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May 17, 2022

Representative Derek Merrin
Chair, Ohio House Ways & Means Committee
77 South High Street, 13th Floor
Columbus, OH 43215

Dear Chairman Merrin:

I am writing on behalf of our nearly 22,000 small business members in support of Senate Bill 246. This important bill will allow pass-through entity (PTE) owners to deduct the full amount of their state and local tax (SALT) liability. Ohio will join other states in restoring this deduction, which was capped at \$10,000 in the federal 2017 Tax and Job Cuts Act.

Senate Bill 246 ensures that Ohio pass-through entity businesses, which is how most small businesses are structured, will not face a higher tax liability. Ohio should move quickly and join numerous other states that have passed similar legislation and avoid putting our small businesses at a competitive disadvantage.

This bill allows business owners to make an annual election to pay SALT at the entity level, in effect reducing an owner's federal adjusted gross income in an amount equivalent to their Ohio income tax liability. The Internal Revenue Service released guidance on this deduction providing clarity for pass-throughs to be able to deduct SALT above the cap. Additionally, Senate Bill 246 gives pass-through owners credit for their proportional share of taxes paid by the entity, thus avoiding potential double taxation. Furthermore, the bill will normalize resident PTE owners' tax rates for business income with those of non-resident owners.

It is important to note that the SALT provisions in Senate Bill 246 impact federal tax liability and should not result in revenue implications for the state. This bill puts Ohio on par with many other states who have recognized the importance of this deduction. Restoring the SALT deduction will send a strong message that small businesses are vitally important to the economic vibrancy of Ohio.

Please note, Senate Bill 246 passed the Ohio Senate unanimously. We urge this committee to favorably recommend Senate Bill 246. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Chris J. Ferruso', is written over a faint, larger version of the same signature.

Christopher J. Ferruso
Ohio Legislative Director