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Tax breaks expand in state budget Ohio still does no regular review of exemptions

The new state budget adds significant new tax breaks to a tax code that already included 128 of them, worth more than \$8 billion a year. This leaves the state with more tax breaks, totaling hundreds of millions of dollars a year, than the number when the year began, according to a new report released today by Policy Matters Ohio.

The report reviews new tax exemptions, credits and deductions approved as part of the budget. It found that by far the largest new tax break in the budget is an expanded deduction for business income that is unlikely to generate significant new jobs, just as the earlier form of this deduction did not do so. Many business owners didn't bother claiming the original tax break — the taxation department spent \$38,000 mailing post cards to 130,000 such owners to inform they were eligible for it but hadn't claimed it. The Kasich administration has estimated the cost of expanding the deduction in Fiscal Year 2017 at \$558 million, money that would be better spent on Ohio's unmet needs.

While no other new or expanded tax break in the budget remotely approaches the one for business income in size, a number of others were approved. These included a retroactive carve-out from the state's main business tax for companies located in a suburban Columbus business park that are in the same supply chain making "a personal care, health, or beauty product or an aromatic product, including a candle." It also included a sales-tax exemption covering sanitation services provided to meat slaughtering or processing operations simply because they are necessary to comply with federal meat safety regulations.

"Ohio legislators missed an opportunity to require a thorough, regular review of tax breaks, even though they cost the state a sizeable share of its revenue," said Zach Schiller, Policy Matters research director and author of the report. In a positive step, the General Assembly did provide for a review of the state's tax credits, and the House has approved a separate bill that would create a permanent committee to review all tax breaks every eight years.

"While this bill could be strengthened, especially by including automatic expiration for all existing tax breaks, it deserves approval by the Senate," Schiller said. "Just as legislators make decisions on state expenditures, all spending through the tax code also should be regularly reviewed."

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