

## Taylor Meets with Business to Discuss Tax Changes



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YOUNGSTOWN, Ohio – Gov. John Kasich’s proposed changes to the state’s tax structure will help boost the small businesses that drive the economy, Lt. Gov. Mary Taylor said Monday during a press event at City Machine Technologies Inc.

Taylor joined local business leaders for a panel discussion regarding components of the tax reform plan Kasich unveiled recently. The governor has proposed a 20% cut in the state income tax and a 50% tax cut for virtually all of the state’s small businesses. He also has called for cutting

the state’s sales tax from 5.5% to 5%, but for broadening it to cover services and products that do not now collect sales taxes.

“Essentially, the governor’s proposal on the sales tax modernizes the sales tax to more closely match the society that we live in today, an economy that has shifted more toward the service sector,” Taylor said. “It really is modernizing that with an understanding that income taxes on small businesses are harmful.” Taylor noted that she pays sales tax when she gets a manicure, but doesn’t when she gets her hair cut, a situation that would change under the governor’s proposal.

“It’s really about eliminating the tax on necessities and subjecting the tax more toward those things that are not necessities -- they’re wants,” she said.

The change in the severance tax, “to increase the rate for the tax that is charged on assets that are leaving the ground in Ohio,” is aimed at new fracking activities, she said. “The rate is still significantly lower than our surrounding states but the proposal also exempts the traditional driller that’s in Ohio today. If you think about some of the small businesses that have been drilling in Ohio for years, they now will be exempt from the severance tax,” she said.

The lieutenant governor also said she has already heard from small business that the tax cut will provide “a real opportunity to invest” in their businesses or employ more Ohioans.

About 95% of the Youngstown/Warren Regional Chamber’s 2,600 members are “small

businesses in the strictest sense,” said Tony Paglia, the chamber’s vice president for government affairs. The chamber tells companies that are considering the Mahoning Valley that the state is in the process of reducing its income tax, helping to create the impression of Ohio as a “business-friendly state.”

Other members of the panel outlined how they plan to use the savings from the tax cut.

“The tax cut means a lot to us because we’re always investing in our future,” said Claudia Kovach, vice president of City Machine Technologies. The cut will allow CMT to purchase more equipment, she said.

Specialty Fab Inc., a North Lima custom fabricator, is going to install a new manifold system to supply oxygen and carbon dioxide throughout the shop, said David Hughes, president. “Right now we do everything by individual bottles. It’s going to be quite a savings,” he said.

“You’ve heard these stories. This tax savings is going to remain in the Mahoning Valley,” Kovach remarked.

Although the 50% tax cut “does nothing for us” as a C corporation, L. Calvin Jones & Co., Canfield, which sells insurance to businesses, will benefit by improving the economic environment in Ohio. “The only way we have the opportunity to grow is new business coming in that are in need of insurance, said Jim Klingensmith, partner and vice president. “Anything that can be done to help small businesses be attracted to the state is good.”

“At least this plan is a permanent plan,” unlike temporary tax cuts that have emanated from Washington, D.C., said Toby Mirto, vice president of Rhiel Supply, Austintown, who was in the audience for the panel. “You have to make things permanent to have a lasting effect on the economy.” There may be provisions of the plan he is not in favor of, he acknowledged, “but I try to look at as what’s best for the state of Ohio, not specifically what’s best for my company.”

Before the event began, the Ohio Democratic Party issued a statement criticizing the tax proposal as doing little for the state’s small businesses. The plan “to begin taxing thousands of services and products” previously not covered by the state sales tax “will actually have a negative impact on our economy,” said Jerid Kurtz, ODP spokesman.

Taylor disagreed. “If you look at the overall proposal it’s a tax cut,” she remarked. “It’s a tax cut for any Ohioan who pays income taxes; it’s a 20% reduction in tax. It’s a 50% cut for small business that will in fact have a positive impact.”

During a subsequent news conference, Mahoning County Auditor Mike Sciortino also criticized Kasich’s tax proposals. “The folks it’s going to hit the most are those folks -- like the majority of the citizens here in Mahoning County -- who are middle class,” he said. The changes to the tax structure would hurt small businesses “trying to thrive in this economy,” he contended.

“How do you guarantee that a sales tax break in that type of percentage will be made up from the across-the-board increase?” Sciortino asked. “In other words, I want to see the business plan.”

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