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Monday May 21, 2012

Closing a loophole that benefits a few makes sense for Ohio

Some aspects of the mid-budget re view process that the General Assembly has been working its way through have proved controversial, which is not surprising, given that changes have been pursued in Ohio's energy, education and taxation policies and procedures.

But if any of the proposals by Gov. John Kasich should have sailed through the Legislature with relative ease, it would have been his suggested reform of taxation of financial institutions which became muddled in the wake of Ohio's adoption of a Commercial Activity Tax in 2005. Financial institutions argued successfully against being subjected to the CAT, and were given the option of remaining under one of two existing methods of taxation, the Corporate Franchise Tax or the 1930s-era Dealers in Intangibles Tax. Kasich's office says a few banks had identified loopholes in the CFT, which allowed them to dramatically reduce their Ohio tax bills through deductions to their capital base.

In March, Kasich proposed a new financial institutions tax under which banks, mortgage brokers, investment shops and other institutions would all be assessed an 8-mill tax on the first $500 million of Ohio equity and 2.5 mills for in-state equity beyond $500 million.

Looks like a win-win

The beauty of the plan is that it would close the loophole that is being exploited by some large banks with headquarters outside the state, while providing a tax cut for Ohio banks.

Editorial continued here: http://www.vindy.com/news/2012/may/21/closing-a-loophole-that-benefits-a-few-m/

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