

**NOTE:** *“Ohio lawmakers should support the review process and sunsets. Naturally, some tax breaks -- such as no sales tax on prescription medication -- should remain. And it will be very tempting to use closing tax loopholes as a way to increase state spending. Instead, the potential to put billions of dollars in taxes back into the pockets of Ohioans should receive top priority.”*



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## Clean up tax breaks, loopholes

When Ohio had a corporate franchise tax, companies were able to write off losses against future income. The idea was that the companies would generate taxable profits in the future.

Ohio eliminated the franchise tax in favor of the commercial activity tax. However, the state never eliminated the write-offs against future income even though future profits are no longer taxed.

This is one of 128 tax loopholes, some dating back nearly a century, that a variety of think tanks that cross party lines pointed out last year. Finally, at the prodding of Gov. John Kasich, the state is about to address the \$7.4 billion in tax credits, deductions and exemptions granted yearly.

A push is now under way for a review process that would include a disclosure of who benefits from the loophole and what the beneficiaries provide the state in return. An automatic sunset to loopholes is part of the proposal.

The Buckeye Institute for Public Policy Solutions, the Center for Community Solutions and the Greater Ohio Policy Center called for eliminating what have become known as "tax expenditures" in May of 2011. Nine metropolitan chambers of commerce threw their support behind the issue. Policy Matters Ohio joined the cause with testimony during a Senate Ways and Means Committee meeting in December.

The Buckeye Institute and the regional chambers are conservative; the other groups are liberal. Naturally, they do not agree on what to do with the money if loopholes are eliminated.

The beauty in Kasich's aim is that this would not result in more revenue for the state. Every loophole eliminated would result in an income tax cut worth the same value. This is on top of the income tax cut that Kasich wants in exchange for a "frack tax" on oil and gas operations.

Tax loopholes allow people and businesses to escape paying their fair share to support state government. That's really no different than writing a check for a wasteful government program which is why the term "tax expenditure" was created. It has the same result on the state's budget.

**EDITORIAL CONTINUED HERE:**

<http://www.salemnews.net/page/content.detail/id/557953/Clean-up-tax-breaks--loopholes.html?nav=5003>