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Ron Amstutz
Speaker Pro Tempore

House Ways and Means Committee
Wednesday, September 16, 2015
House Bill 326: Income Tax Law

Chairman McClain, Vice Chairman Scherer, Ranking Minority Member Cera and Members of the House Ways and Means Committee, thank you for the opportunity to introduce HB 326, and by extension SB 208, since both contain the same language.

This bill's purpose is to assure implementation of our original intent to provide tax relief to Ohio businesses across the board.

While we have technical experts here from the Department of Taxation to testify, let me outline some of the main provisions in the bill.

1. Handling deductions and credits — Since we are now taxing business income at a flat rate and non-business income across all the previously existing brackets, we need to separate the two categories when calculating the tax liability. This bill combines all income to take deductions and exemptions, then separates out the business income and calculates tax liability separately for any non-business income and for any business income. The tax liabilities are added together and then credits are taken from the total liability.
2. Addressing business income credit transition — To achieve the intended reduction for the 2015 tax year, we need to apply the non-business bracket rates to the 25 percent of business income not eligible for the credit to avoid situations where the 3 percent tax rate would produce a tax increase. I believe this situation goes away in 2016 and beyond.

In clarifying that the credits are taken against the re-combined or aggregate tax liability after making the separate calculations, we are touching quite a list of income tax credits. There are a number of credits that are no longer in play so we had to decide whether to drag them up for non-functional clarification or simply repeal them. This bill repeals them. To review them, they may be found in Section 2 of this bill on page 129, beginning with the second half of line 3770.

In making changes to tax law, it is important to answer the question of how the policy will be administered mechanically. While there may have been deliberations during conference committee, further work raised concerns about unintended results. This bill gets us back on track.

We need to enact these changes so software can be programmed and forms printed by January.

In order to facilitate adequate legislative process, we are working closely with the Senate and the administration on these bills. We have prepared and introduced the same bills in both the House and Senate — HB 326 and SB 208. Our anticipated track is that we will continue hearings on our bill until the Senate bill comes to us, allowing us to move forward without delay.

Thank you for your time. We look forward to working with the committee and others to enact this legislation. I am happy to answer any questions.