



BEFORE THE SENATE FINANCE COMMITTEE
Interested Party Testimony on House Bill 49
May 31, 2017

Chairman Oelslager, Ranking Member Skindell and members of the Senate Finance Committee, my name is Keith Lake and I am the Vice President of Government Affairs for the Ohio Chamber of Commerce. I am here today to testify on a variety of provisions in House Bill 49 that impact Ohio employers.

The Ohio Chamber is the state's leading business advocate and we represent nearly 8,000 companies that do business in Ohio. Our mission is to aggressively champion free enterprise, economic competitiveness and growth for the benefit of all Ohioans.

When the executive budget proposal was released in February, our major initial concern was over the governor's proposed tax reform plan. While we support the goal of continuing to drive down the personal income tax rate, we don't believe that further income tax cuts should be made if this can only be accomplished by increasing the tax burden on the business community at the same time.

To that end, we are appreciative of the work the House did to remove the original proposed tax reform package, which included increases in the sales, oil and gas severance, tobacco products, and beer and wine taxes, along with a plan to expand the sales tax to several services not currently subject to it. Taken together, these tax changes would have had adverse impacts on a variety of industries, and would have resulted in an estimated \$1.2 billion dollars of new taxes on Ohio employers. Therefore, we urge you not to reinstate any of these tax increases and not to undermine any of the important tax reforms enacted over the past dozen years.

During the 130th Ohio General Assembly, great strides were made towards imposing more uniformity and simplicity on the Ohio municipal income tax system. In spite of these important improvements, Ohio's municipal income tax system remains the most anticompetitive local income tax system in the country.

For this reason, the Ohio Chamber strongly supported two proposals included in the executive budget that would improve our convoluted municipal income tax system. One would end the so-called “throwback” rule. Though the House took a different approach than the governor did, HB 49 still contains the elimination of this unjust practice, by which municipalities tax revenue from sales made by its business taxpayers to companies located in other jurisdictions where the business neither has employees nor regularly does business. Eliminating throwback would prevent cities from unfairly taxing businesses on sales made to customers not located in that or any other Ohio city. Please keep this language in the bill.

The other beneficial municipal income tax change proposed by the governor was for centralized collection of municipal income taxes on business net profits, to be administered by the Department of Taxation. Net profits reform would simplify filings, saving businesses in Ohio time and money that would be better spent on growing their businesses, rather than on municipal income tax compliance. Requiring centralized reporting and collection of municipal income taxes is the easiest and most efficient way to reduce compliance costs. Unfortunately, the House removed this provision, substituting instead a proposal to allow, but not require, a business to file a single annual return and pay the total of all municipal taxes due through the Ohio Business Gateway.

In his testimony before the Senate Finance Subcommittee on General Government and Agency Review, Tax Commissioner Joe Testa indicated the Department plans to submit an amendment for the Senate’s consideration that would permit businesses to opt-in to having their municipal net profit tax administered by ODT. This would allow businesses to complete and file a single form and make just one payment, rather than file separately with each municipality in which the taxpayer does business, thus helping make Ohio’s tax environment more competitive. The Ohio Chamber supports this amendment and encourages this committee to accept and include it in a forthcoming iteration of HB 49.

HB 49 also contains three other tax-related provisions the Ohio Chamber supports: the clarification that sales of automatic data processing, computer services, electronic information services, and electronic publishing services are not taxable under the sales tax when they are being provided primarily to deliver, receive, or use another, nontaxable service; the provision that would block ODT from asserting something is taxable when it has not previously issued any formal guidance indicating its taxability; and the requirement that political subdivisions or school districts pay a property owner’s attorney’s fees and court costs if they appeal a

decision in a property tax assessment case and lose. All of these would help protect business taxpayers from unwarranted taxes.

Unfortunately, there are also some things in HB 49 that the Ohio Chamber opposes and would like to see removed.

First, the House added a new health insurance mandate to the budget. It would require health benefit plans to provide coverage for telemedicine services and also to cover the cost of these services on the same basis and to the same extent as a plan provides coverage for in-person health services.

However, while the Ohio Chamber supports innovative approaches to health care like telemedicine, which holds much promise for expanding and enhancing access, we also strongly oppose any new health care mandates. They increase the cost of health insurance by forcing small businesses, in particular, to pay for coverage that includes all of the conditions the legislature says they must. They also stifle the flexibility in plan design that many employers rely upon to help control health care costs. Essentially, small businesses are forced to purchase a one-size-fits-all, government-knows-best health insurance plan.

We are still evaluating the potential cost impacts this new mandate may have on fully-insured plans. Right now, though, our larger concern is that this mandate was incorporated into HB 49 despite the fact that this body instituted a two-year moratorium on the enactment of any new health care mandates. As you may recall, before passing HB 463 in December, the Senate put into that bill a provision stating that “it is the intent of the General Assembly to implement a two-year moratorium on any new health care mandates impacting individual and group health insurance plans that are not subject to (ERISA).”

This two-year moratorium just became effective on April 6. It is for this reason that the Ohio Chamber is seeking an amendment to HB 49 that would remove this new mandate.

Another area of concern is with an attempt by the Ohio Environmental Protection Agency to overhaul how it develops pollution limits for Ohio’s waterways, known as total maximum daily loads (TMDLs). TMDLs can significantly impact business operations as they are used when issuing discharge permits, making it vital to ensure the process for setting TMDLs is fair, transparent and based on respect for due process. In the budget, Ohio EPA is attempting to address the uncertainty surrounding existing TMDLs in the aftermath of a recent court case, while also creating a public input process for future TMDLs.

The Ohio Chamber and others have been working with Ohio EPA since the executive budget was released in an effort to seek a compromise solution, and we continue to do so. Unfortunately, we are not there yet, and even new, revised language Ohio EPA is currently recommending is not satisfactory. The Ohio Chamber is now working on an alternative amendment, as well, and may soon be either seeking the Senate's support for our proposal or asking you to remove the TMDL language entirely from HB 49.

For businesses in our state to grow and prosper, finding skilled talent, training employees and retaining staff is critical – but these are challenges for many of them. One program that helps employers is the Ohio Incumbent Workforce Training Voucher Program. This program's goal is to allow employers in designated industries to retain and grow their existing workforce in order to meet the present and future demands of an ever-changing economy. It accomplishes this by providing employers partial reimbursement for costs associated with the training and professional development of existing workers.

The executive budget effectively terminated the Ohio Incumbent Workforce Training Voucher Program by not funding it. The House, however, continued the program by allocating to it \$2.5 million over the biennium. Though this represents a reduction of more than 80% from its current funding level, the Ohio Chamber is pleased that the program will endure. With the demand for skilled technicians at an all-time high, our state can ill afford to discontinue such an important tool for strengthening our existing workforce.

There are also two other provisions currently in HB 49 which we feel have the potential to strengthen the future of Ohio's workforce. One is the OhioMeansJobs-Ready seal. We hear time-and-time again from employers that many job applicants do not have the soft skills necessary to work in certain environments. This seal would be affixed to the diplomas of high school graduates, demonstrating to potential employers that they have the soft skills and job-ready competencies for which businesses are clamoring.

The other provision is the option for career-technical students to enter into approved pre-apprenticeship programs. Having hands-on training and practical real-world experience is often how students develop the job-specific hard skills and determine whether they wish to pursue a career in that field.

Lastly, there is another critical issue that is not currently part of HB 49. That issue is fixing Ohio's broke and broken unemployment compensation system. When a deal on a comprehensive fix could not be reached at the tail end of last year, a temporary

solution was agreed to by business and labor and subsequently rolled into last session's SB 235. Further, both business and labor also committed to work in good faith towards a long-term solvency package, with the goal of agreeing on a permanent solution that could be incorporated into the budget this year. We have been striving towards that goal, though no agreement has yet been reached. The ultimate objective is to build a positive balance in the Unemployment Compensation Trust Fund, thus avoiding the need to borrow from the federal government to pay unemployment claims during a future recession. Truly fixing the system means both benefit payout and employer contribution levels must be adjusted. Action on this important issue must be taken, and we must not push the problem off for another day – another day when the system will be in even worse shape and the potential solutions will be even more difficult to achieve.

We are acutely aware of the difficulty you face in trying to craft a balanced budget that provides for the necessary services that all Ohioans, not just the business community, expect from an efficient and responsible government. As you work to accomplish this, I thank you for considering the Ohio Chamber's comments and concerns regarding HB 49.