



TRANSFORMING OHIO FOR JOBS + GROWTH

FISCAL YEARS 2014-2015 STATE BUDGET

Tax Cuts and Reforms in H.B. 59, Signed by Gov. John Kasich in June 2013

CUTTING AND REFORMING TAXES TO CREATE JOBS

\$2.7 billion tax cut lets Ohioans keep more of their own hard-earned money

Ohio's taxes are too high and cutting them is one of the most important improvements our state can make to help create a more jobs-friendly climate. The two-year state budget signed by Gov. John Kasich in June 2013, builds on previous successes in eliminating the Death Tax and preserving a previously scheduled income tax cut by cutting taxes \$2.7 billion and reforming our tax code to be more simple, fair and transparent. These changes will help job creators invest, expand and hire new workers – and let hard-working Ohioans hold onto more of what they earn.

\$2.7 Billion in Tax Relief: The budget provides \$2.7 billion in net tax relief over the next three years.

- **50% Small Business Tax Cut:** Virtually all small businesses receive a 50 percent* tax cut on the first \$250,000 in net business income. (*Legislation subsequently signed by Gov. Kasich in June 2014 temporarily increases this small business exemption to 75 percent for one year)
- **10 Percent Income Tax Cut:** The income tax rate will be cut 10 percent over the next three years.

Property Tax Reform: Ohio's homestead tax exemption was created in the 1970s for low-income seniors but was expanded by the previous Administration to also include higher income seniors, significantly increasing costs for Ohio taxpayers. No seniors currently receiving this property tax relief will lose it, and in the future the exemption will be remain for seniors reporting less than \$30,000/year in Adjusted Gross Income (which does not include Social Security earnings).

Additional reforms make Ohio's property tax system more fair for all Ohioans. All taxpayers—even renters—help pay for tax relief for property owners in a flawed policy dating back to the early 1970s. The so-called "tax relief" is a myth, however, since the state simply raises taxes on all Ohioans—including Ohioans who don't own property—to cover these costs. The budget eliminates this shell game on new levies and instead reverts to a more transparent system in which property owners pay their entire property tax bill themselves but also enjoy lower income tax rates. Existing levies are unchanged.

Reducing Ohio's Overreliance on Income Taxes: The budget helps reduce Ohio's overreliance on an anti-growth income tax by transitioning more toward a consumption-based tax system with a state sales tax adjustment from 5.5 percent to 5.75 percent. Additionally, Ohio will strengthen its efforts to ensure that out-of-state companies remit all the sales tax that is already due under Ohio law and equalize the treatment of digital goods with their already-taxed hard copy counterparts.

Closing Loopholes: The budget closes various unnecessary and unjustified tax loopholes by eliminating the deduction for gamblers' losses, equalizing taxes for cigarettes and cigarette-like products known as "cigarillos," and equalizing treatment between magazines purchased at the newsstand and purchased through the mail.

BOTTOM LINE: By reducing the tax burden on small businesses and cutting the income tax rate, tax cuts and reforms in H.B. 59 gives Ohio a more jobs-friendly, competitive economic environment, allowing our state to continue to improve on our position as a national leader in job creation.

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