**Written testimony provided by SugarCreek re: Am. Sub. HB166**

**Tom Bollinger, CFO, SugarCreek**

**Senate Finance Committee**

**May 23, 2019**

Thank you, Chairman Dolan, Ranking Member Sykes, and Members of the Senate Finance Committee, for allowing me to share, as a major employer in Ohio, written testimony outlining a few concerns on the proposed new business tax increases in Am. Sub. HB166.

As you may or may not know, SugarCreek is a privately owned food manufacturer with six major facilities across the United States. Our owner is a lifelong Ohio resident and we are headquartered in Ohio with over 1,300 employees in this state alone. We also have over 500 employees in Indiana and over 500 employees in Kansas. We have structured the company as a Subchapter S corporation headquartered in Ohio and it is taxed to one shareholder. SugarCreek makes distributions to the shareholder for income tax payments. Over the past five years, we have averaged an annual re-investment into the company of over $35 million per year due in large part to a more favorable business tax policy in Ohio.

Our understanding of Am. Sub. HB166 as passed by the House will directly impede SugarCreek’s business growth in Ohio and, in our opinion, be a negative influence on other companies considering Ohio to establish or grow their businesses. The legislature should not be an advocate for altering a tax policy that has shown positive business growth and has created a positive economic environment for business and its residents. Reversing this recent tax policy will have unintended consequences and will put us further behind once again with our neighboring states. The tax cuts enacted two years ago have resulted in substantial tax collections in 2019 that have exceeded original estimates, according to the Office of Budget and Management (OBM).

Am. Sub. HB166 proposes to increase the tax on business income taxed at the shareholder level from the current 3.0% to the personal income tax rate at a maximum of 4.997%. This rate increase would take cash out of SugarCreek of $20,000 for each $1,000,000 of Ohio Taxable Income reported by our shareholder that otherwise would be reinvested in the company for job creation. In addition to this, it would tax income apportioned to other states in excess of those states’ tax rates which are less than Ohio’s.

Ohio’s current tax structure of state and municipal tax rates ranks 3rd among contiguous states behind only Pennsylvania and Indiana. If Am. Sub. HB166 is enacted as proposed, Ohio’s rank would slide to 5th among 6 states resulting in Ohio creating an uncompetitive business tax environment. These proposed changes by the House will reverse Ohio’s positive business environment leaving less for investments and job creation.

***As a major employer in Ohio that has continued to grow for nearly half of a century, we have concerns this tax language would negatively impact small businesses across our state. On behalf of SugarCreek, we strongly encourage the Ohio Senate to remove the tax increases on small businesses in Am. Sub. HB166 and, instead, continue to pass pro-growth, pro-business legislation to grow Ohio businesses.***

Thank you again for your serious consideration of the tax consequences included in Am. Sub. HB166. We are happy for you to contact us with any questions or need for clarification.

Mr. Tom Bollinger,

CFO, SugarCreek Company

Washington Court House, Ohio