

Proponent Testimony  
Prepared for House Bill 33  
The Ohio Senate Finance Committee  
May 18, 2023

Chair Dolan, Vice Chair Cirino, Ranking Member Sykes, and Members of the Ohio Senate Finance Committee, thank you for this opportunity to offer proponent testimony on House Bill 33 on behalf of our 22,000 members. I am Greg Saul, Director of Tax Policy for The Ohio Society of CPAs.

We appreciate the further consolidation of the income tax brackets from the current four to three (TAXCD68). Our [2016 Ohio Tax Reform Task Force report](#) recommended a straightforward, simple tax system with very few credits or exemptions and optimally three but no more than five brackets.

**Deduction of Bonus Depreciation and Expensing Allowances (TAXCD72)**. Allows taxpayers to deduct in a single year the full bonus depreciation and enhanced expensing allowances the taxpayer deducts for federal income tax purposes. The bill creates an election allowing taxpayers to eliminate the addback and phase out subtraction. This “re-coupling” to federal income tax law allows Ohio businesses to retain funds sooner – creating essential cash-flow now when they need it the most. Further, the State of Ohio will eventually be made whole revenue-wise – this is a timing difference, the short-term decrease in state tax revenues would be offset in the long-term by taxes recouped later resulting in higher state tax revenues in future years.

**Municipal Notices and Late Filing Fees (TAXCD61 and 62)**. Limits the late fees and penalties that may be imposed on a taxpayer for failing to timely file municipal income tax returns by (1) limiting the late filing penalty to \$25, rather than the \$150 cap in current law; (2) requiring any late filing penalty assessed on a taxpayer’s first late filing to be refunded or abated once the taxpayer files the overdue return. We also support extending the due date for filing municipal net profits tax returns from Oct. 15 to Nov. 15.

**Municipal Net Profits Tax Safe Harbor (SC0556-2)**. Allows businesses with remote/hybrid employees or owners to elect to use a modified apportionment formula. It would provide the following: when an employee or owner works at a remote work location, the business may elect to apportion any property, payroll, or sales (gross receipts) attributable to that employee or owner to a designated location owned or controlled either by the business or one of its customers. This relieves many businesses of substantial compliance costs by siting the municipal net profits tax to the remote/hybrid worker’s reporting location at the employer’s place of business. This only applies to the net profits tax and does not impact the withholding tax.

**Resident tax credit for SALT cap deduction from other states (SC0626-2)**. Permits Ohioans who are currently subject to double taxation to get back to a status quo position. [Senate Bill 246](#) (134<sup>th</sup> GA) authorized pass-through entity (PTE) owners to “elect” to file a new form IT 4738 and be subject to a new entity-level tax in response to the federal \$10,000 SALT deduction cap limit placed on individuals, but it did not allow Ohio residents to take a credit for similar PTE taxes paid to another state. SC0626-2 authorizes an Ohioan to utilize our resident credit (in existence since at least 1991) for PTE taxes paid to other states while requiring an add-back of taxes deducted from that individual’s federal adjusted gross income. Ohio currently authorizes the resident credit for composite filings (IT 4708) filed on behalf of residents in other states. Ohio continues to be one of, possibly the only, state(s) that authorizes a PTE tax (see the [map of states](#)), but does not allow a credit for taxes paid to another state.

On behalf of the OSCP, thank you for allowing me the opportunity to share our support for House Bill 33. I would be happy to answer any of your questions.