



**Proponent Testimony on House Bill 334
House Ways & Means Committee**

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October 10, 2017

Chairman Schaffer, Vice Chair Scherer, Ranking Member Rogers and members of the House Ways and Means Committee, my name is Terrence O'Donnell and I serve as legislative counsel for Minute Men, Inc. Thank you for the opportunity to share my perspective this morning and testify in support of HB 334.

Founded in 1968, Minute Men is a group of HR-related companies headquartered in Cleveland, Ohio. We are proud to report that our company has grown to become one of the largest private employer service organizations in the United States. Whether a business needs a few temporary landscaping workers or hundreds of long-term employees, Minute Men can assist with their staffing and HR needs. We also provide on-site recruitment and management, as well as payroll and workers' compensation services to all of our clients.

Minute Men Select – a subsidiary of Minute Men – is a “Professional Employer Organization.” PEOs are entities designed to help businesses of all sizes with their HR-related needs. For example, we assist our clients with the administration of employee benefits and workers' compensation services, prepare payroll and remit employment taxes, and assist with state and federal compliance. By eliminating these time-consuming human resource obligations for our client businesses, we help them focus on and execute their core mission.

Many of our clients have utilized the business income deduction (formerly the small business deduction) since it became available in 2013. But just last year, the state took the position that many companies utilizing a PEO were not eligible for the deduction. Among other requirements, the state mandated for eligibility purposes that these small businesses own at least 20 percent of the PEO with whom they contract. As others have explained to the committee, business owners contract with a PEO; they do not “buy-in” to – or invest in – the PEO.

Small businesses in Ohio employ half of Ohio's workers and are a significant resource for innovation and invention. These job-creating companies are making a very sound business decision by contracting with a PEO—they should not be penalized for paying an expert to ensure compliance with state and federal law and/or proper remittance of payroll and taxes. In short, we do not think that penalizing Ohio's smallest job creators for utilizing a PEO is sound state policy.

Many small businesses are currently receiving devastatingly high tax bills as a result of this issue—some north of \$20,000. Not only is this devastating for the business, but it is devastating for their employees as well. SB 186 would remedy this issue and ensure that business owners who hire a PEO are not penalized, nor discriminated against.

Finally, I would like to note that the Ohio Department of Taxation has been very willing to work with us on this issue, and we applaud their efforts to assist us and remediate the problem. In addition, we would like to thank Representative Scherer, the HB 334 bill sponsor, for his diligent work on the issue.

Thank you. I am happy to answer any questions the committee may have.