POLICY BRIEF: HOUSE BILL 483

Mid-Biennium Review (MBR)

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UPDATED
Aug. 13, 2014

NOTE: *The MBR was broken into 14 bills for consideration. HB 483 became the major spending bill.*

Sponsor

Representative Amstutz

Summary

After HB 472 was divided into multiple bills, most small funding changes were placed in HB 483. However, after Senate amendments, the bill picked up componentsof the original tax proposals. The bill included and passed a 1 year increase in a tax deduction for pass through entities, an acceleration of the 3 year phase-in of the income tax cuts passed in June of 2013, a small expansion to the EITC, and increasing the rates of the personal credit exemption.

Budget and Revenue Implications

These four changes will cost Ohio about $400 million in FY 2015. The pass-through entity deduction will cost about $200 million, the income tax cut about $100 million, the EITC about $20 million and the personal credit expansion will cost about $73 million.

While HB 483 did see modest funding increases for child welfare services and senior services, these programs remain under-funded along with schools, local government and housing. Many proposals were left in committee for where new funding and public investment are needed. For example, $400 million potentially could fund universal Pre-K in Ohio.

Political and Policy Climate

HB 483 reduces the top income tax bracket to 5.33% - not the 5% goal the governor originally proposed. This rate would have went into effect in January 2015. We will likely see another push to lower the income tax rate below this 5% in future budget bills.

Many advocates are excited about the EITC and personal credit expansion, because these are tax strategies designed specifically for the poor and middle income Ohioans. However, until the EITC is refundable (meaning that people will get extra money back) it will not be an effective tool to reduce poverty. Many ideological conservatives continue to hold the line against a refundable tax credit.

Fine Print

The pass through entitty business tax cut was originally passed in 2013 and was increased in 2014 for one year. This tax loophole exempts profits made by a company if the owner files their business revenue on their personal income tax returns. Now 75% of the first $250,000 a person makes is exempt from taxation. Hopefully, before a re-authorization of this tax credit, the legislature will review its effectiveness.

Additional Resources

Policy Matters Ohio Report:	http://bit.ly/1eMNRDw
LSC Summary	http://bit.ly/1hhrqGw
Legislative Language	http://bit.ly/1eMO7Ct