

## TAX REFORM PACKAGE WOULD PHASE OUT TAXES THAT UNFAIRLY BURDEN THE MANUFACTURING SECTOR

### Approval Sets Stage For Technology Investments, Industry Growth and Job Creation

Ohio steel producers are anxiously awaiting final approval of a five-year tax reform package that could phase out an inequitable tax burden that the manufacturing sector has carried for many decades.

The tax reform package will phase out two onerous taxes for the manufacturing sector, the Tangible Personal Property Tax and the Corporate Franchise Tax; phase in one new tax, the Commercial Activities Tax; and increase some already existing taxes, most notably, the Kilowatt-Hour Tax.

As part of the budget bill, the tax reform package has been approved by the **Ohio House** (H.B. 66) and now goes on to the **Ohio Senate** (S.B. 1), where its approval is expected in early May.

Ohio steel producers are by and large very pleased with the tax reform package, albeit with some concerns about the kilowatt-hour tax. The Ohio steel industry is one of the largest consumers of electricity in the state.

The Ohio Steel Council applauds the House and Senate, as well as Governor Bob Taft for putting forth a tax reform plan that will more equitably tax Ohio businesses, and will create the right environment for investment and business growth.

"The current proposal should provide a stimulus for the Ohio economy and should help the steel industry by relieving some of the tax burden it has borne for decades," said Bob Lapp, vice president, government affairs, **The Timken Company**, Canton, Ohio.

For many years, the steel industry has maintained that the personal property tax places an unfair burden on capital-intensive industries, such as steel.

Both the personal property tax and the corporate franchise tax require businesses to pay taxes whether they are making money or not. The corporate franchise tax taxes a company's net worth or net income, whichever is higher.

"Eliminating these two taxes will relieve some downward pressure when the steel industry's business cycle begins to shift, as it will some day in the future," Lapp said.

The tax reform package calls for the personal property tax to be phased out over

***"The current proposal should provide a stimulus for the Ohio economy and should help the steel industry by relieving some of the tax burden it has borne for decades."***

***Bob Lapp, vice president, government affairs,  
The Timken Company***

the next five years, with the machinery and equipment tax eliminated in two years and the inventory tax eliminated in five years. The corporate franchise tax would be phased out over five years.

"Forcing a company to pay a tax when it is not earning a profit takes cash reserves out of the treasury that could otherwise be spent to update equipment and make the company more competitive," Lapp explained.

"Once these reforms are fully implemented, Ohio companies will be able to reinvest in their businesses without being saddled with additional tax burden based on that investment," Lapp said.

#### ***New Tax and Tax Increases***

To be phased in over five years, the commercial activity tax taxes gross proceeds from in-state sales only. Unlike the franchise and personal property taxes, it does not disproportionately penalize any particular business sector, as all sectors will pay the same rate for business conducted within the state.

Companies with in-state sales of less than \$1 million will pay \$100; those with sales of more than \$1 million will pay \$100, plus a 0.26 percent tax on all in-state sales in excess of \$1 million.

The rate structure for the commercial activity tax is not set in stone. The tax reform package allows rate adjustment reviews at two, three and five years, which bear watching. At each review, the legislature may raise or lower the rate through legislative action if collections are plus or minus 10 percent of estimated receipts.

The kilowatt-hour tax is a three-tiered increase in the tax for electricity consumption. The highest tier (30 percent) would be for home users, while the lowest tier (17 percent) would be for major users, such as the steel industry.

The steel industry has reservations about this tax and will look forward to discussions in the Senate.

"If it passes in its current state, this tax will have to be watched closely for any changes or increases that could adversely affect business growth," Lapp said.

### Ohio Tax Reforms Affecting The Manufacturing Sector

Tax	Proposed Status
Tangible Personal Property Tax	Eliminate – to be phased out over five years
Corporate Franchise Tax	Eliminate – to be phased out over five years
Commercial Activities Tax	New – to be phased in over five years
Kilowatt-Hour Tax	Increase – three-tiered increase effective July 1, 2005

# GOVERNOR TAFT APPROVES OHIO STEEL COUNCIL MEMBERS

Ohio Governor Bob Taft has approved new and current members to the Ohio Steel Council.

**William A. Brake**, executive vice president, eastern operations, **Mittal Steel USA**, Richfield, Ohio, will be co-chair of the Council, pending a vote by the Council at its May 4 meeting in Columbus. He will serve with co-chair **Bruce E. Johnson**, director of the **Ohio Department of Development**.

Previously, Brake served as the vice president and general manager of ISG Cleveland. Before joining ISG in 2002, he served as manager of LTV Steel Corp.'s hot strip mill in Cleveland.

Johnson is Ohio's lieutenant governor, as well as director for the Ohio Department of Development, a position he has held since 2001. Prior to becoming development director, Johnson served as a member of the **Ohio Senate** from 1994 to 2001.

**David L. Caldwell** serves as the political and legislative coordinator for Ohio and as a sub-district director for the **United Steelworkers of America**. A member of the USWA since 1970, he joined the USWA staff in 1995.

**Joseph F. Lapinsky** serves as president and chief executive officer for **Republic Engineered Products, Inc.**, Fairlawn, Ohio.

Beginning his steel industry career in 1973, Lapinsky previously served as president and chief executive officer at Republic Technologies International, the predecessor to the current company.

**Roger Lindgren** is the president and chief executive officer of **V&M STAR**, Youngstown, Ohio, a position he has held since 2003. Before his tenure at V&M Star, he served as president of VAM PTS, a V&M company in Houston, Texas, that manufactures premium threads for oil country tubular goods.

**David R. McCall** is the District 1 director of **United Steelworkers of America**, Columbus, Ohio, a position he has held since 1999. A member of the USWA since 1970, he joined the USWA international staff in 1986 and most recently served as the sub-district director and assistant director for USWA District 7.

**Alan H. McCoy** serves as vice president of government and public relations for **AK Steel Corp.**, Middletown, Ohio. Beginning his steel career in 1976, McCoy previously served as the vice president of public affairs for AK Steel.

**Mark P. Morelli** is the vice president of operations for **Wheeling-Pittsburgh Steel Corp.**, Wheeling, W.Va., with Ohio operations in Martins Ferry, Mingo Junction, Steubenville and Yorkville.

**Patrick G. Tatom** is the president and chief executive officer of **WCI Steel, Inc.**, Warren, Ohio. Tatom has been with WCI since its inception in 1988, most recently as its executive vice president and chief operating officer. Before coming to WCI, he worked for 13 years at the former LTV Steel Corp. in various sales and marketing management positions.

**W.J. Timken, Jr.**, serves as the president of steel operations at **The Timken Company**, Canton, Ohio. Timken has been with The Timken Company since 1992, most recently as the corporate vice president of the office of the chairman. He was elected to the Timken Board of Directors in 2002.

**Scott M. Dorn's** appointment to the Council is pending the governor's approval. Dorn serves as the manager of the **Lorain Tubular Operations, U.S. Steel Corp.**, Lorain, Ohio. Dorn began his U.S. Steel career in 1986, where he last served as its manager of business development.

A member of the **Ohio House** and **Ohio Senate** will also sit on the Ohio Steel Council, but these appointments are pending. In addition, two representatives from the Ohio Board of Regents will be added upon nomination and approval.

© 2005 OSIAC OSC892/0505/100

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

**Council Members:**  
AK Steel Corp.  
Lorain Tubular Operations, U.S. Steel Corp.  
Mittal Steel USA  
Ohio Department of Development  
Ohio House of Representatives  
Ohio Senate  
PRO-TEC Coating Company, U.S. Steel Corp.  
Republic Engineered Products Inc.  
The Timken Company  
United Steelworkers of America  
V&M STAR  
WCI Steel, Inc.  
Wheeling-Pittsburgh Steel Corp.

is published by the Ohio Steel Industry  
Advisory Council.

**OHIO STEEL** *Pride & Progress* **REPORT**

**ADDRESS SERVICE  
REQUESTED**

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

**OHIO STEEL** *Pride & Progress*

PERMIT NO. 225  
YOUNGSTOWN, OH  
**PAID**  
U.S. POSTAGE  
PRESORT STANDARD