



PRESS RELEASE
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House votes to restore business tax break

Real needed action: Eliminate this \$1.1 billion giveaway

The Ohio House voted today to restore an income-tax break sometimes known as the LLC loophole to lawyers and lobbyists, who had seen it eliminated as part of the budget bill in July. Policy Matters Ohio Research Director Zach Schiller made the following statement about the House action:

“The General Assembly took a small step last summer to cut back on the business income deduction when it repealed it only for lawyers and lobbyists. But that was a poorly drafted excuse for the action that’s really needed: Elimination of this costly, unproductive tax break.

“The LLC loophole hasn’t led to an increase in the growth of new businesses or first-time hiring by new businesses, compared to the nation. Ohio’s share of small businesses has continued to dwindle and our overall economic performance remains subpar. In short, this tax break doesn’t work.

“According to the Office of Budget and Management, keeping lawyers and lobbyists from getting the tax break would save \$25 million in Fiscal Year 2021. That’s a tiny share of the overall tax break, which the taxation department has said is worth \$1.17 billion a year. Rather than going back on the modest provision it approved before, the House should end this unneeded tax break altogether.

“The business income deduction, first approved in 2013 and later expanded, allows owners of limited liability companies, S Corporations and certain other businesses to avoid state income tax on the first \$250,000 in business income, and to pay a lower rate on such income over that amount. The House voted to reduce it to \$100,000 and end the special lower rate in its version of the budget bill, but only the limitation on lawyers and lobbyists remained in the final bill.”

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