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**Representative Jennifer Gross  
The Ohio House of Representatives**

HB 234 – Rep. Jennifer Gross, Sponsor Testimony, Tuesday October 12<sup>th</sup>, 2021

Chairman Merrin, Vice Chair Riedel, Ranking Member Sobecki, and members of the Ohio Ways and Means Committee, thank you for allowing me to provide sponsor testimony for HB 234; legislation to repeal the Commercial Activity Tax here in Ohio.

What is the CAT Tax? The Commercial Activity tax is an annual tax imposed on businesses measured by gross receipts from business productivity in Ohio. It is imperative to note that Ohio is one of only nine states with a statewide gross receipts tax. Businesses with Ohio taxable gross receipts of \$150,000 or more per calendar year must register for the CAT.

HB 234 is legislation that seeks economic freedom and opportunity for Ohio businesses. Tax regulations like the CAT and government regulations hinder economic freedom and opportunity. The Commercial Activity Tax is an expensive, compounding tax that dramatically distorts economic decision-making while providing relatively little revenue to the state. Rather than tax corporate profits, the CAT taxes gross receipts, meaning that businesses face sizeable tax liabilities even during unprofitable years and periods of economic distress.

To help businesses recover from the COVID-19 pandemic and minimize unemployment, this bill will reduce the CAT over a course of five years by implementing a CAT reduction by 20 percent each year until it is completely repealed.

The CAT is a “pyramiding tax” that raises the price of goods at every stage of their production, forcing Ohio consumers to pay artificially high prices at checkout. The current 0.26 percent CAT rate is deceptively low. Its real economic effect is closer to a seven to 10 percent corporate income tax rate, which makes it one of the highest effective corporate taxes in the country. The CAT inflicts the most economic damage on businesses with low profit margins while contributing less than seven percent of the state’s tax revenue and three percent of the budget.

Eliminating the CAT – a failed tax that almost all other states have abandoned – would have a modest effect on Ohio’s revenues and government operations, but will dramatically improve economic growth by freeing up corporate resources spent on

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administrative compliance for more productive capital investments and workforce growth.

Again, repealing this heavy corporate tax burden now, especially as employers and employees struggle to survive and recover from the disruptive COVID-19 pandemic, will enhance the economic freedom and opportunity that Ohio needs.

Thank you once again for this opportunity to provide sponsor testimony on HB 234. I am more than happy to answer any questions.