

## Ohio Steelmakers Call for Change in Personal Property Tax

Ohio steel companies are pursuing a reassessment of the depreciation schedule for the state's personal property tax on steel-producing equipment and technology. The steel industry maintains the schedule is inequitable and out-of-date.

Ohio's personal property tax depreciation schedule for steelmaking equipment was set some 60 years ago and no longer reflects the current mix of high-tech capital in Ohio's steel mills. Currently, in Ohio, steelmaking equipment depreciates at the slowest rate possible over the longest period of time (18 years).

The state of Indiana, by comparison, has just issued new depreciation tables for the steel industry, which are consistent with depreciation schedules for federal personal property tax. Indiana's steel industry can now depreciate capital equipment in seven years.

In Ohio, the slow rate of depreciation is a heavy financial burden for steel, which is one of the most capital-intensive industries in the state. The tax places Ohio steel companies at a competitive disadvantage with their counterparts in Indiana, Pennsylvania and Illinois.

Other capital-intensive industries in Ohio, such as the automotive, rubber, plastics and aluminum industries, are on shorter depreciation schedules.

The steel industry believes that a reassessment is needed because equipment employed in steel production has changed

radically in the last 10 to 15 years. Today, because of intense global competition and new technological capabilities, steel-making equipment must be replaced and updated on a shorter time cycle.

Each Ohio industry is assigned a depreciation schedule based on the estimated length of time equipment in that industry remains useful and current. Steel is in Class VI, the longest and slowest-moving depreciation schedule, whereas the aluminum industry is in Class V, and polymer and rubber are in Class IV.

Depreciation schedules can be changed by the tax commissioner or by the **Ohio Senate** and **House of Representatives**.

"The state's depreciation schedule suggests that steelmaking equipment has a useful life of 18-plus years, but this is not the case anymore. Much of the equipment in steel mills today, which is largely computer-driven, is on a much tighter replacement and upgrade schedule — five to 10 years for some equipment," explained Bob Lapp, vice president of government affairs at **The Timken Company** in Canton.

"To remain globally competitive, Ohio's steel industry must continually re-invest in state-of-the-art technology and equipment. It's for this reason that we're asking for an equitable and accurate depreciation schedule, comparable to those of other industries that we compete with in this state, such as the polymer and aluminum industries," Lapp said.

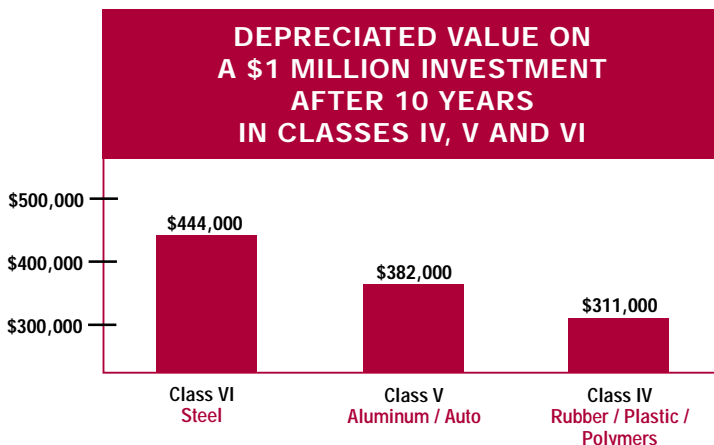


*An operator employs state-of-the-art technology to control steelmaking processes at an Ohio mill. Such computer-driven equipment is replaced or updated on a faster-moving schedule than traditional steelmaking equipment.*

Steel technology today is designed for improved productivity, quality control, safety and energy efficiency as well as for cleaner emissions.

Ohio steel companies point out that state tax revenues could increase rather than decrease with an adjustment to the depreciation schedule. That's because monies that would have gone to pay an unfair tax would be invested in capital equipment, making the steel industry more competitive and profitable.

Capital expenditures for Ohio steel producers exceed \$400 million annually, a figure that compares favorably with all other large manufacturing industries in Ohio. Ohio steel producers contribute approximately \$861 million in local and state taxes each year.



Source: Ohio Steel Council

# Health Insurance Mandates Drive Up Premiums

Employee health insurance premiums will cost Ohio's steel producers 40 percent more in 2002 than in 2000.

Annual increases of 20 percent or more are placing Ohio steelmakers in a situation where there are no acceptable options.

"What is one to do? Cut valuable benefits? Pass all of the cost on to employees? Try to absorb the cost? For a company that wants to remain profitable while serving its employees well, there are no tenable solutions in a situation like this," said Jim Cowan, co-chair of the Ohio Steel Council and general manager of **North Star Steel Ohio** in Youngstown.

One way in which the **Ohio House of Representatives** and **Senate** can address rising healthcare costs is to limit the number of health insurance mandates.

Currently, in the Ohio General Assembly, there are 13 bills mandating coverage for certain procedures, medication, equipment and supplies related to a variety of health conditions. See Senate Bills 45, 50 and 162, and House Bills 33, 39, 53, 86, 100, 110, 128, 170, 266 and 318.

"The steel industry recognizes that health insurance mandates are created with good intentions," Cowan said.

"Yet, it's important that legislators recognize the effect mandates have on Ohio companies trying to provide high-quality, yet economically viable health insurance for their employees."

Independent studies by the Lewin Group have shown that for every 1 percent increase in health insurance premiums, 30,000 people in the United States lose coverage.

In 2001, employers nationwide were faced with average premiums of \$588 per month per employee for family coverage, up 11 percent from 2000, according to a survey by the Kaiser Family Foundation.

In 2002, Ohio steelmakers are facing average premiums of more than \$700 per month per employee for family coverage, as compared to \$500 in 2000.

## OHIO STEEL DATA REPORT: Second Quarter 2001

Item	Quarter Ended June 30			Six Months Ended June 30		
	2001	2000	% chg	2001	2000	% chg
Steel Production (tons)	3,988,643	4,558,433	-12.50	7,573,262	8,850,630	-14.43
<b>Shipments (tons)</b>	<b>3,644,028</b>	<b>4,247,918</b>	<b>-14.22</b>	<b>7,247,165</b>	<b>8,410,820</b>	<b>-13.84</b>
Payroll	\$290,861,148	\$351,484,788	-17.25	\$569,381,259	\$671,812,145	-15.25
<b>Average Employment</b>	<b>21,167</b>	<b>23,876</b>	<b>-11.35</b>	<b>21,435</b>	<b>23,898</b>	<b>-10.31</b>
Capital Investment Spending	\$25,899,347	\$71,731,715	-63.89	\$64,469,667	\$131,992,361	-51.16

© 2001 OSIA/C 450193/1201/100

**www.ohiosteel.org**  
**1-800-OHIOSTEEL (644-6785)**  
 OHIO STEEL INFORMATION LINE AT  
 FOR MORE INFORMATION, CALL THE

**Council Members:**  
 AK Steel Corp.  
 LTV Steel Company  
 North Star Steel Ohio  
 Ohio Department of Development  
 Ohio House of Representatives  
 Ohio Senate  
 The Ohio State University  
 Pittsburgh Logistics Systems, Inc.  
 PRO-TEC Coating Company  
 Republic Technologies International  
 Stark State College of Technology  
 The Timken Company  
 United Steelworkers of America  
 USS Lorain Pipe Mills  
 WCI Steel, Inc.  
 Wheeling-Pittsburgh Steel Corp.

OHIOSTEEL **REPORT**  
 is published by the Ohio Steel Industry  
 Advisory Council



Ohio Department of Development  
 77 S. High Street / 28th Floor  
 Columbus, Ohio 43216

**ADDRESS SERVICE  
 REQUESTED**

BULK RATE  
 U.S. POSTAGE  
**PAID**  
 YOUNGSTOWN, OH  
 PERMIT NO. 225