

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

Chair Oelslager, Vice Chair Scherer, Ranking Member Cera, and Members of the Ohio House Finance Committee, thank you for this opportunity to offer interested party testimony on Substitute 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, 132nd 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 the sub bill'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 (131st GA) that created the Tax Expenditure Review Committee. The previous General Assembly (132nd 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 133rd GA. The Business Income Deduction (BID), code 2.11, is scheduled to be reviewed in the 134th GA with all of the other Individual Income Tax Expenditures. Any needed adjustments should be based on data that has been 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 footprint, buying new equipment, hiring more workers, etc., and 2) puts pass-through entities (PTE) on the same taxation level as other forms of business such as C corporations, who only pay the CAT.

OSCPA is still in the process of gathering feedback from our 26,000 members on the proposed BID changes, but we have already heard a number of concerns about the negative impacts on clients, including the retroactive effective date being applied back 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 1st based on the current laws. Changing these laws several months into 2019 after business expenses 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.

While we know it is not in the sub bill, we are also aware that serious consideration is being given to eliminating the flat 3% rate on income over \$250,000. Again, we are still gathering input from our members but already have heard a number of concerns about the negative impact this change will have on their clients should it be adopted, including pulling back on plans for proposed business expansion.

The Ohio Society of CPAs stands ready to work with 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 Substitute House Bill 166 and would be happy to answer any of your questions.