



STATEHOUSE REPORT

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Ohio 2020 Tax Policy Study Commission holds first meeting, Tax Commissioner provides overview, deeper analysis to follow

Created by a temporary law provision of the most recent state budget, the Ohio 2020 Tax Policy Study Commission held its first meeting to map out a strategy for future meetings and had Tax Commissioner Joe Testa provide an overview of state and local taxes administered by the Department of Taxation.

The Tax Policy Study Commission is to review the state's tax structure and policies and make recommendations to the General Assembly on how to maximize Ohio's competitiveness by the year 2020. Specific responsibilities include:

1. Recommend how to reform Ohio's severance tax to maximize competitiveness and enhance Ohio's general welfare with report to be issued October 1, 2015 (See separate story on severance tax guidance document released at hearing).
2. Recommend how to make the historic rehabilitation tax credit program more efficient and effective, including converting it to a fully refundable credit or a grant program with a report due October 31, 2016.
3. Recommend how to transition Ohio's personal income tax to a 3.5 percent or 3.75 percent flat tax by 2018 with a report due no later than October 1, 2017.
4. Review and evaluate every tax credit against a tax levied by the state and authorized by law. This responsibility also is to be addressed in the report no later than October 2017.



Tax Commissioner Testa

The joint commission is composed of six legislators from both chambers, and the Director of the Ohio Office of Budget and Management, Tim Keen, and includes the respective chairmen of the House and Senate Ways and Means Committees, Representative Jeff McClain (R-Upper Sandusky) and Senator Bob Peterson (R-Sabina), serving as co-chairs. Other members include Representatives Kirk Schuring (R-Canton) and Jack Cera (D-Bellaire) and Senators Scott Oelslager (R-Canton) and Charleta Tavares (D-Columbus).

In [testimony](#) before the commission, Tax Commissioner Joe Testa gave panel members an overview of Ohio's tax system and the \$21 billion in revenue it generated in 2015. In his presentation, Commissioner Testa outlined existing tax revenue streams, including sales and use taxes, individual income taxes, the cigarette tax and the commercial activity tax. Combined, he said these 4 taxes generate about 91 percent – or a total of \$20 billion in SFY 2015 – of all state general fund revenue excluding federal aid.

In response to question from the committee, Commissioner Testa acknowledged that establishing a flat income tax would be difficult. He said, "It is going to be hard to come up with a rate that doesn't create a lot of losers."

OBM Director Tim Keen highlighted for the commission that personal income tax revenue came in nearly \$50 million or 5.6 percent less than forecasted by the state for the first quarter. Mr. Keen noted that as unearned income represents a greater percentage of taxable income in Ohio, it is harder to predict income tax revenues as unearned income is a more volatile type of income to predict than wage income.

Co-chair Senator Bob Peterson said, "We're excited about taking a deeper dive about all those taxes Mr. Testa presented. We expect to focus more narrowly on subject areas going forward." Representative Jeff McClain said the committee would plan on meeting monthly with the next meeting tentatively set for November 18.

Severance tax increase should be based on market conditions – informal working group reports to Tax Policy Study Commission

The Ohio 2020 Tax Policy Study Commission, created in HB 64, the FY 2016-2017 biennial budget bill, held its first meeting on Thursday. The severance tax is one of the three tax policies upon which the Commission was tasked to focus. The budget language also included a provision requiring the Commission to issue its report on the severance tax by October 1. However, the Commission was not officially sanctioned until the budget bill became effective on September 29 which made the Commission's ability to issue its report by its deadline logistical impossibility.

Recognizing this dilemma, an informal group of bipartisan legislators, staff members representing all four legislative caucuses, representatives of the three major oil and gas associations, the Ohio Oil and Gas Association (OOGA), American Petroleum Institute (API), and Southeastern Ohio Oil and Gas Association (SOOGA), representatives of individual oil and gas companies, and representatives of several executive agencies of Ohio's government was organized shortly after the budget bill was passed. The group, led by Senate Ways and Means Committee Chair Senator Bob Peterson and the House Ways and Means Committee Chair Jeff McClain, met over the summer listening and collecting data and gathering information from the industry and the Administration. This group presented its initial findings regarding the severance tax to the Commission at the Thursday meeting.

The group presented a 52 page [guidance document](#) that included a recommendation for a market-based "trigger" or slow phase-in of a tax increase depending on economic trends with the intent of maintaining growth in the industry and a recommendation for using any potential revenue gains from the tax to assist local governments with infrastructure needs and to lower

income taxes. The legislative members of the informal group asked that the Commission accept their report as a foundation for continuing review in its larger analysis of Ohio's tax structure and utilize the group's findings and recommendations as the framework for that review.

The group's report notes that Ohio's total tax burden on the oil and gas industry is lower than or as low as every other state with a severance tax and includes the following mission statement and guiding principles:

To update Ohio's severance tax to make it comparative with other shale play states across the nation.

The new revenues generated will be used as follows:

- Assist local governments in shale play counties to improve infrastructure, equipment, and services that will accommodate the oil and gas industry and also benefit the citizens within their counties.
- Facilitate making adjustments to Ohio's income tax or possibly other taxes in an effort to make Ohio more competitive in the national and international marketplace.
- Invest in asset building opportunities that will grow Ohio's economy and improve the quality of life of all Ohioans.

The report indicates that stock, commodity, and capital markets affecting the oil and gas industry have fluctuated widely in the recent past. There are few, if any, businesses in the state of Ohio that are not in some way exposed to one or all of these natural market forces, but the oil and gas industry is especially sensitive to these fluctuations and is under financial duress. Given the current market conditions the report suggests consideration of a trigger or a slow phase-in of a reformed severance tax. And if such a trigger mechanism is utilized cautions that Ohio should not expect to see a new revenue stream materialize overnight until market conditions improve.

When determining the appropriate rate of taxation the report recommends that factors such as market capitalization, price, production, and "expected ultimate recoverables" should be taken into consideration. The rate established should also provide adequate funding for the state's regulatory, administrative, and oversight aspects of the oil and gas industry in addition to focusing additional resources back to infrastructure and other industry-supported initiatives that will foster more exploration and extraction of oil and gas.

Vicious Dog Laws Bill receives third hearing

[Senate Bill 151](#) (R-Beagle) which would revise Ohio's laws governing nuisance, dangerous and vicious dogs had its third hearing in the Senate Agriculture Committee this week. SB 151 is named the Klonda Richey Act after a Dayton woman who was tragically mauled to death by two dogs last year.

Montgomery County Commissioner Dan Foley gave proponent testimony for SB 151. He told the committee that commissioners told the Richey family that they would advocate for strengthening penalties against owners of vicious dogs. The bill, he said, would do just that by strengthening the affidavit procedure permitting a dog warden to obtain an impound order and by making euthanasia mandatory for



Commissioner Foley

vicious dogs and optional for some dangerous dogs. In certain cases, the bill would make fatal dog attacks a felony rather than a misdemeanor.

Also testifying were Montgomery County Humane Agent Bruce Lagos, as well as Carol Myers, a cousin of Ms. Richey who submitted written testimony. For additional information on SB 151 please contact CCAO staffer Brian Mead at bmead@ccao.org or 614-220-7982.

Lake Erie Caucus to discuss Clean Water Bond Issue for 2016 next Tuesday



Sen. Gardner

Senator [Randy Gardner](#) (R-Bowling Green) has called a special forum of the Lake Erie Legislative Caucus for next Tuesday morning. The Caucus Members will hear from speakers on the prospects for a 2016 Ohio Clean Water Bond Issue. The forum is open to all members of the Ohio Senate and Ohio House of Representatives, as well as the public.

**Lake Erie Legislative Caucus
2016 Clean Water Bond Issue Discussion
Tuesday, October 27
9:30 a.m. - 10:30 a.m.
Senate Finance Hearing Room
Ohio Statehouse**

The forum will receive a briefing on the [Healthy Water Ohio Report](#) which was issued recently. Healthy Water Ohio has been a grassroots and collaborative effort initiated by the Ohio Farm Bureau that includes a diverse group of stakeholders representing conservation and environmental interests, business and industry, universities, water suppliers, agriculture and others.

In addition, it will hear from Senator Joe Schiavoni on his [SJR 3](#), a proposed statewide bond issue authorizing sewer and water capital improvements.

For additional information on water quality issues, please contact CCAO staffer Brian Mead at bmead@ccao.org or 614-220-7982.

Bills Introduced



[HB 368](#) HEALTH GUARANTORS ([Sears, B.](#)) To make changes to the health coverage benefit limits and coverage exclusions for life and health insurance guaranty associations. Am, 3956.01 and 3956.04.

[HB 369](#) BALANCED BUDGET ([Koehler, K.](#), [Hambley, S.](#)) To adopt the Compact for a Balanced Budget and to declare an emergency. En. 2.01.

[HB 374](#) PUBLIC DEPOSITORY ([Schuring, K.](#)) To authorize the Treasurer of State to determine by rule the total market value of securities that must be pledged to secure the repayment of all uninsured public deposits at a particular public depository, to make other changes relative to the Ohio Pooled Collateral Program, and to declare an emergency. Am. 135.182.

[HB 375](#) SNOW REMOVAL ([Brown, T.](#), [Arndt, S.](#)) To authorize townships to require the removal of

snow and ice from sidewalks abutting property and to impose a fine for failure to do so. En. 505.872.

HB 378 TRAFFIC ARRESTS ([Hambley, S.](#), [Rezabek, J.](#)) To authorize law enforcement officers of township police districts and joint police districts, and township constables, serving specified small populations to make arrests for motor vehicle-related violations committed on an interstate highway in the same manner as township law enforcement officers serving larger populations. Am. 4513.35, and 4513.39.

HB 380 POLICE FIREARM DEATHS ([Dever, J.](#), [Reece, A.](#)) To require each law enforcement agency to adopt a written policy regarding the investigation of firearms-related officer-involved deaths that involve an officer serving the agency; to provide for investigations into officer-involved deaths by investigatory panels of law enforcement officers; to require an investigatory panel to provide a report of its investigation findings to the prosecutor and the officer's law enforcement agency; to provide for public access to the report, except for information that is not a public record, if the prosecutor determines that there is no basis to prosecute or a grand jury enters a no bill regarding the involved officer; and to require an investigatory panel to inform the deceased individual's family members of contact information for the office of the prosecutor handling the case. Am. 2930.01, 2930.03, and 2930.04 and to enact section 2901.45.

Hearing Schedule



Monday, October 26

House Rules & Reference ([Committee Record](#)), (Chr. [Amstutz, R.](#), 466-1474), Rm. 119, 10:00 am

House Ways & Means ([Committee Record](#)), (Chr. [McClain, J.](#), 644-6265), Rm. 116, 1:00 pm

SB 208 SMALL BUSINESS TAX DEDUCTION ([Beagle, B.](#)) To modify the commercial activity tax exclusion for receipts from the transfer of personal care products within an integrated supply chain, to make technical changes to the state income tax law, to provide that, for the 2015 taxable year, any taxable business income under \$125,000 for married taxpayers filing separately or \$250,000 for other taxpayers is subject to graduated tax rates similar to those applicable to nonbusiness income, while business income in excess of those amounts remains subject to the existing 3% flat tax, to modify the formula for calculating reimbursement payments to school districts for their loss of tangible personal property tax revenue, and to establish a formula for making supplemental foundation aid payments to school districts in fiscal year 2017. **--1st Hearing-All testimony-Possible amendments & vote**

HB 326 INCOME TAX LAW ([Amstutz, R.](#), [McClain, J.](#)) To make technical changes to the state income tax law, to modify the requirements for receiving the joint filing credit, and to provide that, for the 2015 taxable year, any taxable business income under \$125,000 for married taxpayers filing separately or \$250,000 for other taxpayers is subject to the graduated tax rates applicable to nonbusiness income, while business income in excess of those amounts remains subject to the existing 3% flat tax. **--5th Hearing-All testimony-Possible amendments & vote**

Tuesday, October 27

House Agriculture & Rural Development ([Committee Record](#)), (Chr. [Hill, B.](#), 644-6014), Rm. 116, 1:00 pm or after session

HB 253 RURAL JOBS ([Retherford, W.](#)) To enact the "Ohio Rural Jobs Act" which authorizes a nonrefundable tax credit for insurance companies that invest in rural business growth funds, which are certified to provide capital to rural and agricultural businesses **--3rd Hearing-All testimony-Possible vote**

House Session, (Chr. [Rosenberger, C.](#), 466-3357), House Chamber, 1:30 pm

Senate Session, (Chr. [Faber, K.](#), 466-4900), Senate Chamber, 2:30 pm

- Tentative

House Judiciary ([Committee Record](#)), (Chr. [Butler, J.](#), 644-6008), Rm. 116, 3:30 pm

HB 201 UNDERAGE DRINKING ([Dever, J.](#), [Stinziano, M.](#)) To provide persons under 21 years of age with a qualified immunity from prosecution for offenses involving underage alcohol possession or consumption if

law enforcement personnel become aware of the offense solely because the person sought or obtained medical assistance, solely because another individual sought or obtained medical assistance for the person, or because the person requested law enforcement assistance to report a criminal offense, prevent a possible criminal offense, or request the investigation of a criminal offense. --2nd Hearing-

Proponent

HB 249 DRUG OVERDOSES ([Driehaus, D.](#), [Sprague, R.](#)) To provide an immunity from arrest, prosecution, or conviction, or to permit a court to consider drug treatment or as a mitigating factor in supervised release sanctioning, for a minor drug possession offense for a person who seeks or obtains medical assistance for self or another person who is experiencing a medical emergency as a result of ingesting drugs or for a person who is experiencing such a medical emergency and for whom medical assistance is sought. --2nd

Hearing-Proponent

HB 283 DNA TESTING ([Fedor, T.](#)) To require DNA testing for misdemeanor convictions of voyeurism, public indecency, procuring, soliciting, loitering to engage in soliciting, and prostitution. --2nd Hearing-

Proponent

HB 289 DEATH PENALTY ([Antonio, N.](#), [Antani, N.](#)) To abolish the death penalty. --1st Hearing-Sponsor

HB 291 JUDGMENT HEARINGS ([Young, R.](#), [Dever, J.](#)) To require notice and an opportunity for a hearing to a defendant before entry of judgment pursuant to a confession of judgment. --2nd Hearing-Proponent-

Possible amendments

HB 300 LICENSE SUSPENSIONS ([Baker, N.](#), [Manning, N.](#)) To modify the law governing the termination or modification of a lifetime driver's license suspension or a class two suspension that exceeds fifteen years and to specify that a class one driver's license suspension for a specified aggravated vehicular homicide offense begins upon the offender's release from prison. --3rd Hearing-All testimony-Possible
Substitute, amendments & vote

Wednesday, October 28

Senate Criminal Justice ([Committee Record](#)), (Chr. [Eklund, J.](#), 644-7718), North Hearing Rm., 11:15 am

- The committee will also consider recommending full Senate consent of the governor's appointments of Clayton Harris, Michael Heldman, and Paul Pride to the Ohio Peace Officer Training Commission.

HB 151 STALKING ([Anielski, M.](#)) To expand the offenses of menacing by stalking and telecommunications harassment, to prohibit a person from knowingly causing another person to believe that the offender will cause physical harm or mental distress to a family or household member of the other person, to increase the penalty for assault when the victim is a volunteer firefighter, and to correct a cross reference in the theft statute to special purchase articles. --1st Hearing-Sponsor

SB 138 DRIVING PENALTIES ([Hughes, J.](#), [Cafaro, C.](#)) To increase the penalties related to operating a motor vehicle on the wrong side of an interstate freeway. --3rd Hearing-All testimony

SB 162 DEATH SENTENCES ([Seitz, B.](#), [Williams, S.](#)) To provide that a person convicted of aggravated murder who shows that the person had a serious mental illness at the time of committing the offense cannot be sentenced to death for the offense and to provide a mechanism for resentencing to a life sentence a person previously sentenced to death who proves that the person had a serious mental illness at the time of committing the offense. --4th Hearing-All testimony

SB 195 SEXUAL CONDUCT ([Hughes, J.](#), [Hottinger, J.](#)) To prohibit a person from engaging in sexual conduct with an animal and related acts, to provide for the seizure and impoundment of an animal that is the subject of a violation, and to authorize a sentencing court to require an offender to undergo psychological evaluation or counseling. --1st Hearing-Sponsor
