



## HB 234: Proponent Testimony to the House Ways & Means Committee, January 18<sup>th</sup>, 2022.

Chairman Merrin, Vice Chair Riedel, Ranking Member Sobbecki, and members of the committee, thank you for holding this hearing and for the opportunity to provide testimony. My name is Jeff Dillon, Ohio Legislative Director for Americans for Prosperity.

As one of the largest grassroots organizations in the nation, Americans for Prosperity (AFP) is driving long-term solutions to the country's biggest problems. Our organization, and its thousands of activists across Ohio, are dedicated to breaking internal and external barriers that stand in the way of people realizing their full potential. Removing these barriers, in whatever forms they take, helps move our society toward one of mutual benefit, where people succeed by helping others improve their lives and by transforming their communities. As such, I urge you to support House Bill 234, which would phase out the commercial activity tax (CAT) over a five-year period beginning in 2022 until the tax is fully repealed beginning in 2026.

One way to ensure government maintains its beneficial role is for state governments to have a fairer, flatter and simpler tax policy that unleashes growth and removes barriers to opportunity so all people can improve their lives. State tax policy should be clear and simple so taxpayers and small businesses without expensive lawyers and accountants can easily calculate and pay what they owe, without being subjected to high compliance costs that waste time and money. Overly complicated tax laws create perverse incentives for avoiding taxes through tax shelters and complex accounting and business practices. While perhaps seemingly innocuous on initial review, Ohio's CAT is a relic from bygone times, and now is a perfect time to reexamine its usefulness, and any harmful effects it may have on Ohio's overall economic picture.

In a [2020 report](#), The Buckeye Institute lays out a compelling case for the CAT's elimination. Ohio is one of only seven states to impose this type of gross receipts tax. Despite frequent efforts to put a cheerful spin on Ohio's economic prospects, the fact is that our state's economy is stagnant as policymakers remain stuck in old attitudes. Ohio's population lags while other states that have figured out a fairer system of taxation flourish and prosper.

Ohio's CAT amounts to less than seven percent of the state's total tax revenue, and less than three percent of the state's total budget. In conversations I have taken part in and observed over the years regarding eliminating the CAT, almost always does it get brought up how it would be replaced, or how that lost revenue would need to be recovered; such a back and forth occurred with the sponsors of HB 234 during its first hearing last October. I would like to reiterate what Reps. McClain and Gross said at that time: the lost revenue does not need to be recovered through some other new tax, or by increasing existing taxes.

I recognize that there are differing opinions in this body with respect to Ohio's budget priorities, but hopefully I could find nearly unanimous agreement on the following statement: not all programs and services that receive taxpayer funding necessarily should. During every budget cycle, [publications](#) are authored that provide a lawmakers with suggestions of ways to reduce non-essential government spending. Ohio forgoes [approximately \\$9 billion](#) in revenue through specialized, targeted tax expenditures, credits, and carve outs. The CAT generates far less that. And as the bill sponsors noted, there are already 40+ exemptions to the CAT itself.

AFP's position is that lawmakers should move away from the current crony-capitalist system that incentivizes special-interest handouts and creates a two-tiered tax system. The phase out of the CAT proposed in HB 234 will force lawmakers to make some difficult choices in future budgets, but making difficult choices is what the people expect from their elected leaders. Eliminating the CAT will be better for businesses of all sizes, better for the communities, employees and customers that rely on them, and it will help spur innovation and entrepreneurship in our state, while ultimately reducing costs currently borne by consumers.

Thank you, Chairman Merrin, for the opportunity to testify this afternoon, and I'd also like to thank Reps. McClain and Gross for their leadership on this issue. I'm happy to do my best to answer any questions the committee may have at this time.

*Americans for Prosperity (AFP) exists to recruit, educate, and mobilize citizens in support of the policies and goals of a free society at the local, state, and federal level, helping every American live their dream – especially the least fortunate. AFP has thousands of activists across the nation, a local infrastructure that includes 36 state chapters, and has received financial support from more than 100,000 Americans in all 50 states. For more information, visit [www.AmericansForProsperity.org](http://www.AmericansForProsperity.org).*

