

March 23, 2019

Chairman Dolan and members of the Senate Finance Committee,

My name is Tim Maloney and my wife I own a party and event rental equipment store in Canton, Ohio which is an S-Corp. We also own the building we operate out of in a separate LLC. So, both business's income flows over to our personal return. We have approximately 32-35 year-round full and part time employees and typically hire about 30 seasonal employees from May-August each year to help during our busy summer season.

Here are some of our views on the impact on us and our company if the Ohio legislature reduces the Business Income Deduction from \$250,000 to \$100,000:

- As a business, we need to budget for expected future costs. Uncertainty about the economy, government regulations and taxes cause us to pull back from investing in capital improvements, hiring new employees and expanding our businesses. We are feeling the pressure of increased costs such as labor cost, tariff costs passed on from vendors when we purchase new equipment made overseas, increased health insurance costs and now increased taxes.
- If the state does retroactively reduce the BID for 2019 this has an immediate and negative effect on our budget for this year. We had planned on receiving a BID of \$250,000 in 2019 and now, after half the year is over, we find out this may be reduced by 40%.
- We looked at our personal 2018 Ohio income tax return to see how the proposed reduction in the BID would have affected us and found that our taxable income would have been much higher if the BID would have only been \$100,000. In 2018 the BID exceeded our business income that flowed through to our personal return. At the reduced BID and taking into account the proposed "new tax rate" of 4.294% (with the 6.6% reduction) we would have paid about \$3,500 more in Ohio income tax. While this does not sound like a lot of money to some, it would be for us especially with the other issues explained below.
- Ohio has continued to raise the minimum wage. In 2019 the increase was 25 cents per hour (from \$8.30/hr to \$8.55/hr). We hire many high school and college age employees in the summer, many who have never worked anywhere before. While a 25 cents per hour increase does not sound like a lot, when you multiply it by 30 seasonal employees, it adds up. We also must raise our other employee's pay to keep their pay commensurate with their level of expertise over someone we just hired.
- Ohio's unemployment rate currently is very low. It has become increasingly difficult for us to find employees. Every business you pass in Canton has a sign out saying they are hiring. We need to continually increase wages for all our employees to make sure we will keep them.
- We offer a Simple IRA retirement plan for our employees where we match their contributions between 1%-3% of their gross income. In 2018 we contributed over \$22,000 to our employee's retirement plan through our company match. We committed to a 3% match for 2019 in November 2018 anticipating the \$250,000 Ohio BID. Now we may not receive it. In the future we may not be able to continue offering our retirement plan if our taxes continue to increase.
- Our company pays almost 100% of our eligible employee's health insurance premiums. Last year our cost was over \$81,000. Our premium increase for 2019 was 9.3%. An increase in our

state tax liability will force us to have our employees pay more for their health insurance coverage or we may have to eliminate this benefit all together.

- Ohio just raised the fuel tax significantly. We were in favor of this increase. However, if you add the anticipated increase in our company's expense for gasoline for all our delivery trucks, it again affects our bottom line.
- The federal government is considering assessing penalties to states who have not become solvent with respect to unemployment. Ohio is one of those states. Ohio businesses may be required to pay penalties associated with this like we did after the 2009 recession. From 2011 to 2015 our company paid \$15,000 in additional FUTA tax because of this.
- We continue to replace rental equipment annually. In 2018 we invested in \$212,000 worth of new equipment. Anticipating a good year in 2019 we have already purchased over \$208,000 of equipment. We would have significantly reduced our purchases if we had known about the anticipated decrease in the BID.
- Government continually says how small businesses are the basis of our economy but continually pass legislation that tells us they are anti small business.
- Government regulations are getting burdensome. We pay "building" permit fees and must deal with many different locality's (municipalities, counties, townships, etc.) varying rules every time we put up a tent in a public location. This is only one example of the red tape we encounter every day.
- The state did not reach out to the business organizations in the state to ask for their input on how a reduction in the BID would affect their members. It was just thrown out as part of the proposed budget. It is hard for small businesses to plan and budget when we do not know what new regulations or taxes will be passed. Uncertainty will stifle the growth of businesses in Ohio. Higher taxes will make Ohio unattractive to new businesses especially when compared to our neighboring states.

It is for these reasons stated above that we ask you to restore the business income deduction back to current law.

Sincerely,

Tim and Holly Maloney