

91st House District

Highland County
Fayette County
Pike County
Ross County

Columbus Office

Very Riffe Center
77 S. High St
11th Floor
Columbus, Ohio 43215-6111
(614) 466-3506
Rep91@ohiohouse.gov



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Bob Peterson State Representative

Chairman Roemer, Vice-Chair Thomas, Ranking Member Troy, and Committee Members –

Thank you for providing the opportunity to present testimony on House Bill 69 – Regarding deduction of bonus depreciation and expensing allowances.

I, and I hope you, believe that tax laws should be simple, easy to follow, consistent, and fair. While we may at times disagree on what is fair, we typically agree that tax laws should be simple, easy, and consistent. Which is why, every year, we pass a tax conformity bill to adjust Ohio income taxes to match changes to the federal tax schedule so that our tax laws, are simple, easy, and consistent. It's important for tax payers and the accountants that assist them to have one set of tax rules to follow.

The US government in the early 2000's chose to stimulant the economy by speeding up depreciation schedules. Ohio in Senate Bill 261 decoupled from the federal government's bonus depreciations schedule and then further separated from US tax laws by setting section 179's maximum depreciation deduction at \$25,000 as opposed to the current US limit of over 1 million.

Prior to these changes, I and many other businesses were able to complete our state income tax form by ourselves. It was a simple one page form and matched the federal form. Today, it is a multi-page form and basically requires a completely different depreciation schedule than the federal form. While our family farm is a fairly simple business to file taxes on, I can only imagine the difficulty larger businesses must have in reconciling these differences in the federal and state taxes.

My CPA tells me that this year many farmers who experienced profitable years in the early 2000's reinvested buying equipment and utilized section 179 federal deduction to even out their federal income tax is now on their 2024 sate income tax returns experiencing higher Ohio income taxes due to the unfair section 179 offsets.

Current Ohio law operates in this way: income tax is calculated based on federal adjusted gross income. One adjustment we require on that figure is an add-back of an allowance to account for reductions in that income due to utilizing accelerated depreciation on federal taxes. That amount is then deducted from federal adjusted gross income in future years at 1/6 per year.

This add-back usually equals 5/6 of accelerated depreciation, unless the taxpayer incurred a net operating loss because of the accelerated depreciation, in which case all 6/6 of that depreciation is added back. The tax payer overtime gets all of the depreciation just at a slower more difficult way.

Mr. Chairman, my comments are very brief, I come from the heavy construction industry. I am the president of our company, and I have been chairman of the board for several statewide organizations. I am, therefore, very aware of the significant input the construction industry has on the economy of Ohio. Further the equipment purchased in the construction industry, is a significant part of what this Bill is about. Therefore, these issues are significant when it comes to the dead-weight cost of the accounting for simply doing the taxes. Therefore, I urge the Chairman and this committee to pass this Bill because the current rules carry a dead-weight accounting cost with no benefit since we are past the period that it was decoupled in the first place; and it is an easy fix.

We have worked extensively with Ohio CPA's, NFIB, the Chamber of Commerce, the Ohio Department of Taxation and others to craft this fairly intricate tax law. The fiscal analysis is forthcoming but is a challenge because it has to estimate a variety of decisions taxpayers are going to make over the next few years while also predicting the economy. Please remember the fiscal estimate is a one-time expense in this budget cycle but reduces expenditures in future budgets so over 6 years it is budget neutral. With the States strong fiscal position, it makes sense to finally fix this problem and simply our tax code for the citizens of Ohio. I look forward to answering any questions the committee may have.

