

## Ohio: General Assembly mulling tax proposals amid budget season



David M. Kall | Friday, May 3, 2019

With the Ohio budget season upon us, the Ohio General Assembly is considering tax proposals that could have big implications for consumers, business owners, and investors. Let's take a look at three major proposals that are currently on the table:

### **Wayfair Legislation**

Lawmakers are considering an "economic nexus" standard for Ohio sales and use tax purposes that the U.S. Supreme Court blessed last June in the landmark case *South Dakota v. Wayfair*. The economic nexus standard would trigger use tax collection duties for remote sellers (including online retailers) that are not already subject to such duties and exceed a threshold volume of sales by dollar amount or number of transactions. Details have yet to be released. How much tax revenue the new standard would raise is up for debate, with some lawmakers suggesting that figure could be as high as \$200 million per year. Ohio Tax Commissioner Jeff McClain has cautioned that the tax revenue raised from the proposed measure could be lower than estimates.

### **Business Income Deduction**

The Speaker of the Ohio House of Representatives, Larry Householder, recently [announced](#) that his chamber is reconsidering a controversial Ohio income tax benefit for business owners. For tax years 2016 and onward, business owners [could deduct](#) the first \$250,000 of "business income" earned in the ordinary course of business and pay a flat 3 percent tax rate on income earned above that amount.

Now, Speaker Householder is re-evaluating that benefit together with the House's budget proposal. "Currently, it's \$250,000. We'd like to take that down to \$100,000," the Speaker said. "If we do that, it makes a significant difference, and we think that probably does provide incentives for small business people to go out and reinvest in Ohio. We think that when you get above that number, it starts to stray a little bit and we're probably taking care of some folks that are putting it in the bank or putting it in their pocket." The

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GOP House leadership is also re-evaluating the flat 3% tax rate on business income.

### **Opportunity Zone Tax Credit**

Separate from the biennial budget bill, a standalone bill currently being considering in the Ohio House would provide a tax credit for investments in designated low-income areas called “Opportunity Zones.” The Ohio credit would piggyback on a new [federal program](#) enacted as part of federal tax reform in 2017. The Ohio Senate approved the bill, [Senate Bill 8](#), in April to advance a proposed credit against the Ohio income tax equal to 10 percent of the qualifying investment. [As proposed](#), the credit would be nonrefundable but may be carried forward for up to five years.

We are monitoring developments in the Ohio General Assembly as they occur. We will keep you posted.

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