



PRESS STATEMENT
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Business-income tax break is costing Ohio \$1 billion a year

A tax break on business income first enacted in 2013 is now costing Ohio about \$1 billion a year, Policy Matters Ohio reported today, far more than previous public estimates.

Ohio Department of Taxation estimates provided to Policy Matters show that the tax break was worth \$943 million in tax year 2015, based on actual filings for that year. It's likely that the amount of the deduction grew further in 2016, since the size of the deduction has increased.

"In light of the revenue shortfall that is affecting the two-year state budget, this underlines that legislators need to repeal this expensive giveaway," said Zach Schiller, research director of Policy Matters Ohio and author of a brief on the tax break.

The exact size of the tax break for 2016 is not yet known, and data available so far do not show what role this deduction may be playing in the revenue shortfall compared to projections. However, the \$943 million is considerably larger than previous estimates that weren't based on actual tax filings and did not attempt to account for the full value of the break.

The tax break permits owners of what are known as "passthrough businesses" such as partnerships and S Corporations to avoid paying any state income tax on the first \$250,000 in profits from those businesses. Any additional profits are taxed at a flat 3 percent rate, well below the nearly 5 percent that would otherwise be paid if your income is over \$210,600. The deduction has not resulted in stronger job growth or an increase in jobs at private businesses hiring employees for the first time.

"The billion dollars this tax break is costing annually is badly needed for schools, health care, public transit and other important services," said Schiller. "From bringing down the cost of college education to responding to the opioid crisis, our unmet needs call for this giant, unproductive tax break to be repealed."

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.