

Eliminating the tax rollback – Reform or a step backward?

One of the elements of Governor Taft's state tax reform package that has received little attention is his proposal to eliminate the 10% property tax rollback for commercial and industrial properties. This proposal and how it will impact local property owners deserves greater public scrutiny.

The state legislature first enacted this 10% tax rollback in 1971, and it is currently applied to all classes of property in the county. The Governor's proposal would only eliminate this rollback for properties classified as commercial or industrial, which represents approximately 24,000 parcels in Montgomery County.

According to a recent analysis conducted by my office, real estate taxes on these 24,000 properties will increase \$15.5 million per year if the 10% rollback is eliminated, which is an average annual increase of over \$640 per parcel.

This proposal is often characterized in the media as the elimination of a state tax break for business, and when described in that manner it sounds appealing. However, the taxpayers who will pay these additional taxes are not only big out-of-state corporations. Every car wash, barber shop, union hall, bowling alley and family-owned restaurant will pay more if this rollback is eliminated as well.

In fact, 18% of the properties in Montgomery County that will be affected by this proposal are some type of commercial housing, over 4,000 parcels. In the long run, the elimination of this rollback will most likely lead to increased housing costs in the form of higher rents for a large number of local residents.

Proponents of the tax reform package will argue that this is just one piece of the overall package and its impact must be viewed in light of the other elements that are more favorable to commercial taxpayers. While that is certainly true, many of the other features of the tax reform package will be phased in over several years. For example, the proposed cut in the state's personal income tax will be phased in over a five year period and so will the plan to eliminate the corporate franchise tax and the tangible personal property tax.

However, the elimination of the 10% rollback is effective immediately and taxpayers will realize its full impact when they see the increase in their real estate tax bills in January.

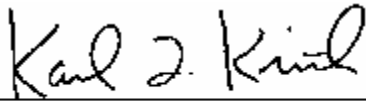
One of my concerns with this proposal is that it increases taxes on local taxpayers but generates no additional revenue for local schools, townships, libraries or cities. Since the state has reimbursed local jurisdictions for the lost revenues due to this tax credit, eliminating the rollback saves the state budget a significant amount. Local taxpayers will

pay more to produce these savings in the state budget, but local jurisdictions will gain nothing.

Some have criticized the Governor's tax reform package as being too regressive, placing more of a tax burden on lower and middle income taxpayers. That criticism certainly seems justified when one considers the impact of the proposal to eliminate the rollback.

The state legislature put this property tax rollback in place over thirty years ago at the same time the state's personal income tax was enacted. These two moves were seen as an effort to create a more progressive tax structure in Ohio, one that placed more of an emphasis on one's ability to pay and less on the regressive property tax. Now, the General Assembly is considering cutting the personal income tax and partially removing the property tax rollback. This would be a major shift in state tax policy -- a big step backward and very costly for many Ohioans.

If you are concerned about the impact of this proposal, I urge you to do what I have done. Write or call your state legislator and ask him or her to keep the 10% tax rollback in place for all classes of property. Let us not use a call for reform and the need to balance the state's budget to shift more of the tax burden to local property owners.

Handwritten signature of Karl L. Keith in cursive script.

Karl L. Keith, Montgomery County Auditor