

Columbus gets special treatment

Commercial activity in Dayton's foreign-trade zone will be taxed

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There is an old adage that you should never watch sausage being made or laws being enacted. I thought of it earlier

this summer when Gov. Bob Taft signed the two-year Ohio budget bill on June 30. Tucked in the thousands of pages of that legislation is some pork sausage that proves the old adage.

In this case, the sausage relates to foreign-trade zones in Ohio.

I have been involved in foreign-trade zones since the early 1980s, when the Dayton Development Council spearheaded a drive, along with the chamber of commerce, Montgomery County and Dayton, to create a foreign-trade zone. Currently, I am the foreign-trade zone's general counsel, and for 10 years I have been

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the chair of it.

Federally authorized foreign-trade zones encourage trade and commerce by deferring and exempting sales from customs and tariffs as long as the property is within a foreign-trade zone. There are more than 250 foreign-trade zones in the United States; eight are in Ohio.

The Greater Dayton Foreign Trade Zone No. 100 has produced jobs for the community by attracting new businesses and new lines of business. It continues to be a key part of any economic package to attract more jobs to the greater Dayton community.

Ohio also has given foreign-trade zones relief from the state's taxes on personal property and inventory. That exemption was promised, in part, on the fact that Ohio was one of very few states that imposed taxes on personal property and inventory.

The exemption gave Ohio a fair playing field with other states in its efforts to bring economic development to its foreign-trade zone sites.

The 2005 budget bill eliminated the tax on personal property and inventory and substituted, partly in its place, the CAT or commercial activity tax on gross receipts generated in Ohio.

The summer sausage in the 2005 budget bill is the wording of the exemption from the CAT tax for sales originating in a "foreign-trade zone." That sounds fair until you discover that the carefully crafted legislation defines a "foreign-trade zone" in a way that includes a trade zone in Columbus — and excludes all the others in Ohio, including those in Dayton, Cincinnati, Cleveland, Akron, Toledo and Wilmington.

Commercial activity in the Columbus site will be exempt from the CAT tax, but not in the others.

There's nothing about the Columbus zone that justifies preferred treatment. It's simply not fair for Ohio to tilt the playing field in favor of the Columbus trade zone, and against the others, including Dayton's.

State representatives and senators from area districts need to recognize and accept their responsibility to treat all Ohio foreign-trade zones the same.

Lawmakers can make a good case to exempt all Ohio foreign-trade zones from the CAT tax, or they could probably make a case not to exempt any Ohio foreign-trade zones from the CAT tax. They cannot make a case for giving just Columbus an advantage.

It's time to take this summer sausage back to the woodshed to be cured.

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