

Testimony to House Ways & Means Committee on Senate Bill 172

Zach Schiller

Chairman McClain, Ranking Member Cera and members of the committee: My name is Zach Schiller and I am research director at Policy Matters Ohio, a nonprofit, nonpartisan organization with the mission of creating a more prosperous, equitable, sustainable and inclusive Ohio. Thank you for the opportunity to testify today regarding Senate Bill 172.

As you know, this bill would reinstate a sales-tax exemption for investment coins and metal bullion. This exemption was previously known as the Noe amendment because of coin dealer Tom Noe, convicted in the Coingate scandal for engaging in a pattern of corruption in his management of Ohio's \$50 million rare-coin fund investment with the Bureau of Workers' Compensation. He had helped win its approval in the General Assembly in 1989. The exemption was repealed in the 2005 biennial budget bill after the scandal came to light.

The Legislative Service Commission estimated in December that the state might lose up to \$5.5 million a year as a result of this tax break. In addition, local governments, public libraries and transit agencies would potentially lose an additional \$1.2 million to \$1.6 million. These amounts depend on precious metals prices, and could be overstated, the LSC said, if some such purchases are made through catalogues, telephone or Internet sales. Taxes pay for services that we all need. We should not take support away from local governments, libraries and transit agencies to provide an advantage to this one industry.

This tax break is one of only a few that the General Assembly has repealed in recent years. Governor Kasich vetoed a version of this in House Bill 59, the 2013 biennial budget bill. The committee would do well to listen to what Governor Kasich said in his veto message:

“The sales tax is intended to be a broad based tax, regardless of whether or not the purchasers believe or hope that the items they buy will increase in value. There is no reason to provide preferential treatment to one class of items and not others that could possibly increase in value, such as art, sports cards, or antiques. Therefore, this veto is in the public interest.”

Will we next be told that we must offer additional exemptions for other collectors as well? While Governor Kasich put it more delicately, this is a special-interest tax break that has no place in the Ohio tax code. Thank you for allowing me to testify on this legislation.