

VIEWPOINT: Ohio's Estate Tax Must Go

Across the country economists are pointing to the numbers and telling us the economic future looks bright, but ask the average Ohioan and you'll get a different answer. A recent online poll in Ohio showed 71% of respondents said economic conditions were getting worse.

In many ways trends over the last several years in Ohio seem to show that we're on the wrong track.

- Each year 31,000 more people move out of Ohio than move in.
- According to the Tax Foundation, Ohio has one of the most burdensome tax structures in the country.
- The state ranks 47th in the growth of its total economic output
- There were 150,000 fewer people working in the Ohio in 2005 than there were 2000.

Its no wonder Ohioans see little hope.

So who's to blame? Ohio's tax code. It punishes hard work, discourages innovation, and drives investment and development to states with friendlier tax environments. At the heart of Ohio's menacing tax structure is the estate tax. The estate tax is the single largest contributing factor to the migration of retirees, many small and family-owned businesses, and a great deal of investment income to other states.

Ohio is one of 19 states with its own estate or inheritance tax. This puts us at an immediate disadvantage compared to states without such a tax. More importantly it makes us less competitive with our neighbors, Pennsylvania is the only adjoining state that has its own estate tax.

If you combine tax structures with geography, things get even worse for Ohio. Many of the Sun Belt states have much more attractive taxes, don't have an estate tax, and have a climate that attracts many retirees. Florida, for instance, not only has no estate tax, they also have no personal income tax, making it very attractive as a place to live, do business, and retire. According to IRS figures, between 1999 and 2004 Ohio lost almost 49,000 residents to Florida alone. This represents more than \$37 million in lost income tax revenue each year, and that's just the loss to one other state.

Its time for Ohio lawmakers to take a stand and address the problem in a serious and comprehensive way starting with the elimination of Ohio's estate tax.

Ohio's estate tax affects those who invest in business, employ thousands of workers, and pay millions in income and business taxes every year. Ohio's estate tax is causing our wealthiest citizens to search for other places to live and spend their money. It's also

forcing many of our most productive small and family-owned businesses to make difficult decisions. Many small businesses are family-owned, and a great deal of family wealth is wrapped-up in the family business or farm. A death in the family brings the full weight of Ohio's burdensome estate tax down on many of these businesses who must then find a way to pay the tax man. This leaves many with little choice but to close their doors, lay off long-time loyal workers, or move to another state where a life's worth of work can be passed on to your family with little or no meddling from the government.

Some members of the state legislature understand these hardships and realize Ohio's estate tax this isn't right, but they oppose making any changes because they claim it will hurt municipalities. They claim localities will have to raise taxes in other areas to make up for the loss. And in an election year they don't want to be responsible for lost revenue or higher taxes.

But the truth is that if more people were not only staying in Ohio, but also investing and moving here, localities could prosper greatly beyond the level of the current estate tax in the form of increased revenue from income, property and business taxes because more people would be living, working, spending and investing in the localities.

According to the Buckeye Institute, research indicates that Ohio's estate imposes compliance and estate planning costs, generates little revenue for the state, and while it does represent large source of revenue for some localities, it's volatile and changes from year to year.

It may be understandable that municipalities find it difficult to voluntarily release their grip on estate tax revenue. But are they really willing to continue losing the types of citizens that make strong, healthy, stable and sustainable communities just for a few extra tax dollars?

Recently, several members of the general assembly announced plans to reduce Ohio's estate tax. It looked as though they might truly address the problem, reverse the overwhelmingly negative impact of the estate tax, bring investment back to the state, and prevent retirees from moving away.

Unfortunately, as we approach November, legislators are back peddling from previous statements and appear to be unwilling to stand on principle or sound policy to move Ohio forward. Instead they have caved to political, election-year pressures opting to tinker with other, more innocuous, forms of tax relief that may be more palatable to an electorate already fed up with our political leadership.

Ohio is at a crossroads. The path we're currently on will lead to fewer jobs, force people to move to other states, and leave an economic quagmire that future generations of Ohioans will be forced to deal with. Where is forward-looking leadership that could bring about the right kind of tax reform that would keep people, jobs and businesses in Ohio?