



HOUSE BILL 166 – STATE OPERATING BUDGET

INTERESTED PARTY TESTIMONY

OHIO HOUSE FINANCE COMMITTEE

MAY 6, 2019

Chairman Oelslager, Vice Chair Scherer, Ranking Member Cera, and members of the Ohio House Finance Committee, my name is Chris Ferruso, and I am here on behalf of the nearly 22,000 governing members of the National Federation of Independent Business (NFIB) in Ohio to provide our thoughts on Substitute House Bill 166 (Sub HB 166), the state operating budget. Thank you for this opportunity.

By way of background, a typical NFIB member employs 20 or fewer employees and has less than \$2 million in annual sales. Our members come from all industries, and we look like any Main Street in your legislative districts.

Just a brief lay of the land from our members' perspective. The NFIB Research Foundation does a monthly Small Business Economic Trends¹ survey of members to ascertain their sentiments on business operations. Our members' optimism has been at nearly all-time highs over the past two years. We see an uptick in the percent of members planning to increase employment and increase employee compensation. These are incredibly positive, and we believe the focus of the legislature should be to help ensure this trend continues.

Concerning Governor DeWine's as introduced version of the state's operating budget, it is welcome in that it focused on stability and predictability by avoiding major tax or regulatory policy changes. We were very pleased to see an emphasis on workforce development including the funding of 10,000 industry credentialed certificates to meet the needs of Ohio employers. There is recognition that allowing Ohioans the opportunity to

¹ <https://www.nfib.com/surveys/small-business-economic-trends/>

learn a new skill or build on existing ones makes them more desirable for the many open positions we hear from our members they are unable to fill. We believe this concept has merit and hope to revisit this at a later date.

We appreciate the Ohio House listening to our concerns regarding protecting our members and their employees by addressing the telemedicine health insurance mandate in the substitute bill.

However, we were taken aback that the Ohio House is proposing a massive tax increase on Ohio's entrepreneurs and job creators in Sub HB 166. The predictability and stability I just mentioned would vanish for some small business by the provision to reduce the Business Investor Deduction (BID). Over the past few years, the BID has sent the signal Ohio appreciates and acknowledges the contributions small businesses provide to our communities and Ohio's economic success. Small businesses employ nearly half of Ohioans in the private sector. Small businesses create the majority new jobs.² Small businesses are active in their communities by sponsoring little league teams and various other events in their local areas. Small businesses are reinvesting in and expanding their businesses in hopes of keeping their business growing and successful. When our members are successful, their employees benefit as well.

I ask all of you to consider what this proposal means to a typical small business. If the proposal in Sub. HB 166 remains they will pay tax on a larger share of their business income. Tax reform of the mid-2000s brought about necessary changes to Ohio's outdated tax structure. However, while the corporate franchise tax was phased-out, the personal income tax was not. For the majority of NFIB members and small businesses, their business income passes through to their personal income return. This income, which has been taxed once as gross receipts by the CAT is now subject to personal income rates. While our members welcomed the reduction in personal income rates, corporations are not being double taxed. The BID was a means to address this imbalance.

Unfortunately, the rhetoric seems to be that the BID is a tax giveaway to the "rich." The notion that small business owners are "rich" and Ohio's tax system somehow is tipped in favor of them is in our opinion inaccurate. The provision in Sub HB 166 will change the dynamic for many small businesses. This substantial change was done quickly and unexpectedly. The BID has been in place for only a few short years. We believe such a significant change warrants a more robust analysis.

We ask you to put the brakes on this substantial change to tax policy so this body may truly understand what the impact will be to the small business community and main street in

² <https://www.adpemploymentreport.com/2019/April/NER/NER-April-2019.aspx>

your communities. I implore each of you to take time to talk with small business owners in your districts to get a handle on just what the BID means to their business operations.

We respectfully ask that you remove this provision from the budget. Thank you Mr. Chairman and members of the Ohio House Finance Committee, I would be happy to try and address any questions.