

Ohio House Finance Extended Subcommittee on Primary and Secondary Education

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Chairman Amstutz, Ranking Minority Member Sykes, and Members of the Committee, my name is Howard Fleeter and I am here representing the Education Tax Policy Institute (ETPI). Thank you for the opportunity to share with you some information relating to taxes and school funding in Ohio.

Overview of Taxes and School Funding

Taxes and school funding have both direct and indirect connections.

First, two different taxes are levied directly by school districts for the support of education: school property taxes and school district income taxes. Any new school property or income taxes require approval by local voters before they can take effect.

In the case of school property taxes, a complicated relationship exists between the needs of school districts and the operation of the H.B. 920 limitation on tax growth caused by reappraisal of property values. The practical effect of this limitation is that property taxes levied for school operations (and for the operations of other local governments) tend to grow slowly or not at all. Slow growth in property taxes means that schools cannot keep pace with inflation or other pressures to increase school budgets without obtaining voter approval for new tax levies. The effect of HB 920 on school district finance is unique to Ohio. No other state in the country votes as often on school levies as we do.

Second, the State levies a number of taxes for the support of government generally. These taxes fund State education aid programs as well as other functions of State government. School districts have an indirect interest in the maintenance of an efficient and productive State tax system because the ability of the State's General Revenue Fund to support the State education aid program depends on a sound tax structure.

20 years ago I wrote a report for Governor Voinovich called "Equity, Adequacy and Reliability in Ohio Education Finance". Taxes at both the state and local level play a clear role in the reliability of the funding system over time, and taxes at the local level also play a role in the equity of the funding system.

My testimony today will address the following topics:

1. State GRF Tax Revenues in Recent Years
2. Taxation of Oil and Natural Gas from Shale Drilling
3. Overview of Ohio School Levies
4. Ohio's Tax Ranking Nationally

I. FY03-FY13 Ohio GRF Tax Revenues

This graph shows actual Ohio General Revenue Fund (GRF) tax revenues from FY03 through FY11.

Figure 1: GRF Tax Revenues, FY03-FY11

Figure 1 shows that GRF tax revenues were roughly flat from 2006 through 2008. This is primarily due to the effects of the HB 66 (2005) tax reforms. At the state level HB 66 phased out the corporate franchise tax, reduced the state income tax by 21%, set the permanent sales tax rate at 5.5% (down from the temporary rate of 6% but up from the old permanent rate of 5%), and raised the cigarette tax. HB 66 also phased out the local tangible personal property (TPP) tax and established the Commercial Activity Tax (CAT). Note that the CAT was earmarked for replacement of TPP revenues lost by schools and other local governments and was not part of the GRF from FY06 through FY11. As a result of HB66, GRF tax revenues were expected to be flat through FY10.

Figure 1 also shows that as a result of the national recession, *Ohio's GRF tax revenues fell by nearly \$3.2 billion from FY08 to FY10. GRF tax revenues in FY11 did increase by nearly \$1.5 billion from FY10 levels, but were still lower than tax revenues in FY04.* Roughly \$450 million of the FY11 GRF tax revenue total can be attributed to the HB 318 freeze of the final 4.2% income tax cut from HB 66.

FY12 and FY13 Estimated GRF Tax Revenues

Table 1 provides FY12 and FY13 GRF tax revenue estimates prepared by OBM in June 2011 for the HB 153 Budget Conference Committee.

Table 1: OBM Estimated FY12 and FY13 GRF Tax Revenues (\$ in Millions)

<u>Tax Revenue Category</u>	<u>FY 2011 Actuals</u>	<u>FY2012 Estimated (Conf. Comm.)</u>	<u>FY2013 Estimated (Conf. Comm.)</u>
<u>Income Tax</u>	\$8,120	\$8,179	\$8,891
<u>Sales Tax</u>	\$7,578	\$7,865	\$8,437
<u>Corporate Franchise Tax</u>	\$237	\$220	\$230
<u>Commercial Activity Tax</u>	\$0	\$373	\$758
<u>Public Utility Excise Tax</u>	\$125	\$135	\$145
<u>Kilowatt Hour Tax</u>	\$154	\$316	\$340.5
<u>Natural Gas Consumption Tax</u>	\$0	\$66	\$66
<u>Cigarette Tax</u>	\$856	\$818	\$790
<u>Other Taxes</u>	\$636	\$660	\$681
<u>Total GRF Taxes</u>	<u>\$17,706</u>	<u>\$18,632</u>	<u>\$20,339</u>
<u>Increase</u>		<u>\$926</u>	<u>\$1,707</u>

Source: Tim Keen OBM HB 153 Conference Committee Testimony, June 15, 2011

Table 1 shows that the FY12 Conference Committee GRF tax revenue estimate of \$18.632 billion is \$926 million more than the actual FY11 revenue level of \$17.706

billion, while the FY13 conference committee estimate forecasts an additional \$1.7 billion increase from FY12. Figure 2 adds these estimates to the data from Figure 1.

Figure 2: GRF Tax Revenues, FY03-FY13

While the estimated increases in FY12 and FY13 GRF tax revenues shown in Table 1 certainly reflect anticipated improvements in Ohio’s economy, this is not the only reason for the increase. The HB 153 budget also includes reductions in FY12-13 distributions to the Local Government Fund (LGF), Public Library Fund (PLF), Business TPP and Public Utility TPP replacement payments, and the Dealers in Intangibles Tax. All of these policy changes result in increases in tax revenues going to the GRF in FY12 and FY13.

Table 2: Estimates of Baseline Changes and Policy Changes in FY12 and FY13 GRF Tax Revenues

<u>Baseline Changes to Tax Revenue</u> <u>Category</u>	<u>FY 2011</u> <u>Actual</u>	<u>FY 2012</u> <u>Estimated</u>	<u>FY 2013</u> <u>Estimated</u>
<u>Income Tax (Baseline)</u>	<u>\$8,120</u>	<u>\$8,012</u>	<u>\$8,503</u>
<u>Non-Auto Sales Tax (Baseline)</u>	<u>\$6,601</u>	<u>\$6,848.5</u>	<u>\$7,323</u>
<u>Auto Sales Tax</u>	<u>\$977</u>	<u>\$937.5</u>	<u>\$986</u>
<u>Corporate Franchise Taxes</u>	<u>\$237</u>	<u>\$220</u>	<u>\$230</u>
<u>Public Utility Excise Tax</u>	<u>\$125</u>	<u>\$135</u>	<u>\$145</u>
<u>Kilowatt Hour Tax (Baseline)</u>	<u>\$154</u>	<u>\$142</u>	<u>\$142</u>
<u>Cigarette Taxes</u>	<u>\$856</u>	<u>\$818</u>	<u>\$790</u>
<u>Other Taxes</u>	<u>\$636</u>	<u>\$649</u>	<u>\$670</u>
<u>Baseline GRF Taxes Total</u>	<u>\$17,706</u>	<u>\$17,762</u>	<u>\$18,789</u>
<u>A. Baseline Tax Revenue Increase</u>		<u>\$56</u>	<u>\$1,027</u>
<u>Policy Changes to Tax Revenue</u> <u>Category</u>	<u>FY 2011</u> <u>Actual</u>	<u>FY 2012</u> <u>Estimated</u>	<u>FY 2013</u> <u>Estimated</u>
<u>Income Tax LGF Revision</u>	<u>\$0</u>	<u>\$167</u>	<u>\$388</u>
<u>Sales Tax PLF Revision</u>	<u>\$0</u>	<u>\$79</u>	<u>\$128</u>
<u>Kilowatt Hour Tax PUTPP Revision</u>	<u>\$0</u>	<u>\$174</u>	<u>\$199</u>
<u>Natural Gas MCF Tax PUTPP Revision</u>	<u>\$0</u>	<u>\$66</u>	<u>\$66</u>
<u>Commercial Activity Tax TPP Revision</u>	<u>\$0</u>	<u>\$373</u>	<u>\$758</u>
<u>Dealers in Intangibles Tax</u>	<u>\$0</u>	<u>\$11</u>	<u>\$11</u>
<u>Policy Changes in GRF Taxes Total</u>		<u>\$870</u>	<u>\$1,550</u>
<u>B. Policy Change Tax Revenue Increase</u>		<u>\$870</u>	<u>\$680</u>
<u>C. Total Tax Revenue Increase (A+B)</u>		<u>\$926</u>	<u>\$1,707</u>

Source: FY12-13 Executive Budget - Section B “Economic Forecast” and calculations by Driscoll & Fleeter

Table 2 provides a breakdown of “baseline” changes in GRF tax revenues from policy changes in GRF tax revenues. This breakdown uses methodology similar to that used in the FY12-13 Administrative Budget Bluebook.

The data in Table 2 show that the policy changes are responsible for 94% of the estimated \$926 million GRF tax revenue increase in FY12 and 40% of the estimated \$1.7 billion GRF tax revenue increase in FY13. FY12 baseline GRF tax revenues are forecast to increase by only \$56 million from FY11 levels while policy changes are responsible for an \$870 million increase. In contrast, FY13 baseline GRF tax revenues are forecast to increase by \$1,027 million from FY12 levels while policy changes are responsible for an increase of \$680 million. Also, note that the decline in personal income tax revenues from FY11 to FY12 reflects the implementation of the last 4.2% increment in the 21% tax cut enacted in 2005. The Legislature delayed implementation of that last step from Tax Year 2009 to Tax Year 2011.

Figure 3: Baseline GRF Tax Revenues, FY03-FY13

Actual Tax Revenues in FY12

According to the July 2012 OBM Monthly Financial Report, actual GRF tax revenues for FY 2012 amounted to \$19,005 million. This figure is \$373 million over the initially estimated total of \$18,632 million (at some point in FY12 OBM subsequently revised this estimate downward to \$18,606 million). Sales tax revenues came in \$222 million over estimate and income tax revenues were \$254 million over estimates. The Commercial Activity Tax (CAT) and cigarette tax also exceeded estimates, while most other taxes were slightly below estimates for FY12. The corporate franchise tax fared the worst in FY12 at \$103 million below the estimated amount. Table 3 provides a summary of FY11 and FY12 estimated and actual GRF tax revenues.

Table 3: FY11 and FY12 GRF Tax Revenues (\$ in Millions)

<u>Tax Revenue Category</u>	<u>FY 2011</u> <u>Actuals</u>	<u>FY2012</u> <u>Estimated (Conf.</u> <u>Comm.)</u>	<u>FY2012</u> <u>Actuals</u>	<u>FY12</u> <u>Actual -</u> <u>Estimate</u>
<u>Income Tax</u>	\$8,120	\$8,179	\$8,433	\$254
<u>Sales Tax</u>	\$7,578	\$7,865	\$8,087	\$222
<u>Corporate Franchise Tax</u>	\$237	\$220	\$117	(\$103)
<u>Commercial Activity Tax</u>	\$0	\$373	\$417	\$44
<u>Public Utility Excise Tax</u>	\$125	\$135	\$114	(\$21)
<u>Kilowatt Hour Tax</u>	\$154	\$316	\$295	(\$21)
<u>Natural Gas Consumption Tax</u>	\$0	\$66	\$60	(\$6)
<u>Cigarette Tax</u>	\$856	\$818	\$843	\$25
<u>Other Taxes</u>	\$636	\$660	\$639	(\$21)
<u>Total GRF Taxes</u>	<u>\$17,706</u>	<u>\$18,632</u>	<u>\$19,005</u>	<u>\$373</u>
<u>GRF Tax Increase from FY11</u>		<u>\$926</u>	<u>\$1,299</u>	
<u>Policy Change Tax Increase</u>		<u>\$870</u>	<u>\$870</u>	
<u>Baseline Tax Revenue Increase</u>		<u>\$56</u>	<u>\$429</u>	
<u>% Baseline Increase from FY11</u>			<u>2.42%</u>	

Source: Table 1 and OBM July 10, 2012 Monthly Financial Report.

II. Taxation of Oil and Natural Gas from Shale Drilling

In the mid-biennium budget review (MBR) Governor Kasich proposed changing Ohio's taxation of oil and gas production in several ways. First, new severance taxes would apply to production of oil, gas, and natural gas liquids pumped from horizontal wells. Severance taxes on production would remain mostly unchanged for conventional well production except for the elimination of taxes on small gas wells with less than 10 mcf in daily production.

A conventional gas or oil well drills straight down to the reserves below ground. Horizontal wells drill down and then horizontally or parallel to the surface in an attempt to tap underlying levels of petro-chemically rich shale deposits. Sometimes, horizontal wells include the injection of liquids under pressure (fracking) in an attempt to force out the valuable oil or gas deposits for collection in the horizontal well system.

Currently, Ohio's severance tax system looks like this:

Table 4: Current and Proposed Ohio Severance Taxes on Oil and Gas Production

Production	Current	Proposed Conventional Well	Proposed Horizontal Well
Crude Oil	20 cents per barrel	20 cents per barrel	1.5% of price in 1st year 4% of price thereafter
Natural Gas	3 cents per MCF	1% of price capped at 3 cents per MCF (no tax on small wells*)	1.00% of price
Natural Gas Liquids	None	None	1.5% of price in 1st year 4% of price thereafter

*A small well produces less than 10 mcf per day

The Administration initially estimated that the taxes on horizontal well production would yield \$1 billion in revenue over the next five years. More recently, Governor Kasich has claimed that his proposal will generate more than \$500 million in additional revenue per year within a few years and that the new severance taxes would mostly affect high-volume drillers from outside of Ohio.

ETPI analyzed the proposed severance tax increases in two ways. First, comparisons with other oil and gas producing states established a context for understanding whether the Administration's proposals imposed an unreasonable burden on the oil and gas industry. Table 5 shows the rates for certain oil and gas rich states as reported by the Administration in its description of the oil and gas severance tax proposals. The table omits the most important oil and gas producing state - Alaska - where the current rate of taxation equals 25% of net oil production price along with provisions for a progressive increase in the rate when oil prices increase.

Table 5: Oil and Gas Taxes in Other States as Reported by the Administration

State	Oil	Gas
Michigan	6.6%	5.0%
North Dakota	7.0%	9 cents per mcf
Texas	4.6%	7.5%*
West Virginia	5.0%	5.0%

* A lower rate may apply temporarily to some high cost wells.

Other analyses of natural gas prospects portrayed Ohio as an attractive place for investment. The Fraser Institute's 2011 Annual Petroleum Survey ranked locations worldwide based on their commercial, regulatory, and "geopolitical risk" environments. A final composite ranking incorporated the three more detailed measures. The rankings relied on responses from petroleum industry representatives who responded to a questionnaire. Based on these responses, Ohio ranked as the second best environment for environment for petroleum industry investment *in the world* as measured by the Institute's composite index. Oklahoma, Texas, and West Virginia ranked fourth, fifth, and sixth in the world. All three states have higher severance taxes than Ohio. This implies that Ohio has some room to raise severance taxes without undermining its competitive position.

A second ETPI analysis of Ohio's oil and gas severance taxes compared the burden imposed by the State on gas and oil production with the burden applicable to typical consumer transactions under the sales and use tax.

Table 6: Comparison of Severance Tax Burdens on Oil and Gas Production with Sales Tax Burdens on Comparably Priced Consumer Items

	Daily Production in Barrels	Price Per Barrel	Daily Value of Production	Severance Tax
Oil Current	64	\$100.00	\$6,400.00	\$6.40
Oil Proposed	64	\$100.00	\$6,400.00	\$256.00
Comparison Item			Price	Sales Tax*
Used car			\$6,400.00	\$432.00
	Daily Production in MCF	Price Per MCF	Daily Value of Production	Severance Tax
Gas Current	192	\$3.14	\$602.88	\$4.80
Gas Proposed	192	\$3.14	\$602.88	\$6.03
Personal Computer			\$602.88	\$40.69

* Sales tax = average rate of 6.75%

Table 6 shows that the current tax rates on oil and gas production value equal only a small fraction of the tax on a consumer item equivalent of equivalent value. For

example, at \$100 per barrel 64 barrels of daily production, an oil well yields \$6,400 in daily production value. The current severance tax charges \$6.40 against that whole day's worth of oil production. Even at the maximum rate proposed by the Administration, the tax would increase only to \$256 per day. At first glance, the \$256 tax may seem like a lot, but the sales tax on the purchase of a used car equal in price (\$6,400) would amount to \$432.

Similarly, a day of gas production yields \$4.80 in severance tax now and would yield \$6.03 under the Administration's proposals when levied on about \$600 of daily production value. The sales transaction of a comparably priced consumer item, such as a laptop computer, would equal over \$40.

Opponents of higher taxes argue that Ohio cannot afford to damage its competitive position by raising taxes on economic activity. While it is unclear how important taxes really are to business location, these arguments are strongest when they appear in the context of highly mobile business investments, such as warehouses, corporate headquarters, and certain manufacturing operations. Typically, businesses have some range of options from which to choose when selecting a location for such operations. ***In contrast, the only way for oil and gas companies to get Ohio oil and gas out of the ground requires them to come to Ohio to do so.*** If the state does not take advantage of its natural resources in the form of oil and gas through aggressive tax policies, oil and gas producers will pump those irreplaceable resources from the ground, and their value will disappear forever.

III. Overview of Ohio School Levies

Table 7: Ohio School Operating & Capital Levy Totals, By Year (1984-2011)

Year	Operating Levies			Capital Levies		
	Number	# Pass	% Pass	Number	# Pass	% Pass
1984	197	104	52.8%	159	87	54.7%
1985	250	129	51.6%	132	67	50.8%
1986	289	159	55.0%	167	88	52.7%
1987	319	132	41.4%	108	60	55.6%
1988	386	169	43.8%	155	86	55.5%
1989	342	147	43.0%	151	91	60.3%
1990	410	161	39.3%	158	84	53.2%
1991	420	184	43.8%	197	89	45.2%
1992	408	184	45.1%	168	84	50.0%
1993	325	121	37.2%	202	96	47.5%
1994	336	164	48.8%	218	118	54.1%
1995	321	168	52.3%	147	94	63.9%
1996	279	153	54.8%	179	84	46.9%
1997	227	132	58.1%	222	112	50.5%
1998	174	113	64.9%	224	116	51.8%
1999	186	117	62.9%	261	159	60.9%
2000	214	149	69.6%	232	161	69.4%
2001	171	111	64.9%	168	105	62.5%

2002	201	122	60.7%	173	99	57.2%
2003	270	145	53.7%	169	84	49.7%
2004	435	188	43.2%	184	92	50.0%
2005	362	179	49.4%	154	88	57.1%
2006	282	144	51.1%	150	82	54.7%
2007	247	127	51.4%	159	79	49.7%
2008	255	133	52.2%	172	95	55.2%
2009	251	159	63.3%	131	70	53.4%
2010	317	167	52.7%	112	61	54.5%
2011	275	140	50.9%	91	49	53.8%
Totals	8,149	4,101	50.3%	4,743	2,580	54.4%
Averages	291	146	50.3%	169	92	54.4%

Table 8: School Operating Levy Results By Election and Levy Type, 1994 to 2011

	Number of Levies 1994-2011	Number Passing 1994-2011	% Passing 1994-2011
Total School Operating Levies*	4803	2611	54.4%
February Levies	256	124	48.4%
May Primary Levies	2016	1177	58.4%
August Levies	427	152	35.6%
November Levies	2104	1158	55.0%
Emergency Property Tax Levies**	2042	1179	57.7%
Continuing Property Tax Levies	958	427	44.6%
Term Limited Property Tax Levies	991	685	69.1%
School District Income Tax Levies	772	307	39.8%
Incremental (Phase-in) Property Levies	40	13	32.5%
New Property & Income Tax Levies	3053	1137	37.2%
New Emergency Levies	1038	315	30.3%
Substitute Levies	16	11	68.8%
Conversion Levies	1	0	0.0%
New Continuing Levies	863	377	43.7%
New Term Limited Levies	480	237	49.4%
New Continuing Income Tax	186	45	24.2%
New Term Limited Income Tax	308	114	37.0%
New Continuing Earned Income Tax	49	10	20.4%
New Term Limited Earned Income Tax	72	15	20.8%
Incremental (Phase-in) Property Levies	40	13	32.5%
Renewal and Replacement Levies	1750	1474	84.2%
Emergency Levy Renewals	987	853	86.4%
Continuing Levy Replacements	90	46	51.1%
Continuing Renewals of Term Limited	5	4	80.0%
Term Limited Levy Renewals	350	336	96.0%
Term Limited Levy Replacements	161	112	69.6%
Income Tax Continuing Replacements	16	8	50.0%

Term Limited Income Tax Renewals	141	115	81.6%
Continuing Property & Income Tax	1227	493	40.2%
Continuing Property Tax Levies	958	427	44.6%
Continuing Income Tax Levies	191	48	25.1%
Continuing Earned Income Tax Levies	59	14	23.7%
Continuing Phase-in Property Levies	19	4	21.1%
Term Limited (incl. Emergency) Levies	3576	2118	59.2%
Emergency Property Tax Levies	2042	1179	57.7%
Limited Property Tax Levies	991	685	69.1%
Limited Income Tax Levies	444	225	50.7%
Limited Earned Income Tax Levies	78	20	25.6%
Limited Phase-in Property Levies	21	9	42.9%

* Not included in these totals are 54 Millage Reduction levies, and several Issue Repeal initiatives, which have been excluded because of the unique nature of the type of levy. Also excluded are a small number of combined municipal/school district income tax issues due to conflicting data.

** Emergency levy totals include 16 substitute levies from 2009 through 2011 (11 passed), and 1 conversion levy (failed) in 2010.

Tables 7, 8 and 9 provide a useful summary of Ohio school levy trends over the past 20-25 years.

Table 7 shows that there have been 8,149 operating levies in Ohio from 1984 through 2011. ***This is an average of 291 operating levies per year over this 28-year time frame.*** Just over half of these levies (50.3%) have received voter approval. Over the same time frame there have been over 4,700 capital levies (bond, permanent improvement, OSFC, and combined levies), of which 54.4% have passed. Since 2009, the number of capital levies on the ballot in Ohio has fallen to roughly half the number as were on the ballot from 1997 through 2000. Future ETPI analysis will attempt to separate OSFC levies from other capital levies to assess whether the recent decline in capital levies is due to a decline OSFC activity.

Table 8 provides a more detailed overview of operating levy activity from 1994 through 2011. Operating levy frequency and passage rates are shown by election and type of levy. The main findings from Table 8 are as follows:

- Operating levies are more successful in Primary and General Elections (May and November) than in Special elections (February and August).
- Renewal and replacement property tax and school district income tax levies are more than twice as likely to pass (84.2%) as are new property and income tax levies (37.2%).
- Term-limited property and income tax levies are 50% more likely to pass than are continuing property and income tax levies (59.2% vs. 40.2%).
- Emergency levies were the most frequent type of school levy on the ballot from 1994 through 2011 comprising 42.5% of all school levies.

- Property tax levies are more likely to pass than school district income tax levies. This finding is true for new levies, continuing levies, and term-limited levies.

The data in Table 8 suggest that it would be instructive to take a more detailed look at the year-year by year operating levy results shown in Table 7. Table 9 shows the number and passage rates of new vs. renewal and replacement operating levies from 1994 through 2011. This breakdown provides additional insight regarding the passage rates of Ohio operating levies over this time period. The main findings from Table 9 are as follows:

- ***The overall operating levy passage rate in any given year is highly dependent on the mix of new vs. renewal and replacement levies.*** All years where renewal and replacement levies were at least 40% of the total result in overall operating levy passage rates of more than 50%.
- In fact, in 6 of the 9 years where renewal were over 40% of levies, the overall operating levy passage rate was over 60% - the only three years where this was not the case (2007, 2008, and 2010) are the three years with lowest passage rates for new levies (all less than 28%) over this time frame.
- ***There has been a dramatic decrease in the likelihood of operating levies passing in Ohio since 2004.*** New levy passage rates from 2004 through 2011 have been less than 36%. The average passage rate of new operating levies from 1994-2003 was 44.5%. In contrast the average passage rate of new operating levies from 2004-2011 was 30.2%.
- The passage rate for renewal and replacement levies has remained relatively constant from 1994-2011 (98.4% from 1994-2003 and 84.4% from 2004-2011).

Table 9: School Operating Levy Results for New and Renewal/Replacement Levies, 1994 to 2011

Year	All New Levies			All Renew & Replace Levies			All Levies 1994-2011			Renew as % of
	Number	# Pass	% Pass	Number	# Pass	% Pass	Number	# Pass	% Pass	
1994	281	122	43.4%	55	42	76.4%	336	164	48.8%	16.4%
1995	262	116	44.3%	59	52	88.1%	321	168	52.3%	18.4%
1996	205	91	44.4%	74	62	83.8%	279	153	54.8%	26.5%
1997	161	74	46.0%	66	58	87.9%	227	132	58.1%	29.1%
1998	92	46	50.0%	82	67	81.7%	174	113	64.9%	47.1%
1999	105	50	47.6%	81	67	82.7%	186	117	62.9%	43.5%
2000	96	43	44.8%	118	106	89.8%	214	149	69.6%	55.1%
2001	82	35	42.7%	89	76	85.4%	171	111	64.9%	52.0%
2002	107	42	39.3%	94	80	85.1%	201	122	60.7%	46.8%
2003	170	68	40.0%	100	77	77.0%	270	145	53.7%	37.0%
2004	313	95	30.4%	122	93	76.2%	435	188	43.2%	28.0%
2005	256	85	33.2%	106	94	88.7%	362	179	49.4%	29.3%
2006	186	66	35.5%	96	78	81.3%	282	144	51.1%	34.0%
2007	123	28	22.8%	124	99	79.8%	247	127	51.4%	50.2%
2008	135	33	24.4%	120	100	83.3%	255	133	52.2%	47.1%

2009	123	44	35.8%	128	115	89.8%	251	159	63.3%	51.0%
2010	184	51	27.7%	133	116	87.2%	317	167	52.7%	42.0%
2011	172	48	27.9%	103	92	89.3%	275	140	50.9%	37.5%
Totals	3053	1137	37.2%	1750	1474	84.2%	4803	2611	54.4%	36.4%

IV. Ohio's Tax Ranking Compared with Other States

The U.S. Census Bureau publishes data on state and local taxes that can be used to make comparisons of tax burdens across states. Virtually every comparison or ranking of state tax systems relies on this data. The Federation of Tax Administrators, the organization of state tax and revenue agencies, annually publishes rankings of state, local, and state and local combined tax burdens. Rankings are computed on the basis of taxes paid per capita and on the basis of taxes as a percentage of personal income. These are the two most commonly accepted measures for comparing tax burdens across states. Other methods (such as those used by the Tax Foundation) attempt to make complicated adjustments to these numbers using methodologies that rely on non-standard and unproven assumptions that have not been peer reviewed. These rankings are widely viewed by economists to be invalid.

Tables 10, 11 and 12 below summarize where Ohio stands on the Federation of Tax Administrators rankings from 2004 through FY09 (the most recent year for which both state and local tax data is available). In these tables a rank of "1" indicates the highest taxes and a rank of "50" indicates the lowest taxes.

Table 10: Ohio State + Local Tax Levels Compared with U.S. Averages, FY 2004-2009

	FY 2004	FY 2005	FY 2006	FY 2007	FY2008	FY2009
Ohio Per Capita S+L Taxes	\$3,419	\$3,637	\$3,773	\$4,012	\$4,048	\$3,812
Ohio Rank	20	22	23	25	24	25
U.S. Average	\$3,440	\$3,698	\$4,001	\$4,234	\$4,371	\$4,144
Ohio Taxes as % of Income	11.4%	11.8%	11.8%	12.2%	11.5%	10.5%
Ohio Rank	12	12	17	11	15	15
U.S. Average	11.0%	11.3%	11.6%	11.6%	11.2%	10.2%

Source: *Federation of Tax Administrators and U.S. Census Bureau. Rankings can be found on the Ohio Department of Taxation website. Rankings do not include District of Columbia.*

Table 10 shows that Ohio's ranking on state and local taxes per capita has fallen from 20th in 2004 to 25th in 2009 (the 4th year of the 5 year phase-in of the HB 66 tax reforms). Ohio's ranking of state and local taxes as a percent of personal income has fallen from 12th in 2004 to 15th in 2009.

Table 11: Ohio State Tax Levels Compared with U.S. Averages, FY 2004-2009

	FY2004	FY 2005	FY 2006	FY 2007	FY 2008	FY2009
Ohio Per Capita State Taxes	\$1,963	\$2,093	\$2,140	\$2,264	\$2,267	\$2,077
Ohio Rank	26	28	35	35	37	36
U.S. Average	\$2,011	\$2,186	\$2,379	\$2,512	\$2,568	\$2,332
Ohio State Taxes as % of Income	6.6%	6.8%	6.7%	6.9%	6.4%	5.7%
Ohio Rank	30	28	34	32	33	32
U.S. Average	6.4%	6.7%	6.9%	6.9%	6.6%	5.7%

Source: Same as Table 4.

Table 11 shows that Ohio's ranking on state taxes per capita has fallen from 26th in 2004 to 35th, 36th, or 37th in 2006-2009 (the first four years of the 5 year phase-in of the HB 66 tax reforms). Ohio's ranking of state taxes as a percent of personal income has fallen from 28th in 2005 to 32nd in 2009. Note that Commercial Activity Tax revenues are included in the data used for these rankings.

Table 12: Ohio Local Tax Levels Compared with U.S. Averages, FY 2004-2009

	FY2004	FY 2005	FY 2006	FY 2007	FY2008	FY2009
Ohio Per Capita Local Taxes	\$1,456	\$1,544	\$1,632	\$1,748	\$1,781	\$1,735
Ohio Rank	15	16	17	15	16	17
U.S. Average	\$1,430	\$1,512	\$1,621	\$1,722	\$1,803	\$1,812
Ohio Local Taxes as % of Income	4.9%	5.0%	5.1%	5.3%	5.1%	4.8%
Ohio Rank	9	8	8	4	5	7
U.S. Average	4.6%	4.6%	4.7%	4.7%	4.6%	4.5%

Source: Same as Tables 4 and 5.

Table 12 shows that Ohio's ranking on local taxes per capita has remained roughly the same from 2004 to 2009. Ohio's ranking of local taxes as a percent of personal income has increased from 9th in 2004 to 7th in 2009. The data contained in Tables 4-6 clearly shows that Ohio ranks much higher compared to other states on local tax burden than it does on state tax burden.