



THE BUCKEYE INSTITUTE

Interested Party Testimony Before the Ohio House Ways and Means Committee on House Bill 337

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**Greg R. Lawson, Research Fellow
The Buckeye Institute**

Chairman Schaffer, Vice Chair Scherer, Ranking Member Rogers, and members of the Committee, thank you for the opportunity to testify today regarding House Bill 337 and Ohio's tax policy.

My name is Greg R. Lawson. I am the research fellow at **The Buckeye Institute**, a free-market think tank here in Columbus that advocates for low-tax, low-regulation policies that remove barriers to prosperity for Ohioans.

According to the Ohio Department of Taxation, a tax expenditure is any tax policy that has the following four characteristics:¹

- The item reduces, or has the potential to reduce, one of the state's General Revenue Fund taxes;
- The item would have been part of the defined base;
- The item is not subject to an alternative tax; and
- The item is subject to change by state legislative action.

The Buckeye Institute has long opposed most tax expenditures, including credits and exemptions, because of their adverse impacts on taxpayers and the level playing field on which a free market depends.

As exceptions to the tax code, tax expenditures effectively narrow the tax base. The narrower the tax base the higher and more confiscatory taxes become for those still subject to the tax. Thus, tax expenditures, however unintentionally or well-intended, eventually pick economic winners and losers through their preferential treatment under the law.

Flatter taxes, by contrast, levied on broader bases and without special exemptions, lower the tax burden and spread the cost of the tax more evenly and fairly among taxpayers.

Additionally, adopting too many sales tax exceptions risks forcing some counties to raise their tax rates, which will in turn make them less competitive. According to the Tax Foundation, Ohio already has the highest average combined state and local sales tax rate among its neighbors, and higher rates could prove an even greater competitive disadvantage for counties along our borders.²

Tax policies that may put more of our counties at a greater disadvantage is not sound tax policy for Ohio.

Thank you again for the opportunity to testify today. I would be happy to answer any questions that the Committee may have at this time.

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¹ State of Ohio, **Fiscal Year 2018-2019 Tax Expenditure Report**, Office of Budget and Management, November 25, 2016.

² Jared Walczak and Scott Drenkard, **State and Local Sales Tax Rates 2018**, The Tax Foundation, February 2018.

About The Buckeye Institute

Founded in 1989, The Buckeye Institute is an independent research and educational institution – a think tank – whose mission is to advance free-market public policy in the states.

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