



TRANSFORMING OHIO FOR JOBS + GROWTH

2014 MID-BIENNIUM REVIEW

H.B. 483: TAX RELIEF FOR LOW- AND MIDDLE-INCOME TAXPAYERS

Since taking office three years ago, Gov. Kasich has worked with the General Assembly to cut Ohioans' taxes more than \$3 billion by reducing personal income taxes by 10 percent, creating a new Earned Income Tax Credit, cutting small business taxes in half and eliminating the death tax.

This year the governor sought and won tax cuts for Ohio's low- and middle-income families to help ensure that they share in Ohio's recovery. These and other tax cuts were made possible by Ohio's growing economy and efficient management of state government.

A Stable Budget and Strong Revenues Pays Dividends for Ohio Taxpayers

Even with Ohio's lower tax rates, state revenue remains stronger than expected because of Ohio's improving economy. This makes additional tax cuts possible, including tax cuts targeted for low and middle-income families:

- **Doubling the Earned Income Tax Credit – Helping Low-Income Ohioans Move Ahead:** Ohio will double Gov. Kasich's new Earned Income Tax Credit (EITC) for low-income Ohioans by increasing its benefit from 5 to 10 percent of the federal credit. Like President Ronald Reagan, the governor believes in the value of the EITC to help low-income Ohioans move up the economic ladder and let them keep more of the money they earn.
- **New Low-Income Tax Cuts:** Ohio will increase the state income tax personal exemption from \$1,700 to \$2,200 for families earning less than \$40,000 a year.
- **New Middle-Income Tax Cuts:** Ohio will increase the state income tax personal exemption from \$1,700 to \$1,950 for families with incomes between \$40,000 and \$80,000.
- **Additional Small Business Tax Cuts:** Building on the 50 percent small business tax deduction enacted last year [50 percent deduction on the first \$250,000 in small business income], the personal income tax deduction on small business income will be temporarily increased to 75 percent for tax year 2014. This enables Ohio's private sector job creators to further invest in growing their businesses, expanding Ohio's economy and creating jobs.
- **Accelerating the 10 Percent Income Tax Cut:** Next year's scheduled one percent cut in the Ohio income tax rate will be moved up and made effective retroactive to January 1, 2014. Also, beginning soon after July 1, the state will reduce income tax withholding rates (and increase Ohioans' paychecks) months ahead of schedule. These two changes will give taxpayers the full 10 percent income tax cut that was not set to begin until January 2015. This follows a 9 percent reduction of withholding rates last fall (the first such reduction since 2009), all part of a \$2.7 billion net tax cut being phased-in over three years.

Cumulative Benefit of Kasich Tax Cuts as a Percentage of Income, 2011 vs. 2014

Taxpayer	Annual Income	Percent Reduction
Single parent w/one child	\$30,000	-43.6%
Married filing jointly w/one child (median income)	\$60,000	-9.4%
Married filing joint w/two children (median income)	\$73,000	-9.2%
Married filing jointly w/three children	\$125,000	-9.0%

Strengthening Education in Ohio: Gov. Kasich's 2014 Mid-Biennium Budget Review included important new steps to strengthen education in Ohio and prepare youth for life. Among the provisions in H.B. 483 were:

- **Dropout Recovery—Helping Ohio Adults without Diplomas Get Back on Track:** As many as one million Ohio adults lack a high school diploma. After the age of 22, adults are no longer eligible for traditional high school diplomas, but now thanks to MBR reforms, Ohio community colleges and career centers can create new initiatives to help adults earn credits toward a high school diploma while pursuing job training coupled with credential efforts.
- **Encouraging Mentorship through Community Connectors:** Another initiative of the governor's MBR is directing \$10 million from Ohio Lottery proceeds to provide 3-to-1 matching grants in support of cooperative mentoring efforts by community groups and their local business partners. Quality mentoring programs have proven to be effective at helping to motivate and inspire students, as well as to help them develop skills that lead to success in school and the workplace.

Providing the Treatment and Support Ohioans Need to Recover: Gov. Kasich has made it a priority to help our state's most vulnerable citizens. His Mid-Biennium Budget Review builds on these efforts by:

- **Strengthening Support for Ohioans with Mental Illness and Addiction:** The MBR increases access to crisis intervention and safe places for Ohioans with mental illness and addiction with \$47.5 million in additional funds.
- **Expanding Ohio's New "Start Talking!" Drug Abuse Prevention Campaign:** Ohio's "Start Talking!" program will be expanded to get the program adopted by more schools across Ohio. "Start Talking!" is rooted in research that shows youth are up to 50 percent less likely to use drugs when parents and adults talk with them about substance abuse than youth whose parents do not. Since it was launched, the program has engaged more than 16,400 students, and signed up more than 500 student ambassadors to stand up and be leaders in their schools.
- **Tobacco Cessation:** The MBR allocates \$26.9 million from the Master Settlement Agreement to the Ohio Department of Health to support a five-year plan for tobacco prevention and cessation programs.
- **Human Services Innovation Office:** Modelled on Ohio's successful Office of Health Transformation, a new initiative will be created within the Department of Job and Family Services to begin breaking down silos within state government and improve those efforts that serve the most vulnerable Ohioans.

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KASICH ADMINISTRATION TAX CUTS TO DATE (FY 2012-2015)

All Figures in Millions of Dollars

BILL/YEAR ENACTED	DESCRIPTION OF TAX CUT	VALUE PER FISCAL YEAR				TOTAL
		2012	2013	2014	2015	
HB 153 FY12-13 Budget/2011	Estate Tax Eliminated	--	--	\$278	\$370	\$648
HB 59 FY14-15 Budget/2013 <i>*(Revenue sums reflect the net total of tax cuts and revenue-raising measures)</i>	Income Tax Reduction <i>(Cut Tax Rates 10% over 3 Years)</i> Earned Income Tax Credit (EITC) <i>(5 percent of taxpayer's federal EITC)</i> 50% Small Business Income Tax Cut <i>(50% deduction on first \$250,000 of small business income)</i>	--	--	\$1,194	\$793	\$1,987*
HB 483 2014 Mid-Biennium Review/2014	Acceleration of Income Tax Reduction <i>(HB 59 final year, 1% tax cut moved up from 2015 to 2014)</i>	--	--	--	\$94	\$94
	Increase Small Business Deduction to 75% for 2014	--	--	--	\$229	\$229
	Doubling of EITC <i>(Credit rises from 5% to 10% of fed. EITC)</i>	--	--	--	\$25	\$25
	Low-Income Tax Cut <i>(Personal exemption increased from \$1,700 to \$2,200 for incomes under \$40,000)</i>	--	--	--	\$31	\$31
	Middle-Income Tax Cut <i>(Personal exemption increased from \$1,700 to \$1,950 on incomes \$40-\$80,000)</i>	--	--	--	\$23	\$23
TOTAL TAX CUTS	(In Millions of Dollars)	\$0	\$0	\$1,472	\$1,565	\$3,037

Source: Ohio Department of Taxation