

Proponent Testimony
Prepared for Senate Bill 9
Ohio Senate – Ways & Means Committee

Chairman Roemer, Vice Chair Thomas, Ranking Member Troy, and Members of the Committee:

My name is Ron Antal. I am a Certified Public Accountant, the Mayor of the Village of Boston Heights in Chairman Roemer's district, and the Managing Director of RCG Tax Partners, a firm that for more than twenty two years has specialized exclusively in Research & Experimentation tax credits. Our firm has advised thousands of companies nationwide and is widely regarded as one of the most experienced R&E tax credit advisory practices in the country.

I appreciate Senator Blessing's sponsorship of Senate Bill 9 and the Committee's attention to maintaining conformity between the Ohio Revised Code and the Internal Revenue Code. Tax conformity is not a theoretical exercise, it is the plumbing of the tax system. When it works, nobody notices. When it fails, everyone pays for it in confusion, compliance costs, and unintended tax increases.

Ohio's reliance on federal definitions of income and deductions makes conformity essential. Without it, taxpayers and their advisors are forced into complex add-backs and workarounds that increase cost, uncertainty, and risk. Senate Bill 9 brings much-needed clarity and predictability to Ohio's tax system and should be advanced promptly, ideally with an emergency clause, to avoid unnecessary disruption during the upcoming filing season.

I would like to focus my testimony on one specific area where Ohio has made progress, but where an opportunity remains to significantly improve the competitiveness and effectiveness of our tax policy: the Ohio Research & Experimentation tax credit.

Ohio's R&E credit is well-intentioned and properly structured in concept. Allowing the credit to offset the Commercial Activity Tax (CAT) was an important step. However, in practice, this structure sharply limits the benefit for a large segment of Ohio businesses, particularly small and mid-sized manufacturers, technology companies, and startups.

The reason is simple: many companies that qualify for the Ohio R&E credit pay only the minimum CAT. Once that minimum tax is offset, the remaining credit provides no additional benefit. In other words, these companies are performing qualified research, hiring engineers and technical staff, investing in innovation, and creating Ohio jobs, but the credit effectively runs out before it can meaningfully reward that activity.

By contrast, these same companies often pay Ohio income tax, either under the Commercial Activity Tax's companion income tax regime or through pass-through entity taxation. Allowing

the Ohio R&E credit to offset Ohio income tax would dramatically improve the usability and economic impact of the credit without changing its underlying policy intent.

Ohio is increasingly an outlier in this respect. Many surrounding and competing states allow their R&E credits to offset corporate or income-based taxes:

- Pennsylvania allows its R&E credit to offset Corporate Net Income Tax.
- Indiana's R&E credit is applied against adjusted gross income tax.
- Michigan allows its R&E-style incentives to offset income-based business taxes.
- Kentucky permits R&E credits to offset corporate income tax liabilities.

These states recognize a basic truth: innovation does not correlate with gross receipts or CAT-style taxes. It correlates with taxable income, reinvestment capacity, and cash flow. When credits cannot be monetized or used against income taxes, they fail to influence behavior which is the very thing an incentive is designed to do.

From my professional experience, I can tell you that companies routinely compare state R&E incentives when deciding where to locate engineers, labs, pilot manufacturing lines, and expansion projects. When Ohio's credit cannot be fully utilized because it is trapped behind the CAT minimum, Ohio loses ground not in theory, but in real site location decisions.

Allowing the Ohio R&E credit to offset Ohio income tax would:

- Increase the credit's effectiveness without increasing complexity
- Better align Ohio with neighboring states
- Improve cash flow for innovation-driven employers
- Strengthen Ohio's competitiveness for high-value jobs

Importantly, this change would not create a loophole or a giveaway. It would simply allow companies already performing qualified research in Ohio to fully realize the incentive the General Assembly has already chosen to offer.

In closing, Senate Bill 9 is an important and necessary conformity measure, and I strongly support its passage. As the General Assembly considers Ohio's broader tax competitiveness, I urge you to view the R&E credit not just through the lens of statutory design, but through real-world usability. A credit that cannot be used does not drive behavior. A credit that offsets income tax does.

Thank you for the opportunity to provide testimony. I would be happy to answer any questions.