



Representatives Jamie Callender and Tom Young
Sponsor Testimony: House Bill 200, Pass-Through Entity Tax Credit
House Ways and Means Committee
June 20, 2023

Chair Roemer, Vice-Chair Lorenz, Ranking Member Troy, and Members of the House Ways and Means Committee, thank you for the opportunity to speak today on HB 200.

Currently, we allow Ohio residents to elect to file their taxes as a pass-through entity, meaning they are able to take advantage of certain tax considerations both in Ohio and other states they may choose to do business in. It also qualifies the entity to federal tax deductions. However, should they opt into filing as a pass-through entity in another state, current law taxes them twice on income earned outside Ohio. This is because Ohio does not credit taxes paid to other states for income generated in said state. Currently, Ohio only offers a credit for taxes paid to those who choose to file a composite filing.

HB 200 aims to address this issue by authorizing a credit for taxes paid by a resident individual to another state while mitigating the federal tax deduction impact on Ohio. As currently drafted, it accomplishes this goal by authorizing a credit for taxes paid to another state while requiring the individual to add-back the taxes that were deducted in the computation of their federal taxable income. This mirrors the process currently authorized for composite filings under current law.

Ohio is one of the only states to authorize a pass-through entity tax but not allow for a credit for taxes paid in another state. This puts Ohio at a competitive disadvantage against our neighboring states, with Indiana, Kentucky, and West Virginia all authorizing tax credits for their pass-through entities taxes paid in other states. Michigan authorizes a tax on income paid in other states should that income be subject to taxes both in Michigan and the other state. Pennsylvania does not authorize a pass-through entity tax, but a bill (S.B. 659) has been introduced.

It is for the above reasons that Ohio should adopt HB 200 and bring Ohio's tax code into alignment with our neighboring and competing states. Thank you for the opportunity to testify. We welcome any questions you may have.