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BEFORE THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE

House Bill 150 Proponent Testimony

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Chair Jordan, Vice Chair Hillyer, Ranking Member Smith, and members of the House Financial Institutions committee, thank you for the opportunity to provide proponent testimony on House Bill 150. My name is Ron Zimmerly and I am the President and CEO of Liberty National Bank in Kenton, Ohio. I have been in community banking for the past 32 years and with Liberty for the past 20 years.

Liberty National Bank operates six branches located in Ada, Bellefontaine, Kenton, Marysville and Westerville. Liberty National Bank is a nationally chartered institution, and we just celebrated our 125th anniversary in October, 2018. Liberty has approximately \$360 million in assets. The bank, which first opened its doors in 1893, began as a single location in Ada, Ohio. Our long history has spanned economic ups and down as severe as the Great Depression and the Financial Crisis of 2007, along with bank mergers and closings, 22 US presidencies and a multitude of technological advances. As of December 31st, we had \$265 million in loans and \$276 million in deposits. We are dedicated to being part of the future prosperity of our communities, our employees and our loyal customers. Our customer base includes our local communities, individuals, small businesses and farmers. We are proud to provide sound, quality financial services to the residents of Northwest and Central Ohio.

First, I would like to thank Rep. Derek Merrin for spearheading this important piece of legislation and getting the conversation going regarding the important role banks play in Ohio's communities. As you are well aware, the Financial Institutions Tax (FIT) is a tax on equity capital. Thus, we pay this tax whether the bank is actually profitable or not.

HB 150, addresses three things in relation to the FIT. It would lower the rate on the first \$200 million in capital from eight mils to four mils over two years, cap the FIT so that it does not apply to capital in excess of a 14% ratio to assets, and help de novo bank formation by exempting new banks from the FIT for their first three years in formation while they are building capital prior to being fully operational.

Liberty National Bank is owned by over 300 shareholders most of which live in the communities we serve. In 2018 to support our growth we raised \$13 million in common stock. This was essential in meeting our strategic objective to continue to support our local communities, to aid the growth of our existing and future customer base, and to provide additional products and services as dictated by technological advances. The additional raised capital increased the projected 2019 FIT payment to \$360,000 compared to \$245,000 in 2018 and \$228,000 in 2017. HB 150 would save us approximately \$90,000 in 2020 and \$180,000 in 2021. Implementation of HB 150 would allow Liberty National Bank to divert the tax savings into new technology and cyber security prevention and detection software, providing a direct benefit to those we serve—our local communities, their residents and the numerous small businesses and farmers we deal with on a daily basis.

A Research article for *Boomtown USA: The 7 ½ Keys to Big Success in Small Towns* showed that strong leadership in small towns generally came from three broad areas of the community: Banks, media, and retailers. Obviously, we have all witnessed the community banking consolidation that has taken place in recent years. If we consider these three broad areas, we might ask ourselves: What is the future of our small towns going to be? Where are your leaders going to come from? Capital is a regulatory and business necessity for all banks—including community banks. HB 150 could help community banks retain more profits. In turn, it helps community banks to do what they have always done and will continue to do—give back to their local communities. We all know that even more important than leadership is the willingness of these community banks to help support new start-up businesses within the communities they serve. New businesses mean new job creation. New job creation is critical to long-term economic growth. There are 182 community banks in Ohio today 160 of which are less than \$1 billion in assets, down from 239 in 2010. Let's help community banks to thrive and succeed!

Therefore, I urge your support of HB 150. Thank you for your time and I would be happy to try to answer any questions you may have at this time.