



AOF's BUDGET WEBINAR SERIES

The Bottom Line: Tax Cuts, Deductions, and Credits in the Legislature



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Advocates for Ohio's Future (AOF) is a nonprofit, nonpartisan coalition of over 500 state and local health and human services policy, advocacy, and provider organizations that promotes health and human service budget and policy solutions so that **all** Ohioans live better lives.

Our coalition believes in investing in our state's most valuable resource—our people—to ensure that they are safe, healthy, and can access pathways to prosperity for themselves and their families.





The Bottom Line: Tax Cuts, Deductions and Credits in the Legislature

Our goals

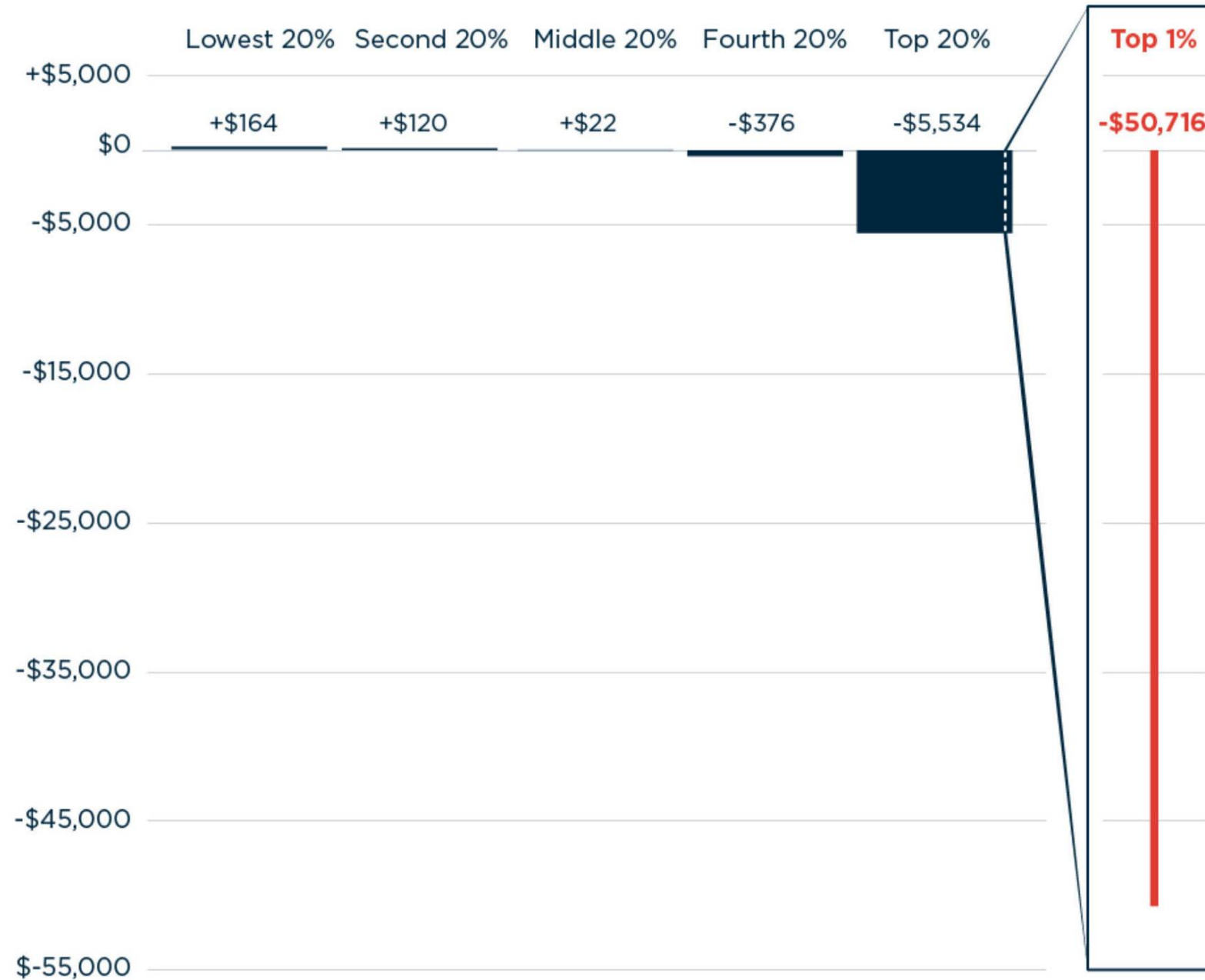
We hope you leave with a better understanding of:

- a brief history of Ohio's tax code
- current tax change proposals being considered
- what the proposals could mean for health and human services and for our neighbors who are paid low wages
- budget and policy solutions to support the economic security of Ohioans



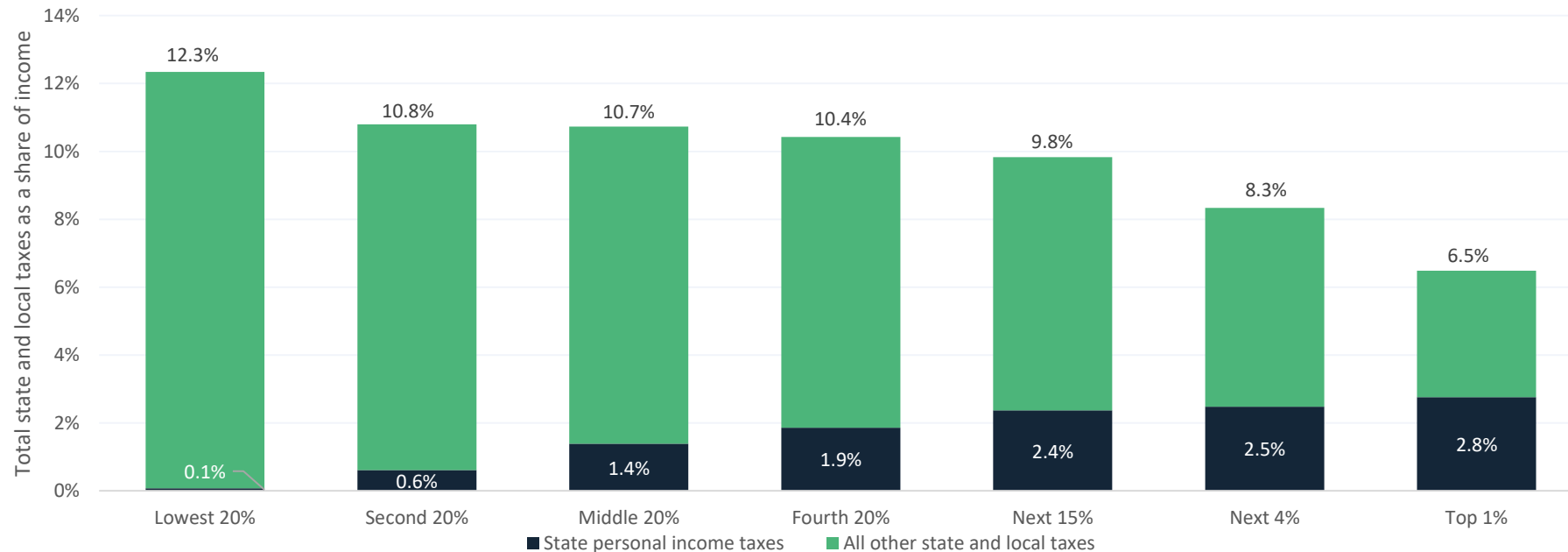
Ohio's upside-down tax code benefits few at the expense of many

Impact of Ohio's major taxation legislation since 2005 by income level



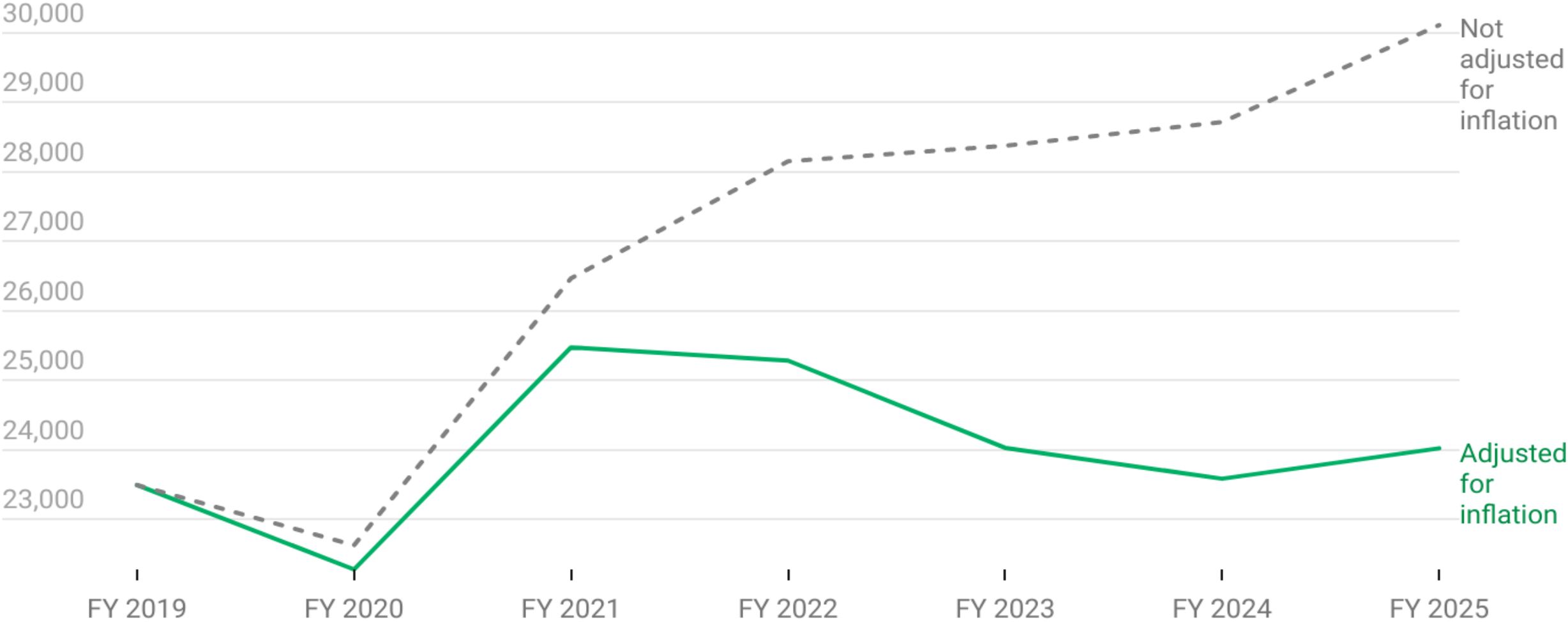
Wealthy Ohioans pay less taxes

State and Local Taxes as a Share of Income



Ohio revenues are growing slower than it may appear

Estimated state-only GRF revenues (in millions)



Inflation adjustment using 2019 dollars.

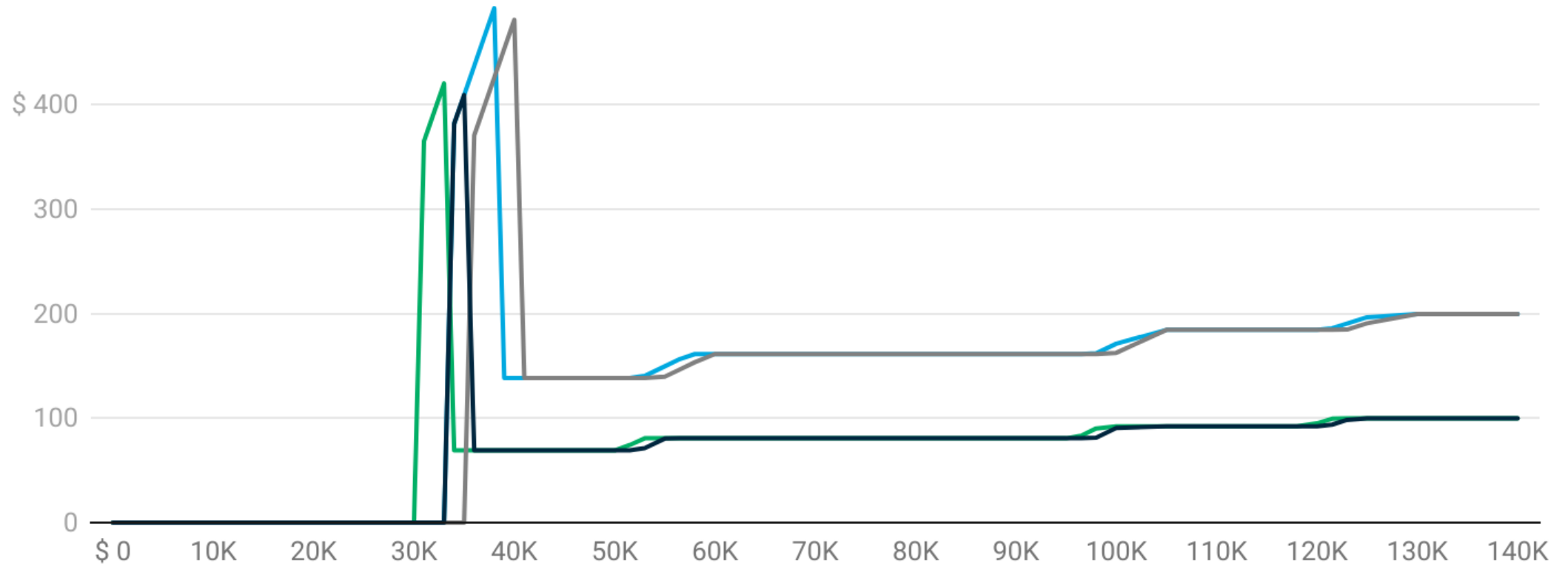
New Tax proposals

- Child tax deduction.
- Sales tax exemption for infant care items.
- Tax credit for the development and rehabilitation of low-income housing.
- Tax credit for the development of single-family housing.
- Home ownership savings account.
- Adding to the list of 154 tax expenditures. \$11 billion per year.

Gov. DeWine's child deduction

Amount of tax liability decrease by family size

— 1 adult 1 child — 2 adult 1 child — 1 adult 2 child — 2 adult 2 child



The estimates factor in personal and dependent exemptions but not tax credits such as the earned income tax credit

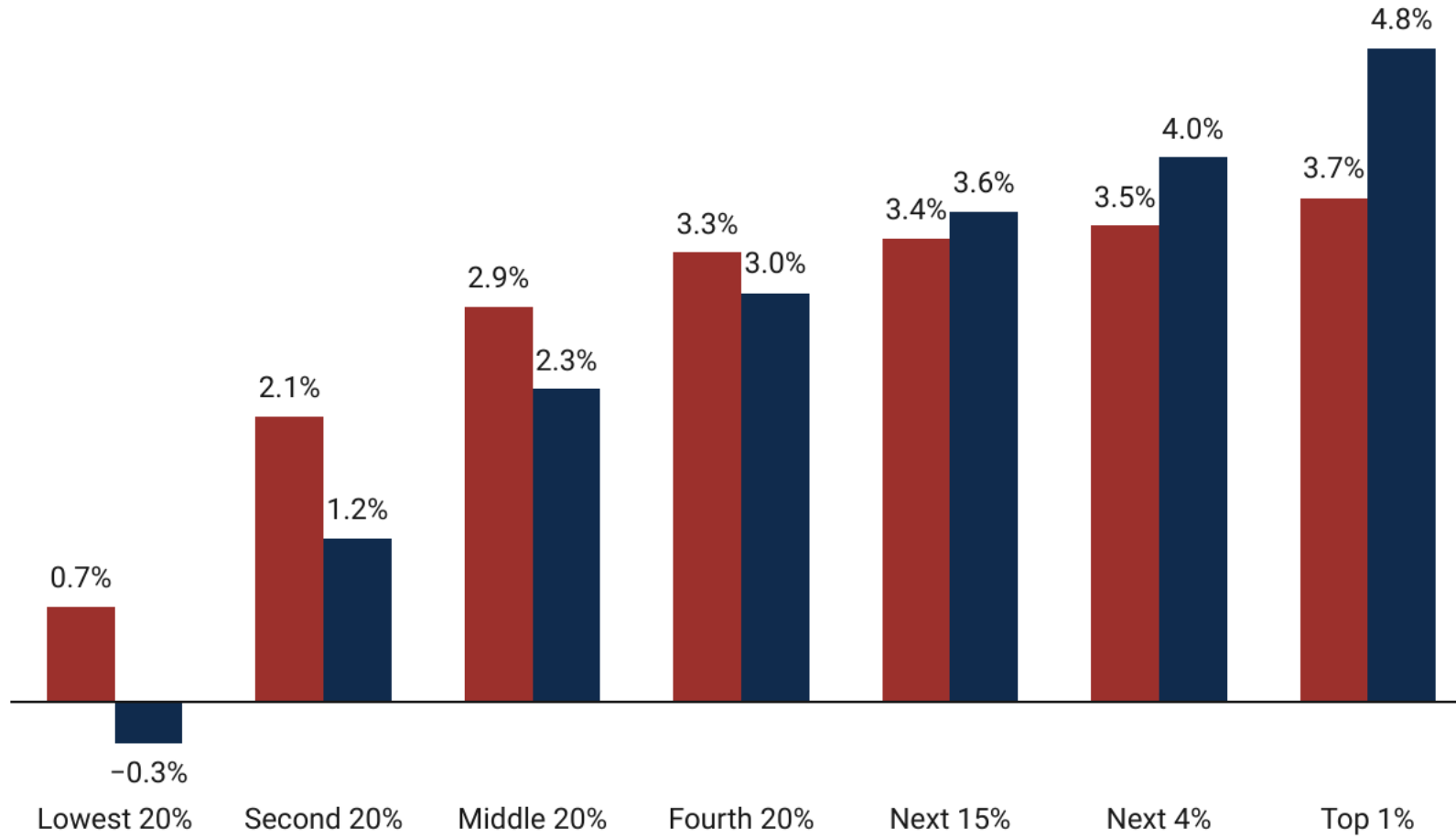
Chart: Policy Matters Ohio • Created with Datawrapper



FIGURE 2. Middle-Income and Poor Households Pay More in Flat Income Tax States

Average effective state personal income tax rate

■ States with flat-rate income taxes ■ States with graduated-rate income taxes



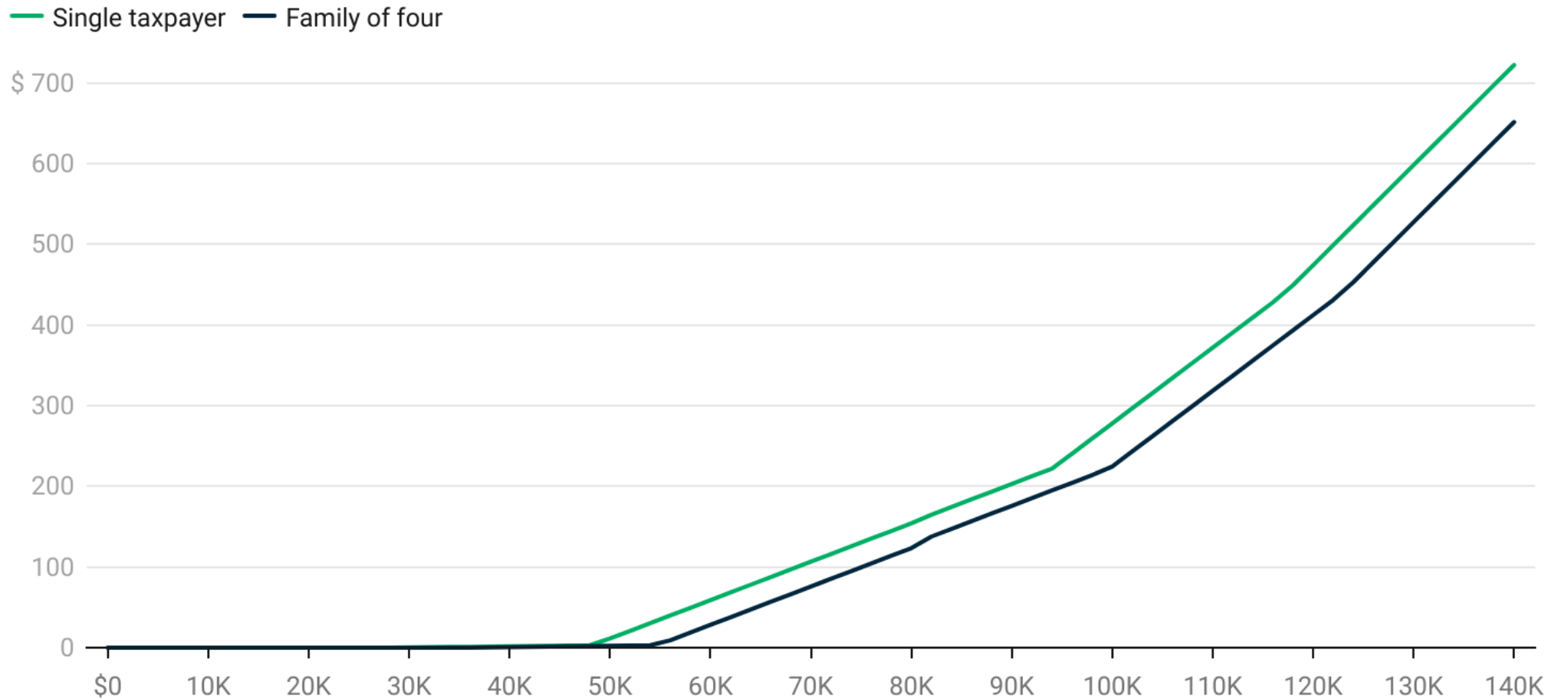
Source: Institute on Taxation and Economic Policy (ITEP) • Created with Datawrapper

HB1

- Flat tax to 2.75%
- Repeal of 10% rollback (residential property tax credit)
- Reduction of Property tax assessment rate by 10%
- State aid to some homeowners.

HB 1

Tax Savings by Household Income



Reduction in Ohio tax liability by taxable nonbusiness income and family size

Chart: Policy Matters Ohio • Created with Datawrapper



Impact of HB 1

ITEP estimates of the bill's impact

	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Richest 1%
Income Range	< \$23,000	\$23,000 - \$47,000	\$47,000 - \$75,000	\$75,000 - \$124,000	\$124,000 - \$244,000	\$244,000 - \$617,000	> \$617,000
Average Income in Group	\$ 12,000	\$ 34,000	\$ 61,000	\$ 97,000	\$ 159,000	\$ 347,000	\$ 1,534,000
Tax Change as a % of Income	0%	0%	-.04%	-.16%	-0.4%	-0.57%	-0.73%
Average Tax Change	\$0	-\$1	-\$24	-\$155	-\$628	-\$1,974	-\$11,166

Let's rewrite the tax code to provide a boost to families who have been left out.

A Thriving Families Tax Credit would:

- Help families pay for the basics
- Provide more opportunity to families of color and families in Appalachia

The Ohio Thriving Families Tax Credit

A New Proposal

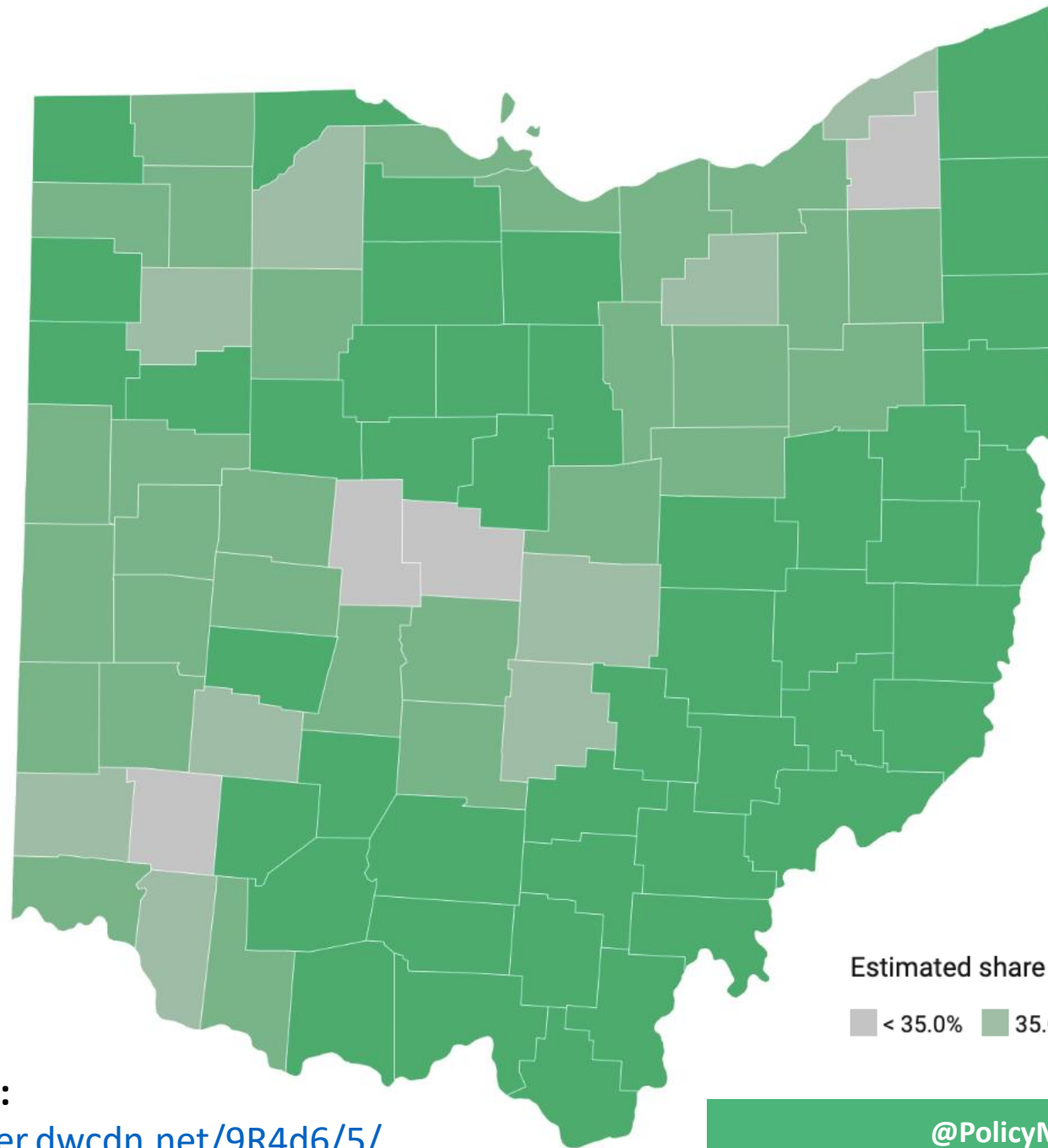
Maximum annual tax credit amount per child	\$1,000 for children under <u>6</u> ; \$500 for children age 6-17
Average tax refund per eligible household	\$991
Number of children benefitting	1,822,262
Number of households benefitting	985,969
Eligibility by income	Less than \$85,000 *
Eligibility by age	All children under 18

Source: Institute on Taxation and Economic Policy, October 2022.

*Tax filers who make \$65,000 or less with a dependent child (or children) are eligible for the maximum annual tax credit amount per child. Tax filers who make over \$65,000 will receive less than the full amount until the credit phases out at \$85,000.



More than 55%
of families in
Appalachian
counties would
benefit



Interactive Map at:

<https://datawrapper.dwcdn.net/9R4d6/5/>

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3 tax proposals – and the impact on 3 different families

	Child tax deduction in HB 33 (annual tax savings)	HB 1 (annual tax savings) *	Thriving Families Tax Credit (annual tax credit)
Family with 2 kids, age 2 and 4, with annual income of \$25,000	\$0	\$0	\$2,000
Family with 2 kids, age 2 and 4, with the median income of \$62,000	\$161	\$38	\$2,000
Family with 2 kids, age 2 and 4, with annual income of \$200,000	\$200	\$1,395	\$0

Source: Policy Matters Ohio, March 2023.

*The estimated tax savings is based only on the changes to the income tax from a graduated income tax to a flat tax of 2.75% on income over \$26,050



Polling: Ohio Voters Support a State Child Tax Credit

- 77% percent of voters support enacting a state Child Tax Credit in Ohio
- At least 74% of urban, suburban, and rural voters in support a state Child Tax Credit



Polling: Ohio Voters Support Taxing the rich

- 71% percent of likely voters support new tax rates on households earning more than \$250,000 and \$500,000.



Take Action

- Help families pay for the basics by including a Thriving Families Tax Credit in the budget
- Increase economic stability of Ohioans with low wages by making Ohio's Earned Income Tax Credit (EITC) refundable
- Speak out against more tax cuts for the wealthy





Contact Us

Please reach out with any questions and requests.

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Policy Matters Ohio is a nonprofit policy research institute that creates a more vibrant, equitable, sustainable and inclusive Ohio through research, strategic communications, coalition building and policy advocacy.



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THANK YOU

Our Budget Webinar Series Will Continue!

Home and Community Based Services 101

- Friday, March 24th @ 10:30am
- [Register to join us HERE.](#)

Recording and slides will be sent out to all registrants by this afternoon

- Recording and slides will also be available at <https://www.advocatesforohio.org/webinars>

