



Bill Roemer
State Representative
Ohio's 38th House District

House Ways and Means Committee
H.B. 86 Sponsor Testimony
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Chairman Merrin, Vice Chairman Riedel, Ranking Member Sobecki, and members of the House Ways and Means Committee, thank you for the opportunity to testify on House Bill 86. You may remember this bill from last General Assembly, as it was previously introduced as House Bill 749. I have again introduced this legislation to keep more money in the pockets of Ohio business owners, who as we all know, have been devastated by the events of the last year.

House Bill 86 makes a very simple change to existing state law regarding accelerated depreciation expenses and net operating losses. Currently, the State of Ohio requires taxpayers with income from proprietorships or pass-through entities to “add back” an allowance to their federal adjusted gross income (on their state taxes) to account for reductions in income resulting from accelerated asset depreciation. They then deduct the amount from their federal adjusted gross income in future years on their state taxes. Usually, this “add-back” is five sixths of the amount of the accelerated depreciation, unless the taxpayer incurred a net operating loss, in which case, six sixths is added back. Thus, the add-back is applied over five or six years, respectively.

This bill creates a temporary exception to this rule for the next two tax years (TY 2020 and TY 2021), allowing taxpayers with net operating losses to add back only five sixths of their accelerated depreciation instead of the whole amount, thus reducing their tax liability and allowing them to depreciate their assets faster (over five years instead of six). Crucially, according to analysis from the Legislative Service Commission, it does so with an offsetting, net-zero fiscal effect for the state, meaning the long-run gains of this legislation are estimated to outweigh the losses in FY 2021 and FY 2022.

In light of the COVID-19 pandemic and its profound effect on businesses across Ohio, the necessity for relief could not be more apparent. We need to do everything we can to cushion the blow of the recession on our businesses, while also enabling them to bounce back when we recover. This bill does both, by providing immediate relief in the next two tax years and retaining those dollars in Ohio's economy. Also, with filings for tax year 2020 happening now, it is critical

that we act on this legislation immediately so that taxpayers can take advantage of this temporary benefit when they file next year.

Thank you again to the members of the committee for hearing my testimony today. I urge you to give favorable and swift consideration to this bill, and provide much needed relief to those enterprises that need a helping hand in this difficult time. I would also encourage the members of the committee to refer to the LSC fiscal note for additional in-depth analysis, and I would be happy to answer any questions you may have.