



BEFORE THE OHIO HOUSE WAYS AND MEANS COMMITTEE
PROPONENT TESTIMONY ON HOUSE BILL 467
February 4, 2020

Good Afternoon Chairman Merrin, Vice Chair LaRe, Ranking member Rogers, and members of the Ways and Means Committee. My name is Tony Long, Director, Tax & Economic Policy for the Ohio Chamber of Commerce. I am here today to testify in support of House Bill 467. I want to thank Representative Scherer for re-introducing a bill to address this important topic. The pass-through entity (PTE) regime was enacted in 1997 in the 122nd General Assembly and much has changed in Ohio's taxation laws since 1997. But the PTE withholding statutes have not followed suit with the changes in the Ohio state income tax code, and the Ohio Chamber hopes that HB 467 will start the unification of the Ohio state income tax code and PTE withholding provisions. Reforming the taxation of PTEs, including withholding requirements, is a top public policy priority for the Ohio Chamber of Commerce.

The whole idea of withholding is to estimate, within reasonable limits, the amount of taxable income anticipated to be earned by a taxpayer and to set a payment or remittance schedule that will approximate the amount of tax owed at the end of a tax year by said taxpayer.

Under current law, a PTE is required to withhold the Ohio state income tax due from its nonresident investors. This withholding tax obligation is imposed directly on the PTE, even though the tax liability ultimately belongs to the individual taxpayer. This bill lowers the withholding remittance rate from 5% to 4% for individual investors and from 8.5% to 4% for nonindividual investors. HB 467 recognizes the widening gap between the Ohio state income tax rates and the current withholding regime and begins to close that gap. Currently, business income is subject to a 3% rate after the \$250,000 exclusion. So, although a PTE withholding rate at or below that 3% rate may be more ideal, HB 467 at least starts the process of closing the gap and begins to unify the Ohio state income tax code and the PTE withholding rate regime.

Thank you for allowing me the opportunity to testify in support of HB 467. I will attempt to answer any questions you may have.