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Committees

Ways & Means, *Chairman*
Primary & Secondary Education,
Finance
Insurance

Chairman Blessing, Vice Chair Roegner, Ranking Member Smith, and Members of the Senate Ways and Means Committee, thank you for the opportunity to present sponsor testimony on Senate Bill 10. This bill is simple housekeeping; the intent of this bill is to incorporate into Ohio law recent changes to the Internal Revenue Code (IRC) that took effect after February 17, 2022.

The two federal acts that created this change to the IRC are the Inflation Reduction Act of 2022 and the Consolidated Appropriations Act 2022. These changes directly affect the taxpayers of Ohio by adjusting federal adjusted gross income, the starting number for determining a taxpayer's Ohio taxable income. The act also changes the tax base of school districts levying an income tax based on federal adjusted gross income. This bill would add these changes to the Ohio tax law so it is consistent with the federal tax law.

The most significant change to the tax code that the Inflation Reduction Act address is it extends the limitations on excess business losses for two additional years from January 1, 2027, to January 1, 2029. It also extends the suspension of the excess farm loss limitation for certain taxpayers from January 1, 2027, to January 1, 2029. The other effect of this bill is it increases the current maximum deduction per square foot for energy-efficient commercial buildings.

The Consolidated Appropriations Act does a number of things. First, it makes modifications to credit for small employer pension plan starts up costs. Second, the Act permits a saver's match in the form of a matching contribution from the federal government for eligible individuals who contribute to certain retirement accounts. It also creates a number of catch-up limits, including an indexed IRA catch-up limit and a higher catch-up limit to apply at ages 60, 61, 62, and 63 for retirement contributions as

elective deferrals. Third, it affects the treatment of student loan payments as elective deferrals for purposes of matching contributions. The last thing the Act does is it creates deferral of tax for certain sales of employer stock to employee stock ownership plans sponsored by S Corporation.

The Ohio Department of Taxation is still reviewing these acts and the changes it creates, so there might be additional information as it goes through the process.

Therefore, the committee can see that Senate Bill 10 is a simple housekeeping bill to keep the Ohio tax law consistent with the federal tax law. Thank you for the committee's consideration of SB 10. I am happy to answer any questions from the committee.