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budget challenge

Dec. 16, 2010

COLUMBUS, Ohio – For the second consecutive year, Ohio CPAs have amended their predictions for when a sustainable U.S. economic recovery will occur, expressing continued concerns over state and federal financial challenges and a complicated, unpredictable regulatory environment they say is delaying a turnaround.

- Recovery will begin in 2012 or beyond, predicted 64% of CPAs responding to The Ohio Society of CPAs' (OSCPA) eighth annual Ohio Business Poll this year. In the 2009 Poll, about a third (36%) of respondents predicted that the U.S. economy would begin a sustainable recovery in the second half of 2010 and 26% put the turnaround in the first half of 2011.
- CPAs also gave the Obama administration a 'poor' or 'very poor' rating for its impact on key national issues such as the tax climate (79%), health care reform (77%), the business climate (77%) and the national economy (75%).
- When asked to choose the top three factors delaying Ohio's economic recovery, CPAs ranked the loss of industry and manufacturing as primary (73%) followed by the state and local tax climate (67%) and the unpredictable regulatory environment (57%).
- CPAs agreed that fixing Ohio's budget problem is a top priority for Governor Elect John Kasich and Lt. Governor Elect Mary Taylor, CPA.

As key steps in addressing Ohio's financial problems, CPAs also recommended that Ohio conduct widespread performance audits to identify cost savings and efficiencies (61%) and establish a long-range financial planning process (40%). Both recommendations were included in OSCPAs Ohio Budget Advisory Task Force report presented to Gov. Strickland and state caucus leaders in fall 2009. A copy of the Ohio

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"But there are other pressing issues affecting progress for Ohio that need to be addressed as well."

Margaritis said that list includes simplifying Ohio's outdated municipal income tax collection structure. Ohio has 579 municipalities that each assess an income tax and many have diverse filing requirements. This puts a regulatory burden on businesses and individuals, increases administrative costs to local government entities and thwarts Ohio's efforts to attract out-of-state employers.

### **Ohio Business Climate**

More than half (55%) of CPAs responding ranked centralizing Ohio's municipal tax collection process at the top of priorities for reform or improvement to Ohio's business tax structure. Others were ensuring greater uniformity of the municipal income tax wage base (49%) and reducing the impact of or eliminating Ohio's estate tax (42%).

A full 79% of respondents predicted that it will take three or more years for Ohio's unemployment rate to return to the 5.8% level at the beginning of the recession.

However, CPAs were more positive on business investment prospects in 2011, with 45% of those surveyed predicting capital investments would continue at 2010 levels and 35% predicting they will increase. Only 15% forecast a decline in capital investments for the coming year.

### **Health care**

The growing cost of health care remains a big concern for CPAs with 56% of those participating in the Business Poll forecasting increases of more than 10% for their companies and clients in 2011 and 29% expecting increases of between 5% and 10%. Despite the anticipated extra cost, most said they would continue to offer coverage to employees, deeming it a critical benefit and competitive advantage.

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