

David M. Supelak, CPA, MT
Tax Signing Director, CliftonLarsonAllen LLP
House Bill 166 Testimony – Business Income Deduction
On behalf of the Greater Akron Chamber
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Good morning, Chairman Dolan, Vice Chair Burke, and Ranking Member Sykes for the opportunity to address the Committee this morning regarding language in the House proposed Operating Budget that lowers the business income deduction (BID) from \$250,000 to \$100,000 and eliminates the 3% cap on pass-through income above the deduction. My name is David Supelak, CPA, MT, Tax Signing Director for CliftonLarsonAllen LLP, the eighth largest public accounting firm in the nation. **I testify in front of you today to urge you not to support the proposed changes to the business income deduction to avoid directly raising taxes on many of Ohio's job creators.**

As a Certified Public Accountant in Ohio together with a Master of Taxation Degree, 29 years of experience in practice and a second generation CPA and Tax Director in a National Firm of small to medium businesses, I was disappointed to learn of the proposed reduction to the small business income tax deduction. **In a challenging economic climate, our clients businesses have improved from this pro-business tax incentive and have even been upfront to say this has helped them sustain their continued existence, in Ohio, at a time when other pressures are suggesting they sell to a larger enterprise, move to another state or dissolve completely.**

As I meet with small-mid size business clients and **share the positive impact to their business from a cash flow perspective from this deduction, many go on to say that they are encouraged to continue to operate their business in Ohio, maintaining jobs and tax revenues for Ohio.** In my experience, it is encouraging to see these businesses reinvest the dollars they save from this incentive. **In the Akron/Canton region, one out of five individual taxpayers and a vast majority of those small businesses that are S-corps, partnerships and LLCs, in our client base, with an average net profit of about \$250,000, will lose a business incentive if the proposed changes are made.**

In extended discussion with just one client since my testimony to the House Finance Committee May 7th, please allow me to share just one conversation of which there are many I am certain. I spoke with a 100% owner of a \$2 million service operation employing 38 people of all ages who indicated the qualified labor pool is so competitive and business owners must be so creative with each dollar of wage incentive. With taxes saved from Ohio's business income exclusion, the owner implemented a reliability bonus incentive and arrangement whereby if the employee met 4 principal consistent service standards that week, the owner provided a 17% bonus to the employee for that week. The owner was able to implement this program based on a reduction in Ohio's taxes. This of course increased labor and decreased more investments in automated technology that would reduce labor due to cost and mostly provides a happier work environment with less turnover and more productivity.

Because of examples such as this, I, and others in my field, believe that **good tax policies like these create a pro-business environment in Ohio, which the proposed changes do not support.** I submit the deduction should be continued in its current form and amount, so that the many businesses currently utilizing this deduction at its current levels may continue to do so. If not, they will surely feel these changes as a direct rise in business taxes they pay.

Please let me know if there is anything I can do to reiterate how important maintaining this incentive in its current form is. Thank you for your time, and I'm open to taking any questions you may have.