idea that could mitigate the situation at least down the road is a requirement to take a look at all the state's tax breaks. That good suggestion is in the Senate plan, but it needs more force.

The tax department has identified 128 "tax expenditures" — credits, deductions, exemptions or other breaks — representing \$7 billion in value. By law, these expenditures have to be enumerated every two years for lawmakers, but there's no requirement that the legislators then have to vote to continue them or even debate their merits.

Once a break is on the books, it's likely to be there forever.

The breaks are given to businesses and individuals alike. They include, for example, the individual deductions residents get on their state income tax form and a sales tax exemption for prescription drugs.

Meanwhile, manufacturers don't have to pay sales tax on machinery, equipment, supplies and fuel.

Also keep in mind that this tally doesn't include the money the state kicks in to reduce the hit homeowners would otherwise take in property taxes. That subsidy program costs almost a whopping \$1.7 billion last year.

No one is proposing to solve the state's financial problems by eliminating all tax breaks. Some of them foster good things. Giving businesses a tax break for buying new equipment encourages companies to invest — and create jobs. Helping reduce the sting of property taxes — which are hard on people on fixed incomes — is good for schools.

But should manufacturers never have to pay taxes on equipment?

Should the state subsidize property tax payments for people who draw big salaries and own expensive homes?

The push to review the state's tax breaks is coming from an unlikely trio — the conservative Buckeye Institute, the liberal Center for Community Solutions and the liberal Greater Ohio Policy Center.

They don't agree on what should happen to the money that's "lost" to tax breaks; but they do each say that tax breaks shouldn't be guaranteed.

Policy Matters Ohio, another liberal research organization which was among the first to push this issue, and the state chamber of commerce also say a review is needed.

Gov. John Kasich hasn't supported the idea, worried that eliminating any breaks would be portrayed as raising taxes.

"What one person describes as closing a tax loophole another person calls raising taxes," his spokesman told one newspaper. "While in Congress, Gov. Kasich was well-known for taking on inappropriate corporate welfare, and that commitment continues. I think you'd be hard-pressed to find too many Ohioans right now who think their taxes are too low, however."

Here's the thing, though. Getting Ohio through this financial crisis has to be a shared burden. Just cutting spending — without asking if the state is giving away money it shouldn't — is not smart.

What's so awful about having sunsets for tax breaks?

What's wrong with having targets for reducing the breaks, which is another way of evaluating which breaks result in the most good?

Making sure that Ohio is collecting what it has coming isn't selling out. It's showing fairness to the people who aren't getting discounts on their tax bills.