

February 9, 2017

CLEVELAND PLAIN DEALER

## More Ohio Backsliding on Tax Expenditures Despite Promising Initiative

By Matt A. Mayer

Gov. John Kasich's final proposed biennial budget again has spurred debate on Ohio's tax policies, including the [use of tax expenditures](#). A tax expenditure is an exemption, deduction or credit provided to a group for a specific purpose -- such as the \$800 tax cap on fractionally owned aircraft and the tax credit for campaign contributions.

Tax expenditures tend to skew policy because they bestow tax privileges on discrete groups, and estimates depend entirely on citizens and businesses engaging in the desired activity. Not surprisingly, Ohio has more than 100 tax expenditures.

That is why five and a half years ago, something rare occurred in Ohio politics. The leaders from three ideologically diverse groups [joined forces](#) to eliminate \$300 million worth of tax expenditures and proposed the "creation of a bipartisan State and Local Tax Study Commission ... to review the framework of state and local taxation in Ohio" because with "over 3,500 local taxing jurisdictions, the web of local taxation in Ohio is among the most complex of the 50 states."

I remember this event because I led one of the groups, The Buckeye Institute. My colleagues, John Begala from The Center for Community Solutions, and Lavea Brachman from the Greater Ohio Policy Center, and our teams spent hours analyzing all of Ohio's tax expenditures and negotiating a list we could all agree to.

While we agreed on what to eliminate, we disagreed on what to do with the savings. The other two groups preferred the funds be directed to other spending priorities, as I proposed the savings be used to fund tax cuts for small business to promote job growth. My revenue-neutral approach would have allowed policymakers to keep their pledges not to raise taxes.

We had great hope that Gov. Kasich and the General Assembly would act on our proposal because, we reasoned, if we could come together on reforms, so could the Republicans and Democrats in Columbus. We wrote a [joint op-ed](#), I [testified](#) at the Statehouse, and later that year we hosted a conference with experts from across the country, including Arthur Laffer of the Laffer Curve and Clinton Budget Director Alice Rivlin.

Unfortunately, Gov. Kasich opposed our proposal so it went nowhere.

Fast-forward to December and an incremental step in the right direction finally occurred. Specifically, the legislature [passed House Bill 9](#) that creates a "committee designed [to] review the more than \$8 billion worth" of yearly tax expenditures on the eight-year cycle we proposed in 2011. The committee will provide recommendations for possible inclusion in the biennial budget.

Why did it take so long to enact such a small, nonbinding step?

That is an excellent question. After all, HB 9 didn't require the elimination of any tax expenditures. It merely empowered a commission to make recommendations that the legislature and governor can ignore. The most likely answer is because every tax expenditure benefits a group of Ohioans who belong to an association or hire lobbyists to defend their turf (e.g., millionaire airplane users and fractional jet leasing companies).

Instead of being a policy victory, I'm afraid this story represents much of what is wrong with Ohio. It should worry Ohioans hoping for the fundamental reforms necessary to get our state moving. As the legislature debates Gov. Kasich's proposed budget, the looming fiscal crisis I first predicted back in February 2015 and more recently this September appears more certain than ever, with even Gov. Kasich admitting Ohio's [tax revenues are plummeting](#) due to a lack of economic activity.

On the jobs front, Ohio has added a mere 26,800 private sector jobs in 2016, which is the lowest level by a factor of three since the Great Recession in 2008-2009. With the pace of layoffs increasing, 2017 may be even worse.

We need a bold departure from the incrementalism that doesn't impact most Ohioans. That means cutting government spending via consolidation and streamlining so the overall tax burden on Ohioans can be reduced; repealing Medicaid expansion given the potential tax bill coming due to paying our estimated \$250 million annual share and the possible loss of \$1.1 billion in Medicaid service tax revenues; truly fixing Ohio's government pensions before a bailout is required given Ohio's [large unfunded liabilities and low percentage of Actuarial Required Contributions](#); and joining four of our five neighboring states in passing a right-to-work law.

All of these reforms require legislators willing to buck special interest, labor unions, and Gov. Kasich. The nearly six-year baby step on something as basic as eliminating tax expenditures sadly signals we'll get more nibbling on the margins.

---

How many more years of mediocrity must we suffer from before Ohio's policymakers finally go big?

*Matt A. Mayer is President of Opportunity Ohio and Author of "Taxpayers Don't Stand a Chance."*