

# WITNESS INFORMATION FORM

Please complete the Witness Information Form before testifying :

Date: April 5, 2019

Name: Shon B Myers

Are you representing: Yourself \_\_\_\_\_ Organization \_\_\_\_\_

Organization (If Applicable): Farmers + Merchants Bank

Position/Title: President + CEO

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Do you wish to be added to the committee notice email distribution list? Yes \_\_\_\_\_ No X

Business before the committee

Legislation (Bill/Resolution Number): HB 150

Specific Issue: Community Bank Tax Relief

Are you testifying as a: Proponent X Opponent \_\_\_\_\_ Inter ested Party \_\_\_\_\_

Will you have a written statement, visual aids, or other material to distribute? Yes X 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? 5 minutes

Please provide a brief statement on your position:

I am in favor of the bill as proposed.

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 Shon Myers. I am the President & CEO of Farmers & Merchants Bank, located in Miamisburg, OH. We are a true community bank with only four locations and all are located within Montgomery County. We have a total asset size of \$160 million and are regulated by the State of Ohio and FDIC. We employ 34 people and have a primary focus on small business lending as we have found this segment is not well represented by the large national or regional banks.

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

The FIT is a tax on financial institutions total equity capital and most if not, all community banks pay the highest FIT rate of .8%. HB 150 will reduce the current FIT tax rate of .8% that applies to the lowest tier of Ohio equity capital. In 2020, the proposal is for the rate to be reduced to 0.6%. Then, in 2021, the rate is reduced further to 0.4%, so that the three tiers of the tax are consolidated into two, and a rate of 0.4% applies to all Ohio equity capital up to \$1.3 billion. This change will provide tremendous benefit to Ohio's 167 community banks, including ours. I also believe this bill will help reverse the trend of many years of community banks closing and instead create an environment that investors will want to form new community banks within the State of Ohio.

I would like to discuss 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 hopefully spawn new bank formation.

**#1 Reduce 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.**

Farmers & Merchants Bank is currently at a financial disadvantage by paying at the top rate tier of the three tiers just because we are smaller in size. Our Community Bank currently pays \$21,000 in annual Financial Institution Tax (or Fit Tax). While this amount may seem small we must keep in mind that it is in addition to the \$112,000 in State Income Tax, \$406,000 in Federal income tax, and other Sales and Use taxes we paid in 2018.

Anytime we can reduce a type of tax it is of direct benefit back to our communities. Less taxes allow us to create jobs and improve wages at the lowest entry level positions. In addition, it improves our liquidity and ability to increase lending in the communities we serve.

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

While this does not currently impact my institution today I believe we should not have rules that would cause a bank to maintain less capital. We should always be encouraged to increase capital as it is the backbone to the strength and solvency of an institution during troubled economic cycles. In addition, our legal lending limit is based upon our capital level. The more capital we maintain allows us to make larger loans or more loans to a single borrower. This is significant to our institution as it allows us to grow with our small business customers and be able to meet their needs as they also grow.

**# 3 and #4 Exempt newly formed banks from the FIT and Impose a limit on the application fee charged by the Division of Financial Institutions to charter a new state bank.**

I believe we need to do everything possible to help generate new business in Ohio, including help promote the creation of new community banks. De Novo institutions are always going to be smaller in size and like me will be paying FIT at the highest tier. Paying this higher FIT from day one of their opening extends the period for a De Novo to become profitable which often times is almost five years of operations. Paying the taxes under the current FIT structure removes money that could be available to the De Novo to generate much needed revenue to become profitable and obtain financial stability for future success.

Another way to encourage formation of De Novo banks chartered under the Ohio Division of Financial Institutions is the proposed removal of the application fee. Being a bank with a state charter I want to ensure the regulatory system provided by the Ohio Department of Financial Institution remains strong with as many banks possible under their authority. The Office of the comptroller of the Currency (OCC) doesn't charge an application fee while the current system has a \$10,000 application fee if they choose to be a state charter. It should be expected that the elimination of this application fee will increase the creation of new state-chartered community banks as it would put the choice of being State Chartered or a National Charter on a level playing field.

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