



PRESS RELEASE
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Tax break review committee fails to finish job

Lax oversight of billions of dollars in tax expenditures

More than two months after its first report was due, the Ohio General Assembly's Tax Expenditure Review Committee (TERC) has yet to submit any filing on its examination of a subset of tax breaks that cost state and local government \$5.5 billion a year. Policy Matters Ohio today called on TERC Chair Scott Oelslager to hold a public meeting, vote on each tax break and file a report. Senator Oelslager's office said today that it will meet, but no date has been set.

"The committee's inability to meet the statutory deadline for its report compounds what has been a weak, perfunctory examination of the first set of tax breaks," said Wendy Patton, senior project director at Policy Matters Ohio.

The 2016 law establishing the committee called for it to review each tax break. Over eight years, it is charged with reviewing all 129 in the tax code. Earlier this year, the committee conducted hearings on 15 sales-tax breaks that cost the state \$4.4 billion and cost county government and transit agencies \$1.1 billion. This is just a subset of overall tax breaks.

The law (Ohio Revised Code, Section 5703.95) requires the committee to review each tax break and recommend whether to continue it, modify it, or schedule it for further review or repeal. A favorable vote is needed for any action to be taken. The committee should hold a public meeting and vote on recommendations for each item. Then, it should file its report, which under the law was due July 1.

Ohio's legislators unanimously embraced new oversight of the enormous use of state resources on tax breaks, which alone cost the state more than \$9 billion a year in forgone revenue. That's more than the state spends on K-12 schools through formula funding, more than the state taxpayer dollars spent on the scrupulously reviewed Medicaid program. Some tax breaks are more than 80 years old. Many have been changed and broadened over time. Few have ever been reviewed.

Policy Matters previously noted that implementation has been inadequate. Testimony and [a June report](#) found that the first round of reviews included limited information from the Department of Taxation and the Ohio Legislative Service Commission. The purpose of several tax expenditures was not known or clarified. Eight items worth a combined \$1.7 billion in state and local revenues in 2018 received no proponent testimony, meaning no one came forward to explain why they should continue. As detailed in the Policy Matters Ohio report, none of the items received the kind of review permitted by the law.

As a result, Policy Matters recommended that the committee defer all recommendations until appropriate resources are made available for thorough staffing and a rigorous review. It would

be especially inappropriate for the committee to recommend, without further study, continuation of the eight sales-tax breaks under review that received no proponent testimony during the hearings. However, to meet its obligations under the law, the committee needs to meet and should vote on each tax break, if only to defer a recommendation, so it can submit its initial report.

“The state has cut funding for local governments and underfunded early childhood education, public transit and other services. Yet tax expenditures – which have every bit as much impact on the state budget as state spending – have continued to grow and proliferate,” Patton said. “The Tax Expenditure Review Committee is in an enviable position, with authority to recommend that spending through the tax code is tightly controlled and well spent in the interest of the state. It should get on with the job.”

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.