



OHIO SERVICE INDUSTRY COALITION
Serving Your Needs. Supporting Our Economy.

American Council of Engineering
Companies—Ohio

Ohio Automobile Dealers
Association

Ohio State Bar Association

Ohio Association of Broadcasters

Ohio Cable Telecommunications
Association

Ohio Society of CPAs

Ohio Association for Justice

Ohio Lobbying Association

Ohio Association of Movers

Ohio Newspaper Association

Ohio Parking Association

Ohio Petroleum Marketers &
Convenience Store Association

Ohio Pharmacists Association

Ohio Association of Realtors

Ohio Council of Retail Merchants

Ohio Trucking Association

Ohio Veterinary Medical
Association

Delphi

General Motors

Motion Picture Association of
America

Outdoor Advertising Association
of Ohio

Travel Technology Association

March 23, 2015

The Honorable Ryan Smith
Chairman, Finance Committee
Ohio House of Representatives
77 S. High Street, 13th Floor
Columbus, OH 43215

Dear Chairman Smith:

The Ohio Service Industry Coalition, formed in 2013, includes businesses, trade associations, and professional organizations in industries having a profound impact on the daily economic lives of Ohioans.

In CY 2014, the industries represented by Coalition members collectively had nearly 1.1 million employees, more than 57,000 establishments, annual payroll of \$42 billion, and sales of \$265 billion.

Our Coalition has very serious concerns about the tax increases on our businesses and customers in the as-introduced version of HB64, the biennial state operating budget bill.

The tax provisions of HB64 do not have a uniform impact on every business taxpayer. You will hear from individual Coalition members regarding specific tax changes that target their businesses.

As a group, however, the Coalition urges rejection of three HB64 tax increases:

- An 8.7% increase in the state sales tax rate;
- A series of new sales taxes on a host of services used regularly by both individual and business consumers;
- A 23% hike in the commercial activities tax (CAT).

Many members of our Coalition are statewide associations that have surveyed their respective large, medium-sized, and small members. The message is consistent and clear:

- At a time when businesses are still recovering from the severe ill effects of the recent recession, the tax increases will lead to a reduction in investment and cuts in payroll.
- The proposed new sales taxes on management consulting, public relations, and other services are vaguely defined, opening the door to expansive new

taxation without legislative approval. Combined with an increase in the sales tax rate, these new taxes will deter businesses from retooling, expanding, remodeling, and improving. This will be especially harmful to businesses with Ohio headquarters or large footprints in Ohio while encouraging impacted businesses to relocate, especially those with viable options in Ohio's border states, none of which have these sorts of sales taxes on professional services.

- Enterprises—many of them small—that rely heavily on outside accountants, lawyers, or other professionals to conduct business will be heavily burdened with new taxes, new paperwork, and new complexity.
- Many businesses that have studied the tax components of HB64 believe the legislation will result in a net tax increase on business owners. The new taxes will make Ohio employers less competitive and less profitable, and less likely to grow. Prospective employers will consider expanding or locating new establishments in other states.
- Business owners and operators support the notion of reducing Ohio personal income tax rates. But employers are opposed to paying for an income tax cut by raising taxes on businesses and their customers.
- The increased costs associated with the CAT increase and the new and increased sales taxes will slow demand in Ohio for the sale of products and services. Slower demand will set off a negative ripple effect through the state and its localities, triggering a reduction in tax collections at the state and local levels.

Our Coalition is grateful for the commitment of members of the General Assembly and officials of the Administration to promote the economic interests of Ohioans.

However, the Coalition believes that provisions of HB64 will hurt Ohio's economy and employers who come to work every day to power Ohio's economic engine.

Thank you for all of the time and energy you are devoting to consideration of the details in HB64. Please contact us if you have any questions.

Sincerely,

The Ohio Service Industry Coalition

cc: All Members of the Ohio House of Representatives