

Senator Bob Hackett
Chair, Senate Insurance & Financial Institutions Committee
1 Capitol Square, 1st Floor
Columbus, Ohio 43215
Delivered via email: Aaron.Mabe@ohiosenate.gov



November 16, 2020

The Honorable Chairman Hackett,

The OBL is the foremost trade association for the Ohio banking industry – and is Ohio’s only organization focused on meeting the needs of *all banks and thrifts* in the Buckeye State. The non-profit association is comprised of more than 160 FDIC-insured financial institutions including commercial banks, savings banks, and savings and loan associations ranging in size from just over \$14 million in assets to more than \$2.5 trillion and employing over 60,000 Ohioans.

One provision of House Bill 150 provides help to newly formed banks, known as de novo banks in the industry. Currently, banks are taxed on capital. When banks are first formed, there is a period where the institution is building the requisite amount of capital prior to becoming fully operational and deploying the capital for business purposes. During this time, the bank likely has no income. Thus, the bank is one hundred percent capital at this point.

HB 150 addresses this issue by providing a three-year window where a de novo bank would not be required to pay the FIT up to \$1 million. Therefore, the bank would be able to build capital without being taxed prior to utilizing the capital. Over the past decade, there have been very few banks formed. Anything that can be done to incentivize bank formation should be considered since there would not be a significant revenue reduction, as there are not many new banks being created, and any de novo bank started would eventually become a taxpaying entity.

Thus, we urge your support of this key provision of HB 150. The changes contained in HB 150 pertaining to the commercial activities tax (CAT) apply only to mortgage bankers and do not apply to traditional banks and, therefore, we have no position on that provision. Please feel free to contact me if you have any questions regarding our position at dboyd@ohiobankersleague.com or (614) 340-7608.

Sincerely,

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& Legislative Counsel
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