



STATEHOUSE REPORT

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Official start of the 132nd Ohio General Assembly



CCAO Policy Team, Wayne County Commissioners and staff along with Speaker Rosenberger join Rep Scott Wiggam and his family at his swearing-in ceremony in the Ohio House Chambers.

Tuesday was a busy day at the statehouse, with members of the Ohio House and Senate returning for the official start of the new session. Much of the day was filled with new and returning members taking their oaths of office, which lent an uplifting feel to the proceedings.

Two new members who took the oath on Tuesday have county government roots. Rep. Dave Greenspan, formerly a Cuyahoga County Councilman, takes the seat previously occupied by Rep. Nan Baker and Rep. Scott Wiggam, formerly a Wayne County Commissioner, will replace Rep. Ron Amstutz. Rep. Steve Arndt, who was an Ottawa County Commissioner before being appointed to his seat in 2015, also took the oath and will begin his first full term.

Leaders of both chambers took the opportunity to make inspiring speeches about the upcoming work of the legislature:

"Today, we each swore an oath," Senate President Obhof said. "We did not swear to a political party, to an interest group or to any personal agenda. We work for the people of this state, the people who have given us the awesome task of representing them in these hallowed halls. It's our responsibility to represent all of them to the best of our ability."

Speaker Rosenberger added that working to address different issues "will require understanding and cooperation from all parties involved with both sides of the aisle bringing their best ideas to the table. We are the leaders who have been called upon here and now to move our state forward and create a better future for Ohio."

In the coming weeks, legislative leaders will release committee assignments and begin to hold hearings. The main focus of lawmakers' attention between now and the start of the new fiscal year on July 1 will be the state's biennial operating budget, a massive piece of legislation that will outline \$60-some billion in spending authority.

Sales tax exemptions for oil and gas companies and digital jukebox products draw governor's veto

Sales tax exemptions included within legislation (SB 235) intended to provide property tax exemptions to developers of commercial and industrial property prompted the line item veto of Governor John Kasich this past week. The two sales tax exemptions related to the definition of tangible personal property "directly used in production" of oil and gas, and an exemption for digital jukeboxes. A copy of the Governor's veto message may be found by clicking [here](#).

The expanded sales tax exemption for oil and gas property was sought by the oil and gas industry to prevent the Ohio Department of Taxation from applying the sales tax to property that it believes should already be covered by the existing exemption for tangible personal property directly used in the production of oil and gas. According to the Oil and Gas Association, the vetoed language was intended to correct a "clear overreach" by the Department of Taxation with respect to sales tax policy.

The Kasich Administration believed that the oil and gas sales tax exemption language expanded the definition of the sales tax exemption for tangible personal property "significantly beyond" that used directly in oil and gas production. According to the Department of Taxation, the amendment widens the exemption to include all aspects of the production operation as regulated and defined by the Department of Natural Resources' Division of Oil and Gas Resources Management.

Another source of concern to the Administration was the oil and gas production equipment amendment would have been applied retroactively to all transactions occurring after June 30,

2010. According to the Department of Taxation, the retroactive aspect of the amendment would have cost state and local governments \$264 million (\$215 million state and \$49 million in county/transit revenue). This revenue loss would be in addition to an indeterminate amount of revenue losses to state and local entities in future years.

Through the adoption of this amendment the legislature has clearly aligned itself with the industry point of view. House Finance Committee Chairman Ryan Smith explained that “what we [are] doing is clarifying current law... We view it as something that should have never been taxable.” Representative Smith said that “if the state has to issue refunds, it’s because they collected taxes they should never have collected.”

CCAO fully expects that this issue will be raised in the context of the next state budget. Further complicating matters is an ongoing disagreement between the legislature and the administration regarding the issue of higher severance taxes on the horizontal oil and gas drilling industry. The governor has been fighting for the past several years to increase severance taxes on the horizontal oil and gas producers and the industry and the legislature have so far resisted.

CCAO, the County Auditors Association and the Ohio Township Association jointly asked the administration to veto the proposed language so as to provide all interested parties with a chance to discuss this issue in greater detail next year.

The other sales tax exemption would have applied to digital jukebox products. The Kasich Administration estimated the revenue loss impact to the state at \$15 million per year. In his veto message the Governor wrote, “Vending is a valued industry in Ohio, but there is no justification for granting a narrow subset of this industry – digital jukeboxes – a tax exemption. Further, this broadly drafted exemption could potentially have the unintended consequence of negating the state’s tax on all digital products.”

For additional information regarding this story please feel free to contact CCAO staffers Brad Cole or Cheryl Subler at bcole@ccao.org or csubler@ccao.org respectively.

Bruggeman interns at CCAO

Jacob Bruggeman, a Medina County native and Miami University sophomore, has joined the CCAO Team for three weeks as he participates in Miami’s Ohio Public Leader Fellowship (OPL) Program.

Bruggeman is one of fourteen OPL Fellows across the state to gain valuable experiential learning, engage in applied research, and receive professional mentoring from distinguished alumni and friends of Miami’s Public Administration Program.

While at CCAO, Bruggeman is assisting in the crafting of the County Advisory Bulletin (CAB) on new local control authority granted to boards of county



Cheryl Subler, CCAO Managing Director of Policy; Jacob Bruggeman, OPL Fellow; and Randi Thomas, Director of Institutional Relations at Miami University

commissioners to allow concealed carry in designated county buildings. In addition, he is partnering with workforce development officials to identify and analyze training provided in Franklin County.

Please join us in welcoming Jacob Bruggeman to the CCAO Team! You can reach him at (614) 221-5627 (office), (330) 321-5476 (cell) or at intern@ccao.org.