

Written Testimony, Heather Yakes, Action Coach

Chair Dolan, Vice Chair Burke, Ranking Member Sykes, and Members of the Ohio Senate

Finance Committee, thank you for this opportunity to offer interested party testimony on Substitute House Bill 166. My name is Heather Yakes, and I am an Action Coach Business Coach helping small business owners ranging from \$1M-\$100M in Revenue grow their businesses.

After 20+ years in the corporate world helping billion and above businesses with corporate strategy and operations, I left the comfort of my six-figure salary and utilized my entire savings to start my own business. People “give back” in many different ways; some help with children, some help with disease and some help with animals as an example. My passion, my purpose and my way of giving back is to utilize my expertise to help business owners grow and do so responsibly. When businesses grow, its simple: they have to hire more people. When they hire more people, they are providing for more families and by providing for more families, this helps not only the economy but their community.

My clientele represents multiple industries such as; manufacturing, IT management, public relations, HVAC, directional drilling, attorneys, orthodontists, chiropractors and video animators, just to name a few. When clients approach the need for a business coach, they are typically in the \$500,000 to \$1M revenue range, have 2-3 employees, they’ve been in business on average of 5 years, they are working 60-80 hours a week and are paying themselves very little in personal income, if any at all. They have utilized their life savings or have significant debt that they have had to borrow personally to start and continue to reinvest in their business.

My testimony today is regarding the included provisions in Sub. HB 166 that alter the Small Business Investor Income Deduction, and why these changes, which would result in a substantial tax increase on small business owners, can severely harm small businesses from various industries in Ohio.

Let me take you through some common myths about small business owners. The majority of my clients are pass-thru and I will be sharing a few client examples that have given me permission to share their reality.

Myth 1: Small business owners pay themselves big salaries

Reality: The majority of my clients that are \$1M and above in revenue pay themselves less than \$100,000 annually. They live off a spouse's income or take just enough to pay their bills.

Client Example: Sixth City Marketing, a digital marketing company located in Rocky River, OH that started with me 3 years ago has grown his business by \$600k and plans to hit \$1.5 million in revenue this year. He has nearly doubled the number of employees from 6 to 10 and still pays himself the same salary of \$90k annually to support his stay at home wife and baby girl. Meanwhile, he has a line of credit balanced at about \$40k to cover payroll when cash is tight.

Client Example: Higgins Lumber, a construction and lumber supply company located in Roseville, OH generates \$3 Million in revenue and was acquired through family succession upon the unexpected death of her father. It was passed on to her with over a half million dollars in past debt. Every dollar of profit is being utilized to pay off the past debt, raise wages for employees, and hire more employees. She paid herself a \$30,000 salary, last year and also had to take out a personal loan of \$10k and a line of credit of \$100k to contribute to the business to cover payroll during the cold months.

Myth 2: Business owners won't utilize the tax savings to reinvest

Reality: Business owners use their tax savings to invest in more employees, new technology, real estate for their businesses and most importantly, they are the biggest contributors to social responsibility and community efforts. The current reality more most small businesses is a focus on increased employee wages, incentives/benefits and personal professional development to retain

employees due to our amazingly low unemployment rate. Although the labor market getting expensive is the #1 challenge facing business owners today, this IS a good thing.

Client Example: ClearPath Communications, a \$6 million directional drilling company located in Zanesville, OH grew just this past year 275% in revenue and 138% in profit. Did the owner pocket the money by the tax savings it had? No – because of the tax savings they were able to acquire a failing drilling company in their industry, saving 35 employee jobs, 35 families and a community that would have been adversely affected by the loss of this company. And by the way, they had to take out another personal loan to help fund the acquisition.

Client Example: Pixel Park, a video animation company located in Columbus, OH that has grown from a \$400k business to a \$2 Million business in 27 months. He has reinvested by doubling his team from 6 to 12, raising wages, creating higher-level paying jobs and the development of a new technology around augmented reality. Let me say that one more time – he has invested in doubling his team from 6-12. That's 6 more people and families that this 1 owner has contributed to the economy.

Myth 3: Business owners only care about themselves and will just pocket the savings

Reality: Small business owners are hard-working and have very little life outside of their business. They worry each and every day how best to take care of their customers and their families while always being involved and giving back to their community.

Including the proposed tax increase on small pass-through businesses in Sub. HB 166 would have a substantial negative impact on the growth and sustainability of my clients and many other small businesses in Ohio. I ask that you reconsider making any adjustments to the Small Business Investor Income Deduction, and leave it as it currently exists.

Thank you for hearing my testimony today and allowing me to share my views and the views of my clients. I would be happy to answer any questions you have.