



**OHIO HOUSE FINANCE COMMITTEE
HOUSE BILL 64 – STATE BUDGET / TAX PROVISIONS**

Testimony of Bill Southern

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Treasurer and Trustee, Ohio Newspaper Association

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Chairman Smith, Vice Chair Schuring, Ranking Minority Member Driehaus and other committee members, thank you for this opportunity to discuss the implications of the tax reform proposals contained in HB 64 for The Toledo Blade and Ohio's other local newspapers and websites.

My name is Bill Southern. I have been director of finance and information technology for The Blade in Toledo for nearly six years. I am also a degreed accountant, with a CPA certificate, and over 25 years of financial management experience with newspaper publishers in several major metro U.S. markets. I also am a member of the Ohio Newspaper Association Board of Trustees where I am treasurer and a member of the executive committee, so hopefully I can offer some credible perspective on the concerns we have.

The Blade, as well as other newspapers in Ohio, and throughout the U.S., has begun recovering from the severe challenges wrought not only by the worst recession in any of our lifetimes, but also the objective of growing market share and revenue in an increasingly crowded competitive landscape. I know everyone on this committee appreciates that being healthy as a business is what provides the financial foundation for journalistic excellence. Historically, newspapers have led the way in providing this information on a consistent basis. New expenses, more complexity, vague laws and increased pressure on the marketing budgets of our advertisers simply will equate to fewer resources to cover news and serve our communities.

It also will lead to less investment available to develop new revenue streams. I can proudly state that The Blade has been an innovation leader in our industry while maintaining a long tradition of outstanding journalism. As an example, The Blade's BuckeyeOne promotion, developed in partnership with Apple, provides subscribers with an iPad, preloaded with The Blade's content apps, as well as cable television content, and other content which adds value for consumers. The Blade has also partnered with a software developer to create an electronically-



delivered newspaper experience like none other in existence, designed to offer readers professional, high-quality journalism, and other valuable content, when and where the reader desires – this software application is currently being marketed throughout the newspaper industry. But all this effort takes resources, and we are doing this on narrowing margins in an ultra-competitive world.

We have no doubt at The Blade that the downside aspects of this proposal will clearly outweigh the benefits of any cut in the personal income tax – not only for our organization but also the operations of many of our advertisers, which get hit with new expenses from multiple directions that will reduce the dollars available for marketing. It is important to remember that multiple studies show that advertising creates large economic benefits in terms of consumer demand, job growth and overall spending. A 2012 study by the economic consulting firm of IHS Global Insight estimated that advertising expenditures accounted for nearly \$200 billion in Ohio economic input, or more than 20 percent of the state’s output. Global Insight estimated that advertising driven sales of products and services support about 780,000 Ohio jobs, including 300 positions at The Blade and our related businesses in the Toledo area.

The ripples of the tax reform would go from “bad” to “devastating” if the overly broad language contained in the expansion of sales taxation to “public relations” and “lobbying” is allowed to stand. For example, “public relations services” is defined as “designing and implementing public relations campaigns designed to promote the interest and image of one or more clients.” That sounds to me like a definition of advertising. The Blade would experience a multi-million dollar revenue loss if advertising is taxed. With local sales tax added, there would be an increased cost of more than 7% to the advertiser. It is naïve and incorrect to think that these costs simply can be passed on. Most of our advertisers simply will cut their spending by that amount or perhaps more, because this plan contains other new expenses for them. Is that the intent of this language? We won’t know until administrative rules are written that doubtless will be followed by endless rounds of litigation. It would happen outside the scope of the Legislature if you accept this language. The overall expansion of sales tax to services such as market research and polling also would create new costs for us.



This brings us to two other troubling aspects of the proposal: the increase in the CAT tax of 23 percent and overall increase in sales taxes of .5 percent. At The Blade, we estimate that the CAT tax increase alone would mean about \$25,000 in new expense – the cost of several part-time jobs. Newspapers are much more sensitive to taxation based on gross receipts that they used to be – as are many of our Main Street customers for that matter, from many small businesses to major advertisers.

On the sales tax side, we pay more than \$300,000 annually in state sales taxes already, and this is a nearly 9% increase on the current state rate of 5.75%. That could equate to an overall increase in our sales tax expenses of nearly \$30,000. That's a lot of money in anyone's budget.

With these points in mind, we urge you to substantially revise this tax reform proposal and thank you for your consideration. I would be glad to answer any questions that committee members have.