



Testimony before the House Ways & Means on HB 49

March 7, 2017

Good morning Chairman Schaffer, Vice-Chairman Scherer, Ranking member Rogers and members of the committee. My name is Jeff McClain and I am the Director of Tax and Economic Policy for the Ohio Chamber of Commerce. I am here today representing our tax committee and over 8,000 members of the Ohio Chamber of Commerce.

Let me begin by thanking the administration for proposing the municipal income tax reform in HB 49. This business net profits reform would simplify filings, saving businesses in Ohio time and money that would be better served building their businesses and creating jobs. The proposal applies solely to the business side and continues the municipality's direct control over the personal income tax which is approximately 86% of the revenue. I believe it is also important to note that Commissioner Testa provided information during his testimony showing the vast majority of municipalities would actually see savings in their collection expenses. His testimony continued that the few seeing an increase would most likely recover the difference in improved adherence to the law. We believe this to be a positive change that will help make the Ohio business community more competitive in the eyes of the world market.

We are also in support of the proposal to do away with the "throwback" rule. This practice allowing municipalities to tax revenue from sales made by its business taxpayers

to companies located in other jurisdictions (whether another Ohio city that does not have a municipal income tax or, more likely, an Ohio township) and where the taxpayer does not have employees nor regularly does business is archaic and unjust. The throwback rule discourages economic development by encouraging these types of companies to locate in places that don't have this rule. It is unfair and needs to be removed.

Beyond these proposed common sense changes to Ohio's burdensome municipal income tax system, the Ohio Chamber's Tax Committee evaluated the balance of the governor's proposed tax reform plan contained in House Bill 49 as a comprehensive package. While we appreciate the effort to continue driving down the personal income tax rate, we don't believe that it should be accomplished by shifting over \$1.2 billion dollars of new taxes onto the business community. For example, according to several studies, about 40% of sales tax are business related. With just a half-penny increase in the sales tax, Ohio produced goods and services would cost an additional \$575 million. The administration's executive budget is, once again, a plan that involves major tax shifting with questionable overall benefit to the state's economy. Consequently, the Ohio Chamber cannot agree with the fundamental premise of the plan and, therefore, cannot support it.

Our position is on the plan as a whole and not as a set of separate positions on the various component parts. But there is no doubt our members may feel especially strongly about one or more of the proposals in the tax reform plan, and that is certainly the case on the administration's executive budget tax plan.

The Ohio Chamber of Commerce remains a strong defender of Ohio's business community and the State of Ohio. I stand ready to answer any questions you may have.