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Sponsor Testimony

Senate Bill 246

Ohio House Ways and Means Committee

April 5, 2022

Chairman Merrin, Vice Chair Riedel and Ranking Member Sobecki, thank you for affording my joint sponsor Senator Rulli and I the opportunity to address the committee today on Senate Bill 246, the SALT parity bill.

In 2017, the Tax Cuts and Jobs Act imposed a \$10,000 cap on the amount of State and Local Taxes (or SALT) that Ohio taxpayers can deduct of their federal returns. This cap also applies to the income earned by Ohio pass-thru businesses set-up as S corporations, partnerships, and LLCs.

Due to this cap, Ohio small businesses are subject to higher tax rates, which could hurt their bottom-line and put them at a disadvantage to other businesses operating in states that do not have an income tax.

According to Parity for Ohio's Main Street Employers, 22 other states have already passed similar SALT parity reforms, and Ohio needs to be the 23rd. In short, SB 246 levies a tax on a pass-through entity's (or PTE's) income at a rate of 5% for taxable years beginning in 2022 and 3% for taxable years thereafter, but only if that entity elects to become subject to the tax. All tax revenue would enter the GRF. Furthermore, SB 246 authorizes an owner to claim a refundable credit against the owner's Ohio income tax liability equal to the owner's proportionate share of the tax paid by the PTE.

With SB 246, Ohio will re-establish state and local tax parity, and thereby will allow Ohio business to remain competitive in relation to other businesses throughout the country.

I appreciate your time and consideration on SB 246, and I would be happy to answer any questions.