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Ohio News | Article published Friday, April 11, 2003

Taft not giving up on tax overhaul But lawmaker says Senate OK unlikely

By [JAMES DREW](#)
BLADE COLUMBUS BUREAU CHIEF

COLUMBUS - Most of Gov. Bob Taft's plan to overhaul Ohio's tax system likely won't be part of the two-year budget that must be adopted by July 1, a

key Republican legislator said yesterday.

Also on hold is a competing proposal from state Rep. Sally Conway Kilbane (R., Rocky River) to lower state personal income tax rates and create a new corporate tax so the tangible personal property tax can be eliminated.

"The well is so poisoned I think we need time to clean it out," said state Sen. Ron Amstutz (R., Wooster), chairman of the Senate Ways & Means and Economic Development Committee.

Mr. Amstutz said Mr. Taft and Ms. Kilbane have tried to "marry" their proposals to a tax increase, and those efforts haven't worked.

He said the Senate plans to consider tax provisions that the House approved late Wednesday: a temporary increase in the state sales tax rate from 5 percent to 6 percent starting July 1, adding several services to the sales tax base, and changes to make the municipal tax system more uniform and consistent for business taxpayers.

Under the House-adopted plan, citizens would vote in November whether to allow video gambling machines at horse-racing tracks. If voters OK the constitutional amendment, the sales tax rate would return to 5 percent in 2004.

On Jan. 30, Mr. Taft announced that tax increases that would raise \$2.27 billion over the next two years were needed to balance the state budget.

They included changes to the state's corporate franchise tax that would boost the bills of the biggest companies in Ohio.

Mr. Taft's proposals also included adding several services to the sales tax base, including real estate agents and title searches, newspapers, magazine subscriptions, cable TV; and tickets to movies, professional sports games, and amusement parks.

The House dropped those items, but agreed with Mr. Taft's plan to add services including laundry, dry cleaning, tattooing, body piercing, tanning, and satellite TV.

Despite the House shelving most of his proposals, Mr. Taft yesterday held out

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hope that the Senate would embrace his ideas.

"What we proposed is a sounder, stronger system for the state going forward. It is a more stable, broader tax base that would gradually increase with the economy and avoid the necessity for future tax increases," Mr. Taft said.

But Mr. Amstutz said "tax reform" must be "revenue-neutral," with any increases in taxes offset by an equal amount of lower taxes. He said the Senate is expected to review proposals after June.

As Republicans and business groups continue to hammer Mr. Taft's tax proposals, public policy groups including Cleveland-based Policy Matters Ohio have applauded the governor for trying to shift tax burden from individuals to businesses.

"Why should the service sector be benefiting at the expense of the goods sector?" said Zach Schiller, the group's senior researcher. "Why is it so? The reason we see increases in sales tax rates is for that very reason. If we had broader sales tax, we might not need to increase the rate."

Grover Norquist, a national anti-tax activist, this week urged legislators to not tax satellite TV - accusing cable TV companies of pushing for the idea.

"So disregard cable's argument about why it's a good idea to tax satellite. It is not; it's merely Ford lobbying to tax Chrysler," Mr. Norquist wrote.

But Ed Kozelek, executive vice president of the Ohio Cable Telecommunications Association, said his group has not pushed the legislature to include satellite TV in the sales tax base. He said Ohio doesn't have a "level playing field," given that satellite providers don't have to pay local franchise fees or municipal income taxes.

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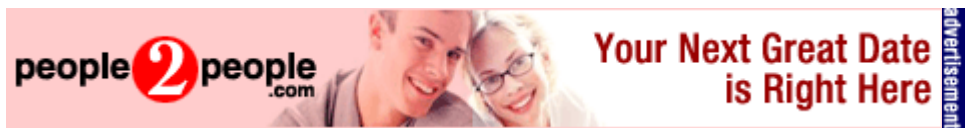
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