Policy Matters Ohio

TESTIMONY
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Tax policy

Testimony on House Bill 116 before the House Ways & Means Committee

Zach Schiller

Chair Roemer, Ranking Member Troy and members of the House Ways & Means Committee: I am Zach Schiller, research director of Policy Matters Ohio, a nonprofit research institute with the mission of making a more vibrant, equitable, inclusive and sustainable Ohio. Thank you for the opportunity to testify on House Bill 116. We oppose this bill and hope you will do the same.

The Legislative Service Commission has estimated that this bill would cost the state $494 million over the next two years, and reduce revenue to local governments and public libraries by $17 million over that time period.[1] That money should be spent meeting Ohio's needs, whether that means funding our unemployment compensation system so it serves jobless claimants, restoring funding to the Ohio College Opportunity Grant so that low-income students can afford college, or increasing the subsidy for publicly funded child care so that more parents can afford it — and go to work.

Instead, as the LSC details, these tax reductions will go mostly to those making over $500,000 a year — a group that already has seen giant state income tax reductions over the past two decades. While the revenue lost over the next two years is supposed to be made up in future years, that depends on tax rates remaining as they are. Is that what proponents of the bill want and expect? Moreover, that does not take into account the time value of money. Providing this break means the state will lose significant dollars that could be used to fund our schools and vital public services.

Notably, bonus depreciation that Ohio would allow through this bill gives taxpayers credit for investments their businesses make elsewhere, outside Ohio. What interest does Ohio have in providing a tax break when companies invest in Denver or Dallas instead of Dayton? It is especially unproductive to allow taxpayers to accelerate depreciation from prior to 2023 that was to be spread over subsequent years. Those investment decisions

[1] Keller, Russ, Legislative Service Commission, Fiscal Note & Local Impact Statement, HB 116, 135th General Assembly, at https://www.legislature.ohio.gov/download?key=20788&format=pdf

were already made, so it's just a costly giveaway that will not incentivize any new investment.

Most states remain decoupled from federal law on bonus depreciation, as Ohio is now.[2] They can see also that coupling with federal law will subject state revenues to the vagaries of Congressional action, which swings back and forth. Even now, the full expensing allowed under the Tax Cuts & Jobs Act is phasing down. Why should Ohio see its revenues yo-yo year to year based on shifting federal policy? For all of these reasons, you should retain the existing law and vote down House Bill 116. Thank you for the opportunity to testify.

[2] Walczak, Jared, "States should make full expensing permanent to curb inflation," Tax Foundation, Nov. 29, 2022, at https://taxfoundation.org/inflation-permanent-full-expensing/