Before the Ohio House Ways & Means Committee
Proponent Testimony on House Bill 121

May 2, 2023

Chair Roemer, Vice Chair Merrin, Ranking Member Troy and members of the Ohio House Ways & Means Committee, thank you for the opportunity to provide proponent testimony on House Bill 138 on behalf of the members of the Ohio Chamber of Commerce. My name is Tony Long, and I am the General Counsel and Director of Taxation & Economic Policy at the Ohio Chamber.

The Ohio Chamber wants to thank the bill sponsors, Representative King and Representative Tom Young for bringing this bill forward. From the time the Business Income Deduction was created to the present day the concept of guaranteed payments as defined in the Internal Revenue Code (IRC) picked up a qualifying condition in Ohio tax law. Currently, the Ohio Department of Taxation requires an investor to own at least twenty percent (20%) of a pass-through entity before the investor can classify the payment as business income. This ownership limitation cannot be found in the IRC, and it is time for Ohio to return to the IRC definition and federal regulations guiding the interpretation of the IRC.

Other witnesses testifying today will provide more specifics on the federal law and history of Ohio taxes that may have led to the use of the 20% ownership rule. I do want to pause and simply say that guaranteed payments are subject to self-employment taxes, are not viewed as wage income and Ohio should simply conform to the federal guidance and remove the 20% ownership limitation. I have added Appendix A to my testimony to include the relevant IRC sections and federal regulation.

Finally, I have also attached as Appendix B a recent study the Ohio Chamber's Research Foundation conducted with E&Y on the Economic Impact of the Business Income Deduction (BID) in Ohio. Thanks again to the project partners listed on the cover of the report.

The report concludes that the Gross State Product gained $5.9 billion in 2018 compared to an Ohio economy absent the BID. It also listed a total employment growth of 59,700 employees with small business picking up 14,300 of those employee gains. Lastly, the report found the BID led to 1,200 fewer business closures. While much is made of the cost of the BID, the report indicates there have been real and tangible benefits for the state of Ohio from the introduction and use of the BID by Ohio taxpayers.

Thank you for the opportunity to provide proponent testimony for House Bill 138 on behalf of the Ohio Chamber. I will now try to answer any questions you may have for me.

APPENDIX A

26 U.S. Code § 707 - Transactions between partner and partnership

(a)Partner not acting in capacity as partner

(1)In general

If a partner engages in a transaction with a partnership other than in his capacity as a member of such partnership, the transaction shall, except as otherwise provided in this section, be considered as occurring between the partnership and one who is not a partner.

(2)Treatment of payments to partners for property or services Under regulations prescribed by the Secretary—

....

(c)Guaranteed payments

To the extent determined without regard to the income of the partnership, payments to a partner for services or the use of capital shall be considered as made to one who is not a member of the partnership, but only for the purposes of section 61(a) (relating to gross income) and, subject to section 263, for purposes of section 162(a) (relating to trade or business expenses).

Aug. 16, 1954, ch. 736, 68A Stat. 243; Pub. L. 94–455, title II, § 213(b)(3), title XIX, § 1901(b)(3)(C), Oct. 4, 1976, 90 Stat. 1547, 1792; Pub. L. 98–369, div. A, title I, § 73(a), July 18, 1984, 98 Stat. 591; Pub. L. 99–514, title VI, § 642(a)(2), title XVIII, §§ 1805(b), 1812(c)(3)(A), (B), Oct. 22, 1986, 100 Stat. 2284, 2810, 2834.)

26 U.S. Code § 1402 - Definitions

(a) **NET EARNINGS FROM SELF-EMPLOYMENT** The term "net earnings from self-employment" means the gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed by this subtitle which are attributable to such trade or business, plus his distributive share (whether or not distributed) of income or loss described in section 702(a)(8) from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary income or loss—

(1)

there shall be excluded rentals from real estate and from personal property leased with the real estate (including such rentals paid in crop shares, and including payments under section 1233(a)(2) of the Food Security Act of 1985 (16 U.S.C. 3833(a)(2)) to individuals receiving benefits under section 202 or 223 of the Social Security Act) together with the deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer; except that the preceding provisions of this paragraph shall not apply to any income derived by the owner or tenant of land if (A) such income is derived under an arrangement, between the owner or tenant and another individual, which provides that such other individual shall produce agricultural or horticultural commodities (including livestock, bees, poultry, and fur-bearing animals and wildlife) on such land, and that there shall be material participation by the owner or tenant (as determined without regard to any activities of an agent of such owner or tenant) in the production or the management of the production of such agricultural or horticultural commodities, and (B) there is material participation by the owner or tenant (as determined without regard to any activities of an agent of such owner or tenant) with respect to any such agricultural or horticultural commodity;

(2)

there shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest are received in the course of a trade or business as a dealer in stocks or securities;

(3) there shall be excluded any gain or loss—

(A)

which is considered as gain or loss from the sale or exchange of a capital asset,

(B)
from the cutting of timber, or the disposal of timber, coal, or iron ore, if section 631 applies to such gain or loss, or

(C)from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither—

(i)
stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor

(ii)
property held primarily for sale to customers in the ordinary course of the trade or business;

(4)
the deduction for net operating losses provided in section 172 shall not be allowed;

(5)if—

(A)
any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the spouse carrying on such trade or business or, if such trade or business is jointly operated, treated as the gross income and deductions of each spouse on the basis of their respective distributive share of the gross income and deductions; and

(B)
any portion of a partner's distributive share of the ordinary income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;

(6)
a resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States but without regard to section 933;

(7)
the deduction for personal exemptions provided in section 151 shall not be allowed;

(8)

an individual who is a duly ordained, commissioned, or licensed minister of a church or a member of a religious order shall compute his net earnings from self-employment derived from the performance of service described in subsection (c)(4) without regard to section 107 (relating to rental value of parsonages), section 119 (relating to meals and lodging furnished for the convenience of the employer), and section 911 (relating to citizens or residents of the United States living abroad), but shall not include in such net earnings from self-employment the rental value of any parsonage or any parsonage allowance (whether or not excludable under section 107) provided after the individual retires, or any other retirement benefit received by such individual from a church plan (as defined in section 414(e)) after the individual retires;

(9)
the exclusion from gross income provided by section 931 shall not apply;

(10)there shall be excluded amounts received by a partner pursuant to a written plan of the partnership, which meets such requirements as are prescribed by the Secretary, and which provides for payments on account of retirement, on a periodic basis, to partners generally or to a class or classes of partners, such payments to continue at least until such partner's death, if—

(A)
such partner rendered no services with respect to any trade or business carried on by such partnership (or its successors) during the taxable year of such partnership (or its successors), ending within or with his taxable year, in which such amounts were received, and

(B)
no obligation exists (as of the close of the partnership's taxable year referred to in subparagraph (A)) from the other partners to such partner except with respect to retirement payments under such plan, and

(C)
such partner's share, if any, of the capital of the partnership has been paid to him in full before the close of the partnership's taxable year referred to in subparagraph (A);

(11)
the exclusion from gross income provided by section 911(a)(1) shall not apply;

(12)in lieu of the deduction provided by section 164(f) (relating to deduction for one-half of self-employment taxes), there shall be allowed a deduction equal to the product of—

(A)

the taxpayer's net earnings from self-employment for the taxable year (determined without regard to this paragraph), and

(B)

one-half of the sum of the rates imposed by subsections (a) and (b) of section 1401 for such year (determined without regard to the rate imposed under paragraph (2) of section 1401(b));

(13)

there shall be excluded the distributive share of any item of income or loss of a limited partner, as such, other than guaranteed payments described in section 707(c) to that partner for services actually rendered to or on behalf of the partnership to the extent that those payments are established to be in the nature of remuneration for those services; ....

(Aug. 16, 1954, ch. 736, 68A Stat. 353; Sept. 1, 1954, ch. 1206, title II, § 201(a)–(c), 68 Stat. 1087; Aug. 1, 1956, ch. 836, title II, § 201(e)(2), (3), (f), (g), (i), 70 Stat. 840–842; Pub. L. 85–239, §§ 1(a), (b), 2, 5(b), Aug. 30, 1957, 71 Stat. 521–523; Pub. L. 85–840, title IV, §§ 402(a), 403(a), Aug. 28, 1958, 72 Stat. 1042, 1043; Pub. L. 86–778, title I, §§ 101(a)–(c), 103(k), (*l*), 105(c)(1), 106(b), Sept. 13, 1960, 74 Stat. 926, 927, 938, 944, 945; Pub. L. 87–64, title II, § 202(a), June 30, 1961, 75 Stat. 141; Pub. L. 88–272, title II, § 227(b)(6), Feb. 26, 1964, 78 Stat. 98; Pub. L. 88–650, § 2(a), (b), Oct. 13, 1964, 78 Stat. 1076, 1077; Pub. L. 89–97, title III, §§ 311(b)(1)–(3), 312(b), 319(a), (c), 320(b)(1), 331(a), 341(a), (b), July 30, 1965, 79 Stat. 381, 390, 391, 393, 401, 411; Pub. L. 89–368, title I, § 102(c), Mar. 15, 1966, 80 Stat. 64; Pub. L. 90–248, title I, §§ 108(b)(1), 115(b), 118(a), 122(b), title V, §§ 501(a), 502(b)(1), Jan. 2, 1968, 81 Stat. 835, 839, 841, 843, 933, 934; Pub. L. 92–5, title II, § 203(b)(1), Mar. 17, 1971, 85 Stat. 10; Pub. L. 92–336, title II, § 203(b)(1), July 1, 1972, 86 Stat. 418; Pub. L. 92–603, title I, §§ 121(b), 124(b), 140(b), Oct. 30, 1972, 86 Stat. 1353, 1357, 1366; Pub. L. 93–66, title II, § 203(b)(1), July 9, 1973, 87 Stat. 153; Pub. L. 93–233, § 5(b)(1), Dec. 31, 1973, 87 Stat. 954; Pub. L. 93–368, § 10(b), Aug. 7, 1974, 88 Stat. 422; Pub. L. 94–92, title II, § 203(a), Aug. 9, 1975, 89 Stat. 465; Pub. L. 94–455, title XII, § 1207(e)(1)(B), title XIX, §§ 1901(a)(155), (b)(1)(I)(iii), (X), 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1707, 1789, 1791, 1792, 1834; Pub. L. 95–216, title III, § 313(b), Dec. 20, 1977, 91 Stat. 1536; Pub. L. 95–600, title VII, § 703(j)(8), Nov. 6, 1978, 92 Stat. 2941; Pub. L. 95–615, § 202(g)(5), formerly § 202(f)(5), Nov. 8, 1978, 92 Stat. 3100, renumbered § 202(g)(5), Pub. L. 96–222, title I, § 108(a)(1)(A), Apr. 1, 1980, 94 Stat. 223; Pub. L. 97–34, title I, § 111(b)(3), (5), Aug. 13, 1981, 95 Stat. 194; Pub. L. 97–248, title II, § 278(a)(2), Sept. 3, 1982, 96 Stat. 559; Pub. L. 98–21, title I, § 124(c)(2), title III, §§ 321(e)(3), 322(b)(2), 323(b)(1), Apr. 20, 1983, 97 Stat. 90, 120, 121; Pub. L. 98–369, div. A, title I, § 102(c)(1), div. B, title VI, §§ 2603(c)(2), (d)(2), 2663(j)(5)(B), July 18, 1984, 98 Stat. 622, 1129, 1130, 1171; Pub. L. 99–272, title XIII, § 13205(a)(2)(B), Apr. 7, 1986, 100 Stat. 315; Pub. L. 99–509, title IX, § 9002(b)(1)(B), Oct. 21, 1986, 100 Stat. 1971; Pub. L. 99–514, title III,

§ 301(b)(12), title XII, § 1272(d)(8), (9), title XVII, § 1704(a)(1), (2), title XVIII, §§ 1882(a), (b)(1), 1883(a)(11)(A), Oct. 22, 1986, 100 Stat. 2218, 2594, 2779, 2914, 2916; Pub. L. 100–203, title IX, § 9022(b), Dec. 22, 1987, 101 Stat. 1330–295; Pub. L. 100–647, title III, § 3043(c)(1), title VIII, § 8007(c), Nov. 10, 1988, 102 Stat. 3642, 3783; Pub. L. 101–239, title X, § 10204(a)(1), Dec. 19, 1989, 103 Stat. 2474; Pub. L. 101–508, title V, §§ 5123(a)(3), 5130(a)(2), title XI, § 11331(b), Nov. 5, 1990, 104 Stat. 1388–284, 1388–289, 1388–467; Pub. L. 103–66, title XIII, § 13207(b), Aug. 10, 1993, 107 Stat. 468; Pub. L. 103–296, title I, § 108(h)(1), title III, § 319(a)(4), Aug. 15, 1994, 108 Stat. 1487, 1534; Pub. L. 104–188, title I, § 1456(a), Aug. 20, 1996, 110 Stat. 1818; Pub. L. 105–34, title IX, § 922(a), Aug. 5, 1997, 111 Stat. 879; Pub. L. 108–203, title IV, § 425(b), Mar. 2, 2004, 118 Stat. 536; Pub. L. 108–357, title I, § 102(d)(7), Oct. 22, 2004, 118 Stat. 1429; Pub. L. 110–28, title VIII, § 8215(b)(1), May 25, 2007, 121 Stat. 193; Pub. L. 110–234, title XV, §§ 15301(a), 15352(a), May 22, 2008, 122 Stat. 1501, 1525; Pub. L. 110–246, § 4(a), title XV, §§ 15301(a), 15352(a), June 18, 2008, 122 Stat. 1664, 2263, 2287; Pub. L. 111–148, title IX, § 9015(b)(2)(B), Mar. 23, 2010, 124 Stat. 871; Pub. L. 113–295, div. A, title II, § 221(a)(91), Dec. 19, 2014, 128 Stat. 4050; Pub. L. 115–141, div. U, title IV, § 401(a)(197), (198), Mar. 23, 2018, 132 Stat. 1193.)

26 CFR § 1.1402(a)-1 - Definition of net earnings from self-employment.

§ 1.1402(a)-1 Definition of net earnings from self-employment.

(a) Subject to the special rules set forth in §§ 1.1402(a)-3 to 1.1402(a)-17, inclusive, and to the exclusions set forth in §§ 1.1402(c)-2 to 1.1402(c)-7, inclusive, the term "net earnings from self-employment" means:

(1) The gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed by chapter 1 of the Code which are attributable to such trade or business, plus

(2) His distributive share (whether or not distributed), as determined under section 704, of the income (or minus the loss), described in section 702(a)(9) and as computed under section 703, from any trade or business carried on by any partnership of which he is a member.

(b) Gross income derived by an individual from a trade or business includes payments received by him from a partnership of which he is a member for services rendered to the partnership or for the use of capital by the partnership, to the extent the payments are determined without regard to the income of the partnership. However, such payments received from a partnership not engaged in a trade or business within the meaning of section 1402(c) and § 1.1402(c)-1 do not constitute gross income derived by an individual from a trade or business. See section 707(c) and the regulations thereunder, relating to guaranteed payments to a member of a partnership for services or the use of capital. See also section 706(a) and the regulations thereunder, relating to the taxable year of the partner in which such guaranteed payments are to be included in computing taxable income.

(c) Gross income derived by an individual from a trade or business includes gross income received (in the case of an individual reporting income on the cash receipts and disbursements method) or accrued (in the case of an individual reporting income on the accrual method) in the taxable year from a trade or business even though such income may be attributable in whole or in part to services rendered or other acts performed in a prior taxable year as to which the individual was not subject to the tax on self-employment income.

[T.D. 6691, 28 FR 12796, Dec. 3, 1963, as amended by T.D. 7333, 39 FR 44445, Dec. 24, 1974]

APPENDIX B

Research Foundation

Economic Impact of the Business Income Deduction in Ohio

April 2021

SPECIAL THANKS TO OUR PROJECT PARTNERS

Greater Akron Chamber
NFIB Ohio
Ohio Automobile Dealers Association
Ohio Chamber of Commerce
Ohio Hotel & Lodging Association
Ohio Insurance Agents Association
Ohio Lobbying Association
Ohio REALTORS
The Ohio Society of CPAs
Toledo Regional Chamber of Commerce
Wholesale Beer & Wine Association of Ohio

Over the last four years there has been much public debate about the benefits and costs associated with certain tax provisions in effect in Ohio. Our organization's mission is to provide non-partisan, educational resources on public policy issues that may impact Ohio's economy, job creation, and long-term competitiveness. Therefore, the Ohio Chamber of Commerce Research Foundation set out to investigate the economic impact of the Business Income Deduction and 3% flat rate on business income (known as the BID) as there has been no comprehensive, data-driven analysis of the BID to date. We contracted with Ernst & Young (EY) to conduct a study on the econometric effects of the BID, and the results of the analysis show there is a positive correlation between the enactment of the BID and a growth in economic activity and production in Ohio.

The BID, initially enacted in 2013 and updated to its current implementation for tax years 2016 and beyond, allows taxpayers filing an individual tax return with business income to deduct up to $125,000 of that business income (if single or married filing separately) or $250,000 of that business income (if married and filing jointly), with any remaining business income taxed at a 3% rate as opposed to the top individual marginal rate of nearly 4.8%. The stated goal of the BID was to allow business owners to retain more of their capital, allowing them to reinvest those dollars into their operations and spur economic activity. Thus, a method of assessing the impact of the BID is to investigate whether increased economic activity has occurred when compared to levels of economic activity prior to the enactment of the BID.

When controlling for other variables such as the economic and demographic characteristics of the state and taking into account other factors such as trends in the national economy, the analysis conducted by EY demonstrates that there was roughly <u>$5.9 billion in increased economic activity in Ohio</u> in 2018, when compared to an economic model in which the BID was not in effect. Further, these models suggest that the effect of the BID on Ohio's economy supported nearly 60,000 jobs, including 14,000 jobs at businesses with less than 50 employees, and helped to keep 1,200 businesses from potentially closing.

Estimated economic effects of Ohio's BID in 2018

Economic performance measures	Implied effect for Ohio
Gross state product growth	+$5.9 Billion value of GSP
Total employment growth	+59,700 more employees
Small business employment growth	+14,300 more employees
Establishment exit rate	1,200 fewer business closures

Source: "Analysis of Ohio's Business Income Tax Incentives," Ernst & Young, April 2021

As the report confirms, because the BID is a deduction on the total business income claimed by taxpayers on their individual tax return, the deduction is not multiplied by ownership in several businesses.[1] The report also makes clear that the BID provides the most benefit to those taxpayers with the lowest adjusted gross income (AGI). In 2018, 66% of the business income covered by the deduction flowed to taxpayers with an AGI of less than $400,000, per data from the Ohio Department of Taxation.

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[1] https://tax.ohio.gov/static/forms/ohio_individual/individual/2019/schedule_itbus_fi.pdf. In other words, the so-called "LLC Loophole" whereby some have asserted that an owner can divide a business into multiple LLCs to obtain multiple deductions of up to $250,000 for each LLC is non-existent.

When comparing Ohio's individual income tax rates on business income to that of neighboring or peer states across the country, it becomes clear that Ohio is a much more attractive place for a small business to grow with the BID in effect. Among nine states compared in the table below, Ohio ranked sixth with a top marginal individual rate on busines income of 4.8%. With the BID in effect, we trail only Texas and Tennessee among this group, states with a 0% tax on most business income. The BID also offsets the anti-competitive impact of Ohio's significant municipal tax on net profits of businesses, which can add an additional 0.5-3% to the Ohio tax rate on business income.[2]

Regional and selected state comparison of top marginal individual rates on business income, 2014 & 2018

State	2014 top marginal rate on business income	2014 Rank	2018 top marginal rate on business income	2018 Rank
Texas	0.00%	1	0.00%	1
Tennessee	0.00%	1	0.00%	1
Ohio	4.80%	6	3.00%	3
Pennsylvania	3.07%	3	3.07%	4
Indiana	3.40%	4	3.23%	5
Michigan	4.25%	5	4.25%	6
North Carolina	5.80%	7	5.50%	7
Georgia	6.00%	8	6.00%	8
Wisconsin	7.65%	9	7.65%	9

Source: Wolters Kluwer

In conclusion, we set out to determine whether the introduction of the Business Income Deduction had a noticeable effect on the state economy in Ohio. The econometric analysis performed by EY provides data that suggests the BID supported almost $6 billion in economic activity in 2018. The models also suggest the economic activity supported nearly 60,000 jobs and suggest that the provisions helped keep 1,200 businesses open. Based on those results, it is our opinion that the BID has had the intended effect of spurring increased economic activity and incentivizing small business owners to reinvest those tax savings back into their operations.

Following is the Executive Summary of the EY report, "Analysis of Ohio's Business Income Tax Incentives." Should you have interest in reading the full report, please visit our website at http://ohiochamberfoundation.com.

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[2] Ohio Department of Taxation Annual Report, Fiscal Year 2020, Municipal Income Tax, p. 122.

Executive summary

EY was commissioned by the Ohio Chamber of Commerce Research Foundation to empirically examine the economic effects of the Business Income Deduction and reduced rate on business income (referred to in this report as the "BID"). The deduction is an Ohio tax provision which allows taxpayers with business income to deduct the first $250,000 (or $125,000 depending on filing status) of Ohio business income. Additionally, business income is taxed at an incentivized rate of 3% compared to the nearly 4.8% top marginal individual income tax rate. The deduction is limited based on the total business income reported by an individual taxpayer, meaning owners of multiple businesses would not be able to take the $250,000 deduction separately for each business entity.[1]

This analysis examines the economic effects of the BID in terms of total statewide employment, small business employment, establishment exit rates and Gross State Product (GSP).[2] The econometric analysis finds that the $250,000 deduction and other business income tax incentives increase the overall level of economic activity in Ohio and other states where such incentives exist. Specifically, the analysis examines four types of economic effects and finds the following impacts from Ohio's BID:

- **Gross State Product:** A gain of $5.9 billion in 2018 compared to the Ohio economy absent of the BID.
- **Total employment:** A gain of 59,700 employees in 2018 compared to the Ohio economy absent of the BID.[3]
- **Small business employment:** Small business employment growth (defined as businesses with less than 50 employees) of 14,300 employees in 2018 compared to the Ohio economy absent of the BID.
- **Establishment exit rate:** 1,200 fewer business failures in 2018 (the establishment exit rate) absent of the BID.[4]

Table 1. Estimated economic effects of the Ohio BID, 2018[5]

Economic performance measures	Implied effect for Ohio
Gross state product growth	+$5.9 billion value of GSP
Total employment growth	+59,700 more employees
Small business employment growth	+14,300 more employees
Establishment exit rate	1,200 fewer business closures

Source: EY analysis

While many industrial states, such as Ohio, have seen only moderate growth on various economic measures over the past decade, the BID has contributed to increased overall economic activity in the state. The econometric analysis presented in this study shows the growth of GSP, total employment, small business employment and improvement in the establishment exit rate resulting from the BID.

[1] Please see Ohio IT BUS schedule: https://tax.ohio.gov/static/forms/ohio_individual/individual/2019/schedule_itbus_fi.pdf
[2] Data from 2003 to 2018 from all 50-states were used to develop an econometric model, which estimated these economic outcomes.
[3] These effects do not compound over time. For example, the effect of repealing the BID in 2018 would be a reduction of 59,700 jobs. This does not imply another reduction of 59,700 jobs the following year. The same holds for the other three economic outcome variables of interest: GSP, small business employment and the establishment exit rate.
[4] Business failures are measured by establishments that had employees in the previous year that no longer have employees and does not necessarily imply business bankruptcy or closure.
[5] These values are not the coefficients associated with the econometric models. These values are point estimates for Ohio derived from the econometric coefficients given the Ohio BID and preferential rate on business income.