



IMPACT OF SMALL BUSINESS INVESTOR INCOME CHANGES IN HOUSE-PASSED VERSION OF HB 166

Change #1

- 60% reduction of maximum deduction for business income from \$250,000 to \$100,000.

According to the Department of Taxation's *Tax Expenditure Report*, the estimate of the amount of revenues not available to the general revenue fund due to the deduction is \$559 million in FY 2017.

A 60% reduction equates to approximately \$335.4 million.

TAX INCREASE	\$335.4 million
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Change #2

- Elimination of the 3% flat tax rate on business income above the maximum deduction.

According to the Department of Taxation's *Summary of Ohio Individual Income Tax Returns, Tax Year 2017*, taxable business income above \$100,000 (the new maximum deduction) totaled \$56,040,905,534.

At the current 3% rate, the total tax liability for this business income was \$1,681,227,448.

The estimated total tax liability for this business income under the new, lower graduated personal income tax rates contained in HB 166 would have been \$2,615,371,424.

This change represents an additional tax liability of \$934,143,977.

TAX INCREASE	\$934.1 million
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COMBINED TAX INCREASE ON SMALL BUSINESS OWNERS	\$1.27 billion
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According to the Chair of the House Finance Committee, 14% of small business owners currently claim business income of more than \$100,000. As a result, approximately 101,000 small business owners will see their tax liability increase under the House-passed version of HB 166.