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High taxes rank city low for business

Post staff report

Cincinnati has suffered a double whammy.

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Two weeks ago, the U.S. Census Bureau estimated the city's population decreased 6.8 percent the past five years, the highest rate of any major American city. Now, the Kosmont-Rose Institute Cost of Doing Business Survey has found that Cincinnati is the second most expensive city in the nation for companies to do business. Only Philadelphia is costlier.

The 12th annual survey, conducted by the Rose Institute of State and Local Government at Claremont McKenna College in Claremont, Calif., compared taxes, fees and other costs that affect businesses in nearly 400 American cities.

"Cincinnati, unfortunately, has a number of high tax categories," said Larry Kosmont, president of Kosmont Companies, who created the survey 12 years ago. "In Cincinnati, you're looking at high property taxes, fairly high state and local income taxes, a high sales tax and a high business license tax.

"Utility taxes are fairly low, but other than that Cincinnati hits high notes in just about every tax area. Property taxes are much higher than most other cities in the country."

University of Cincinnati economics professor George Vredevelde, director of the Economics Center for Education and Research, said the survey is not helpful to Cincinnati's image.

"I would prefer we not be ranked like that, but I think I would accept the survey's findings that this is a fairly high-tax area," he said. "We're not known as a low-tax area, that's for certain."

David Huntoon, a fellow at the Rose Institute, said the survey, based on averages, calculated Cincinnati's wage tax at 2.1 percent, sales tax at 7 percent, property tax at 4.2 percent and utility tax at 4.75 percent.

"The wage tax is something you don't see in some cities, and the 4.2 percent property tax is high," said Huntoon. "In most California cities, property taxes are around 1 percent.

"When you have all these different taxes, and some are on the high side, put them all together and it doesn't paint a particularly pretty picture."

Despite Cincinnati's poor showing on the tax survey, both Vredevelde and Kosmont noted that other factors can be even more important for companies choosing a location.

"For instance, the quality of the labor force and the availability of good transportation can be so important that they outweigh the tax issues," said Vredevelde.

Kosmont agreed but said taxes can be "the tie-breaker" when companies decide where to locate.

According to the survey, the least expensive city in the country to do business is Cheyenne, Wyo.

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