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# CRAIN'S CLEVELAND BUSINESS

## Ohio business incentives lag offerings by other states

*Tax changes help, but slow response hurts state's competitiveness*

By [JAY MILLER](#)

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A new study of Ohio's business incentives finds the state still needs to sharpen its efforts to compete with its neighbors despite tax changes enacted four years ago that have improved its ability to attract businesses and business expansions.

An analysis by a task force of state officials and economic development professionals, commissioned by the Ohio Department of Development, recommends a variety of changes to the way the state packages and delivers grants, loans and tax breaks to businesses looking to expand. The report can be found [here](#).

At the top of the list of changes is a recommendation that the state streamline the way it delivers its services. The task force found Ohio is slower to respond to businesses than other states and that state Development Department staff members are less able to make commitments without supervisor approval than their counterparts elsewhere.

"I think the programs and changes the task force came up with are pretty good," said Steve Weitzner, president of Silverlode Consulting Corp., a Cleveland economic development consulting firm, and a member of the task force.

"But delivering those programs and services to users, the businesses that are looking to expand in the state — that process needs to be streamlined and a little bit quicker and easier," he said. "Based on our experience, other states are much more customer-responsive."

On the plus side, tax reform enacted four years ago by former Gov. Bob Taft's administration helped level the playing field when competing against other states for business investment by reducing business tax rates and eliminating the personal property tax.

"Tax reform improved Ohio's competitiveness by 10% to 20%," the report said. "Ohio's combination of existing incentives and tax structure is competitive with the taxes and incentives available in other states."

Like its neighbors and other competing states, Ohio offers a variety of incentives to business. The enticements range

from low-interest loans to tax abatement to income tax credits. For instance, Ohio offers a tax credit against a business's income tax equal to a percentage of new state income tax withheld on new, full-time employees in the state.

But the task force argues that more can be done to improve the state's ability to attract new business.

## **Make it simple**

The report, which cost \$150,000 to produce, recommends simplifying the annual requirements for Ohio's job creation tax credit and changing the yardsticks used to calculate the size of job creation tax credit to make it easier to attract growing, high-tech industry.

"It would help us focus on emerging industries that don't bring as many jobs but bring higher (paying) jobs," said Jay Foran, senior vice president for business attraction at Team NEO, a nonprofit business attraction group.

The report also found Ohio's tax abatement law is complex and confusing and should be revised.

"Program requirements are difficult to understand and expensive for companies to fulfill," the report stated. "Reporting requirements are non-existent in some programs and overly complex in others, making it impossible for the Ohio Department of Development to accurately report program activities and outcomes to the general public."

The task force recommended that Gov. Ted Strickland's administration and leaders in the state Legislature sit down after the 2010-2011 budget is passed and come up with a new, simpler tax abatement policy.

"With a global economy that is more competitive every day, Ohio needs to ensure our business attraction and retention tools are responsive, effective and easy for companies to navigate," said Mark Barbash, interim director of the Development Department, in a statement.

Deb Janik, senior vice president of real estate and business development at the Greater Cleveland Partnership business advocacy group, realizes that government, because it must be accountable to taxpayers, is going to be slower and more bureaucratic than businesses.

"But anything that makes it easier and more effective to do business, we have to be for," Ms. Janik said.

In the study, Ohio was stacked up against Michigan, Indiana, Kentucky and Pennsylvania, as well as Alabama and North Carolina, which frequently compete with Ohio for business expansion projects.

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