Ohio Senate Ways and Means Committee
25 March 2015

Chairman Peterson, Vice Chair Beagle, Ranking Member Tavares and Members of the Ways and Means Committee, my name is Dustin Holfinger, I am Vice President of State Government Relations for the Ohio Bankers League. On behalf of the FDIC insured banks and thrifts doing business in Ohio. The OBL was asked to testify today to help explain and discuss the limited revenue foregone by the state per the few deductions within the Financial Institutions Tax.

The FIT, financial institutions tax, was enacted recently per HB 510 – in 2012. The new tax that expanded the base and reduced the rate was created to replace the corporate franchise tax and dealers in intangibles tax – in addition, most deductions were eliminated as a part of the tax reform package. It became effective in tax year 2014.

The tax base is total Ohio equity capital of financial institutions. Total equity capital is comprised of all forms of equity, such as common stock, surplus, and retained earnings. The tax has a three-tier rate structure that includes: .8 percent on the first $200 million of total Ohio equity capital; .4 percent on the next $1.1 billion of total Ohio equity capital; and .25 percent on the remaining total Ohio equity capital – above $1.3 billion.

Now I will briefly discuss the revenue foregone by the state per the deductions written into the FIT.

1) The Qualified Real Estate Investment Trust, which is to be phased out by tax year 2017, will only provide a $6 million dollar deduction across the board for Ohio banks over the biennium.

2) $13 million over the biennium will be foregone due to the deduction for assessments paid to the Division of Financial Institutions by state-chartered banks and thrifts only. These assessments are essentially the examination fees paid by banks for their rigorous review and is a 1-to-1 deduction.

3) The New Markets Tax Credit is a state extension of a federal program created to assist with economic development within low-income and typically urban areas. My members partner with investors, civic groups, neighborhood development organizations, and the cities to redevelop city centers. An example of this program at work can be seen just south of here on High Street near the Columbus Commons. Institutions are only eligible for this program if they also participate at the federal level.

4) The Venture Capital Loan Loss deduction is minimal at best simply because the vast majority of OBL's members are not permitted to participate in venture capital per regulatory restrictions. Ohio's banks are in the business of lending money and assisting customers with personal and commercial finance, not the high-risk world of venture capital investments.

Attached to my testimony are the Ohio Revised Code sections that describe the deductions. I will now answer any questions you have.