



PRESS STATEMENT
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Ohio Senate should limit \$500 million tax break

The Ohio House of Representatives missed an opportunity to curtail Ohio's revenue declines in the budget it passed earlier this week. Now, Policy Matters Ohio urges the State Senate to include Governor Kasich's proposal to limit one of the state's costliest tax breaks in its 2018-2019 budget.

Suppliers to "qualified distribution centers" that buy at least \$500 million a year of goods, and ship at least half of them outside Ohio, can avoid paying the Commercial Activity Tax (CAT) on what they send outside the state. In order to qualify, suppliers pay a \$100,000 fee. Currently suppliers of nine companies including eight distribution centers and one metal refiner benefit from this tax break.

The state taxation department estimates the break will cost \$169 million in the year beginning July 1 and \$174.4 million the next year. The actual value to those who benefit from it is more than half a billion dollars a year. Under the tax break, suppliers to one big distribution center are paying no CAT tax at all. Kasich wants suppliers to pay the CAT tax on at least 10 percent of the receipts from goods they ship to qualifying distribution centers. The administration estimates this would generate additional revenue of \$5.1 million next fiscal year and \$21.2 million the year after. The House stripped this proposal from the budget it passed.

"Policymakers keep telling Ohioans the state needs to tighten its belt," said Policy Matters Research Director Zach Schiller. "We just learned that Ohio's April tax revenues again fell short of projections. As the Senate drafts its budget, it should restore - and increase - the Kasich proposal. Ohio can't afford to throw more money away."

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