

WITNESS INFORMATION FORM

Please complete the Witness Information Form before testifying:

Date: 4/8/19

Name: G. Scott McComb

Are you representing: Yourself _____ Organization Heartland Bank

Organization (If Applicable): Heartland Bank

Position/Title: Chairman, President & CEO

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Do you wish to be added to the committee notice email distribution list? Yes _____ No _____

Business before the committee

Legislation (Bill/Resolution Number): HB 150

Specific Issue: Enact the Community Bank Tax Relief Act

Are you testifying as a: Proponent Opponent _____ Interested Party _____

Will you have a written statement, visual aids, or other material to distribute? Yes No _____

(If yes, please send an electronic version of the documents, if possible, to the Chair's office prior to committee. You may also submit hard copies to the Chair's staff prior to committee.)

How much time will your testimony require? 10 mins

Please provide a brief statement on your position:

Chairman, President & CEO of Heartland Bank. 20 year banker of family owned Business

Please be advised that this form and any materials (written or otherwise) submitted or presented to this committee are records that may be requested by the public and may be published online.



Good Afternoon,

Chairman Jordan, Vice Chairman Hudson, Ranking Member Smith my name is Scott McComb. I am the Chairman, President & CEO of Heartland Bank. Heartland is a 108-year-old Community Bank based in Whitehall Ohio that is currently \$1.05 Billion is total assets. We are a state chartered fed Member with 18 branch locations, and currently 220 employees. We also have a wealth management division, Heartland Planning Associates, and a full-service Title company in TransCounty Title. I serve the industry through my seat on the boards of the Community Bankers Association of Ohio, The Independent Community Bankers Association of America, and the Ohio Banking Commission. It is indeed a pleasure to testify before you today, and I thank you for your service to the citizens of the Great State of Ohio.

I am here today offering proponent testimony in support of HB 150 aka Enact Community Bank Tax Relief Act. This legislation contains key provisions that will permit my community bank to increase lending, provide increased employment, strengthen the safety and soundness of my institution, and increase my taxable income that will be ultimately benefit those public entities that offer much needed services allowing the communities that we serve to grow and prosper.

Most if not all community banks pay the highest FIT rate of .8%. This is especially troubling for faster growing financial institutions like Heartland. Due to our double-digit growth in aiding small businesses and community partners in expanded services, especially lending, the bank needed additional capital. This would be the first equity capital Heartland has issued since 1996. Due to Ohio's continued business success, and the ability for strong community banks to aid in that success, we were able to attract \$30 Million in common equity capital from local and institutional investors who believe in Ohio, and the mission of our Community Bank. The FIT tax would create an additional tax bill for Heartland of \$200,000 to an estimated \$819,000 in 2019 from \$620,874 paid in 2018.

So, what does that mean to the communities we serve and the people of the state of Ohio you might ask? In the hands of community banker, it could have a tremendous impact.

- This vital funding could be used to further modernize our electronic banking systems expanding services to a wider range of Ohio small businesses and consumers and prolonging the life of the bank as we compete with Tax Exempt Credit Unions, and the Too Big to Fail mega banks.
- Could be used to expand facilities and services to the underserved areas of Ohio abandoned by the mega banks.
- Could allow us to aid more local initiatives, such as the music and arts which Heartland was acknowledged for last year by Governor John Kasich.
- The possibilities are many, but rest assured these funds in hands of an Ohio Community Banker would be leveraged to the best use of the bank, and therefore their community. This change will provide tremendous benefit to Ohio's 167 community banks.

I would like to discuss further the four key provisions of the bill and how these changes will benefit Ohio's economy and hopefully will encourage existing community banks to remain in operation as well as create an environment that will spawn new bank formation.

✓ **Reduces, from 0.8% to 0.4%, the rate of the financial institutions tax (FIT) that applies to an institution's first \$200 million of taxable equity capital.**

It is simply unfair that community banks are charged the top rate due to the current calculation. We are already at a funding disadvantage by the big banks who serve the major metro areas and due to the calculation pay a smaller tax due to their size and amount of capital. While most community banks service the consumers, businesses and farmers rural Ohio but pay a higher rate of FIT tax on their capital.

✓ **Limits the tax base upon which the FIT is computed for financial institutions that report total equity capital more than 14% of total assets.**

Banks should be encouraged to carry as much capital as their boards deem necessary for safety and soundness and should not be penalized for excess capital through the fit tax. This especially hurts community banks as they answer to Main Street and not Wall Street in the amount of capital they hold, while most all larger institutions would not be subject to this threshold as they do not carry that amount of capital.

✓ **Exempts newly formed banks from the FIT.**

DeNovo Bank formation should be encouraged as the number of community banks in the state is dropping significantly.

✓ **Imposes a limit on the application fee charged by the Division of Financial Institutions to charter a new state bank.**

Again, DeNovo Bank formation should be encouraged and other regulators, such as the OCC, do not charge a filing fee.

Thank you for the opportunity to provide testimony today in support of HB 150. I am happy to answer any questions that members of the committee may have.