



OHIO  
AUTOMOBILE  
DEALERS  
ASSOCIATION

**Zach Doran**

*President-Elect, Ohio Automobile Dealers Association*

May 23, 2016

Dear Governor Kasich, President Faber and Speaker Rosenberger,

On behalf of the Ohio Automobile Dealers Association and the 835 franchised motor vehicle dealer members around Ohio, we would like to offer our support of the efforts of the Legislature and the Administration to eliminate the outstanding unemployment compensation debt with a short term loan before additional federal penalties are levied against Ohio's dealerships and other businesses. We also support the idea to stabilize the unemployment compensation system to provide certainty in the business environment here in Ohio.

Between 2008 and 2014, Ohio borrowed over \$3 billion from the federal government to pay unemployment benefits. This loan came with a 2 year grace period and subsequent interest penalties that have consistently increased the federal unemployment tax (FUTA) on employers. Right now, Ohio still owes roughly \$315 million. By this fall, the amount should be somewhere between \$225 and \$240 Million. This outstanding debt means dealerships across Ohio pay \$147 per employee while the regular, or base, FUTA should be \$42 per employee. If nothing is done, this will increase to \$168 per employee in 2017.

The plan being discussed would borrow money from the state to pay off the federal loan on September 30. This would cause the federal interest penalties to stop and the base rate to return to \$42 per employee. In order to repay this short term loan, the state will add a one-time surcharge of roughly \$45 per employee to next year's state unemployment tax bill. The surcharge plus the normal base would result in each employer paying about \$87 per employee. This is roughly half of what the cost would be if nothing is done and the FUTA increases.

Last year, OADA members paid approximately \$8.8 million into the fund. In fact, many OADA member dealership groups are paying well north of \$100,000 annually.

While we look forward to reviewing the enabling legislation, OADA supports this effort to pay off this loan and reduce this burden on dealerships and other businesses around the state. We also look forward to working with you to implement safeguards to keep the fund solvent so this problem does not occur again in the future. We anticipate this will be a benefit to Ohio's employers and economy and will represent a collaborative effort to reduce taxes on businesses. This significant savings can be re-invested into the economy to spur additional growth.

We look forward to continued dialogue surrounding this issue in an effort to provide stability and certainty to Ohio business owners and dealerships around the state.

Sincerely,

Zach Doran  
President-Elect