

Confronting a Statewide Parking Tax: The Ohio Experience

By Eric Swenson

It's no secret—the U.S. economy has been in a slump since before the 2000 presidential election. The poor economic condition has been exacerbated by the events of 9/11. Current economic trends indicate that personal spending is down, unemployment is rising, profits are down, and companies are tightening their belts to survive. Thankfully, interest rates have decreased, and there has been no repeat of the “stagflation” that plagued the nation a quarter of a century ago. However, when corporate and personal income is down, tax revenue for states decreases as well. And when state tax revenue is down, state services suffer, school districts have less income and cut services for children, roads don't get repaired, and services to low-income families dwindle. It's no surprise, then, that state legislators, to generate more tax revenue in an effort to save state programs, are scrambling to find more corporate entities to exploit. Such was the case recently in Ohio.

In February, legislators in the state of Ohio set forth an 81-point tax proposal prepared by Governor Bob Taft and his department of taxation for the purpose of increasing tax revenue to aid the shortfall in the state's budget. Within that proposal was an item aimed at parking facilities—an item that would have netted the state approximately \$45 million over a two-year period by extending a five percent state sales tax on parking revenues.

In a time when unemployment is up and commercial occupancy rates are down, parking companies are already taking a serious revenue hit. Moreover, intense competition among rival parking companies has resulted in lower parking fees over the past few years. And with the possibility of a considerable tax burden proposed by the governor, it didn't take long for the “Big Guns” of the parking industry in Ohio to realize the gravity of their situation. They had to organize, and organize they did!

Dennis McAndrew, President of the 54-year-old Ohio Parking Association (OPA) in Cleveland, wasted no time circling the wagons and calling upon major players in the parking industry statewide to convene meetings and plan a counterattack against the tax. The result was powerful. “One of the things Ohio has been very good at,” McAndrew believes, “is having strong local parking associations.”

One parking operator put it this way: “The OPA is like no other trade association because members have been able to, effectively over the years, put rivalries aside and come together in a meeting room for an issue such as this and discuss the matter—it affects all of us equally. By putting together our best thinking, by putting together our best intelligence, by putting together our best plans, we can effectively speak as one loud voice rather than as separate individuals.”

Due to OPA's efforts, state parking industry leaders were better able network,

share resources, and craft a multi-faceted plan to counter the governor's tax proposal, relying upon the individual strengths of each association member in various aspects of the campaign. As a result, their collective voices were heard as one strong voice by legislators.

To guide them in the fight, the OPA hired consultants who developed a Web site (www.parkingtax.com) where individuals could log on to learn more about the proposed tax and what they could do to prevent the tax from coming to a vote. The site had an enormous impact—there were thousands of hits.

"I was so impressed with how well it worked," says Mark Muglich, Senior Vice President of Ampco System Parking in Cleveland. "I went to the site on the first day it was up and entered my name in the online petition. A week later, I got an envelope in the mail with two completed letters, one to my state senator, and one to my state representative, on *No Parking Tax* letterhead. All I had to do was sign the two letters, put them back in the envelopes, and send them out. That's efficient!"

The consultants also identified key people in the state legislature to whom interested individuals should bring their concerns, therefore bypassing the bureaucratic quagmire that is the embodiment of most legislatures. These key legislators were those more receptive and sensitive to the parking tax issue than others, and therefore better able to comprehend the total potential impact of the tax. They also had the political power to make a significant difference in the outcome of the debate.



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Anti-Tax signs were displayed at many parking locations to generate interest among the general population and show solidarity among parking operators.

To educate parking patrons of the proposed tax and its effects, the consultants helped create an anti-tax petition that was delivered to parking customers to read, fill out, and return to the parking company or send directly to the legislators themselves. Tens of thousands of these petitions were distributed. Muglich notes that more than twenty thousand petitions were distributed

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in Cleveland by Ampco System Parking alone! Landlords and building managers were also contacted and encouraged to write or call their state congressional leaders to express concern about how the proposed parking tax would affect their business. Signs were displayed at nearly every parking location to help generate interest among the general population and to show solidarity among the parking operators. Many businesses that have regularly been a target of similar tax proposals, businesses such as hotels, restaurants, and office buildings, also displayed signs sympathizing with the parking operators.

In Cleveland, Muglich was concerned about the tax's effect on event admission, amusement park admissions, etc. Therefore, he communicated the issue to the Downtown Cleveland Partnership that, along with the Greater Cleveland Growth Association, formed a committee on which he participated. The committee contacted such entities as the Cleveland Browns, the Cleveland Indians, the Cleveland Cavaliers, Cedar Point Amusement Park, and the Convention and Visitors Bureau to make them aware of the governor's proposal. Surprisingly, most were completely unaware of the proposed tax that would affect their gate receipts. "It was important to get these people on our side," Muglich explains. "[They] carry a heck of a lot more weight than just a bunch of parking guys."

The organizations the committee contacted formed a taskforce and spent

\$10,000 to hire an economist to write a report supporting the contention that an additional sales tax on parking and admissions was bad for the city and the state because it could ultimately result in a decline of other tax revenues. "If a statewide tax on parking services was implemented," Muglich says, "people may not buy football, baseball, or basketball tickets. People may not come downtown to go to dinner."

The economist's report argued that the proposed tax was discriminatory against downtowns. "The thing about the Ohio state tax code," says Muglich, "is that it's supposed to be uniform and consistent. It's not supposed to target selected individuals." This tax, in the form presented by the governor, *did* discriminate against downtowns and their customers.

In Cincinnati, Craig Barber, Regional Manager of Central Parking, worked the phones, met with important legislators, wrote dozens and dozens of letters, and vehemently encouraged others to get involved.

Barber brought a tremendous amount of experience to the table, having moved to Ohio from New York where he fought a good but ultimately futile battle against a parking tax. In New York, the parking tax legislation was passed in the middle of the night with no prior warning. His subsequent efforts were spent forcing the legislature to provide a clear interpretation of the law. Says Barber: "We lost contracts as a consequence of being a taxable entity." Barber also recalls being forced to operate next to a municipal facility that didn't have to pay the property tax his company paid. Adding insult to injury, he was forced to pay a sales tax—a tax from which municipal facilities were exempt. "I'm very grateful for the timeframe we had in Ohio," he says. "We were able to make a splash here."

The statewide anti-tax efforts culminated when Dennis McAndrew and NPA President David Groene, President of Olympic Auto Park, Inc. in Cincinnati, appeared before the Ohio House Ways and Means

Committee on March 27 to speak as the united voice of the OPA. They presented a detailed 12-point line of reasoning against the implementation of the proposed parking sales tax. One source close to the action stated that these points weren't as self-serving as some people might imagine; they were points directed toward maintaining occupancies and employment in the urban areas of Ohio, and showed that the surplus in commercial occupancy hurts *everybody*: building owners, property managers, and parking operators, all of which would not be able to take another hit, and taxing them would simply be bad economics.

The execution of the Ohio Parking Association's multi-pronged attack wasn't easy, nor was it cheap. An operator in Cleveland estimates that over \$100,000 was spent in the battle against this tax proposal, not to mention the hundreds of man-hours devoted to the cause. The money was definitely well spent, however; it paid for consultants, an economist, the cost of printing flyers, petitions and signs, and most importantly, political contributions to key legislators in the districts where parking operations are located.

Another factor that was critical in challenging the tax is the current economic condition. It's hard to justify squeezing the turnip for an additional drop of blood, especially when the turnip has been hemorrhaging for years. "[The tax proposal] may have been more difficult to defeat had times been better," says Barber. Even in a thriving economy, however, the approach would have been the same—the OPA and its members would still have come out fast and strong.

There is a lot to learn from the experience of the Ohio Parking Association. First, says Muglich, "Don't wait until you have a problem to get to know your state legislator. If the first time they hear your name is when you have a problem, they aren't going to be worried about your problem. I know that every parking operator on a local level knows their councilman and their

mayor, and they make the appropriate contributions on the city and maybe even on the county level. But I don't think many of us pay attention on the state level. I know I'd get requests for fundraisers from state legislators and I'd throw them away. I mean, how can these people impact me? Well, let me tell you, they got *my* attention!"

Second, when it comes to getting the news out, "Don't assume," Muglich warns, "that everybody else who should be interested knows that it's an issue." Networking and information dissemination are essential to good planning and execution.

Finally, it pays to be a member of industry associations and to get involved at all levels. Associations become stronger with each new member. As evidenced in Ohio, associations can better represent the desires of an industry than can the individual alone.

Dennis McAndrew has received high praise from several operators for his willingness to throw himself into the fray for the sake of the OPA, its members, and the industry. This is in stark contrast, according to Barber, to what happened in New York where there weren't strong local or state trade associations that were willing to "put their arms around each other," combine forces, and stand and fight, tooth and nail, the parking tax. Consequently, the New York legislature was able to run roughshod over the entire parking industry at will.

So, what will be the outcome of so much effort? As of this writing, the tax proposal has been killed in the Ohio House of Representatives, it has not been resurrected in the Ohio Senate, and it seems very likely that the proposed five percent sales tax on parking will remain lifeless, at least in the current legislative session. The strategy of the Ohio Parking Association has paid favorable dividends thus far, but the battle is never over. When the battle comes around again—and it will, it always does—there'll be some veterans nearby who know the score, and you can bet they'll be prepared. ^P