



Representative Angie King & Tom Young
Sponsor Testimony – HB138

Chairman Roemer, Vice Chair Merrin, Ranking Member Troy, and honorable members of the Ways and Means Committee, I am pleased to offer sponsor testimony today for HB 138. In 2013, Governor Kasich and the General Assembly enacted the Business Income Tax Deduction. This was widely hailed as bold and innovative tax legislation. As the name of the deduction suggests, the Business Income Deduction (BID) allowed business owners to deduct a certain amount of their business income. The goal of the BID was to put more money in the hands of business owners to help them grow their businesses and create jobs. In turn, Ohio's economy would improve and Ohio would become a better state for business. That has happened.

- Ohio's has the 7th largest economy in the U.S. and 21st largest in the world.¹
- Ohio ranked 15th in CNBC's 2022 America's Top States for Business.²
- US News ranked Ohio 10th in the nation for "Opportunity."³
- Site Selection ranked Ohio 6th in their 2022 State Business Climate rankings, 3rd for overall economic development project wins, and 3rd for investment projects per capita.⁴
- In 2021, 197,000 new businesses were created in Ohio compared to just 80,000 in 2010.⁵

¹ <https://tinyurl.com/ynuheba7> (JobsOhio.com)

² <https://www.cnbc.com/2022/07/13/americas-top-states-for-business-2022-the-full-rankings.html>

³ <https://www.usnews.com/news/best-states/rankings/opportunity>

⁴ <https://siteselection.com/issues/2022/nov/the-2022-business-climate-rankings.cfm>

⁵ <https://tinyurl.com/ynuheba7> (JobsOhio.com)

- According to Lendio, Ohio is the 3rd best state for small business.⁶

Last year, according to Ohio Department of Taxation statistics, roughly 744,000 personal income tax returns were filed where the taxpayer claimed the BID. That is roughly 13% of all tax returns filed with the Department. Each year since 2013, the Small Business Income Deduction has put millions of dollars back into the hands of business owners to invest in their business. Nonetheless, the BID potential has not been fully realized. Regrettably, I have learned that a segment of business owners are not eligible to claim the deduction. We need to fix this.

Whether through legislative oversight, unintended consequence, or the Ohio Department of Taxation adopting a questionable audit policy and misapplying a statute that was enacted in 1997, certain business owners have not been able to claim the BID. Others will speak to this 1997 statute in their proponent testimony, but essentially the Ohio Department of Taxation relies on this 1997 statute to say certain business owners that own at least 20% of their business can fully utilize the BID but business owners that own less than 20% of their business cannot fully utilize the BID or not utilize the BID at all. There is no rational basis for such requirement as it relates to the BID.

Since 2013, the General Assembly has amended the BID several times to expand its benefits and clarify its scope. HB 138 is another amendment that clarifies the BID scope.

Chair, Vice Chair, and Ranking Member, I would again like to thank you for the opportunity to testify and respectfully ask for your support. At this time I would like to allow my joint sponsor, Representative Young, to offer his testimony.