



BUILDING FOR OHIO'S NEXT GENERATION

BUDGET OF THE STATE OF OHIO • FISCAL YEARS 2018-2019

STRENGTHENING OHIO'S JOBS-FRIENDLY CLIMATE

Ohio has seen an impressive turn-around in its business climate over the past six years under the leadership of Governor John R. Kasich, receiving strong votes of confidence from a number of national surveys for the state's work to build a strong, business-friendly environment for job creation, capital investment and economic success. By continuing to focus on areas critical to long-lasting jobs growth, Ohio has seen the most improved business climate in the nation, creating nearly 450,000 new private sector jobs since the start of 2011 and bringing unemployment rates down to pre-recession levels.

Priority One: Preserving Ohio's Fiscal Stability with Conservative Budgeting

The essential foundation of Ohio's economic turnaround and improved business climate is state government's fiscal stability. As a result, budgets enacted under the Kasich Administration have been among the strongest in the nation, and world-class corporations and small business operators alike are realizing that Ohio's stable state finances make it a welcoming place to do business and to have that business succeed. Then, as now, Ohio's jobs-friendly fiscal stability has been the result of conservative budgeting and restrained government spending in each of the three previous biennial budgets.

Developing a 21st Century Tax Plan to Drive More Job Creation

Ohioans have enjoyed one of the biggest tax cuts in the nation over the past six years with more \$5 billion in tax relief. These tax cuts have helped spur our state's economic recovery and made Ohio one of the nation's top states for job creation. In the last biennial budget, Ohio took major steps to eliminate income taxes for many small businesses and further reduce income tax rates for all Ohioans. Despite these most recent reforms, many elements of Ohio's tax system remain irrational and align poorly with today's consumer-driven economy.

- **Simplifying Municipal Tax Filing for Businesses to Encourage More Economic Growth:** Despite significant progress in recent years to address long-standing problems in Ohio's municipal tax system, it remains cumbersome and costly as businesses are forced to comply with hundreds of different local tax systems. To save businesses the extra cost of computing and then filing "net profit" taxes with multiple municipalities, provisions in the new state budget streamline the process. Businesses will now have an option of filing just one form and a single payment online through the Ohio Business Gateway, with the Ohio Department of Taxation processing payments and distributing revenues back to the appropriate local government, just as it does for county sales taxes and school district income taxes. This is an important step toward bringing common sense to an outdated system and will save money for business taxpayers that operate in multiple jurisdictions. It will also save money for municipalities. The Department estimates that by bringing economies of scale to the processing of this tax, it can reduce administrative costs for these communities by about \$9 million a year.

- **Eliminating the Clutter in State Law for Those Who Pay Property Taxes:**
 - **Providing a Consistent Approach to Property Tax Appeals:** An Ohio taxpayer currently seeking to contest a property tax bill must begin by appealing at the county-level Board of Revision (BOR). Appeals of BOR decisions are taken directly to the state Board of Tax Appeals – with one exception. Confusingly, state law sends appeals

regarding a penalty for not paying property tax to the Ohio Tax Commissioner. Language in the new state budget eliminates that inconsistency by taking the Tax Commissioner out of the process and instead directs all cases to the Board of Tax Appeals.

- Ensuring Uniformity for Property Tax Exemption Applications: State universities often own property that qualifies for exemption from property taxes. To gain exempt status for certain types of qualifying property, universities presently need to apply for an exemption with the county auditor. Budget language now transfers the application and approval process from the county to the Ohio Tax Commissioner. This reform was supported by the County Auditors Association of Ohio.
- Eliminating Redundancy in State Law on Tax Exemption for Cemeteries: Under previous law, most cemeteries in Ohio are exempt from property taxes, provided by language that was redundantly described in five separate locations in the Ohio Revised Code (ORC). The new state budget eliminates the redundant provisions and combines the necessary language in one section of the ORC.
- Making Important Changes in Excise Tax Collection:
 - Simplifying a Property Owner's Exemption for Personal Use of Natural Gas: Ohio residents with a natural gas well on their property are entitled to personally use up to \$1,000 worth of their well's production without paying severance tax on that portion. However, because most of these non-commercial wells are not equipped with meters to measure how much gas is extracted and used, the owner can't know for certain whether tax is owed. A provision in the new state budget removes the \$1,000 limit and exempts all personal use of natural gas from the severance tax.
 - Establishing a One-Stop Process for Severance Permit Applications: Ohio's severance tax law requires a permit to extract certain minerals. Until now, taxpayers have obtained their permits from the Ohio Department of Natural Resources (ODNR), but the law also had allowed them to get a permit from the Ohio Tax Commissioner. Under those terms, permits from ODNR were issued at no charge, but any issued by the Tax Commissioner required a fee. New budget language eliminates this inconsistency by assigning issuance of all severance permits to ODNR and removing the Tax Commissioner from the process.
 - Simplifying the Tax Return Process for Cigarette Wholesalers: For many years, cigarette wholesalers in Ohio have followed a cumbersome process of filing monthly tax schedules and a semi-annual reconciliation return to verify the inventory they have been reporting each month. Language in the new state budget significantly reduces that paperwork burden by consolidating these reports on one monthly return.
 - Eliminating Loopholes to Ensure Tax Payments Are Current: Before a liquor permit can be issued or renewed, the Department of Taxation checks to make sure the merchant doesn't owe sales or employer withholding taxes to the state. A provision in the new state budget now ensures that the merchant also is current on all excises taxes (e.g., tobacco taxes and alcoholic beverage taxes) before a permit is issued. Similarly, the Tax Commissioner is now authorized to deny licenses to tire distributors, motor fuel dealers or tobacco distributors if they are delinquent with any tax payments.
 - Making Truth a Requirement for Obtaining or Holding a License: Another budget provision now provides the Tax Commissioner authority to deny or revoke a tax-related license if the application contains a fraudulent statement.
- Updating Sales Tax Laws:
 - Eliminating Unneeded Paperwork from County Auditors: County auditors had previously been required to report a list of all vendor's licenses to the Ohio Department of Taxation. New budget language makes that report no longer necessary because all state vendor's licenses are now obtained and registered electronically through the department.

- Bringing Sales Tax Brackets into the Computer Age: Before computers and electronic cash registers, Ohio law defined a series of tax brackets to help merchants determine how much sales tax to charge on a particular item (e.g., if there is a combined state/local sales tax rate of 7 percent, items priced between 8-21 cents are taxed one cent). Now retail technology computes the tax due based on the rate that exists in a particular county. Language in the new state budget eliminates the obsolete brackets from the Ohio Revised Code.
- Ensuring Better Scrutiny of Habitually Late Taxpayers: Business taxpayers who repeatedly fail to remit sales tax they collect or neglect to file sales tax returns on time are placed in the Habitual Offenders Program (HOP) to help them maintain compliance. In the past, some HOP participants have taken money they collected for the employer withholding tax and used it to pay the sales tax so that they remain current and compliant with HOP requirements. New budget language closes that loophole and requires HOP taxpayers to be current with both sales tax and employer withholding tax obligations.
- **Making Other Common Sense Tax Code Revisions**:
 - Setting a Sensible Minimum before Collecting the Wireless 9-1-1 Charge: Language in the new state budget affecting the state fee that helps pay for county 9-1-1 service now requires a one dollar minimum for collection or refund of that fee. This makes the Wireless 9-1-1 fee consistent with all other state taxes in this regard.

BOTTOM LINE: By making tax reform a priority each year of the Kasich Administration, Ohio has strengthened its ability to grow the economy and jobs in our state. With other states also cutting taxes and looking to stay competitive, Ohio must continue to make its tax code friendlier to job creators and entrepreneurs, while helping Ohioans keep more of what they earn. The new state budget for FYs 2018 and 2019 takes important steps in that direction.

