



Department of Taxation

(January 21, 2014)

Ohio Tax Commissioner Issues Alert to All Ohio Small Businesses

50 percent tax cut retroactive to Jan. 1, 2013

COLUMBUS – A majority of small business owners and entrepreneurs in Ohio are eligible for a 50 percent tax deduction on their first \$250,000 of business income as part of tax cuts approved last year, according to an alert issued by Ohio Tax Commissioner Joe Testa today.

“Virtually all small businesses in the state will enjoy a significant reduction in tax if they take advantage of this deduction,” Testa said. “The sooner these businesses have extra money in their pockets, the faster they can begin to grow their business by using the savings to increase advertising, buy new equipment or hire help,” he said.

Commissioner Testa is urging all small businesses to find out how they can receive the full benefits of these new tax changes to help the state maintain its economic comeback. “This tax cut and the governor’s full package of comprehensive tax reforms are designed to get Ohio back on track by strengthening our competitiveness for jobs and economic development.” Today’s taxpayer alert reminds owners and investors in Ohio businesses structured as pass-through entities (PTEs) to take full advantage of the new tax cut. For businesses to determine whether they are eligible and learn how to file for this deduction, the instructions are now on the Ohio Department of Taxation’s website (www.tax.ohio.gov – Search Forms: IT SBD).

As part of the tax cut, a business owner can *exclude* 50 percent of Ohio net business income from the adjusted gross income they report on their Ohio personal income tax return. If the business has multiple owners, each is eligible to claim the deduction. This exclusion is available on up to \$250,000, meaning the deduction is capped at \$125,000 for each investor or owner.

Owners of (and investors in) Ohio businesses structured as PTEs qualify for this new tax cut. PTE owners/investors receiving income from the business pay federal and state personal income taxes on that income. PTEs include: sole proprietorships, partnerships, Subchapter S corporations (S-corps) and Limited Liability Companies (LLCs).

These tax cuts are just one part of a comprehensive tax reform package in the state budget signed by Governor John Kasich last summer. The package also includes an 8.5 percent income tax reduction for all Ohio taxpayers and a sales tax increase of one-quarter percent, both of which took effect last year. That budget reduces personal income tax rates by an additional half-percent in 2014 and an additional one percent in 2015 to yield a 10 percent tax cut by tax year 2015. Overall, the total tax-reform package will cut Ohioans’ taxes by \$2.7 billion over three years.

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