



POLICY BRIEF: HOUSE BILL 472

Mid-Biennium Review (MBR)



UPDATED
April 2, 2014

NOTE: The MBR was broken into 14 bills for consideration. HB 472 contains the most of the tax components and will have by far the greatest fiscal impact.

Sponsor

Representative McClain

Summary

HB 472 contains the major tax components of Governor Kasich's MBR proposal - with the exception of the severance tax (HB 375): an 8.5% income tax cut, an Earned Income Tax Credit (EITC) expansion, and an expansion of personal exemptions for middle income Ohioans, as well as increases to the Commercial Activity Tax (CAT), and tobacco tax.

**Budget and
Revenue
Implications**

The income tax cut will cost Ohio more than \$2.1 billion over 3 years. The EITC and personal exemptions expansion are much smaller, valued at only \$453 million over the same period. New revenue sources, even factoring in the severance tax, will not offset the losses.

This plan moves Ohio toward a more regressive tax system and it is fiscally irresponsible because it relies on unpredictable revenue sources such as the severance tax and tobacco tax. This package will lead to future revenue reductions - originally estimated at \$174 million over three years - passing the buck to future legislatures to cut services.

**Political and
Policy Climate**

HB 472 reduces the top income tax rate to below 5% - the Governor's stated goal, although 99.6% of Ohioans already pay a lower effective rate. To avoid massive budget cuts now, he proposed new revenues and phasing in the tax cut over 3 years. However, this complex plan has created mixed political reaction and is currently considered stalled, potentially until after November's election.

Speaker Batchelder is concerned about the severance tax. The Chamber of Commerce is concerned about the increase in the CAT. Tea Party groups want spending cuts. Local government, schools, and other advocates want recent budget cuts restored and new investments made. Many public health professionals support the tobacco tax for health reasons. Anti-poverty advocates support the EITC and personal credit expansion, but are concerned that the EITC remains non-refundable.

Fine Print

Beyond HB 472, the MBR contains funding changes in some line items. The majority of new appropriations are from specialized revenue sources or earmarking of previously allocated funds. The Department of Rehabilitation & Correction did receive a general funding increase of over \$50 million, OCSEA - the union representing prison guards - notes that this will likely create 87 new prison guard positions, but 400 are needed. Other MBR bills cover proposed policy changes impacting education, health and human services, treatment of addiction, and more.

**Additional
Resources**

[Policy Matters Ohio Report:](#)
[LSC Summary](#)
[Legislative Language](#)

<http://bit.ly/1eMNRDw>
<http://bit.ly/1hhrqGw>
<http://bit.ly/1eMO7Ct>