

Business-friendly Ohio

Changes in the state's budget bill can help companies that take notice

INTERVIEWED BY ADAM BURROUGHS

House Bill 64 became effective July 1 and lays out Ohio's operating budget for the next two years. With it, and the state's municipal reform, comes many state and local law changes, a host of which have a direct impact on businesses.

"The government is hoping to continue to create an economic environment in which small business can thrive so that more are started, and stay, in Ohio," says Mary Jo Dolson, CPA, a partner in the State and Local Taxes department at Skoda Minotti. "It's working in the sense that these changes have courted quite a few businesses to the state."

Smart Business spoke with Dolson about how these changes will affect Ohio businesses.

What are the key provisions of the new Ohio budget bill?

One of the most dramatic provisions in the budget is the continuation of the personal income tax rate reduction. Rates will continue to be decreased permanently with the highest rate in Ohio falling to just under 5 percent.

Another key continuation is the InvestOhio program. It helps small business owners invest in their businesses or get new investors. Business owners are given a 10 percent credit on their individual income tax return for such investments.

One item changing is the small business deduction against an owner's 1040 individual income tax return that's equal to 75 percent of the first \$250,000 in income the business generates in 2015. In 2016, the entire \$250,000 in initial income will be untaxed while the remaining income will be taxed at 3 percent.

The definition of a small business for

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the purposes of this tax is fairly broad. It can be any pass-through entity, such as S corporations, partnerships and limited liability corporations. There are no employee count or revenue cap specifications in this case.

Also worth noting, tourism development districts can now be established within a city or county based on population size and other qualifications. Once developed, the county or municipality can assess a 2 percent levy on all gross receipts. That tax, which business owners in the area must pay, can be passed along to consumers.

What were the key changes of the Ohio Municipal Reform?

Most of the Ohio Municipal Reform changes are in an attempt to make municipal taxes more reasonable. Generally, they seek to offer more consistency with due dates, how to get extensions and net operating loss provisions.

Prior to this reform, some cities didn't allow net operating losses to be carried forward while others allowed three or five years. Now all must allow a five-year carry forward. The net operating loss provision is getting phased in over the next five years at 50 percent in the first year, which is deductible in 2018.

Another change is how net operating

losses are computed on city income tax returns. Any city income tax return takes the income generated and calculates property, payroll and sales in your home city then all other cities in which you operate. Under this reform, net operating losses are deducted before the percentage of activity is applied to the home city, which means you don't need to account for where losses occurred.

Ohio currently has a provision that if you're an employee traveling throughout the state you must file a withholding if you're in a city for 12 or more days in a calendar year. Even if you're only in that city for five minutes, once you're there more than 12 times the employer is required to do a withholding. Under reform, the state has changed 12 days to 20 days and specified that you need to be in a city for the preponderance of the day before being required to file a withholding. With this issue, there is still some clarity needed on how it impacts employers that don't have brick-and-mortar locations, which will hopefully arrive before it takes effect Jan. 1, 2016.

These provisions offer both relief and opportunity for the businesses savvy enough to take advantage of them. Don't get left behind. Talk with your financial advisers about how to reap the benefits of these changes. ●