

Ohio: Gov. Kasich “always looking to cut taxes”



David M. Kall | Friday, April 15, 2016

When Gov. John Kasich gave his sixth **state of the state** speech last week, the **Columbus Dispatch** noticed that he offered a hopeful message, but few new ideas. The governor pointed out in his speech that “just five short years ago,” Ohio faced an \$8 billion deficit, and that “our budget was busted, our reserves were empty and our credit outlook was in the tank. We had an ineffective economic development program, high taxes and heavy-handed regulation. We had lost 350,000 jobs. That’s 350,000 families that really got bad news.”

Not so any more, he declared. Now, “with common-sense management, sound budgeting, and conservative spending restraint,” the Buckeye State’s fiscal house is in order, thanks to \$5 billion in tax cuts (“a billion more than any other state,”) along with the creation of more than 417,000 new private-sector jobs, and wages that are growing faster than the national average.

More cuts are coming. Gov. Kasich promised another comprehensive tax reform package that he expects to introduce in early 2017, with “more tax relief and reforms to better align our tax code with the way Ohio works in today’s economy. And that fundamentally means lower income taxes.”

The 2016-2017 fiscal year biennial budget bill, **HB 64**, created the **Ohio 2020 Tax Policy Study Commission**. At its first meeting last October, the commission announced its goal of reviewing tax structure and policies, and making recommendations to the General Assembly on how to maximize Ohio’s competitiveness by the year 2020.

More specifically, the commission’s job is to do the following:

1. Recommend how to reform Ohio’s oil and gas severance tax to maximize competitiveness and enhance Ohio’s general welfare.
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 Oct. 31, 2016.

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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 Oct. 1, 2017.
4. Review and evaluate every tax credit against a tax levied by the state and authorized by law, also with a report due no later than October 2017.

With respect to the oil and gas severance tax, the commission issued a **report** with its initial findings on Oct. 22, 2015. Pointing to the fact 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, the commission recommended a market-based trigger to slowly phase-in a tax increase, based on economic trends, and intended to maintain industry growth. The slow phase-in is necessary because the oil and gas industry is especially sensitive to fluctuations in the stock, commodity, and capital markets, and is also under financial duress. Even with the market-based trigger, Ohioans should not expect to see new revenue stream materialize overnight until market conditions improve.

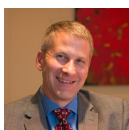
In addition, the report suggested that the rate be based on market capitalization, price, production, and expected ultimate recoverables, and should be sufficient to fund Ohio’s regulatory, administrative, and oversight functions. Beyond this, it should funnel additional resources back to infrastructure and other industry-supported initiatives that will foster more exploration and extraction of oil and gas.

Revenue gains from the tax would be used in three ways:

1. To assist local governments in shale play counties to improve infrastructure, equipment, and services that will accommodate the oil and gas industry, while also benefitting the citizens within their counties.
2. To facilitate adjusting Ohio's income tax, or possibly other taxes, in an effort to make Ohio more competitive in the national and international marketplace.
3. To invest in asset-building opportunities that will grow Ohio's economy and improve the quality of life of all Ohioans.

Although the governor acknowledged the commission during his speech, he did not dwell on its tax increase plan. Instead, he focused on other areas, like maintaining Ohio’s jobs friendly climate, the war on drugs, the Medicaid expansion, community and police relations, education, training, and the importance of a “STEAM” education, as Kasich likes to call it: science, technology, engineering, and math, with an A for arts thrown in. He includes the arts in this list because “[a]ny student who's going to succeed later in life, including someone choosing a technical career, is going to need creative skills and know how to apply critical thinking. Those skills are best developed by exposure to the arts...these are all essential for success in these 21st Century careers.”

In the end, Kasich applauded “[t]he changes we have made together [that] have taken us very far, very far, in a short time. There's no place like Ohio! There's no place like home!”



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