

House Bill 18 Proponent Testimony
Senate Ways and Means Committee
June 4, 2019

Chairman Terhar, Vice Chair Roegner, Ranking Member Williams, and members of the Senate Ways and Means Committee, thank you for the opportunity to speak with you today about House Bill 18. My name is Steve Tugend, I chair the Central Ohio Defense Group and am an attorney at Kegler Brown Hill + Ritter, and I am here today to testify as a proponent of House Bill 18 sponsored by Representatives Vitale and Crowley.

The Central Ohio Defense Group is an organization comprised of government, nonprofit and corporate members that is concerned about preserving and growing defense-related jobs in the Central Ohio Region. The members of the group include Columbus 2020, the City of Columbus, the Columbus Partnership, the Columbus Regional Airport Authority, the City of Canal Winchester, Battelle, the Columbus Chamber of Commerce, the City of Whitehall, the Mid-Ohio Regional Planning Commission, The Ohio State University, Franklin County, the Heath-Newark-Licking County Port Authority, and Kegler, Brown, Hill + Ritter.

The impact of Ohio's Department of Defense (DoD) employers in our region is significant. The DoD payroll for about 14,000 jobs is just under \$800 million annually and this yields an economic impact of about \$3 billion.

And we need to be vigilant in our protection of these jobs and resulting economic impact. Every few years, the Department of Defense undertakes a process known as Base Realignment and Closure (or "BRAC") where the country's military installations are evaluated using a cost benefit analysis. Those installations that score well are kept open. Those that score poorly are closed down. It has been since 2005 since the Pentagon last went through a BRAC process, so we believe that the next one is long overdue.

Increasingly, the Pentagon has indicated that one of the key evaluation criteria that will be considered in the next round of BRAC will be how military-friendly the installation's state laws are.

It is for this reason that the Central Ohio Defense Group is interested in House Bill 18. In short, the legislation, if it becomes law, will make Ohio a more military-friendly state and, as a result, a more attractive site for military missions and jobs.

House Bill 18 would exempt disability severance payments received by honorably discharged armed service veterans from the state income tax. Disability severance pay is a lump-sum payment that veterans receive if they are wounded in war zones. The payment is based on rank and years of service, and is currently exempt from the federal income tax but not from the state income tax.

From my experience, I understand the importance in the BRAC process to make sure state has military facilities with both the physical and legal infrastructure that is supportive of military missions based out of Ohio. This proposed legislation advances that goal. The U.S. Department

of Defense is more likely to locate military installations and maintain them in states that are supportive of those who have worn our country's uniform.

This bill creates a disability severance payment exemption from the definition of income that aligns with the federal government's definition. In my view, Ohio is currently sending a bad message to the Pentagon by subjecting military disability severance payments to taxation when the federal government doesn't. The least Ohio can do is align its tax laws in this area with those at the federal level. This legislation is not only helpful to Ohio's veterans but also puts Ohio in a better position to create and retain military jobs.

Mr. Chairman and members of the committee, I thank you for your time and for allowing me to present this testimony today and am happy to answer any questions you may have.