

Interested Party Testimony  
Prepared for Amended Substitute House Bill 166  
The Ohio Senate Finance Committee

Chair Dolan, Vice Chair Burke, Ranking Member Sykes, and Members of the Ohio Senate Finance Committee, thank you for this opportunity to offer interested party testimony on Am. Sub. House Bill 166. I'm Greg Saul, Director of Tax Policy for The Ohio Society of CPAs (OSCPA).

In June 2016, we issued our Ohio Tax Reform Task Force report to the Ohio 2020 Tax Policy Study Commission. Our report was guided by the five elements that are widely accepted as key tenets of a quality tax system: *competitiveness, simplicity, stability, equity/fairness and neutrality*.

One of the recommendations we made in our report was to reduce the income tax brackets to no more than five brackets. Reducing the number of brackets should bring greater simplicity to the personal income tax structure. The previous budget bill (H.B. 49, 132<sup>nd</sup> GA) reduced Ohio's income tax brackets from nine to seven, and H.B. 166 now gets Ohio down to five. We support the reduction in brackets.

Another one of our recommendations concerned the sales/use tax: Ohio ensuring that out-of-state remote sellers are collecting tax that is currently due by Ohio taxpayers under existing law. The language that brings Ohio into line with the *Wayfair* decision addresses this issue, and assures competitiveness and fairness.

OSCPA has a longstanding position that the Commercial Activity Tax (CAT) is effective as long as the following criteria remain intact: a low rate, broad base, few exemptions, and simple compliance. We appreciate that no substantive changes were made to the CAT.

We also support H.B. 166's inclusion of language ensuring CPAs can be confident they will not lose their license to practice public accounting solely for providing much needed guidance to Ohio's new medical marijuana businesses. Current conflicting federal laws raised concerns with our members and the Accountancy Board of Ohio alike.

Finally, OSCPAs has consistently encouraged our state leaders to carefully and periodically evaluate **all** tax expenditures to ensure they are meeting their intended goals. For this reason, we fully supported H.B. 9 (131<sup>st</sup> GA) that created the Tax Expenditure Review Committee. The previous General Assembly (132<sup>nd</sup> GA) reviewed the first 15 sales/use tax expenditures, and the remainder of the sales/use tax expenditures are scheduled to be reviewed during the current 133<sup>rd</sup> GA. The Business Income Deduction (BID), code 2.11, is scheduled to be reviewed in the 134<sup>th</sup> GA with all of the other Individual Income Tax Expenditures. We urge you to remove the BID changes from H.B. 166. Any needed adjustments should be made only after the necessary data has been gathered and carefully considered, with input from all interested parties.

The intent of the BID is that it: 1) allows business owners to reinvest more of their own money in expanding their Ohio presence, buying new equipment, hiring more workers, increase wages, improve retirement and healthcare benefits, etc., and 2) puts pass-through entities (PTE) on a more equitable playing field with C corporations, who only pay the CAT.

OSCPA surveyed our 17,000 CPA members on the proposed BID changes, and we heard a number of concerns about the negative impacts on Ohio businesses of reducing the deduction from \$250,000 to \$100,000, eliminating the flat 3% rate and making these changes retroactive to taxable years beginning on or after January 1, 2019.

Business owners have been in good faith planning and implementing changes to their business operations since January 1<sup>st</sup> based on the current laws. Changing these laws several months into 2019 after business expenditures have already been made, whether it be through hiring more people, purchasing equipment, goods or services, or other operational changes, is unfair to impacted Ohioans. Further, estimated tax payments for the first quarter were already made by April 15, and the second quarter payments are due by June 15. Businesses should not be punished with unexpected tax obligations, including penalties and interest, simply for complying with current law.

Elimination of the flat 3% rate on income over \$250,000 will have a negative impact on Ohio businesses. If adopted, a number of our members have said companies they work with will pull back on plans for proposed business expansion in Ohio.

The Ohio Society of CPAs stands ready to assist members of the Ohio General Assembly and the DeWine Administration on the important, ongoing effort to make Ohio a destination state for employers, as well as the skilled workers they need to thrive.

On behalf of OSCP, I appreciate your willingness to hear our views concerning Am. Sub. House Bill 166 and would be happy to answer any of your questions.