



OHIO

March 22, 2017

The Honorable Keith Faber
Chair, Ohio House Finance Subcommittee on State Government & Agency Review
77 South High Street, 13th Floor
Columbus, OH 43215

Dear Chairman Faber:

I am writing on behalf of the nearly 25,000 governing members of the National Federation of Independent Business/Ohio (NFIB/Ohio) to provide our thoughts on several of the tax components contained within House Bill 49, the state operating budget, as proposed by Governor Kasich.

By way of background, a typical NFIB member employs 25 or fewer and does less than \$2 million in annual sales. Our members come from every industry type and represent all 88 counties across Ohio. We formulate our positions through a unique member balloting process whereby each member has one vote to help establish NFIB's position on an issue. The following reflects this process.

Personal Income Tax

NFIB/Ohio has long supported reductions in the personal income tax. For most small businesses structured as pass-through entities, this is their business tax. Efforts of previous General Assemblies, in conjunction with the Kasich Administration, to recognize the importance of the small business community to the economic vibrancy of Ohio, have been extremely well received by our membership. Our members have indicated they have reinvested these tax savings back into their businesses. Additionally, any reduction in personal income tax puts more money in the pockets of the employees of our members.

The proposed collapsing or consolidation of brackets certainly places Ohio's system more in sync with the rest of the country, as only two states have more brackets than Ohio. Less delineation fosters a better incentive to earn more, without facing a potentially higher tax burden by doing so.

While our members appreciate the focus on lessening the burden on income, they are not supportive of doing so through shifting it. Our members have told us that tax reform must not include government selectively raising other taxes, as is the case in House Bill 49, thus picking winners and losers.

Municipal Income Tax

We are very supportive of the effort to ease compliance time and cost proposed in House Bill 49 through a single collection point and method for municipal net profits tax. The Ohio Department of Taxation has indicated they have the capability to serve as the point of collection and remittance. This is not new territory for Taxation, as they currently collect and remit back to the appropriate entities the counties

and transit systems sales tax, school district income tax, and municipal income taxes for electric light and telephone companies. In concert with this proposal is the strengthening of the Ohio Business Gateway (OBG). We have heard from numerous members, including tax practitioners, about the need to enhance the capabilities of the OBG. Taking this critical step to upgrade OBG will allow much easier, electronic compliance for the filing of business taxes for our members.

When cost of compliance with a tax exceeds the liability, it demonstrates the need for a remedy. For too many small business owner working in multiple jurisdictions, having to file sometimes dozens of returns for little tax owed, is an unnecessary cost of doing business. Relieving some of this burden by allowing a single point of filing, a single payment, a single return, a single set of rules and single point of appeal, will improve the overall system. Further, according to data provided by the Ohio Department of Taxation, there may be aggregate cost savings to municipalities on administrative fees for collecting and processing net profits returns.

It is important to keep in context that this proposal is only on the net profits portion of a municipality's income tax revenue stream, not the employee withholding. The employee withholding, for most municipalities, constitutes the large majority of total tax collected. Municipalities will still retain control of this portion of municipal income tax. NFIB/Ohio strongly supports this proposal and encourages the retention of it in House Bill 49.

Conclusion

NFIB/Ohio members have been appreciative of the attention to reducing their income tax liability. While the proposed income tax reduction continues to move Ohio in the right direction, concern remains amongst our membership regarding other taxes being increased. Consolidating of brackets makes sense from a simplification standpoint. Municipal net profit collection may result in significant savings for small business owners and should be retained.

As the budget process proceeds, we are working with our members to evaluate the impact of other components of proposed tax policy provisions surrounding the commercial activities tax. When we have firm direction from our membership, we will provide that to this committee.

Thank you for the opportunity to provide comments on portions of the tax provisions in House Bill 49.

Sincerely,



Christopher J. Ferruso
Legislative Director