

May 20, 2019

Dear Member of the Ohio Legislature,

On behalf of our associations and our thousands of small business members, we are writing to respectfully request the removal of language added to House Bill 166 that reduces the business income deduction (BID) from \$250,000 to \$100,000 and removes the cap of 3% on business income over \$100,000.

The business income deduction was enacted to create tax parity between pass-through entities and general business C-Corps. Pass-through entities have to pay both, the Commercial Activity Tax (CAT) and the Individual Income Tax, while C-Corps simply pay taxes on receipts under the CAT. The proposed change in HB 166 impacts the parity between Ohio businesses.

We are concerned about the negative impact the reduction of the BID and removal of the 3% cap on business income will have on our small businesses. The Legislative Service Commission has indicated a \$528 million annual tax increase as a result of this change. The reduction may well result in having less money for investments in improvements to our facilities, training, technology, new equipment, and/or increased wages, all of which would be detrimental to Ohio's overall economic growth.

The BID has been in place in its current form just since Tax Year 2016 and, this substantial change was put forth quickly, unexpectedly and without input from Ohio's impacted business community. Therefore, we believe that such a significant change warrants a more comprehensive analysis and more in-depth conversations with stakeholders.

Thank you for your consideration.

Sincerely,

Ohio Chamber of Commerce
National Federation of Independent Business (NFIB)
Ohio Society of CPAs
Ohio Automobile Dealers Association
Ohio Insurance Agents Association, Inc.
Ohio Grocers Association
Ohio Farm Bureau Federation
Wholesale Beer and Wine Association of Ohio
Manufacturing Policy Alliance
Ohio REALTORS
Ohio Poultry Association
Ohio Equipment Distributors Association
United Equipment Dealers Association
Ohio Contractors Association
Ohio Lawn Care Association
Ohio Manufactured Homes Association
Ohio Cattlemen's Association
American Council of Engineering Companies of Ohio
Ohio Trucking Association
Toledo Area Small Business Association
Greater Cleveland Partnership/Council of Smaller Enterprises