

## Ohio: House of Representatives votes to reinstate business income deduction for lawyers and lobbyists



David M. Kall | Tuesday, October 22, 2019

An Ohio income tax deduction for small business owners took [center stage](#) as the Ohio General Assembly debated the biennial budget bill this summer. The business income deduction, or BID, allows business owners to deduct the first \$250,000 of “business income” earned in the ordinary course of their business and pay a preferential 3 percent tax rate on business income above that threshold. While the deduction is designed to jumpstart business activity in Ohio, some projections show that the deduction “costs” the State over \$1 billion in foregone tax revenue each year.

The General Assembly settled the budget negotiations impasse in July by excluding lawyers and lobbyists from those small business owners eligible to claim the Ohio business income deduction. But now, lawmakers including Ohio House Speaker Larry Householder say that excluding lawyers and lobbyists from the deduction is “[impossible](#)” to implement. According to lawmakers, the Department of Taxation cannot enforce the exclusion of lawyers and lobbyists because state tax forms do not require taxpayers to list their occupations.

On October 10, 2019, the Ohio House of Representatives unanimously voted to restore the business income deduction for lawyers and lobbyists. They did so by voting 90-0 to pass [Senate Bill 26](#). If enacted, SB 26 would, among other things, also exempt feminine hygiene products from Ohio sales taxation and allow

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educators to deduct up to \$250 annually on their state income tax returns.

Senate Bill 26 next advances to the Ohio Senate for consideration. If the Senate votes to enact SB 26 and restore the business income deduction for lawyers and lobbyists, the issue is nonetheless likely to resurface during the next biennial budget process in 2021. The bill requires the Department of Taxation to adopt state income tax forms that require taxpayers to include occupational information, thereby eliminating the stated basis for restoring the deduction through SB 26.

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