



THE BUCKEYE INSTITUTE

Interested Party Testimony Before the Ohio House Ways and Means Committee on Senate Bill 226

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Chairman Schaffer, Vice Chair Scherer, Ranking Member Rogers, and members of the Committee, thank you for the opportunity to submit testimony regarding Senate Bill 226 and Ohio's tax policy.

My name is Greg R. Lawson. I am the research fellow at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

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.

Sales Tax holidays, in particular, represent more of a gimmick than fundamental reform. As the non-partisan Tax Foundation points out, rather than moving Ohio to a flatter tax, sales tax holidays introduce complexity and instability to sales tax collections.²

Additionally, there is uncertainty as to how large of a savings sales tax holidays offer the consumer with some research showing that retailers may raise prices to capture a portion of the tax savings that are anticipated by consumers.³ This practice alone would suggest that consumers would benefit more from a flatter tax without special exemptions rather than a one-time-a-year sales tax break.

Thank you again for the opportunity to submit written testimony to the Committee.

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

² Joseph Bishop-Henchman and Scott Drenkard, **Sales Tax Holidays: Politically Expedient but Poor Tax Policy, 2017**, The Tax Foundation, July 25, 2017.

³ *Ibid.*

About The Buckeye Institute

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