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Putting More Money Back in Ohioans' Pockets

Investing in Our Future by Transitioning Away From the Income Tax

The House & Senate Majority Caucuses have said from day one that we need to shift *towards* a consumption-based tax structure and *away* from our current income tax structure, which penalizes success. Additionally, we have said from day one that you want to ensure that we are not playing a "shell game" where \$1 of taxes are cut, but raised by \$1 elsewhere.

Recalling Where We Have Come From...

Over the past two years, House & Senate Republicans' tough choices and good stewardship of Ohioans' tax dollars helped grow our economy.

<i>Before...</i>	<i>Today...</i>
\$8 billion deficit	Deficit <i>eliminated</i> ; revenues increasing
400,000 jobs lost	147,100 private sector jobs created since Jan. 2011
89 cents in the rainy day fund	\$1.5 billion in the rainy day fund (the max)

Improving Ohio's Economy Since 2011:

- 147,100 new private sector jobs have been created since January 2011
- Since Jan. 2011 Ohio's unemployment rate is down from 9.0% to 7.0% and is a full half-point better than the national rate
- More businesses are being created:
 - Compared to January-May of 2012, 2013 has seen 1,481 more entities file to do business in the state of Ohio
- Ohio has had 22 straight months of housing sale market gains
- A recent survey of CEOs by *Chief Executive Magazine* touts Ohio as the most improved business climate in the nation, moving up 13 spots in the national ranking

Major Income Tax Reform: Giving Ohioans More Buying Power & Helping Create Jobs

\$2.56 Billion in Tax Relief: The budget provides a net of nearly \$2.6 billion in tax relief to small business and taxpayers over the next three years.

- **50% Small Business Tax Cut:** Virtually all small businesses receive a 50 percent tax cut on the first \$250,000 in net business income
- **10% Income Tax Cut:** The personal income tax rate will be reduced by 10 percent over the next three years

Figures are in Millions

	FY2014	FY2015	FY2016	Total
Tax Relief				
Small Business	-533	-556	-578	-1,667
Income	-930	-1,052	-1,210	-3,192
Total	-1,463	-1,608	-1,788	-4,859
Tax Reform	685	938	1,103	2,726
Other Tax Adjustments	-361	-67	0	-428
Net Total Tax Cut	-1,139	-737	-685	-2,561



Property Tax Reform:

- **Means Testing Homestead Tax Exemptions:**
 - The Homestead Exemption was designed in the 1970's to help *low income* seniors stay in their homes. Under Governor Strickland, this policy was abandoned and included higher-income seniors.
 - This policy significantly increased state government costs, which were passed on to all Ohio taxpayers.
 - Under this proposal, no seniors receiving this property tax relief in their current home will lose it, but going forward this relief will only go to lower-income seniors earning below \$30,000.
- **Increased Property Tax Simplification and Transparency:**
 - All Ohio taxpayers subsidize tax relief for property owners in a flawed policy dating back to 1971. In an attempt to soften criticism of the new state income system, the state began paying a portion of homeowners' property tax imposed by local levies and eventually increased the amount to 12.5 percent.
 - This so-called "tax relief" is a myth, since the state simply taxes all Ohioans more—including seniors and the low-income who don't own property—to cover the cost of this "relief."
 - This proposal eliminates this policy on new levies and instead reverts to a more transparent system in which property owners pay their entire property tax bill themselves but also enjoy lower income tax rates.
 - Existing levies are unchanged. Taxpayers who don't own property shouldn't have to subsidize tax relief for property owners.

Sales Tax Reform: Adopting the House & Senate GOP Caucus Proposals

- Beginning an incremental shift AWAY from the punitive income tax towards consumption based taxes. To do this, the base sales tax rate will be adjusted from 5.5% to 5.75%
- **Streamlining sales tax:** modernizing our overall tax structure
 - Ohio currently participates on an "associate" basis in a multi-state compact whereby out-of-state companies voluntarily agree to remit sales tax collected on catalog or internet purchases by Ohio residents. Ohio will become a full member of the compact and expand the collection of sales taxes which are already due under Ohio law.
- Equalizing sale of digital goods with their already-taxed hard copy counterparts

Closing Loopholes: Implementing Common Sense Reforms

- Eliminate the gambling loss deduction (*Why should Ohioans subsidize the risky behaviors and bad luck of others?*)
- Equalizing the cigarette tax (*Smaller cigarettes known as "cigarillos" are not currently taxed at the same rate as cigarettes, but at a lower rate.*)
- Equalizing magazine taxes (*Magazines purchased at a newsstand are subject to sales tax but not if they are purchased via subscription.*) This special exemption is repealed, except for charitable non-profit publications.

Medicaid Expansion/Reform

- As noted by Speaker Batchelder and Rep. Amstutz, Medicaid expansion and the newly proposed Medicaid reform proposals are being vetted in separate legislation.