

TAX REFORM IN OHIO

As Contained in Amended Substitute House Bill 66 (126th General Assembly)

Comparisons as of January 1, 2006; Ohio Tax Reform scheduled to phase in through July 1, 2010

	<i>Why Reform?</i>	BEFORE Tax Reform	IMPLEMENTATION PROCESS: January 1, 2005 - June 30, 2010	AFTER Tax Reform
State Personal Income Tax	Reduce the high marginal tax rates that put Ohio at a competitive disadvantage in attracting and keeping high-paying jobs	<ul style="list-style-type: none"> Progressive Structure Nine tax brackets Top tax rate of 7.5-percent on income over \$200,000 	<ul style="list-style-type: none"> REDUCE state personal income tax rates by 21.0-percent, over five years at 4.2-percent per year IMPLEMENTATION "low income credit" to exempt taxpayers with income under \$10,000 	<ul style="list-style-type: none"> Progressive Structure Nine brackets (Seven effective tax brackets with implementation of "low income tax credit") TOP RATE OF 5.925-PERCENT ON INCOME OVER \$200,000
State Sales and Use Tax	Lower tax rate paid by Ohio consumers	6.0-percent state sales and use tax	IMMEDIATELY reduce the tax rate by 0.5-percent	5.5-PERCENT STATE SALES AND USE TAX
Corporate Franchise Tax	Eliminate non-competitive tax with high marginal rates and numerous loopholes	5.1-percent on net income under \$50,000; 8.5-percent on net income above \$50,000	PHASE-OUT tax over 5 years at 20.0-percent per year, beginning Tax Year 2006	ELIMINATED
Tangible Personal Property Tax	Eliminate tax that penalizes investment in new equipment and places Ohio at competitive disadvantage	Local implementation, with state supervision; Total tax rate equal to the sum of all levies; 2005 state-wide average rate is 79.51 mills	<ul style="list-style-type: none"> IMMEDIATELY eliminate the tax on manufacturers' machinery and equipment placed in service in Ohio on or after January 1, 2005 PHASE-OUT the general business tangible personal property tax over 4 years at 25.0-percent per year – tax eliminated Tax Year 2009 	ELIMINATED
Commercial Activity Tax	Create broad-based, low rate business tax that is flatter and fairer than current business taxes.	→	PHASE-IN tax over five years at 20.0-percent per year, beginning July 1, 2005	<ul style="list-style-type: none"> NO TAX on gross receipts under \$150,000 \$150 on gross receipts under \$1 million \$150, PLUS 0.26-PERCENT on net gross receipts over \$1 million

Source: Ohio Department of Development; Tax rates from Ohio Department of Taxation