

**MICHAEL CANTY**  
President & CEO  
Alloy Bellows & Precision Welding, Inc.

---

**OHIO HOUSE BILL 166 – STATE OPERATING BUDGET**

**INTERESTED PARTY TESTIMONY**

**OHIO SENATE FINANCE COMMITTEE**

**MAY 23, 2019**

Chairman Dolan, Vice Chair Burke, Ranking Member Sykes, and members of the Ohio Senate Finance Committee, my name is Michael Canty. I am an independent business owner in NE Ohio, who owns 2 Ohio manufacturing companies (1 a “C” corporation, and 1 a LLC pass-through company) which collectively employ about 120 Ohioans. I also own a 2<sup>nd</sup> LLC pass-through Ohio company that focuses on industrial real estate and equipment leasing operations.

I provide testimony today as an independent, Ohio business owner. However, I have extensive current and past Board and Committee work with COSE in Cleveland, and on the NSBA Board in Washington DC, and with my U.S. Chamber Small Business Council work in Washington DC, and with about 7 years on the Ohio CSI Small Business Advisory Council in Columbus. I also am a member of, and have worked with, NFIB and the OMA. Because of my extensive organizational dealings, I deal with, see, and speak to thousands of small and middle market companies in Ohio and nationwide annually.

I encourage the Senate Finance Committee, and subsequently the Ohio Senate, to follow Governor DeWine’s lead and leave the Business Investment Income Deduction (BIID) in place at current levels for this next State Operating Budget.

This BIID was put in place just a few short years ago to level the playing field between “C” corporations, which pay no Ohio income tax, and the LLC pass-through companies, who do. Now after just a few short years, to yank this BIID away, or significantly reduce it, is both unfair and unwise - especially retro-actively 5 or 6 months into the calendar year after 2 quarterly results have already been filed, and small and mid-sized companies have already committed investment capital (people, equipment, processes & bricks & mortar) for this year, and next, in part due to the BIID.

Both large and small companies pay the CAT tax, which likely hits a far greater share of small business overall income than larger “C” corporations. This is simply due to the greater geographical market reach of those larger companies. A great share of small business revenues fall inside the State, upon which the CAT tax falls. Which means that small and mid-sized businesses pay a greater percentage of their overall earnings in CAT tax to Ohio than larger “C” corporations.

Then “C” corporations pay no business income taxes, but the pass-throughs do, providing a double tax hit on small businesses. And this applies to larger mid-sized pass-throughs in the State, like our companies, as well. With small and mid-size businesses providing the significant majority of jobs in Ohio, why put a damper effect on Ohio growth now? The past few years have been good for Ohio small and mid-sized businesses, in part because of the BIID.

This proposal to reduce the BIID is in effect increasing taxes on the “Job Creators”, and making Ohio less business friendly, and less business competitive, to create re-distributed tax relief for individuals. I agree that Ohio personal income taxes are too high across the board. But to go after businesses that create the jobs, and create personal Ohio incomes, is very unfair. And by doing so, making Ohio less business competitive than many other states that small and mid-sized business have to compete with, is very unwise.

This proposed “tax increase” in small and mid-sized businesses also come on the heels of the new higher gas taxes, which effect small businesses, and the energy bailout program which drives energy costs up for small and mid-sized businesses – especially manufacturing companies. How many more business tax and fee increases are in the hopper?

It is argued that some small businesses are taking advantage of the \$250,000 deduction to avoid personal Ohio income taxes at all – especially the professional class (attorneys, doctors, CPA, etc.). If that is the case, then add a “salary” provision to the original bill as a correction.

And then don’t remove the 3% cap for income over \$250,000. This money is generally re-invested in people, equipment, and other business growth needs here in Ohio. And those investments take a 2 or 3+ year business outlook.

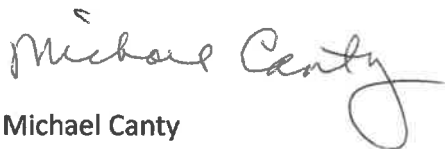
It is argued that most small businesses will not be affected by the proposed changes in the BIID. What about the larger small, and mid-sized, companies such as mine who also hire significant numbers of Ohioans? My companies are very affected, and we currently invest \$500,000 - \$1,000,000 annually in new equipment, people, and systems. We will end up paying several thousand dollars more in Ohio Income taxes each year under these proposals. Should I tell our employees and vendors that I need to pull back on those investments because elected officials in Columbus want to re-distribute even more of our available earnings to others?

In summary, I encourage the Ohio Senate Finance Committee, and in turn the full Ohio Senate, to scuttle proposals to reduce the BIID from \$250,000 to \$100,000, and to scuttle the elimination of the flat 3% cap on pass-through income above \$250,000.

Consider the cumulative impact of these “tax increases” on small and mid-sized businesses in Ohio, along with the taxes and fees already passed, and in the hopper going forward.

The past Administration, combined with the past Ohio House and Senate, took positive steps forward the past few years to improve the Ohio Business climate. More work needs to be done. These BIID proposals take a major step backwards.

Sincerely,



Michael Canty  
President & CEO  
Alloy Bellows & Precision Welding, Inc.  
653 Miner Road, Highland Heights, Ohio 44143  
Cell 440-725-3195