



Before the Ohio House Ways & Means Committee
Proponent Testimony on House Bill 116

April 18, 2023

Chair Roemer, Vice Chair Merrin, Ranking Member Troy and members of the Ohio House Ways & Means Committee, thank you for the opportunity to provide proponent testimony on House Bill 116 on behalf of the members of the Ohio Chamber of Commerce. My name is Tony Long, and I am the General Counsel and Director of Taxation & Economic Policy at the Ohio Chamber.

In the early 2000's Ohio chose not to follow the new federal tax rules for bonus depreciation when the federal government sought to boost the economy by speeding up depreciation schedules. Ohio chose to require an apportionment methodology that added back the depreciation expense and then allowed the taxpayer to deduct 1/6 of the expense in the current year and take the remaining 5/6 over the next five years. The Ohio Chamber favors the recoupling of the Ohio tax code with the federal internal revenue code.

It has often been said that a good tax structure includes the following criteria – cheap to administer, easy to understand, contains degrees of both horizontal and vertical fairness and is transparent.

The current method of apportioning depreciation expenses adds unnecessary complexity to the personal income tax laws, makes the administration of the tax more costly and more susceptible to errors by both the taxpayer and the tax department. Ohio should return to a personal income tax code that is easier to understand, easier to comply with, and one that does not require a small business to spend needless hours of calculating the proper tax liability because Ohio chose a reconciliation process over a number of years instead of an immediate use of depreciation expenses allowed by the federal tax code.

Finally, a few lines on the fiscal impact of recoupling with the federal tax code. Over the course of a six-year horizon we believe the impact on Ohio should be neutral. In the short term there will be costs, but it is unclear how taxpayers will react to this change. Some will elect to end the apportionment in year one. Others may use some or all the apportionment method because of forecasted sales, revenue, capital expenditures or other business factors. Given that, it is hard to quantify the actual cost to Ohio. However, given Ohio's strong fiscal position, the Ohio Chamber believes now is the time to fully recouple Ohio's tax code with the federal tax code.

Thank you for the opportunity to provide proponent testimony for House Bill 116 on behalf of the Ohio Chamber. I will now try to answer any questions you may have for me.