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loopholes in Ohio's tax code, the number of groups that receive special tax breaks grew in the most recent state budget, according to a Dayton Daily News analysis.

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Despite calls from across the political spectrum to reduce the dozens of so-called loopholes in Ohio's tax code, the number of groups that receive special tax breaks grew in the most recent state budget, according to a Dayton Daily News analysis.

There are at least six new tax exemptions tucked into the new budget that affect the state's bottom line. Three were eliminated.

As of the most recent official count in January, there were 129 of these exemptions, which are called "tax expenditures" in state jargon, but are often more pejoratively described as "loopholes." That number stands to increase to at least 132 following the most recent budget.

Public policy groups for years have been pushing the legislature to set up a process to look over tax breaks to see if they are worth the \$7.7 billion they are projected to cost the state this year.

"I find it discouraging that instead of setting up a mechanism to review tax expenditures, which has been proposed by legislators from both sides of the aisle, this creates new ways for special interests to avoid taxation," said Zach Schiller, research director for Policy Matters Ohio, a liberal think-tank.

While tax incentives are intended to promote economic growth or other positive results, they also complicate Ohio's tax code. Liberal critics say the breaks disproportionately benefit wealthy Ohioans and hurt public services. Conservatives say the breaks allow the government to pick winners and losers, and prevent the state from lowering overall tax rates.

Among the groups that received new tax breaks in the budget:

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at least \$4.8 million to local governments and schools.

— Companies investing at least \$30 million in a retail development that creates 150 or more jobs, among other conditions. The tax break has no estimated value but would impact county governments.

— Retirees from the two noncombatant uniformed federal services: the Commissioned Corps of the National Oceanic and Atmospheric Administration and the Commissioned Corps of the Public Health Service, at an estimated \$235,000 cost to the state.

Meanwhile, the budget eliminates three tax breaks:

— A sales tax exemption for magazine subscriptions, which will raise up to \$11 million per year for the state.

— An income tax deduction for gambling losses (\$29 million).

— The Technology Investment Tax Credit (\$4.2 million).

The number of tax breaks would have grown by more, but Kasich vetoed tax exemptions approved by legislators for the following groups:

— Investors in rare coins and metal bullion.

— The aerospace industry.

— Dentists and dental hygienists who donate their time to a pilot mobile dental health program.

Kasich ultimately wants to reduce exemptions in the tax code, using the money to further reduce the state's income tax, said spokesman Rob Nichols.

“The challenge is always that there’s a special interest group behind each and every

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But whether it’s a tax “exemption” or a “loophole” depends on your perspective. Each break has a story, and each is tied to a political constituency with influence in the Statehouse.

New tax breaks

The Mud Hens, a franchise owned by a nonprofit corporation, plays in a stadium owned by Lucas County. The club pushed for the sales tax exemption after the Ohio Department of Taxation issued a \$553,349 tax bill for unpaid taxes between 2002 and 2005.

Following a state audit, Toledo Mud Hens Inc., which had never paid sales taxes, argued it is a government subdivision, and didn’t have to. The team was launched in the 1960s with the support of government officials, and if it were to ever dissolve, it would transfer its assets to Lucas County.

But former tax commissioner Richard Levin disagreed, and ordered the team to pony up \$553,349.

The Mud Hens turned to Toledo-area state legislators, who inserted a new tax break into the state budget.

“The legislature agreed to clarify a practice that has been in place for nearly 50 years,” said team spokeswoman Andi Roman.

“Historically, they’ve never paid sales tax, so this just fixes an incorrect tax ruling,” said State Rep. Barbara Sears, R-Lucas County, who helped introduce the new break.

Meanwhile, a new tax break for for-profit grain handlers levels the playing field in the industry, said Chris Henney, president of the Ohio Agribusiness Association,

which pushed for the change.

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Because of how the OAT tax is structured, it encouraged for-profit grain handlers to export their goods to other states, which drove up their costs. So rather than push for the repeal of the tax break for nonprofit grain handlers, the OAA instead successfully lobbied for for-profit grain handlers to be tax-exempt, too.

“Most folks would understand we’re not going to advocate for a tax increase on some of our members,” Henney said.

Critics: Review of loopholes needed

Last year, a legislative committee studied Ohio’s tax structure. After traveling the state and hearing testimony, committee chair Rep. Jon Adams, R-Sidney, issued a report saying that, among things, the exemptions in Ohio’s tax code discriminate against some businesses in favor of others.

“Tax expenditures are both poor policy and poor concept, and there was near unanimity that such expenditures should be reviewed both for permanent validity and also on an ongoing basis,” Adams wrote.

But reducing the tax breaks has proven to be easier said than done, and efforts to review them recently have fizzled.

“I think there’s a belief from the governor and the legislature that that’s the correct way to go,” said Greg Lawson, a policy analyst for the Buckeye Institute, a conservative think tank. “But it’s difficult for them to do it from an actual policy standpoint.”

Ohio lawmakers have introduced two separate but similar bills, one sponsored by Republicans, the other by Democrats, to set up a process to regularly audit Ohio’s tax breaks.

But neither House Bill 24, sponsored by Republican Rep. Terry Boose, of Norwalk,

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“Because there’s no mechanism in place to do that, they just go on and on and on. Some might make economic sense, but some might not. But we don’t know, and that’s the point.”

Ohio House Speaker Bill Batchelder, R-Medina, has not yet discussed either bill with the Republican caucus, “so it’s unclear at this time if and when the bills will move forward,” said spokeswoman Shannon Boston in an email.

“However, the speaker looks forward to continuing conversations with House members regarding Ohio’s tax code and economic recovery,” Boston said.

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