



**BEFORE THE HOUSE ECONOMIC AND
WORKFORCE DEVELOPMENT COMMITTEE
PROPONENT TESTIMONY ON HOUSE BILL 182
WEDNESDAY – MAY 27, 2015**

Chair Baker and Members of the Committee,

My name is Dan Navin, and I am the assistant vice president of tax & economic policy for the Ohio Chamber of Commerce. I am here this morning to expand upon my remarks last week and to give formal testimony in support of House Bill 182, the Joint Economic Development District (JEDD) revision legislation. My testimony will focus on the bill's expanding authority to create a JEDD for redevelopment; allowing the option of imposing the JEDD income tax on either individuals or businesses; establishing a procedure permitting the owner of a business to be exempt from the JEDD income tax, the so-called opt-out provision; and, allowing the contracting parties to designate excluded parcels within the boundaries of the JEDD.

Back in 1995, the Ohio Chamber worked collaboratively with Rep. Kirk Schuring to expand the authority to create a JEDD beyond its existing locations at that time – the sole charter county in the state (Summit County), an area surrounding the Clark County airport, and one transportation improvement district in Butler County. Until then, the Ohio Chamber had been very skeptical and cautious about how attractive and useful JEDDs would be for business development and thus resisted their expansion statewide. At their core, JEDDs involve the extension of a municipal income tax to businesses located in a township which, of course, has no authority to levy a local income tax. Consequently, the passage of House Bill 269 in 1995 established sufficient safeguards to protect businesses from what would amount to a forced, hostile annexation.

The Ohio Chamber's assessment of the operation of the JEDD law in the 20 years since HB 269 is that it has worked reasonably well and constitutes an effective tool for commercial and industrial development. However, historically JEDDs have been created mostly in

previously undeveloped, often rural, township territory. We believe, and hope, that passage of HB 182 will pave the way for JEDDs to be created for purposes of redevelopment and therefore facilitate economic development in land-locked urban and suburban areas that are having a tough time attracting investment capital and jobs.

As I mentioned previously, we were skeptical back in 1995 as to how the JEDD law would work. One of those concerns was reflected in the provision that required any JEDD to impose the applicable municipal income tax on both the compensation/income of the employees working in the JEDD, as well as net profits of the businesses operating in the JEDD. We believe the authority granted in HB 182 to use either employee compensation or business net profits as the JEDD's revenue source will give added flexibility to the contracting parties, particularly for JEDDs created for redevelopment. One of the most constructive aspects of a JEDD is that the businesses involved in its creation have a say in how it will be governed and funded. Moreover, if the owners of the business feel uncomfortable about a potential situation where their employees would be taxed but the company's earnings would not, they could choose not to locate within the JEDD or petition for exemption from the JEDD income tax on behalf of its employees.

That brings us to another component of HB 182 – the so-called opt-out provision. We believe it is a reasonable and prudent protective measure for businesses and their employees. The bill establishes a procedure by which a business owner operating within the JEDD before the effective date of the contract may apply to the Director of the state Development Services Agency (DSA) for exemption from the JEDD income tax. It requires the business to show that either 1) neither the business or its employees has or will derive any material benefit from the services, facilities and improvements in the JEDD economic development plan; or 2) any material benefit derived by the business or its employees is negligible in comparison to the income tax revenue generated from the business net profits or compensation/income of its employees.

While we have some qualms about the provision that says the DSA director's decision on such petitions is final and not subject to appeal, we also recognize that it's important to obtain a decision so that the JEDD is firmly established and soundly funded.

Finally, the provision in HB 182 allowing the contracting parties to designate excluded parcels from the JEDD involves somewhat of a leap of faith, such that it does not open the door to scenarios where businesses or their employees are not paying the JEDD tax yet are receiving significant economic benefits. But again, there are safeguards regarding the fact that the contracting parties must identify on a map the parcel number of each excluded parcel of land.

Chair Baker, that completes my testimony and I will be happy to answer any questions the committee members may have.