



**Testimony of the Manufacturing Policy Alliance on S.B. 8
by Thomas M. Zaino, JD, CPA
Senate Ways & Means Committee
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Chairman Terhar, Ranking Member Williams, and fellow distinguished members of the Senate Ways & Means Committee, my name is Tom Zaino, and I am Managing Member of Zaino Hall & Farrin LLC. I am here today on behalf of the Manufacturing Policy Alliance (MPA). The Manufacturing Policy Alliance (MPA) is a group of large manufacturers around the state of Ohio who operate in all eighty-eight counties. Combined, MPA has an annual payroll of \$2.5 billion and spends approximately \$11 billion with suppliers around the state.

MPA was formed to provide an effective voice on critical policy matters that affect the competitiveness of Ohio and its large manufacturing companies. We strive to work with the General Assembly and the Governor to help sustain a healthy and vibrant economy. I am here today to speak to the Committee in support of Senate Bill 8, which authorizes Ohio tax credits for investments in an Ohio Opportunity Zone.

As I am sure you are aware, under the federal Opportunity Zone program, a taxpayer may elect to defer a capital gain if the taxpayer invests the gain in a Qualified Opportunity Fund within 180 days of the date of a sale or exchange of the investment. Under current law, the capital gain will be deferred until the earlier of the date on which the investment is sold or exchanged or December 31, 2026. Taxpayer may also receive significant basis adjustments for investments in Qualified Opportunity Zone Funds that are held for 5, 7, or 10 years. Finally, some gains may be permanently excluded from federal tax if held for at least 10 years.

The Federal Opportunity Zone Program is designed to attract investment into economically distressed areas, whether in Ohio or outside Ohio. While investors are incentivized to invest in a Qualified Opportunity Fund because of the federal tax benefits, an investor is also motivated to invest in property that will generate the highest rate of return, no matter in which state the property is located. Therefore, Ohio is competing with projects in states where the investor's potential rate of returns could be higher, such as in California, Florida and New York. S.B. 8 will help level the playing field to attract investors from all areas of the United States to invest in Opportunity Funds with Ohio projects by increasing their effective rate of return.

The tax credit offered by S.B. 8 will reduce the tax imposed on individual and pass-through entity investors (personal income tax), financial institution investors (financial institution tax), and insurance company investors (premium tax). Interestingly, I note that the credit would not be available to regular C corporation investors because the bill does not provide a credit against the tax paid by regular C corporations—the Commercial Activity Tax.

The Manufacturing Policy Alliance believes S.B. 8 will help Ohio attract more investment into Ohio Opportunity Zone projects, helping to sustain Ohio's healthy and vibrant economy. We encourage the Senate to enact S.B. 8.

Mr. Chairman, this concludes my testimony. I would be happy to answer any questions you or members of the Committee may have.