



**Business Income Deduction Testimony**  
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**Hunt Imaging | Cleveland Cycle Tours**  
**Former Board Chair, Council of Smaller Enterprises |**  
**Board Member, Greater Cleveland Partnership**  
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Chairman Dolan, Vice Chairman Burke, Ranking Member Sykes and members of the Ohio Senate Finance Committee, my name is Mike Stanek. I am co-owner of an Ohio-based manufacturer, that sells internationally, named Hunt Imaging. I am also the co-owner, with my wife, of an entertainment company operating in Cleveland called Cleveland Cycle Tours.

Thank you for this opportunity to provide testimony regarding the biennial budget bill and, more specifically, Ohio's business income deduction on behalf of the Greater Cleveland Partnership (GCP) and its small business division, the Council of Smaller Enterprises (COSE). Together, our non-partisan organization represents the most comprehensive small, middle market, and large business organization in the state with more than 11,000 business members in Northeast Ohio.

We appreciate the efforts made to-date to finalize a state budget that aims to advance economic prosperity in Ohio. GCP is particularly supportive of the creation of a statewide incentive for Opportunity Zones. We think this is a strong first step to maximize investment activity in Ohio. We ask that you strongly consider the creation of a study committee for this important program to determine needed future reforms for the state incentive to better serve underinvested communities across Ohio.

The main purpose of my testimony today, however, is to urge you to consider a growing amount of feedback we continue to receive from our members related to state tax policy.

From the time Ohio's business income deduction was enacted in 2013 it has undergone changes that have altered its impact on small business employers. The current version of the business income deduction has been in place since tax year 2016, providing predictability and the ability to prepare for the future.

In our members' experience, one of the greatest obstacles to economic expansion is an ever-changing tax code. Stable tax policy is important and we respectfully request that this committee look seriously at preserving Ohio's current small business tax deduction, the results of which are utilized by our members for reinvestment back into their companies and workforces. Reducing the maximum deduction for business income by 60%, which is currently proposed in Substitute House Bill 166, is drastic and would seriously jeopardize future planning and growth opportunities.



GCP members also advocate for Ohio to maintain the 3% flat tax rate that pass-through businesses pay on earnings over \$250,000. Because most small businesses are set up as pass-through entities they pay taxes on business income at the income tax rate of their individual owners. Ensuring the proper treatment for a variety of business types, expenses, and investments made by business owners – to support the growth of their business – is a critical focus in deliberations on tax policy.

My companies have consistently used our tax incentives to try to position ourselves for long-term success and stability. Hunt Imaging is a toner manufacturer facing an increasingly demanding market. This past October we used the business income deduction dollars as part of the acquisition of a small West Virginia company, Primedia Products. Primedia packages and sells toner into different markets than Hunt Imaging but now Hunt manufactures all of Primedia's toner requirements for their international markets right here in Ohio. Just last month we took our most recent tax incentive and agreed to acquire a new research and development line for our Berea facility. This \$17,000 commitment is an informed risk that, without the incentive, we couldn't otherwise afford to take in order to improve our operations.

Our Cleveland Cycle Tours business used its portion of the tax savings to invest in two new cycles from the Netherlands and expand the business into Kent, OH. Without dollars provided through the small business income tax deduction, these investments and our growth to a new market simply would not have been possible.

Entrepreneurs face many uncertainties and challenges. A lack of access to capital can seriously delay investment in our businesses, our employees, and our communities. If taxes effectively increase for small businesses in our state, Ohio will become less competitive than our neighbors and development will likely decline.

On a side note, it was recently reported by the Ohio Department of Jobs and Family Services that the unemployment rate in Ohio dropped to 4.3 percent in April, the lowest it has been in 18 years. But it is also true that Ohio's unemployment rate remains higher than the national rate, which was 3.6 percent in April. From my perspective it's hard to envision a scenario in which Ohio narrows the gap between its unemployment rate and the national rate by increasing taxes on segments of Ohio's business community.

Any significant changes made to our state's tax environment warrant more comprehensive analyses and more in-depth conversations with all stakeholders that are impacted. As you are aware, balanced public policy considers all the potential ramifications associated with any reforms that are made and we welcome the opportunity to continue working with you and your colleagues to foster a strong, vibrant business community in Ohio.

Thank you for the opportunity to provide our members' views. I'm happy to answer any questions the Committee may have.