



June 8, 2023

The Honorable Matt Dolan  
Chairman, Senate Finance Committee  
Ohio Senate - 1 Capitol Square, 2<sup>nd</sup> Floor  
Columbus, OH 43215

Dear Chairman Dolan:

The organizations participating in this letter to the Ohio Senate want to thank the Senate for proposing a reduction in the Commercial Activity Tax to alleviate a tax burden felt heavily by the small corner store, small factories, low-margin businesses, and farmers selling goods and services to fellow Ohioans.

While the current tax is burdensome, the revenue provided since its inception has been consistently stable and predictable which is important for government budgeting purposes. Coupled with the removal of the onerous tangible personal property tax and a corporate franchise tax calculated on the larger base of either net worth or income, it has simplified the calculation of tax owed to the state of Ohio. But support for the CAT has not been universally accepted by businesses. To address concerns for most (but not all) businesses, the organizations submitting this letter would like to offer an alternative proposal to the CAT rate reduction under consideration by the Ohio Senate.

First, remove the filing requirement and annual minimum tax for any business with gross receipts under the exemption amount provided in law. Second, phase-in a larger exemption amount. Currently, businesses with less than \$150,000 of taxable gross receipts are exempt from the CAT. Also, taxpayers with gross receipts between \$150,000 and \$1,000,000 must pay a \$150 annual

minimum tax. Instead, the \$150,000 exemption could be raised to \$4,000,000 million dollars for calendar year 2024, substantially matching the FY2024 revenue projections contained in the Senate proposal. For calendar year 2025, the exemption could be raised to \$10,000,000 dollars to again substantially align with the projections of the proposed 25% tax rate cut for FY2025. Using the most currently available data, the fully phased-in exemption would remove nearly 94% of current CAT filers (over 153,000 taxpayers). In future budgets, the exemption could be adjusted even further to reduce the tax burden for additional taxpayers as Ohio's economy continues to grow.

Again, we want to thank the Ohio Senate for its CAT rate reduction proposal and for being steadfast champions of the business climate in Ohio. Thank you for considering our alternative approach to achieve the same revenue result of the Senate proposal. We look forward to working with you as you finalize this budget this month.