

Greater Ohio study *update* shows county sales tax disparities continue

The following was released on December 13, 2007 by the Greater Ohio campaign.

In 2004, Greater Ohio released an influential report on the sales tax disparities between Ohio's county's and the impact of those disparities on communities, schools, and our sustainable future. Since the original report, Greater Ohio continued to work with policymakers to update the study and deliver another look into how these disparities affect Ohio counties. This updated report centers on a key debate for regional economic thought, and the necessity to restructure the current tax revenue matrix for the entire state.

The evidence presented in this study illustrates the unbalanced nature of the current methods of sales tax revenue, and how that imbalance is hurting the sustainability of multiple counties. Counties acquire operating funds through sales tax collection on items purchased within that county. This system was created under the assumption that all of one's business would be conducted within a small radius from one's own home. However, as times have changed, and regional market outlets have formed around the state, we see many counties around Ohio losing precious sales tax revenue as their citizenry travel to other counties to make purchases.

The reason the Ohio school funding lawsuit was filed in Perry County is also made clear by these numbers. Half of the retail activity for Perry County residents occurs outside their jurisdiction, thus robbing their county of revenues through sales taxes. The schools lose commercial property taxes, and the municipalities lose income taxes. Also notice the changes that occur over time. Polaris Mall opens and Delaware County's index doubles while Franklin County's declines.

On average, a school district gets about 20% of its tax base from commercial/industrial uses. If all districts, with help of the Ohio Department of Development, could work toward reaching that 20% average, it would be a way of solving school funding.

Fixing school funding requires a new state formula, but it equally requires a sea of change in approaching the solution in an indirect manner—making sure every school district is able to maintain a healthy local tax base. In Ohio, we offer tax increment financing to everything that moves and provide tax abatements for everything that threatens to move, thus further depleting the local public coffers. Yet all this churning is producing empty stores and wasted resources.

Below includes an *update from 2005* which demonstrates the incongruity of our lifestyles and the implications for our quality of life. It shows an analysis done for Greater Ohio of sales tax disparities in Ohio, and it has a simple statistical premise: if everyone who lived in a particular county shopped in that county, and no one from outside the county ever came in to shop, and no resident ever left to purchase anything, the county receives a value of "1." The number is adjusted for inflation and income. For instance, just over a quarter of the retail activity of Adams County

residents occurs outside their county boundaries, so Adams County receives an index of 0.72.

Sales tax disparities in Ohio counties: Note that for 2005, 29 counties have sales tax capture below 75% including the following: Adams, Brown, Carroll, Champaign, Coshocton, Crawford, Hardin, Harrison, Henry, Highland, Hocking, Madison, Meigs, Monroe, Morgan, Morrow, Noble, Paulding, Perry, Pickaway, Preble, Putnam, Scioto, Seneca, Van Wert, Vinton, Williams, and Wyandot.

Also, 11 of these counties (Brown, Carroll, Harrison, Meigs, Monroe, Morgan, Morrow, Noble, Paulding, Perry, and Vinton) are below 60%. That means at least two of every five dollars of tax revenue is lost to the county. Some counties have no data in certain years because they did not have the local option sales tax in that year.

1992 & 2005 SALES TAX COLLECTION RATIOS FOR OHIO COUNTIES, ADJUSTED FOR COUNTY POPULATION, PER CAPITA INCOME, AND COUNTY SALES TAX RATE										
	1992	2005			1992	2005			1992	2005
Adams	0.79	0.72		Hamilton	1.33	1.17		Muskingum	1.04	1.04
Allen	1.22	1.26		Hancock	1.29	1.32		Noble	0.54	0.52
Ashland	0.81	0.87		Hardin	0.68	0.65		Ottawa	0.99	1
Ashtabula	0.82	0.81		Harrison	0.52	0.57		Paulding	0.53	0.52
Athens	0.81	0.76		Henry	0.76	0.69		Perry	0.5	0.51
Auglaize	0.82	0.81		Highland	0.77	0.73		Pickaway	0.78	0.65
Belmont	1.12	1.11		Hocking	0.58	0.72		Pike	0.89	0.81
Brown	0.55	0.56		Holmes	1.06	1.08		Portage	0.71	0.78
Butler	--	0.9		Huron	0.8	0.8		Preble	0.6	0.65
Carroll	0.62	0.58		Jackson	0.86	0.89		Putnam	0.66	0.67
Champaign	0.68	0.68		Jefferson	0.87	0.84		Richland	1.14	1.17
Clark	0.87	0.77		Knox	0.8	0.84		Ross	0.96	0.91
Clermont	1.01	0.91		Lake	1.17	1.09		Sandusky	0.82	0.88
Clinton	0.91	1.01		Lawrence	0.75	0.65		Scioto	0.83	0.73
Columbiana	0.72	0.75		Licking	0.94	0.94		Seneca	0.77	0.73
Coshocton	0.74	0.72		Logan	0.96	0.96		Shelby	0.87	0.93
Crawford	0.71	0.72		Lorain	0.96	0.87		Stark	1.09	1.05
Cuyahoga	1.02	1.01		Lucas	1.09	1.1		Summit	1.17	1.07
Darke	0.77	0.77		Madison	0.64	0.69		Trumbull	--	0.84
Defiance	0.95	1.03		Mahoning	1	1.09		Tuscarawas	1.01	0.94
Delaware	0.68	1.25		Marion	0.94	0.91		Union	1	1.33
Erie	1.33	1.3		Medina	0.96	0.91		Van Wert	0.76	0.74
Fairfield	0.94	0.9		Meigs	0.66	0.49		Vinton	0.49	0.4
Fayette	0.92	1.34		Mercer	0.89	0.77		Warren	0.93	1.02
Franklin	1.41	1.18		Miami	0.95	0.89		Washington	0.97	0.9
Fulton	0.8	0.83		Monroe	0.78	0.55		Wayne	0.86	0.9
Gallia	0.92	0.89		Montgomery	1.14	1.04		Williams	0.86	0.72
Geauga	0.75	0.84		Morgan	0.6	0.5		Wood	0.94	1.05
Greene	0.77	1.07		Morrow	0.49	0.5		Wyandot	0.67	0.71
Guernsey	0.88	0.9								