



PRESS RELEASE

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Senate proposal: A lopsided business tax cut Proposed 25% reduction in Commercial Activity Tax goes mostly to big business

The Ohio Senate budget bill now getting consideration would cut the state's main business tax, the Commercial Activity Tax (CAT), by a quarter over the next two years. The prime beneficiaries will be big businesses, while most small businesses will get little or nothing from the cut.

"Ultimately, this tax cut will slash revenue the state receives by more than half a billion dollars a year," said Zach Schiller, research director of Policy Matters Ohio. "Those funds would be better used to fully fund public education, expand eligibility for publicly funded child care, boost food assistance, allow kids to get health coverage and meet a bevy of other needs."

According to the Ohio Department of Taxation [annual report](#), 89 corporations with Ohio gross receipts of \$1 billion or more accounted for \$539.5 million or 23.2% of the CAT in Fiscal Year 2022. Another 1,267 firms with gross receipts of more than \$100 million were liable for another 34%. Nearly three fifths of the tax cut before credits — 59.3% — will go to less than 1% of liable businesses.

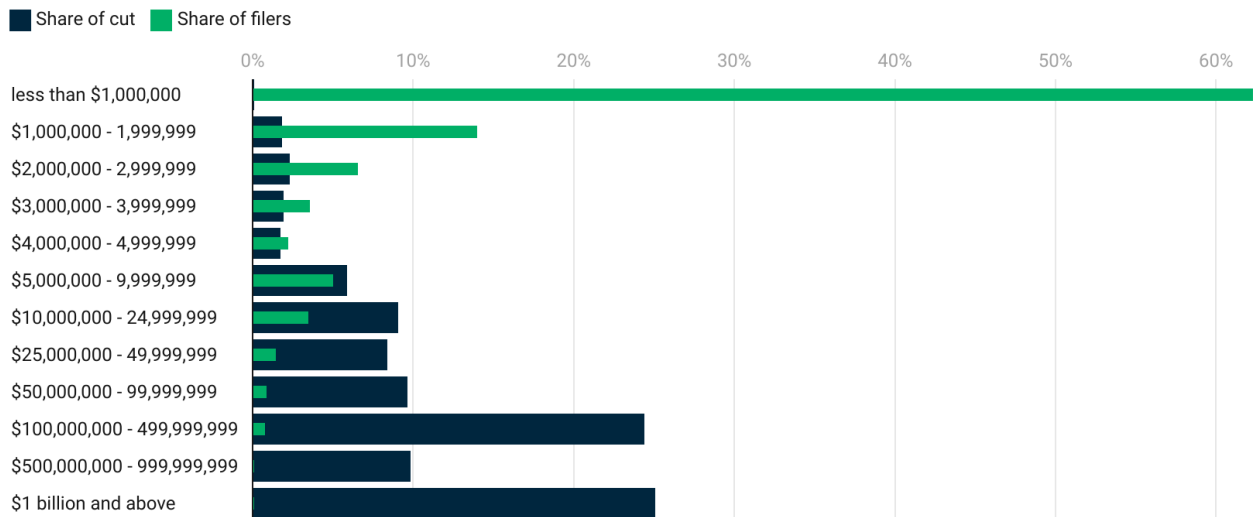
Ohio's smallest businesses will gain little or nothing from the reduction in the CAT. Altogether, the taxation department reports, 101,958 companies or 62.3% of those liable for the tax pay only \$150 a year, because their Ohio gross receipts are between \$150,000 and \$1 million. That will not change under the bill. As a group, after tax credits these companies were liable for a total of just \$12.5 million in Fiscal Year 2022 out of the total \$2.3 billion. And tens of thousands of businesses with less than \$150,000 in annual gross receipts don't have to pay the CAT. See the chart on page 2 for a breakdown of which businesses will see most of the cuts.

"Cutting the CAT rate and reducing minimum tax payments for those companies with more than \$1 million in gross receipts, as the Senate bill would do, does nothing for the overwhelming majority of small businesses in Ohio," Schiller said.

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

Large corporations will benefit most from CAT cut

Distribution of Commercial Activity Tax (CAT) liability (before credits) and filers by taxable gross receipts, fiscal year 2022



Source: Ohio Department of Taxation • Created with Datawrapper

Business taxes in Ohio already are well below the average in other states. Ernst & Young — which compiles a [study](#) each year for the Council on State Taxation, a corporate lobbying group — found that in Fiscal Year 2021, Ohio’s combined state and local taxes on business as a share of gross state product were 4.1%, lower than the national average of 4.9%. Business taxes per employee were also much lower than the national average (\$5,700 vs. \$7,800). In both cases, Ohio had lower business taxes than more than 40 other states.

“Ohio already has [sliced business taxes](#) without generating superior economic performance,” Schiller said. “Why would we double down on this failed strategy?”

The Institute on Taxation & Economic Policy (ITEP), a Washington, D.C., nonprofit with a sophisticated model of state and local tax systems, analyzed how the proposed CAT cut would impact average tax liability by household incomes. It found that higher-earning Ohioans would get more of the total cut than anyone else. More than half the value of the cut (58%) would go to the richest 40% of Ohioans. The bottom 20% would see an annual cut of just \$19 on average, compared to \$248 for the top 1%.

“If the General Assembly wants to overhaul the general business tax, it should cut back on special-interest exemptions that cost hundreds of millions of dollars a year,” Schiller said. “Ohio is also one of only six states without a [corporate income tax](#). We should reinstate a such a tax, which would not only generate revenue but make our tax system more fair.”

