



Before the Ohio House Ways & Means Committee  
Proponent Testimony on House Bill 200

June 27, 2023

Chair Roemer, Vice Chair Lorenz, Ranking Member Troy, and members of the Ohio House Ways & Means Committee, thank you for the opportunity to provide proponent testimony on House Bill 200 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.

Before I explain the need for HB 200 and our support for the legislation, I want to start in 2017. In that year Congress passed the Tax Cuts and Jobs Act. As part of that tax reform legislation Congress capped the deduction of state and local taxes at \$10,000 (referred to in the industry as the "SALT Cap"). This SALT Cap was enacted to limit federal itemized deductions for local taxes paid in states such as California, Massachusetts, and New York.

While the federal SALT CAP applies to state and local taxes paid by the owners of pass-through entities, it does not apply to state and local taxes directly paid by the businesses. After the federal legislation went into effect states began to enact work around legislation to allow businesses to directly pay income tax liabilities traditionally passed through to the owners of the business. This led the Internal Revenue Service to issue Notice 2020-75 to aid the states with their efforts. A majority of the states imposing personal income tax now have a SALT CAP parity law to restore deductibility of local taxes. Ohio passed its parity bill last session (SB 246).

Unfortunately, SB 246 did not contain a resident tax credit provision. Because of that, HB 200 is an important piece of legislation to close the loop on the subject of SALT CAP parity. HB 200 will allow Ohioans to include taxes paid to other states on account of the resident taxpayer's ownership of a pass-through entity that paid taxes to the other jurisdiction on behalf of the taxpayer. My friend Mr. Greg Saul from the Ohio Society of CPAs either has as part of his

testimony or will provide to the committee the current AICPA chart that demonstrates Ohio is one of either 2 or three states without a credit for other state pass-through entity taxes.

The Ohio Chamber wants to thank Representatives Callender and Tom Young for introducing this bill. The Ohio Chamber also thanks the House Ways & Means Committee for continuing to work on this legislation given that we do not know what language HB 33 will contain until the conference committee issues its report.

Finally, thank you for the opportunity to provide proponent testimony for House Bill 200 on behalf of the Ohio Chamber. I will now try to answer any questions you may have for me.