

Ohio House of Representatives



**State Representative Denise Driehaus
HB 65 Sponsor Testimony
House Ways and Means Committee
March 24, 2015**

Good afternoon Chairman McClain, Vice-Chair Scherer, and Ranking Member Cera. Thank you for allowing me an opportunity to offer testimony on House Bill 65, regarding the creation of a new tax expenditure review board.

House Bill 65, would create a seven-member, bipartisan Tax Expenditure Review Board to annually examine tax exemptions, credits, and deductions. The board will make recommendations to the General Assembly and the Governor – ensuring that expenditures continue serving their intended purpose. Many tax expenditures have continued for decades, draining the state revenue, providing a special advantage, without an accounting for whether they serve their original purpose or any purpose at all. For example, in 1963 the General Assembly approved a new sales tax exemption for pollution-control equipment. Nine years later the U.S. EPA was created and today most of the equipment purchases utility companies make for pollution control are already mandated by environmental rules. By providing an incentive for something that would already be happening, it's costing the state millions annually. Perhaps even more ridiculous is a tax break for people who own a share of a private jet via fractional ownership.

The Ohio Department of Taxation estimated that in fiscal years 2014 and 2015, 128 tax exemptions and credits amounted to more than \$8 billion in foregone revenue to the state's General Revenue Fund. It's time we focus on ways to rein in tax expenditures to regain some of the revenue that is lost every year.

Reviewing granted exemptions or agreements is common in other areas of state government, why not for exemptions? For example, the PUCO works closely with large load consumers who provide significant employment in Ohio to ensure the company is able to manage its utility costs. For those large load companies that consume high amounts of energy, the PUCO works with the company and utilities to create what are known as reasonable rate arrangements, similar to tax exemptions. While these arrangements are not common, seven currently exist and they are evaluated *every month* by the PUCO.

There is broad appeal for this type of reform. In the previous General Assembly, I traveled around the state with the Legislative Study Committee on Ohio's Tax Structure, Chaired by

Representative John Adams, and found individuals and organizations spanning the political spectrum that supported a review of tax expenditures. Organizations like the Buckeye Institute, Greater Ohio, and the Center for Community Solutions have all come out in support of some tax expenditure reform. In the final report of the study committee, Chairman Adams states, "Tax Expenditures are both poor policy and poor concept, and there was near unanimity that such expenditures should be reviewed both for permanent validity and also on an ongoing basis."

The Governor has created a variation on what is proposed in this bill, in his budget. Rep. Boose also has a bill that creates a similar committee and I applaud both of these efforts. The committee in this bill varies in a couple of ways. Most notably, in the make up of the committee and the frequency by which exemptions are reviewed.