

By Rebecca Patrick

Legislative Outlook

Chamber Unveils 'Top 10' List

While time is definitely a factor, short legislative sessions can produce landmark results. One only has to look back to 2012 when Indiana became a right-to-work state and passed a comprehensive public smoking ban.

So there is much optimism for 2014 that critical public policies can and will get sincere consideration. Two of these include addressing the state's high business personal property tax and how Indiana can pay for some form of state-funded preschool. Both have received support from legislative leadership and also are key objectives of the Indiana Chamber of Commerce.

"While the state's tax climate is good, the one area in which we stand out negatively is business personal property tax (of machinery and equipment). Some states don't tax it at all, and Indiana's rate is among the highest in the country," explains Indiana Chamber President and CEO Kevin Brinegar.

"There is no doubt the tax greatly discourages new investment by businesses. However, this is a complicated issue because it directly provides almost a billion dollars in revenue for local governments, so there has to be a delicate balance struck." (See Page 49 for more details.)

Meanwhile, all four General Assembly caucus leaders have gone on record as welcoming a pre-school initiative. Brinegar believes it's a much-needed step "for low-income families as a way to help close the preparation gap for these students so they arrive in kindergarten and first grade on a more even playing field.

"If we want our graduation rates to improve and our dropout rates to decline, if we want students to graduate high school and be college and career ready, that means starting these students along the proper education road as soon as possible," he concludes.

On the health care front, the Indiana Chamber is focused on tobacco use and the hiring process.

Currently, individuals are covered by what is termed the smokers' bill of rights for prospective employees. That means employers cannot ask them whether or not they smoke, much like they are prohibited from inquiring about religion or ethnicity.



Brinegar says treating tobacco use, which is a personal choice, to the same standards as discrimination based on race, gender and other inherent and common sense protections is arbitrary and without justification. Plus other voluntary actions like substance abuse or having a criminal record are allowed to be investigated in the interview/hiring process.

"This special right is simply unnecessary," he asserts. "By repealing it, employers would be allowed to consider prospective (but not current) employees' smoking or tobacco habits in the hiring process, and also be able to provide differential health care co-pays and deductibles for those who smoke."

Below is the full list of the Indiana Chamber's top priorities for the 2014 General Assembly; all have been identified for their ability to help maintain and promote a pro-jobs, pro-economy climate.

CIVIL JUSTICE

- Support regulating the practice of lawsuit lending, in which a third party provides a plaintiff a cash advance loan while the legal case is pending. In turn, a plaintiff agrees to repay the advance (which is usually at a high interest rate) from the lawsuit proceeds. This practice complicates the legal process by forcing more cases to go to trial because the plaintiffs can't afford to settle due to their repayment agreement with the lender. As a result, more Indiana businesses pay expensive legal fees. This lending practice is legal in most states, but regulation and transparency do not exist in Indiana.

ECONOMIC DEVELOPMENT

- Support a voluntary vehicles miles travelled (VMT) pilot program as a potential replacement for existing fuel taxes. With Indiana's already insufficient fuel tax revenues for roads/transportation trending down and more fuel efficient and electric/hybrid vehicles on the roads, a new funding mechanism for road maintenance needs to be found. Owners of alternative-fuel vehicles, including electric vehicles, should pay for the roads they use just like other drivers. Voluntary VMT pilots in other states are currently taking place and Indiana cannot afford to ignore this potential road funding alternative.
- Support expanding the patent-derived income tax exemption to the pre-patent phase. This incentive change would allow innovative, high-tech businesses that typically pay high wages to qualify during the earlier patent-pending phase of the (often long) patent application process, thus carrying forward any credit. Many emerging businesses would find this helpful in capitalizing their start-ups and expanding hiring. (Current law



states you must have had a patent issued by the federal government before you can apply for the exemption.)

EDUCATION

- Support maintaining high-achieving academic standards, such as the Common Core, and allowing the State Board of Education (SBOE) to determine student assessments. Indiana needs standards that improve student learning and meet the college- and career-ready requirement. The testing component of the standards can best be determined by the SBOE.
- Support a framework for the future development of publicly-funded preschool initiatives for low-income families. There is critical need for improved preschool opportunities, especially for low-income children whose families may not have the means to provide a high-quality preschool experience or to provide needed learning opportunities in the home. The Indiana Chamber supports publicly-funded preschool programs that are: focused on those families in greatest need, limited to initiatives that maintain parental choice, focused on concrete learning outcomes and integrated with reforms at the elementary school level that will maintain and build upon the gains.

ENERGY/ENVIRONMENT

- Support a water policy to stabilize our economic future and effectively compete with other states. A policy/plan is needed in order for the state to effectively manage its significant water resources, as well as to ensure delivery of an adequate, reliable and affordable supply of water.

HEALTH CARE

- Support repealing the smokers' bill of rights for prospective employees from the Indiana Code. The Indiana Chamber believes that all employers should have the right to choose whether or not to screen and/or hire prospective employees who use tobacco products. Since employers are footing most of the bill for health care costs for their employees, they should be able to have some discretion in determining whether new employees use tobacco products or not.
- Support reinstating the wellness tax credit. The Indiana Chamber supports this incentive to start a wellness program, which can increase attendance, boost morale and productivity, as well as positively impact health care coverage costs.

LABOR RELATIONS

- Support a work sharing program that will allow employers to maintain a skilled stable workforce during temporary downturns.

Let's Keep Personal Property Tax Discussion in Perspective

By Bill Waltz

While nobody likes taxes, some are truly more detrimental than others. That's why our legislative leaders have made it a priority in 2014 to look at reducing the state's dependence on the taxation of business machinery and equipment.



The prime recipients of these tax dollars are local governments (to the tune of approximately \$1 billion). Everybody wants them to provide the services and infrastructure necessary to make their community an enjoyable place to live. So fair revenue replacements can and will be found to protect the integrity of needed local government operations.

Still, there is no arguing that only a handful of states tax personal property at a higher rate than Indiana.

Tax policy experts, economists and academics acknowledge that this type of tax deters investment in new capital. And new investment in the capital – machines and equipment – that is necessary for a business to expand and thrive should be encouraged, not discouraged.

New investments mean the business is growing. In turn, workers are being added and the company is spending money on the services and products of other local businesses. Essentially, the businesses that local communities depend on to employ their residents are more motivated to invest in the community. All true economic growth comes from a strong business community. Without it, government will have nobody to serve.

Striving to further improve our tax climate and make Indiana as competitive as it can possibly be is a goal that should be embraced by all who want their communities and state to reach their greatest potential. So, let's keep these things in mind as the debate progresses in the General Assembly on this initiative.

Employers then could reduce hours without layoffs, enabling workers to keep their jobs – which hopefully could be returned to full-time status once economic circumstances improve. Also part of the equation: unemployment compensation to partially compensate workers for their lost hours.

LOCAL GOVERNMENT

- Support common sense simplification and reforms to local government structures and practices. Creating the option for counties to have a single county commissioner and county councils with legislative and fiscal responsibilities is one that several Indiana counties desire. There should be incentives to reward local government efficiencies and performance in the delivery of services to taxpayers.

TAXATION

- Support legislation to reduce the dependence on the taxation of business machinery and equipment. This tax discourages capital investment, places a disproportionate property tax burden on businesses and puts Indiana at a competitive disadvantage with surrounding states that have eliminated it or are moving to do so.