

Reform Ohio's Tax System

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Our three groups often take different approaches to addressing the challenges that face Ohio. Yet we have joined forces over the issues of tax expenditures — exemptions, deductions, credits, and exclusions — and tax reform.

We propose bringing common sense to our state's tax system. Three specific changes would contribute to substantial improvements in Ohio's tax climate.

First, we urge the repeal of specific tax expenditures in the 2012-13 budget that takes effect July 1. Our list would yield more than \$300 million in yearly tax revenue without changing tax rates.

The list includes special tax breaks for aircraft owners, the \$50 property tax credit for older Ohioans, and the tax write-off Ohioans get for political donations. All of these breaks are expensive. None is good or fair public policy.

Tax expenditures are usually the equivalent of a state grant or other form of financial aid to subsidize a specific activity or group. The use of tax expenditures has proliferated for decades at state and federal levels.

Yet once these exceptions become law, they rarely get the same kind of scrutiny as spending on programs through the budget appropriations process. They generally have no performance measures to show whether they are achieving their intended purpose.

To remedy that omission, we propose subjecting tax expenditures to "sunset" provisions. They would end after eight years unless the General Assembly re-enacts them and the governor approves them. We call for the creation of a committee that would review tax expenditures and make recommendations to lawmakers.

In the longer term, Ohio needs a nonpartisan commission to study state and local taxation in Ohio. This commission should be broadly framed, to provide a diverse and representative body of well-informed citizens. It should exclude state and local elected officials and senior public executives.

The commission would recommend ways to align taxation better with the roles and responsibilities of state and local governments, including special-purpose agencies. To insulate the commission's work from the political cycle, it would make its final report in the last six weeks of 2012.

Ohio's tax system must allow enough flexibility to address evolving economic and

social circumstances, such as the transition from manufacturing to services and the population shift from large central cities to suburbs. It also must provide adequate and stable funding for public services.

Individual taxpayers and our corporate citizens must share Ohio's tax burden in a manner that is broadly, fairly, and equitably distributed. Such a system, we believe, will contribute to economic vitality and the quality of life in Ohio.

The combined effect of state and local taxes in Ohio is a significant consideration for tax fairness and adequacy, as well as the overall business climate of the state. With more than 3,500 local taxing jurisdictions, the web of local taxation in Ohio is among the most complex of the 50 states.

Groups rank Ohio's state and local tax burden between 16th and 18th highest among states. That ranking reflects an overall pattern of relatively low state taxes but relatively high local taxes.

Our agreement on these proposals does not extend to alternative uses of the tax revenue this plan would produce. The Center for Community Solutions proposes increasing appropriations for community behavioral health services, PASSPORT services for older adults, and protective and early childhood development services.

The Buckeye Institute prefers a neutral tax impact by reducing tax burdens on small and medium-sized businesses to spur job creation. Greater Ohio views tax reform as essential to promoting and removing barriers to local and regional governance reform, to foster growth and economic redevelopment.

These differences, however, do not detract from our agreement on setting the stage for a new round of tax reform. If our disparate policy groups can reach agreement, our elected officials can too.

For Ohio's sake, we hope they do.

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