Ohio House of Representatives

Legislative Study Committee on Ohio's Tax Structure

Chairman's Report

April 13, 2012

State Representative John Adams, Chair

Comments from the Chairman

The Chairman would like to extend his thanks to the members of the committee for their willingness to serve. Their diligence and patience have led to the issuance of this Chairman's Report.

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The Committee Charge

As the Ohio House continues to work to bring jobs and prosperity back to Ohio, it is imperative that we examine our tax code to ensure that we are providing the best tax environment for our citizens and businesses.

The purpose of this Study Committee was to allow the people of Ohio a chance to speak to the House of Representatives on Ohio's tax climate. This input may serve as a method to lay the groundwork for future legislation.

The Committee reviewed three key areas of Ohio's tax structure:

1. Commercial Activities Tax
2. Tax Expenditures
3. Sales and Use Tax

This Committee was commissioned to review Ohio's tax structure for the following purposes:

1. Identify and review sales tax exemptions and their purpose
2. Review the CAT for impact on businesses
3. Review current tax expenditures

**Copies of the committee report were distributed to the members on April 13, 2012. A copy of the report along with all testimony provided will be made available in the House Clerk's Office.

Committee Members

Representative John Adams, Chair

Representative Peter Beck

Representative Terry Blair

Representative Terry Boose

Representative Denise Driehaus

Representative Mike Foley

Representative Cheryl Grossman

Representative Brian Hill

Representative Tom Letson

Representative Sean O'Brien

Representative Lynn Slaby

Chairman's Report

From August 24, 2011 to September 22, 2011, the Legislative Study Commission on Ohio's Tax Structure met six times throughout Ohio, taking testimony from 82 witnesses.

Intending to lay the groundwork for future legislation, with the overall goal of ensuring the best environment for jobs and prosperity, we focused on three elements of the tax code: the recently established Commercial Activities Tax, the longstanding Sales and Use Tax, and the longstanding practice of "tax expenditures."

Unsurprisingly, witnesses advocated for policies that went beyond the three areas of focus, such as simplifying property taxes, changing the income tax, and making various procedural or structural changes such as mergers of governments and tax and development "clearinghouses" to simplify business contacts with state and local governments. Many of these ideas are valid, but nonetheless outside the scope of this overview.

In the broadest terms, witnesses, as would be expected, held two distinct views on the purpose of the tax code. One argued a more progressive tax structure, in which increased wealth correlates to greater nominal tax rates; for reestablishing the Ohio estate tax that was recently repealed; and for repealing recent reductions to the income tax rates.

The other argued to reduce or eliminate taxes on businesses and to establish flat tax rates at a fixed percentage that did not change according to wealth.

Many witnesses argued for procedural changes, and still others argued for more commissions to further study the tax environment.

A basic principle of transparent, accountable and effective governance is to establish as clearly as may be done the purposes and effects of a given policy. The tax code should be understood to have one primary purpose: to fund the legitimate operations of government.

This immediately clarifies both the high level conceptual purposes and the lower level implementation purposes of the tax code. The purpose of the tax code is to fund legitimate government purposes. This also implies that many provisions of the tax code that serve to discriminate against some business activities in favor of other business activities are illegitimate, and to the extent they continue to exist, should be established outside the tax code as direct expenditures of government.

Such principles, while clarifying the discussion and the policy, to a large degree serve only to shift the debate to another forum, where the debate will surround the question, "What are legitimate government purposes and operations?" Implementing priority based budgeting would address this. Nevertheless, while not answering this important question, removing such questions from the tax code serves the beneficial purpose of both making clear the debate and the policy, and establishing a simpler tax code that will contribute to overall wealth.

With respect to the three areas of focus, the Commercial Activities Tax, the Sales and Use Tax and Tax Expenditures, the Chairman concludes the following:

1) Tax Expenditures are both poor policy and poor concept, and there was near unanimity that such expenditures should be reviewed both for permanent validity and also on an ongoing basis, e.g., being subjected to performance audits and periodic renewal. The Chair agrees that expenditures should be subject to review each two years, on a rotating basis, during off budget years, so that the results are available for use in budget negotiations. The House Ways and Means Committee should establish a standing subcommittee to review tax expenditures and issue a report to the House.

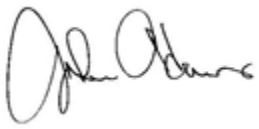
2) The Use Tax should be part of further discussions regarding its purpose in Ohio's tax code. The Sales Tax should apply to all economic activity on an equal basis, i.e., the tax should apply to all economic activity without discrimination, which is to say, it should apply to services as well as goods.

3) The Commercial Activities Tax should be modified to establish a tax liability of the lesser of two calculations: a tax on gross receipts, as established by the current CAT law, or a tax on net income. This will reduce the discrepancy in effect that arises from the pyramiding of CAT liability according to industry type.

4) Ohio's tax code is expansive and complicated. This study committee could not cover all aspects of the code, but the Chair recommends continued open dialogue on this issue to ensure Ohio is competitive.

Finally, the Chair wishes to thank all Members and Staff that assisted with this committee.

Respectfully Submitted,



State Representative John Adams, Chairman

Ohio House Legislative Study Committee on Ohio's Tax Structure

The House Legislative Study Committee on Ohio's Tax Structure

August 24, 2011, Columbus, Ohio

During the first Columbus hearing for the Tax Study Committee, the committee was introduced to the topics of the Commercial Activity Tax (CAT), tax expenditures, and the sales and use tax. The primary topic of concern raised at this issue was the unfair burdens which the CAT places on certain types of businesses; however the primary focus of this committee hearing was to provide the committee with background information on the three types of taxes.

A general background of the Commercial Activity Tax was provided by the Ohio Department of Taxation, represented by Fred Church, Marjorie Kruse, and Phyllis Shambaugh. They brought a powerpoint presentation that covered the major aspects of the CAT without taking a position on whether or not this was a "good" or "bad" tax. The committee also heard from former Tax Commissioner Tom Zaino, who was intimately involved in the creation of the CAT tax. Mr. Zaino was able to provide the committee with the reasoning and thought process behind the creation of the tax – the purpose for which it was created and why it looks the way it does. In particular, Mr. Zaino highlighted the CATs success in being simple, equitable, stable, and neutral. Matt Yuskewich of the Ohio Society of CPAs also highlighted the simplicity of the CAT, saying that it is a tax that is easily applied and, from this standpoint, has been a positive change to the Ohio tax code.

Major criticisms of the CAT tax came from several business owners and organizations who highlighted the fact that the CAT inequitably burdens certain types of Ohio businesses. Michelle Kerr, from Oxford Consulting Group, stated that, if she had known what the effects of the CAT would be, she would not have moved her business to Ohio from Indiana. Representatives from the Associated Food and Petroleum Dealers (AFPD) also spoke about how the CAT unfairly burdens their industry. Because of the manner in which gasoline moves from the point of origin through to final sale to the consumer, this industry pays the CAT multiple times on the same product – increasing the overall burden on the industry under this tax scheme. The AFPD stated that they understand there are significant benefits to the CAT (in terms of simplicity) but argued that there were simple fixes that could alleviate the unfair burden placed on their industry and other similar companies. Their proposed solution was to move the CAT "to the rack" to have one point of collection and avoid double or triple collection.

The other two subjects – tax expenditures and the sales and use tax – were discussed to a lesser degree during this meeting. The subjects were introduced by the Ohio Department of Taxation, which provided background information to the committee. Gene Krebs from the Greater Ohio Policy Center also touched on these topics. He discussed changes in how we live, work, and spend our money and how these changes affect the collection of taxes. Mr. Krebs also testified regarding the comparative tax burdens on Ohioans coming from our local, county and state taxes and how these numbers compare to our neighboring states.

Overall, the focus of this meeting was to serve as an introduction to the CAT, tax expenditures and sales and use tax. A majority of the testimony was about the CAT and the members of the committee got to hear about the background of this tax, some of the problems

currently facing businesses that pay the CAT as well as some of the reasons that the CAT is a good tax structure for Ohio.

The House Legislative Study Committee on Ohio's Tax Structure

August 29, 2011, Dayton, Ohio

During the Dayton hearing for the Tax Study Committee, several issues were addressed regarding the Commercial Activity Tax (CAT), Tax Expenditures and Sales & Use Tax. The three main issues of concern during this hearing were: 1) the CAT being taxed on gross revenue instead of net profit being a burden on Ohio's businesses, 2) taxing the same revenue multiple times with Ohio's Commercial Activity Tax, and 3) the overuse of tax expenditures in the State of Ohio.

The first main issue addressed during the hearing was the fact that businesses in Ohio are being taxed by the CAT on gross revenue, and many stated that this method of tax assessment puts an added burden on Ohio's businesses. Businesses would rather be taxed on net profits and not total gross sales. This was first addressed by a representative from Sollmann Electric, who stated that the state is making more money on Sollmann Electric's profit than the company is due to the tax being on gross revenue. John Keller, retired manager of Keller Grain & Feed, Inc., stated that the grain industry is a high volume-low margin commodity industry that bears a heavy tax burden. The City of Mason also addressed this same issue by stating that there is a higher burden on Ohio's businesses with high volume and low profit margins when they are taxed by gross receipts. A fourth businesses, I-Supply, also addressed this same issue and stated that they are not profitable in the state of Ohio with the CAT because they are a high volume store with a low margin. Jerry Parisi from I-Supply stated that the CAT affects the service-based companies in Ohio who have little inventory. He also stated that Federal taxes are assessed on profit, and not gross sales. Lastly, this issue was brought up by the Homebuilders Association of Dayton, who stated that being taxed on their gross revenue is not good for their business either. This was a reoccurring topic during this tax hearing in Dayton.

The second main issue addressed during this hearing was that the same revenue is being taxed by the CAT multiple times. Again, this was first addressed by Sollmann Electric, as they stated that their revenue for a project gets taxed up to four times for the same project. William Robson, a small fuel distributor, proposed a single collection point because the fuel industry is taxed down the line as well. This was a reoccurring point that the fuel industry brought to the committees attention throughout the study committee.

Finally, it was brought to the committee's attention that there is high use of tax expenditures in the state of Ohio that needs to be reviewed. The Buckeye Institute stated that tax expenditures need to be thoroughly examined because they are often tax loopholes to corporations or wealthy individuals in the State of Ohio. It was stated that tax expenditures are put into statute and then never reviewed to see if they are still applicable and fair which may be a narrowing of Ohio's tax base instead of broadening. The Buckeye Institute provided a list of tax expenditures that they feel can be terminated to save the state approximately $300 million each fiscal year. It was also stated that tax expenditures should be voted on at statutorily defined intervals to allow for a cost and performance review of all tax expenditures. Mark Donaghy with the Ohio Public Transit Authority also stated that a review of all tax expenditures is needed in Ohio.

There were also various other issues relating to the CAT, Tax Expenditures, and Sales & Use Tax that were addressed in the Dayton hearing of the Tax Study Committee. However, the CAT being taxed on gross revenue, the CAT being collecting multiple times on the same revenue, and tax expenditures needing review were the three main issues that were reoccurring during this particular hearing.

The House Legislative Study Committee on Ohio's Tax Structure

September 12, 2011, Toledo, Ohio

During the Toledo hearing for the Tax Study Committee, several issues were addressed regarding the Commercial Activity Tax (CAT), Tax Expenditures and Sales & Use Tax. The four main issues of concern during this hearing were: 1) Core Charge Sales Tax on Automotive Parts, 2) CAT and the Tangible Personal Property (TPP) Phase Out, 3) CAT Collection for Gasoline, and 4) Request to Review the Municipal Income Tax.

The first main issue addressed at the hearing dealt with the core charge sales tax on automotive parts. A "core charge" is an additional charge paid on some automotive items such as an alternator or starter. The additional fee is meant to encourage consumers to recycle the part by returning it to an automotive parts store. The stores then refurbish the parts and package them for resale. When purchasing a new part that has a core charge, a consumer either pays the core charge if they do not have the old part, or pays no core charge if the old part is exchanged at the time of sale. A consumer who pays the core charge can return the old part at a later date and is refunded the core amount. The issue raised was that when a consumer buys a new part and pays the core charge they are also charged sales tax for that part. However, when they return the old part and have their money refunded, the sales tax is not refunded. "Price" is defined as "…the total amount of consideration, including cash, credit, trade, and services, for which the tangible personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction…" The person who testified on behalf of this issue believes that the sales tax should be refunded when the core charge is refunded for two reasons. First, the automotive stores are essentially "purchasing" the old part from the consumer, and second the automotive company will refurbish the part to resell it to make a profit. The testifier believes that it is unfair and illogical that the sales tax is not refunded when an old part is returned when no sales tax is paid if the part is exchanged at the original time of sale. This "loophole" occurs because sales tax is applied as a percentage of the overall price of the goods at checkout. The testifier requested that the legislature change the law so that the sales tax is returned when parts are exchanged.

The second main issue addressed at the hearing dealt with the CAT and the TPP Phase Out. Two Lucas County Commissioners testified that the expedited phase out of TPP is detrimental to county operations. Moreover, they testified that they do not like the CAT and that they do not believe that it has not helped the local economy. This is an issue that has been raised at other tax committee meetings and is well known in the General Assembly, so additional information here is unnecessary.

This third main issue addressed the CAT collection for gasoline. Two people testified that they would like to see the CAT collected at the "rack" rather than the "terminal" for petroleum dealers. Currently, the CAT is paid at the terminal, which favors certain business models. Taxes are duplicated for some businesses when the tax is not collected at the rack. The witnesses said that if the CAT is collected at the rack, then it would apply the tax evenly for all business models

and remove unfair double taxation. This is an issue that has been raised at all the tax committee meetings, so additional information here is unnecessary.

The fourth main issue addressed at the hearing was a request to review the Municipal Income Tax. A local tax commissioner requested that the General Assembly spend time to review the municipal income tax. The Commissioner said that there many people in local government who believe that the municipal income tax should be reviewed and reformed, maybe even removed. The witness did not go into further detail because the municipal income tax was not a topic covered in the tax study committee.

There were also various other issues relating to the CAT, Tax Expenditures, and Sales & Use Tax that were addressed in the Toledo hearing of the Tax Study Committee. However, the core charge sales tax on automotive parts, CAT and the TPP phase out, CAT collection for gasoline, and a request to review the Municipal Income Tax were the four main issues that were reoccurring during this particular hearing.

The House Legislative Study Committee on Ohio's Tax Structure

September 16, 2011, Akron, Ohio

The Taxation Study Committee met on September 16, 2011, and took place at the Martin Center of the University of Akron in Akron, Ohio. The committee heard testimony from 22 individuals on the Commercial Activity Tax (CAT), Sales and Use tax, and tax expenditures. Four major topics were highlighted: 1) An over view and insight from an economist, who helped implement the CAT, 2) Bad feelings from businesses that felt the CAT was unfair as it taxes generated gross revenues and not profits, 3) Groups paying multiple commercial activity taxes on individual products, and 4) The need for a review in tax expenditures.

The Akron committee heard Dr. Ned Hill's presentation on the Commercial Activity Tax. Dr. Hill is a renowned economist and professor at Cleveland State. Dr. Hill's work was a major player in the implementation of the CAT. As no members were in office during that tiem, Dr. Hill gave insight as to why the CAT was crafted, allowing for a better understanding for the committee members. He believed that the CAT is still good and fair, but believes that other economic factors are keeping revenue low, such as the recession. Dr. Hill was asked many questions from the committee and offered background information about the CAT.

Also speaking on the CAT was Tom Jackson, President of the Ohio Grocer's Association, and Tom Thiry of Dave's Markets. They felt the CAT was unfair as their taxes were on the rise when compared to the old system. They pointed to the manufacturing companies, which have seen a decrease in taxes, as benefitting more from the CAT. The Grocer's Association suggested that a tax based on profitability would be preferable, since they currently struggling when they were taxed on losses. They also called for a reduced rate for grocers and like businesses. Mr. Jackson remembered receiving a letter from the Department of Taxation explaining the CAT, which stated, "This new tax is for the privilege of doing business in Ohio…" Mr. Jackson felt that Ohio was privileged to have to have his businesses. Continuing the discussion about the CAT, Kim Ullman of Ullman Oil represented his business and explained how the oil industry was paying multiple taxes for distribution of their product. He proposed a single collection mechanism for his industry. His thoughts were brought up by colleagues at every study committee. The execution of the CAT is a major source of frustration for Ohio businesses.

Tax expenditures were a topic of extensive debate during the committee hearing. One major issue was brought up by three business owners. All three gentlemen own jewelry and coin shops in the Greater Akron area. They explained that coin sales no longer have a carve out and this has caused major decreases in their sales, with the exception of out-of-state transactions. They asked for a return to the old system for coins, as it was a major reason they started their businesses. Tax expenditures were also brought up by The Greater Akron Chamber. They called for a review of tax expenditures to see which were being used and which were obsolete. Several groups also asked for a review of the Sales and Use tax and its applicability to online sales.

The committee was adjourned in the late afternoon after covering the main three taxation topics. The property tax and budget issues were also addressed in testimonies, and the Chairman stated that their thoughts would be considered.

The House Legislative Study Committee on Ohio's Tax Structure

September 19, 2011, Zanesville, Ohio

The Tax Structure Study Committee Hearing in Zanesville, Ohio, took place Monday, September 19th, 2011 at Ohio University-Zanesville Campus. Witnesses were invited to testify on the Commercial Activities Tax (CAT), Sales and Use Tax, and Tax Expenditures. Most of the witnesses testified on the CAT, and both opposition and support was received.

Eight of the ten witnesses testified on the CAT. Five of the ten testified on sales and use tax and one of the ten testified on tax expenditures. Of those who testified on the CAT there was a mixed opinion on whether or not the CAT should stay as is or should be changed. Overall, businesses with high volume but low margin, such as The Associated Food and Petroleum Dealers, felt their business was hurt by the CAT. Manufacturers, however, are profiting since they no longer have to pay an inventory tax. Others in opposition included Chad Bice of Rea & Associates and Paul Ritchey of Fabri Form who testified on behalf of pharmaceutical companiesThose favoring changes to the CAT would like to see a broader base with a lower rate so that the tax does not charge some businesses a large fee while others are charged hardly at all. They also believe carve outs should not be allowed to the extent that they currently exist.

Mr. Bice noted that Ohio is ranked one of the highest states in the nation in regards to sales tax. Representative Letson asked whether or not his organization urges Congress for Streamline Sales Tax and Mr. Bice indicated that his organization does indeed support such a policy. Megan Durst, CPA, stated that many of her clients experience issues with the sales tax. Her clients are charged fees that she believes need to be removed, but there are issues with doing so as she has to work with multiple state agencies and departments. Mr. Ritchey noted in his testimony that his clients often do not know what is taxable under the current sales tax law and what is not.

Representative Foley asked Chad Bice for his thoughts on a way to look at expenditures. Mr. Bice claimed he believes that it should be kept simple by broadening the base but keeping the rate low and eliminating exemptions/carve outs.

Most of the witnesses found issues with the CAT that they would like to see the legislature address. There were fewer recommendations relating to the sales and use and tax expenditures. While all three aspects of the intended study of the Tax Study Committee were addressed at the Zanesville hearing, the CAT was the prominent topic at this hearing.

The House Legislative Study Committee on Ohio's Tax Structure

September 22. 2011, Columbus, Ohio

During the second Columbus hearing for the Tax Study Committee, several issues were addressed regarding the Commercial Activity Tax (CAT), Tax Expenditures and Sales & Use Tax. The three main issues of concern during this hearing were: 1) the CAT tax and benefits to the manufacturing industry and problems for the pharmaceutical and agricultural industries, 2) the collection of taxes 3) and the importance of a simplistic tax structure.

The biggest topic of the committee was the CAT tax. Mark Engel spoke in favor of the CAT tax on behalf of the Ohio Manufacturers Association. His organization supported the provisions of that CAT that keep taxes low for an industry that is exporting goods from Ohio. The Ohio Agri-business Association and the Ohio Farm Bureau both had representatives speak about the exemption for cooperative grain elevators that is not currently in place for independent grain elevators under the current CAT tax structure.

Both the Ohio Petroleum Marketers' Association and the Associated Food & Petroleum Dealers spoke about the problems that the CAT causes for the petroleum industry. The Ohio Petroleum Marketers' Association presented a case for the CAT tax to be collected at the "terminal." The Associated Food & Petroleum Dealers preferred the CAT tax be collected at the "rack." Kevin Zinns provided testimony on behalf of the Ohio Society of CPAs. Mr. Zinns' statements revolved around the work of the CPA's to collect taxes. He specifically addressed concerns with collection problems of taxes within the state of Ohio.

The committee also hosted two speakers that represented the National Tax Payers Union; Dr. Richard Vedder, Distinguished Professor of Economics at Ohio University and Mr. Brent Mead of the National Taxpayers Union. They both spoke on the importance of keeping tax structure simplistic in nature. They also both spoke about the CAT tax, tax expenditures, and sales and use tax. Mr. Mead spoke specifically to the collection of taxes from purchases made on Amazon.com.

Witnesses

August 24, 2011 – Columbus, Ohio

- Fred Church, Deputy Tax Commissioner, Ohio Department of Taxation
- Marjorie Kruse, Deputy Tax Commissioner, Ohio Department of Taxation
- Phyllis J. Schambaugh, Counsel, Ohio Department of Taxation
- Thomas Zaino, Former Tax Commissioner
- Michelle Kerr, Oxford Consulting Group, Inc.
- Matt Yuskewich, Past President of the Ohio Society of CPAS
- Paul Condino, Vice President of Government Relations, Associated Food & Petroleum Dealers (AFPD)
- Edward Weglarz, Executive Vice President, AFPD
- Ron Milburn, Vice President, AFPD
- Gene Krebs, Senior Director of Government Affairs and Policy, Greater Ohio

August 29, 2011 – Dayton, Ohio

- Dennis Sollmann, President, Sollmann Electrict Company
- Jerry Parisi, Chairman and CEO, I Supply Co.
- Gene Krebs, Senior Director of Government Affairs and Policy, Greater Ohio
- Matt Mayer, President, The Buckeye Institute
- Daniel Schiavone, President, The Design Knowledge Company
- Paul Condino, Vice President of Government Relations, AFPD
- William Gary Robson, Retail Fuel and Convenience Store Owner, AFPD Member
- John K. Keller, Retired Manager of Keller Grain & Feed, Inc.
- Walt Hibner, Executive Director, Home Builders Association of Dayton
- Mark Donaghy, President, Ohio Public Transit Association
- Dennis York, Auditor, Shelby County Ohio

- John P. Keyes, CPA
- Joe Reigelsperger, Finance Director, City of Mason
- Terry Schulte, Legislative Liaison, City of Mason

September 12, 2011 – Toledo, Ohio

- Carol Contrada, Lucas County Commissioner
- Tom Ogden
- Pete Gerken, Lucas County Commissioner
- Edward Weglarz, Executive Vice President, Associated Food & Petroleum Dealers (AFPD)
- Larry Taylor, Retail Fuel and Convenience Store Owner, AFPD Member
- Alan Smith, Senior Fellow, Heartland Institute
- Jonathan Williams, Director of Tax and Fiscal Policy, American Legislative Exchange Council (ALEC)
- Angela Kuhn, President, Northwest Ohio Tax Commissioners Association

September 16, 2011 – Akron, Ohio

- Roger Peterson, Township Trustee, Bloomfield Township in Trumbull County
- Tom Jackson, President and CEO, Ohio Grocers Association
- Tom Thiry, CFO, Dave's Supermarkets
- Edward W. (Ned) Hill, Ph. D., Dean and Professor, Cleveland State University
- Theresa Mullen,Brunner – Cox LLP
- Charlie J. Kepnes, President, Akron Coin & Jewelry Inc. & Orico Inc.
- Richard Frost, Owner, Hartville Coin & Jewelry
- John Shulan, President, Shulan Jewelers
- Megann Eberhart, Manager of Government Affairs, Greater Akron Chamber of Commerce

- Jenifer Weaver, Grain Department Manager, Deerfield Farm Services, Inc.
- Carmino Torio, Executive Director, Portage and Summit County Homebuilders Association
- Richard Bancroft, President, Portage and Summit County Homebuilders Association
- Zach Schiller, Research Director, Policy Matters Ohio
- Paul Elhmdi, Vice Chairman, Associated Food & Petroleum Dealers (AFPD)
- Patrick LaVecchia, Owner, Pat's Auto Services & AFPD Member
- Kim Ullman, Vice President, Ullman Oil & Ohio Petroleum Marketers & Convenience Store Association (OPMCA) Member
- Diana King, Chairperson, Northern Ohioans for Budget Legislation Equality (NOBLE)
- Gloria Aron, NOBLE Member
- Dr. Steve Cochran, Geriatrician
- Denise C. Woods, President, Summit County Progressive Democrats
- Guy Marentette
- Wynn Miller, Board Member, Coshocton Christian School
- Elmer J. McBane, Owner, P &D Coin and Ohio Coin Extravaganza

<u>September 19, 2011 – Zanesville, Ohio</u>

- Ron Milburn, Vice President, Associated Food & Petroleum Dealers (AFPD)
- Jerry Shriner, Accounting Firm Owner, AFPD Member
- Chad Bice, CPA, Principal, Rea & Associates, Ohio Society of CPAS Member
- Megan Durst, CPA, Tax Manager, McLain, Hill, Rugg & Associates, Ohio Society of CPAS Member
- Christine R. Sycks, Chief Deputy Auditor, Coshocton County Ohio
- Andrew Sutak, Belmont County Auditor
- Chuck Blasdel, Representing the Healthcare Distribution Management Association (HDMA)

- Paul Ritchey, Vice President, Fabri Form
- Gene Krebs, Senior Director of Government Affairs and Policy, Greater Ohio

September 22, 2011 – Columbus, Ohio

- Russ Amen, Tax Director, Amerisource Bergen
- Frank Dicenso, VP Distribution Center Manager, Amerisource Bergen
- Dr. Richard Vedder, Professor of Economics, Ohio Univesity
- Andrea Ashley, Vice President of Government Relations, Associated Gener Contractors of Ohio
- Mark Engel, Tax Counsel, The Ohio Manufacturer's Association
- Bruce Lacky, President and CEO, Happy Chicken Farms
- Christopher Henney, President and CEO, Ohio AgriBusiness Association (OABA)
- Ty Kellogg, Ohio Farm Bureau Federation (OFBF) Member
- Beth Vanderkooi, Director of State Policy, OFBF
- Jerry Shriner, Accounting Firm Owner, AFPD Member
- Kevin M. Zinns, CPA, Ohio Society of CPAS Member
- Jeff Lykins, Chair, Lykins Companies, Ohio Petroleum Marketers & Convenience Store Association (OPMCA) Member
- Gordon Gough, Executive Vice President, Ohio Council of Retail Merchants
- Jeff Rexhausen, Associate Director of Research, University of Cincinnati Economics Center
- Tony Ehler, Tax Counsel, Vorys, Sater, Symore & Pease on behalf of the OPMCA
- Paul Condino, Vice President of Government Relations, Associated Food & Petroleum Dealers (AFPD)
- Edward Weglarz, Executive Vice President, AFPD
- Brent Mead, State Government Affairs Manager, National Taxpayers Union
- Lora Miller, Director of Government Affairs and Public Relations, Ohio Council of Retail Merchants

- Lauren Michelle Kinsey
- Jon Honeck, Director of Public Policy, The Center for Community Solutions
- Dan Navin, Assistant Vice President for Tax & Economic Policy, Ohio Chamber of Commerce
- Crystal Ward Allen, Executive Director, Public Children Services Association of Ohio
- Timothy E. Oatney, CPA, Oatney & Associates
- Thomas E. Secor, President, Durable Company
- Mike Brooks

Recommendations from Witnesses

Commercial Activity Tax

- Resist carve outs to the CAT – Ohio Society of CPAS
- Collect the CAT once at the "rack" for petroleum – Associated Food and Petroleum Dealers
- Change the CAT to a net profits tax – Dennis Sollmann, Sollmann Electric Company
- Make Cooperatives subject to the CAT – John Keller, Independent Grain Elevators
- Create a study of the disparity of the CAT on high dollar, low margin businesses with the goal of finding a funding formula to level the taxes paid – John Keller, Independent Grain Elevators
- Remove the exemption for out of state sales and give them a low rate – John Keller, Independent Grain Elevators
- Change the CAT as applied to the grocery industry – Ohio Grocers Association
- Change the Cat as applied to the grocery industry – Tom Thiry, Dave's Supermarkets
- Keep the CAT a broad-based low rate tax with no special exemptions or carve outs – Theresa Mullen, Bruner-Cox LLP
- Review the CAT and its impact on the grain industry in Ohio – Jenifer Weaver, Deerfield Farms Service, Inc.
- Create a separate tax calculation for homebuilders when a home/lot is not occupied – Carmine J. Torio, Home Builders Association serving Portage and Summit Counties
- The CAT should include a component related to company income – Zach Schiller, Policy Matters Ohio
- Collect the CAT at the loading rack for petroleum dealers – Jerry Shriner,
- Collect the CAT at the terminal for petroleum dealers – Kim Ullman, Ullman Oil Company and the OPMCA
- Consider a tax credit to the CAT for high volume/low profit margin businesses – Paul Ritchey
- Allow contractors to pass through the CAT to subcontractors for the portions the subcontractors self-perform – Andrea Ashley, Associated General Contractors of Ohio

- Collect the CAT at the terminal rack for petroleum dealers – Jeff Lykins, Lykins Companies and the OPMCA
- Collect the CAT at the rack for petroleum dealers – Jeff Rexhausen, University of Cincinnati Economics Center

Sales and Use Tax

- Remove the 0.0075 discount rate for the timely filing of sales tax returns – Ohio Society of CPAS
- Do not expand the sales and use tax on services – Ohio Society of CPAS
- Broaden the base of the sales tax like many other states including North Carolina – Mark Donaughy, Ohio Public Transit Association
- Change the reporting requirements for the use tax to a quarterly/half year/annual reporting based on amount due or frequency of use tax transactions – John Keyes, CPA
- Create one simple form for use tax remittance and allow the tax to be paid by check as well as online – John Keyes, CPA
- Waive the use tax on obligations below $100/year – John Keyes, CPA
- Provide updated and specific rules regarding the definition of the casual sales exemption – John Keyes, CPA
- Eliminate the 0.0075% discount for remitting sales tax on time - John Keyes, CPA
- Create a payment plan for delinquent use tax obligations under $1000 administered by the Ohio Department of Taxation – John Keyes, CPA
- Do not levy a sales or use tax on accounting services – John Keyes, CPA
- Remove sales tax on core charges – Thomas J. Ogden
- Shorten the time it takes for the State to return sales tax collected for local governments – Pete Gerken, Lucas County Commissioner
- Provide counties with a detailed breakdown of the county sales tax collected for budgeting purposes – Pete Gerken, Lucas County Commissioner
- Review the computer sales tax rules and supply additional communication to taxpayers – Theresa Mullen, Bruner-Cox LLP
- Retain current position on sales tax as applied to the service industry – Theresa Mullen, Bruner-Cox LLP

- Reinstate the sales tax exemption for coin sales – Charles J. Kepnes, Akron Coin & Jewelry Inc.
- Reinstate the sales tax exemption for coin sales – Richard Frost, Hartville Coin & Jewelry
- Charge Ohio sales tax on online purchases – Jon Shulan, Shulan Jewelers
- Broaden the sales tax base to services – Zach Schiller, Policy Matters Ohio
- Request the Ohio Congressional Delegation support the Streamlined Sales Tax Agreement – Zach Schiller, Policy Matters Ohio
- Repeal the sales tax on coin sales – Elmer J. McBane, P&D Com. And Ohio Coin Extravaganza
- Do not charge sales tax on services – Chad Bice, Rea & Associates
- Keep the state sales tax rate as low as possible – Megan Durst, McClain, Hill, Rugg & Associates
- Increase the sales tax base to apply to services – Dr. Richard Vedder, Professor at Ohio University
- Review the need for the .75 of 1% discount rate for the timely filing of sales tax returns – Kevin Zins, Grant Thorton and OSCPA
- Expand the sales tax to more services and lower the overall rate – Brent Mead, National Taxpayers Union
- Retain the .75 of 1% discount for vendors that collect the sales tax and remit it to the state in a timely manner – Lora L. Miller, Ohio Council of Retail Merchants
- Broaden the base of the sales tax to include more services and balance that with a more progressive income tax – Lauren Michelle Kinsey
- Conduct a review of the employment services tax to provide clarification of the exemptions – Dan Navin, Ohio Chamber of Commerce

<u>Tax Expenditures</u>

- Performance audits on all tax expenditures – Ohio Society of CPAS
- Subject all tax expenditures to a mandatory review process or sunset – Ohio Society of CPAS

- Require all applications for a tax expenditure to include a cost benefit analysis – Greater Ohio
- Add a sunset provision to all current tax expenditures in the ORC to be voted on at statutorily defined intervals – Buckeye Institute
- Review Tax Expenditures – Carol Contrada, Lucas County Commissioner
- Examine current tax expenditures – Pete Gerken, Lucas County Commissioner
- Perform a comprehensive review of Ohio's tax expenditures on a regular basis – Megann Eberhart, Greater Akron Chamber
- Create a tax expenditure review committee to review the expenditures every eight years and set specific sunset dates for the expenditures - Zach Schiller, Policy Matters Ohio
- Create a tax expenditure review committee to review the expenditures every eight years and set specific sunset dates for the expenditures – Lauren Michelle Kinsey

<u>Other Suggestions</u>

- Review Ohio's income tax rates – Tom Zaino
- Review municipal income tax and deal with procedural issues – Tom Zaino
- Fully fund the Board of Tax Appeals – Tom Zaino
- Uniform and centralized collections of the municipal income tax – Michelle Kerr, Oxford Consulting Group
- Charge the Local Government Innovation Council with the duty to suggest better methods to collect data from the state and local governments – Greater Ohio
- Create the Local Government Insurance and Investment Fund and allow four or more counties to form one for shared services – Greater Ohio
- Allow counties/cities the ability to place the question on the ballot about a county/city merger – Greater Ohio
- Create a bipartisan committee, State and Local Study Commission, to review the framework of state and local taxation in Ohio – Greater Ohio
- Simplify local property tax code so it is a simple percentage and eliminate the 35% reduction and the concept of mills – Greater Ohio
- Require all municipalities to participate in the Ohio Business Gateway – Joe Reigelsperger, Finance Director for the City of Mason

- Invest in the Ohio Business Gateway to have a seamless access for businesses including partnership with software providers for CPAs - Joe Reigelsperger, Finance Director for the City of Mason
- Consistent regulations for business providers loss carry-forward - Joe Reigelsperger, Finance Director for the City of Mason
- Consistent imposition of the tax, credits, and filing requirements - Joe Reigelsperger, Finance Director for the City of Mason
- Examine the Ohio Business Gateway for ease of use and efficiency – Carol Contrada, Lucas County Commissioner
- Review property tax issues with land owned by the State of Ohio – Roger M. Peterson, Bloomfield Township Trustee
- Make Ohio's tax code more progressive – Denise C. Woods, Summit County Progressive Democrats
- Reinstate the Ohio estate tax – Denise C. Woods, Summit County Progressive Democrats
- Restore income taxes to the 2005 rates – Denise C. Woods, Summit County Progressive Democrats
- Institute centralized collection and standardized definition for the municipal income tax – Chad Bice, Rea & Associates
- Institute centralized collection and standardized definition for the municipal income tax – Megan Durst, McClain, Hill, Rugg & Associates
- Consider downsizing or eliminating the Ohio income tax – Dr. Richard Vedder, Professor at Ohio University
- Institute centralized collection and standardized definition for the municipal income tax – Kevin Zins, Grant Thorton and OSCPA
- Reduce or eliminate the state income tax and replace it with a restructured consumption tax - Brent Mead, National Taxpayers Union
- Institute centralized collection and standardized definition for the municipal income tax – Timothy E. Oatney,Oatney & Associates