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policymattersohio.org/senate-budget-jun2013

Ohio Senate budget bill a grab-bag of tax breaks

The Senate approved a budget bill today that includes a grab-bag of tax breaks, even while it would reduce transparency for existing local tax incentives.

Under the bill, the public could be excluded from local government meetings covering the terms of applications for economic development assistance. These would include a variety of local property-tax breaks.

“The General Assembly should be reviewing existing tax preferences to see if they have any value, instead of creating a host of new ones for narrow special interests and cloaking local decisions in secrecy,” said Zach Schiller, research director of Policy Matters Ohio.

Among the items in the Senate bill are:

- A new sales tax break for aerospace companies. The Legislative Service Commission says the revenue loss from this tax break, which is identical to one Gov. Kasich vetoed last year, is “potentially sizable.”
- Expansion of an existing tax break for data center equipment; and
- Looser requirements for the New Markets Tax Credit program, which is supposed to support investments in low-income communities. An amendment would eliminate the requirement that a taxpayer receive a federal credit in order to qualify for a state credit.

Other narrowly written special-interest provisions would allow:

- A retailer to keep 75 percent of the piggyback sales tax it would otherwise pay to a county if it employs at least 150 people and meets certain other requirements. This break, originally approved in 2006 for BassPro in Wood County, had expired, but is being revived, with a lower investment requirement (\$30 million instead of \$50 million). It includes tighter restrictions than before in that at least 50 percent of the customers must live in within 50 miles of the facility and relocations of employees and property from other facilities elsewhere in Ohio are not permitted.
- The nonprofit corporation that owns the Toledo Mud Hens baseball team to avoid paying sales and use tax on its purchases. This provision is retroactive, and would wipe out a \$553,389 assessment that the corporation owes to the state under a determination by the tax

commissioner that the corporation is appealing. While this measure may deserve consideration, given the corporation's close relationship to Lucas County, this long-standing issue should not be resolved through an amendment added into the Senate budget bill two days before its approval, and;

- A large company to qualify for a special Job Retention Tax Credit that does not meet current requirements of the program, as its principal place of business does not have to be in the same political subdivision as the investment.

The House bill had already included a new property-tax break for certain fraternal organizations, an exemption from the Commercial Activity Tax for for-profit grain handlers that has been opposed by the Ohio Manufacturers' Association, and deletion of Kasich administration proposals to eliminate a new income-tax break for gambling losses and the sales-tax exemption for magazine subscriptions. The Senate bill mirrors the House version on these measures.

The Senate, however, differed with the House in adding a tax break for business owners worth more than \$600 million a year. This giant new tax exemption is unlikely to generate many new jobs (See www.policymattersohio.org/tax-break-apr2013 for an analysis).

“Though some provisions in both the House and Senate bills would improve the tax code, the proliferation of special-interest tax measures and reduced transparency in the current Senate version make a mockery of good tax policy,” Schiller said. “These changes should be rejected.”

Under an amendment approved by the Senate Finance Committee on June 5, the bill also would create a new motor fuel receipts tax modeled on the Commercial Activity Tax. While there are positive elements in this proposal, it does not contain any provision to ensure that it would generate the same revenue as the CAT tax on motor fuel generates now, a key flaw. If it is to be considered, that should be done as part of a broader examination of the CAT that is called for in the bill, not at this late state of the budget process.

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*Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute
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