

### **Written Testimony – Tom Wolf CPA**

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 Substitute House Bill 166. I'm Tom Wolf CPA, the founder and managing member of Wolf Financial Group LLC with offices in Canton and Columbus.

I am a licensed CPA and I have been working with small business clients for over 20 years. I also own several small businesses located in Ohio. As a CPA and business owner, I have seen the impact that tax cuts and tax increases have on the operations and budgets of small businesses. Small businesses employ over half the employees in the private sector and create the majority of new jobs. Small businesses are the backbones of our communities and are found on every Main Street in your districts. Small businesses are actively involved in their communities and sponsor youth sports teams, school events and local non-profit fundraising.

I am very concerned to learn about the proposal to reduce the Ohio Business Income Deduction. The proposed reduction will be a massive tax shift and increase in costs to Ohio entrepreneurs and job creators. My small business clients want to keep growing their businesses and expanding in Ohio, but the reduction of the BID will cause them to pay tax on a larger share of their income. Most of my clients are pass through entities that are already double taxed on business activity by being subject to the Ohio Commercial Activity Tax and the personal income tax on their profits. C-Corporations are not subject to this double taxation. Passing the rate of taxation on income creates more inequity in the tax system.

I work proactively with our clients and we are a forward-thinking accounting firm. We have worked with our clients to develop their 2019 budgets and strategic plans based on the current BID. We have based our clients' estimated tax payments for 2019 on the current BID. Many clients have hired new employees this year, purchased new vehicles and equipment and increased their operations. To make changes to the 2019 tax code would have a negative impact on my clients and quite honestly is unfair to those affected by the proposed changes. A tax system needs to be predictable and stable to encourage business growth and investment. When the rules change retroactively, businesses limit their investments and employment. I have several clients that are above the current \$250,000 threshold and currently pay the flat 3% tax. I have heard rumors that increasing the 3% flat tax above the \$250,000 threshold is being considered. Increasing the tax above a flat 3% will reduce the ability of my clients to increase wages and purchase equipment.

I have a client that is in the service industry and has been operating a S-Corporation since 2004. For tax year 2018, their taxable profit was \$411,592, well above the \$250,000 BID threshold. This client was able to use their Ohio tax savings to give employees a bonus, and increase their benefits. From 2017 to 2018, their payroll increased \$51,161 and their employee benefit expense increased \$24,778. They also purchased \$147,750 in new equipment for the business. I have another client that is a manufacturer and has been operating since 1984. For tax year 2018, their taxable profit was \$281,773. This client also was able to use their Ohio tax savings to give their employees a bonus and increase their benefits. They also purchased new

computer equipment and a new HVAC system for the business. These are just a couple of examples of my many clients that are using the BID tax savings to increase employee wages and benefits, and invest in Ohio.

The substantial change to the BID that is proposed in Substitute House Bill 166 will have a negative impact on Ohio small businesses and the Ohio economy. The Ohio legislature needs to focus on making Ohio a business-friendly state to help attract and retain businesses in Ohio. The legislature has already increased the tax burden of business owners by increasing the Ohio fuel tax. The fuel tax increase is going to have a financial impact on shipping charges, travel expenses and fleet costs for many small businesses in Ohio. The proposed changes to the BID will be another tax increase on small businesses and will send the wrong message to our small business community.

Finally, the proposed significant tax changes in Substitute House Bill 166 deserve a more in-depth analysis so the legislature will truly understand the impact the proposed BID changes will have on your constituents and the small business community. I urge each of you to talk to the CPAs and small business owners in your districts to fully understand what the BID means to their operations.

I appreciate your willingness to hear my views concerning Substitute House Bill 166 and would be happy to answer any of your questions.