



OVERVIEW

On February 4, 2013, Governor Kasich unveiled his two year budget proposal for Fiscal Years 2014-2015. As currently written, the \$63 billion biennium budget cuts income and sales tax rates, broadens the sales tax base, reforms school funding, expands Medicaid and increases taxes imposed on oil and gas drillers. Since its introduction, the budget is now being reviewed by the Ohio House of Representative as House Bill 59.

The personal income tax cut package itself includes the 7.5 percent cut in TY13, another 7.5 percent cut in TY14 and a 5 percent cut in TY15, bringing the total permanent personal income tax cut to 20 percent over the three years. The top tax brackets would be 5.925% in 2012, 5.481% in 2013, 5.036% in 2014, and 4.470% for tax years 2015 and thereafter.

In addition, the budget reduces the state sales tax rate from 5.5 percent to 5 percent, while at the same time extending the sales tax base to all services except for those that can be broadly categorized as related to health care, education and housing. Current law presumes that exchanges of tangible personal property (TPP) are taxable unless specifically exempted, but that services are not taxable unless specifically enumerated as taxable. The reform proposal would put services on the same basis as TPP: that is, service transactions would be taxable unless specifically exempted. In addition, the reform proposal would generally subject exchanges of intangibles, which are not currently subject to the sales tax, to the sales tax.

WHY H.B. 59 WILL HARM OUR INDUSTRY

- **H.B. 59 imposes sales tax on commercial and industrial rent. On rents alone, this expansion of the sales tax could mean up to \$735m coming out of Ohio's commercial and industrial buildings at the state level, with a nearly \$882m impact when combined with local sales taxes. Overall, this could depress the value of commercial and industrial real estate across Ohio by nearly \$10 billion.**

HARMING PROPERTY VALUES

Imposing a sales tax on commercial rents will either increase occupancy costs by roughly 6%, decrease income to property owners by roughly 6%, or some combination.

- In any event, property values will decrease significantly for office, industrial, retail and other commercial properties throughout the State – as property owners increase their

expenses, lower rents and compete more vigorously for tenants, especially tenants that have out-of-state options.

- Based on a 9% capitalization rate and a 6% income loss to property owners, the impact of the sales tax on commercial rents is estimated to lead to a loss of \$10 billion in property value throughout the State.
- Lowered values attributable to the sales tax on commercial rents will make it harder to secure investors and lenders for Ohio real estate projects, which will, in turn, decrease values even more.
- Decreased property values will hurt schools and local governments.

ADDITIONAL CONCERNS

- Lack of an exemption for sales transactions between members of an affiliated group
- Lack of an exemption to avoid pyramiding, particularly for purchases of services by businesses that use those services to sell goods or services to others
- Imposition of tax – and lack of an exemption – for most services provided to businesses
- Imposition of tax on sales of intangibles
- Unclear situsing rules

CALL TO ACTION

The House is currently reviewing different topics of the budget in their respective committees. The House Ways & Means Committee has created a separate subcommittee to cover the sales & use tax provisions within the bill. Their findings will then be reviewed by the House Finance & Appropriations Committee before being voted on the House floor and passed onto the Ohio Senate.

The subcommittee, comprised of 5 Republicans and 3 Democrats, includes:

- Chairman Jeff McClain (R-Upper Sandusky)
- Rep Ron Amstutz (R-Wooster)
- Rep Peter Beck (R-Mason)
- Rep Gary Scherer (R-Circleville)
- Rep Robert Sprague (R-Findlay)
- Rep Tom Letson (D-Warren)
- Rep Mike Foley (D-Cleveland)
- Rep Roland Winburn (D-Harrison Township)

Please call your Ohio Representative and Senator to let them know how the current budget proposal will negatively affect our industry. (Numbers for all members begin with area code '614')

(List of Representatives and Senators on following pages)

Members of the Ohio House of Representatives

Dist.	Name	Phone
85	Adams, John (R-Sidney)	466-1507
80	*Adams, Richard (R-Troy)	466-8114
1	*Amstutz, Ron (R-Wooster)	466-1474
6	*Anielski, Marlene (R-Walton Hills)	644-6041
13	*Antonio, Nickie (D-Lakewood)	466-5921
44	*Ashford, Mike (D-Toledo)	466-1401
16	Baker, Nan (R-Westlake)	466-0961
5	Barborak, Nick (D-Lisbon)	466-8022
12	Barnes, John (D-Cleveland)	466-1408
69	Batchelder, Bill (R-Medina)	466-8140
54	*Beck, Peter (R-Mason)	644-6027
65	Becker, John (R-Union Twp.)	466-8134
20	Bishoff, Heather (D-Blacklick)	644-6002
42	Blair, Terrence (R-Washington Twp.)	466-6504
29	Blessing, Louis (R-Cincinnati)	466-9091
57	Boose, Terry (R-Norwalk)	466-9628
25	Boyce, Kevin (D-Columbus)	466-5343
9	Boyd, Barbara (D-Cleveland Hts.)	644-5079
67	Brenner, Andy (R-Powell)	644-6711
3	Brown, Tim (R-Bowling Green)	466-8104
84	Buchy, Jim (R-Greenville)	466-6344
8	Budish, Armond (D-Beachwood)	466-5441
82	Burkley, Tony (R-Paulding)	644-5091
41	Butler, Jim (R-Oakwood)	644-6008
22	*Carney, John (D-Columbus)	466-2473
15	Celebrezze, Nicholas (D-Parma)	466-3485
96	Cera, Jack (D-Bellaire)	466-3735
75	*Clyde, Kathleen (D-Kent)	466-2004
52	Conditt, Margaret (R-Liberty Twp.)	466-8550
17	Curtin, Michael (D-Marble Cliff)	644-6005
88	Damschroder, Rex (R-Fremont)	466-1374
53	*Derickson, Tim (R-Oxford)	644-5094
36	DeVitis, Tony (R-Uniontown)	466-1790

7	*Dovilla, Mike (R-Berea)	466-4895
31	*Driehaus, Denise (D-Cincinnati)	466-5786
21	*Duffey, Mike (R-Worthington)	644-6030
45	Fedor, Teresa (D-Toledo)	644-6017
14	*Foley, Mike (D-Cleveland)	466-3350
59	Gerberry, Ronald (D-Austintown Twp.)	466-6107
19	*Gonzales, Anne (R-Westerville)	466-4847
66	Green, Doug (R-Mt. Orab)	644-6034
23	*Grossman, Cheryl (R-Grove City)	466-9690
74	Hackett, Bob (R-London)	466-1470
50	Hagan, Christina (R-Alliance)	466-9078
58	Hagan, Robert (D-Youngstown)	466-9435
70	*Hall, David (R-Millersburg)	466-2994
72	*Hayes, Bill (R-Harrison Twp.)	466-2500
26	Heard, Tracy (D-Columbus)	466-8010
40	Henne, Michael (R-Clayton)	644-8051
97	Hill, Brian (R-Zanesville)	644-6014
78	Hood, Ron (R-Ashville)	466-1464
71	Hottinger, Jay (R-Newark)	466-1482
4	Huffman, Matt (R-Lima)	466-9624
90	Johnson, Terry (R-McDermott)	466-2124
24	Kunze, Stephanie (R-Hilliard)	466-8012
98	Landis, Al (R-Dover)	466-8035
64	*Letson, Tom (D-Warren)	466-5358
55	*Lundy, Matt (D-Elyria)	644-5076
76	Lynch, Matt (R-Chagrin Falls)	644-5088
62	*Maag, Ron (R-Lebanon)	644-6023
32	Mallory, Dale (D-Cincinnati)	466-1645
87	*McClain, Jeff (R-Upper Sandusky)	644-6265
79	*McGregor, Ross (R-Springfield)	466-2038
35	Milkovich, Zack (D-Akron)	644-6037
63	O'Brien, Sean (D-Brookfield)	466-3488
10	Patmon, Bill (D-Cleveland)	466-7954
99	Patterson, John Jr. (D-Jefferson)	466-1405
86	Pelanda, Dorothy (R-Marysville)	466-8147
73	Perales, Rick (R-Beavercreek)	644-6020
94	*Phillips, Debbie (D-Albany)	466-2158

28	Pillich, Connie (D-Montgomery)	466-8120
56	*Ramos, Dan (D-Lorain)	466-5141
89	Redfern, Chris (D-Catawba Island)	644-6011
33	*Reece, Alicia (D-Cincinnati)	466-1308
51	Retherford, Wes (R-Hamilton)	644-6721
37	Roegner, Kristina (R-Hudson)	466-1177
60	Rogers, John (D-Mentor on the Lake)	466-7251
2	Romanchuk, Mark (R-Mansfield)	466-5802
91	*Rosenberger, Cliff (R-Clarksville)	466-3506
68	Ruhl, Margaret Ann (R-Mt. Vernon)	466-1431
92	*Scherer, Gary (R-Circleville)	644-7928
48	Schuring, Kirk (R-Canton)	752-2438
47	*Sears, Barbara (R-Sylvania)	644-1731
38	Slaby, Marilyn (R-Akron)	644-5085
49	Slesnick, Stephen (D-Canton)	466-8030
93	*Smith, Ryan (R-Gallipolis)	466-1366
83	*Sprague, Robert (R-Findlay)	466-3819
27	*Stautberg, Peter (R-Cincinnati)	644-6886
77	*Stebelton, Gerald (R-Lancaster)	466-8100
18	Stinziano, Michael (D-Columbus)	466-1896
39	Strahorn, Fred (D-Dayton)	466-1607
34	*Sykes, Vernon (D-Akron)	644-3100
46	Szollosi, Matt (D-Oregon)	466-1418
30	Terhar, Louis (R-Cincinnati)	466-8258
95	Thompson, Andy (R-Marietta)	644-8728
81	Wachtmann, Lynn (R-Napoleon)	466-3760
11	Williams, Sandra (D-Cleveland)	466-1414
43	*Winburn, Roland (D-Harrison Twp.)	466-2960
61	Young, Ron (R-Leroy)	644-6074

Members of the Ohio Senate

Dist.	Name	Phone
3	Bacon, Kevin (R-Columbus)	466-8064
20	Balderson, Troy (R-Zanesville)	466-8076
5	*Beagle, Bill (R-Tipp City)	466-6247
11	Brown, Edna (D-Toledo)	466-5204

26	*Burke, Dave (R-Marysville)	466-8049
32	*Cafaro, Capri (D-Hubbard)	466-7182
4	*Coley, Bill (R-Liberty Township)	466-8072
18	*Eklund, John (R-Chardon)	644-7718
12	Faber, Keith (R-Celina)	466-7584
2	*Gardner, Randy (R-Bowling Green)	466-8060
30	Gentile, Lou (D-Steubenville)	466-6508
1	*Hite, Cliff (R-Findlay)	466-8150
16	*Hughes, Jim (R-Columbus)	466-5981
7	*Jones, Shannon (R-Springboro)	466-9737
19	Jordan, Kris (R-Powell)	466-8086
9	Kearney, Eric (D-Cincinnati)	466-5980
27	*LaRose, Frank (R-Copley Twp.)	466-4823
6	Lehner, Peggy (R-Kettering)	466-4538
13	Manning, Gayle (R-North Ridgeville)	644-7613
22	*Obhof, Larry (R-Medina)	466-7505
29	*Oelslager, Scott (R-Canton)	466-0626
24	*Patton, Tom (R-Strongsville)	466-8056
17	*Peterson, Bob (R-Sabina)	466-8156
28	*Sawyer, Tom (D-Akron)	466-7041
31	*Schaffer, Tim (R-Lancaster)	466-5838
33	*Schiavoni, Joe (D-Canfield)	466-8285
8	Seitz, Bill (R-Cincinnati)	466-8068
23	*Skindell, Michael (D-Lakewood)	466-5123
21	*Smith, Shirley (D-Cleveland)	466-4857
15	*Tavares, Charleta (D-Columbus)	466-5131
25	Turner, Nina (D-Cleveland)	466-4583
14	Uecker, Joe (R-Loveland)	466-8082
10	*Widener, Chris (R-Springfield)	466-3780

*A member of the Finance & Appropriations and/or Ways & Means Committees