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taxes to newspapers.

Feb. 14, 2013

Ohio Gov. John Kasich's new tax overhaul plan, which includes expanding sales taxes to services like tax preparation, accounting and legal services, would also apply sales taxes to newspapers.

While some fiscal conservatives think the sales tax is one of the fairest methods of taxation, Kasich isn't likely to gain the favor of many professional accountants, since his tax plan also would include [expanding sales taxes to accounting and tax services](#).

During a recent visit to the Ohio Newspaper Association, he explained why.

"You know we already tax a bunch of services already," he told a convention of the Ohio Newspaper Association. "You know why the legislature taxed them? To fill a budget hole. All of these services are going to get taxed. It's just a matter of whether they're going to be taxed by somebody pushing for a tax increase in Ohio or somebody who's trying to figure out how to lower the taxes that lead the most to our economic growth."

Kasich's \$63.3 billion, two-year budget proposal now before lawmakers proposes a broad expansion of the sales tax base and higher taxes on shale oil and gas drilling to help underwrite income tax cuts for individuals and small businesses.

After factoring in a half-penny cut in the state sales tax rate to 5 cents on the dollar, the expanded base expansion is still expected to clear about \$3.1 billion more for the state over the next two years. Mr. Kasich, however, promises that the net effect of his entire tax reform will be a \$1.4 billion tax cut over three years.

Sales of advertising in print, on billboards, and on radio and television would now be taxed while national broadcast ads would remain exempt. The plan would tax

magazine subscriptions but not newspapers, and the base would now include

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Few states tax newspaper advertising. Florida tried it in the mid-1980s. The tax was gone after about six months after national advertising organizations canceled conventions in the tourism-dependent state.

“There were economic arguments to demonstrate why it didn’t make sense,” said Dean Ridings, president and chief executive officer of the Florida Press Association. “Sure, we had that (argument that newspapers were seeking special treatment), but our organization didn’t take the lead in opposing it...Broadcasters came out very strong (against it).”

And this was before the dawn of the Internet and the continuing struggle for states to force the Amazons of cyberspace to collect and remit sales taxes on goods sold to Ohioans. The state has largely relied on the inefficient method of convincing consumers to track their untaxed online purchases and voluntarily remit the taxes when they file their annual income tax returns.

“We have a bill in the legislature,” Mr. Kasich said. “All the special interests will go down there. Maybe they’ll win. Wouldn’t that be a great outcome, huh? Special interests win again. One of the things we have to realize in this state is if all we think about is ourselves, we’re not going to do better.”

Mr. Hetzel said he understands what Mr. Kasich is trying to do conceptually.

“But taxing advertising is a bad idea,” he said. “It’s not going to work. It’s terribly damaging not only to local newspapers but to a lot of local merchants.”

Mr. Kasich said his plan can still be “tweaked.”

“Nothing is in concrete, but at the end of the day, if we fail, I’m not failing,” he said. “We’re just going to fail to move the state of Ohio in a more aggressive way in terms of jobs.”

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