THE OHIO SOCIETY OF CPAs
ADVANCING THE STATE OF BUSINESS

Proponent Testimony
Prepared for House Bill 116
The Ohio House Ways & Means Committee
April 18, 2023

Chair Roemer, Vice Chair Merrin, Ranking Member Troy, and Members of the Ohio House Ways & Means Committee, thank you for this opportunity to offer proponent testimony on House Bill 116 on behalf of our 22,000 members. I am Greg Saul, Director of Tax Policy for The Ohio Society of CPAs (OSCPA).

The OSCPA is pleased to support H.B. 116 and its objectives to assist Ohio taxpayers by keeping Ohio competitive when compared to other states by encouraging capital investment by Ohio pass-through entities and individual business, as well as addressing the interplay between recent federal tax changes and existing Ohio tax law provisions. This bill allows Ohio businesses to retain funds sooner by “re-coupling” to federal income tax law.

The LSC analysis summarizes the original intent behind the enactment of “bonus depreciation.” Federal income tax law gives “enhanced depreciation allowances” for businesses that invest in certain depreciable business assets, i.e., tangible personal property and certain real property. They are intended to encourage increased business investment by permitting businesses to accelerate the tax benefit of asset depreciation deductions, moving it into earlier years than customarily allowed under traditional depreciation schedules. Congress originally enacted them in 2002 as temporary measures to combat the recessionary economic trends.

Currently, Ohio decouples from (does not conform to) federal tax laws on certain facets of accelerated depreciation and enhanced expensing allowances (S.B. 261, 124th GA; H.B. 95, 125th GA). Ohio businesses have been unable to take advantage of several pro-taxpayer provisions enacted at the federal level and instead are required to make add-backs to their Ohio tax returns, resulting in additional state tax burdens in the short term. In essence, a provision in current law triggers a cash-flow issue for Ohio businesses, so H.B. 116 would allow businesses to continue to compute their Ohio tax liability based upon federal methodology – taking the depreciation sooner rather than later and retaining much needed dollars in Ohio’s economy.

Further, the State of Ohio will eventually be made whole revenue-wise – this is a timing difference, providing the state with a revenue loan which is essentially being financed on the backs of Ohio taxpayers. Consequently, this change in the short-term would currently decrease state tax revenues, but in the long-term Ohio’s revenues would be offset by taxes recouped later resulting in higher state tax revenues in future years. Taxpayers would benefit on a net basis from these changes because of the time value of money – allowing businesses to retain essential cash-flow now when they need it the most. This change would simply allow businesses to depreciate assets quicker, as allowed for federal purposes, rather than over a six-year timeframe (commonly referred to as Ohio’s 5/6 add back – 1/5 deductions per year after).

On behalf of the OSCPA, thank you for allowing me the opportunity to share our support for House Bill 116. I would be happy to answer any of your questions.