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A good deal

Farmers would benefit from income-tax cut financed by fracking tax

Gov. John Kasich's push to establish a reasonable severance tax on drilling for oil and natural gas in Ohio stalled in the legislature earlier this year, but millions of Ohioans would benefit from the income-tax cut that the severance tax would make possible.

Farmers are the latest group the governor is courting, and many stand to benefit from a tax on hydraulic fracturing, or fracking, to give Ohioans an income-tax reduction. Because most small businesses pay taxes through income tax rather than the business tax, the proposed reduction would benefit those who operate small farms especially. This would be welcome news to farmers amid a drought.

"This year more than any year, these meaningful tax reforms might mean the difference between profit or loss for all small farmers and farms throughout Ohio," said state Agriculture Director David T. Daniels.

So why the resistance in the legislature? Some of Kasich's fellow Republicans apparently are opposed to the idea of raising taxes on anyone, and have been swayed by industry complaints that such a tax would drive business away from the state. But that is unlikely, since Ohio's tax would be in line with or lower than that of surrounding states.

The proposal is for a 1 percent tax on natural-gas production from horizontal wells in Ohio's shale formations, and a 1.5 percent tax on oil and natural-gas liquids from high-volume wells in the first year, increasing to 4 percent. About 90 percent of current vertical wells would see their taxes eliminated entirely. The Kasich administration says a conservative estimate is that after a few years, the income-tax cut could be \$500 million annually, about a 5-percent cut.

Furthermore, since it would return the money to Ohio residents and not be used to fund government directly, the tax would be revenue-neutral. For this reason, Americans for Tax Reform, the Washington-based group that encourages lawmakers nationwide to sign its anti-tax pledge, has given the the Kasich plan its blessing.

Editorial continued here: <http://www.dispatch.com/content/stories/editorials/2012/07/23/a-good-deal.html>

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