



## Testimony on House Bill 749 before the House Ways & Means Committee

Zach Schiller

Chairman Merrin, Ranking Member Rogers and members of the committee. My name is Zach Schiller and I am research director of Policy Matters Ohio, a nonprofit, nonpartisan organization with the mission of creating a more prosperous, equitable, sustainable and inclusive Ohio. We urge you to oppose House Bill 749.

One of the major provisions in the bill would temporarily reverse action taken by the Ohio General Assembly during an earlier economic downturn to preserve revenue. The Legislative Service Commission said in its fiscal note on HB 749 that, “The state would lose tax revenue in FY 2021 and FY 2022 with the bill, estimated at up to tens of millions of dollars. Given the extent of the uncertainty, LBO cannot rule out that the combined fiscal effect of the two provisions may range higher in at least one of those years, depending on taxpayer behavior and the timing of filing of amended returns.” While it also noted that the state would gain revenue in subsequent years approximately offsetting these losses, slicing state tax collections amidst budget cuts and expected deficits is not wise policy. In fact, the General Assembly should take action to decouple from recent federal tax changes in the CARES Act that the Ohio Department of Taxation has estimated will cost more than \$200 million between this fiscal year and next.<sup>1</sup>

Supporters of this bill have cited a need to help businesses. But is this the best way to do that and does this aid the businesses that are struggling the most because of the pandemic? It would appear that some benefits of this legislation could flow to passive investors who are business owners but do not actively participate in the business. We need to better understand who will benefit from this legislation, given the state’s very finite resources, instead of rushing it through. For these reasons, we urge you to oppose this bill now.

Thank you for the opportunity to testify.

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<sup>1</sup> See Zach Schiller, “Legislators need to plug hole in tax system,” Policy Matters Ohio, Nov 17, 2020 at <https://www.policymattersohio.org/press-room/2020/11/17/legislators-need-to-plug-hole-in-tax-system>