



**Proponent Testimony
Senate Bill 22
February 8, 2016**

Chairman Eklund, Vice Chairman Terhar, Ranking Member Williams, and members of the Senate Ways & Means Committee, on behalf of the Ohio Department of Taxation, thank you for providing me the opportunity to testify in support of Senate Bill 22, legislation that incorporates certain federal tax changes into the Ohio Revised Code. I am Nick Cipiti, Deputy Tax Commissioner for Tax Policy and Budget.

As you may recall from last year, Senate Bill 2 was enacted to expressly incorporate into Ohio statute changes in the Internal Revenue Code made from April 1, 2015 to February 14, 2016. Since S.B. 2's enactment, federal income tax law has been further amended. Senate Bill 22 is necessary to conform Ohio law to the following three federal Acts:

- H.R. 5946 – United States Appreciation for Olympians and Paralympians Act of 2016
(Signed into law on October 7, 2016)
- H.R. 34 – The 21st Century Cures Act
(Signed into law on December 12, 2016)
- H.R. 5015 – Combat-Injured Veterans Tax Fairness Act of 2016
(Signed into law on December 16, 2016)

Conforming to federal law is beneficial to efficient tax administration. Ohio's income tax, like nearly all state income taxes, relies heavily on coordination with federal tax law. The first line of the Ohio income tax form asks taxpayers to enter their Federal Adjusted Gross Income (FAGI) from the federal form 1040. Having the same starting definition of income as the federal government greatly simplifies the preparation and administration of state income tax for taxpayers, state tax officials, and school districts that impose income taxes.

In the absence of enactment of Senate Bill 22, taxpayers would be required to make adjustments to resolve the discrepancy by adding back income that would then become subject to Ohio's income tax. The difference would be taken on a line of the return for "miscellaneous federal tax adjustments." Such adjustments would introduce complexity and potentially taxpayer errors. They also would result in revenue gains from increased Ohio income tax.

As I stated earlier, Senate Bill 22 conforms to federal tax law changes that were signed into law this past year. These changes merely update Ohio tax law to reflect federal tax benefits that are currently used in the computation of FAGI. By conforming to federal changes you will keep tax

preparation and administration efficient. In the absence of this conformity, some Ohio taxpayers' liability would increase.

Thank you for your time, and I would be happy to answer any questions.