Putting More Money Back in Ohioans’ Pockets
Investing in Our Future by Transitioning Away From the Income Tax

The House & Senate Majority Caucuses have said from day one that we need to shift towards a consumption-based tax structure and away from our current income tax structure, which penalizes success. Additionally, we have said from day one that you want to ensure that we are not playing a “shell game” where $1 of taxes are cut, but raised by $1 elsewhere.

Recalling Where We Have Come From...
Over the past two years, House & Senate Republicans’ tough choices and good stewardship of Ohioans’ tax dollars helped grow our economy.

<table>
<thead>
<tr>
<th>Before...</th>
<th>Today...</th>
</tr>
</thead>
<tbody>
<tr>
<td>$8 billion deficit</td>
<td>Deficit eliminated; revenues increasing</td>
</tr>
<tr>
<td>400,000 jobs lost</td>
<td>147,100 private sector jobs created since Jan. 2011</td>
</tr>
<tr>
<td>89 cents in the rainy day fund</td>
<td>$1.5 billion in the rainy day fund (the max)</td>
</tr>
</tbody>
</table>

Improving Ohio’s Economy Since 2011:
- 147,100 new private sector jobs have been created since January 2011
- Since Jan. 2011 Ohio’s unemployment rate is down from 9.0% to 7.0% and is a full half-point better than the national rate
- More businesses are being created:
  - Compared to January-May of 2012, 2013 has seen 1,481 more entities file to do business in the state of Ohio
  - Ohio has had 22 straight months of housing sale market gains
- A recent survey of CEOs by Chief Executive Magazine touts Ohio as the most improved business climate in the nation, moving up 13 spots in the national ranking

Major Income Tax Reform: Giving Ohioans More Buying Power & Helping Create Jobs

$2.56 Billion in Tax Relief: The budget provides a net of nearly $2.6 billion in tax relief to small business and taxpayers 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
- 10% Income Tax Cut: The personal income tax rate will be reduced by 10 percent over the next three years

Figures are in Millions

<table>
<thead>
<tr>
<th>Tax Relief</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Business</td>
<td>-533</td>
<td>-556</td>
<td>-578</td>
<td>-1,667</td>
</tr>
<tr>
<td>Income</td>
<td>-930</td>
<td>-1,052</td>
<td>-1,210</td>
<td>-3,192</td>
</tr>
<tr>
<td>Total</td>
<td>-1,463</td>
<td>-1,608</td>
<td>-1,788</td>
<td>-4,859</td>
</tr>
<tr>
<td>Tax Reform</td>
<td>685</td>
<td>938</td>
<td>1,103</td>
<td>2,726</td>
</tr>
<tr>
<td>Other Tax Adjustments</td>
<td>-361</td>
<td>-67</td>
<td>0</td>
<td>-428</td>
</tr>
<tr>
<td>Net Total Tax Cut</td>
<td>-1,139</td>
<td>-737</td>
<td>-685</td>
<td>-2,561</td>
</tr>
</tbody>
</table>
Property Tax Reform:

- **Means Testing Homestead Tax Exemptions:**
  - The Homestead Exemption was designed in the 1970's to help *low income* seniors stay in their homes. Under Governor Strickland, this policy was abandoned and included higher-income seniors.
  - This policy significantly increased state government costs, which were passed on to all Ohio taxpayers.
  - Under this proposal, no seniors receiving this property tax relief in their current home will lose it, but going forward this relief will only go to lower-income seniors earning below $30,000.

- **Increased Property Tax Simplification and Transparency:**
  - All Ohio taxpayers subsidize tax relief for property owners in a flawed policy dating back to 1971. In an attempt to soften criticism of the new state income system, the state began paying a portion of homeowners' property tax imposed by local levies and eventually increased the amount to 12.5 percent.
  - This so-called "tax relief" is a myth, since the state simply taxes all Ohioans more—including seniors and the low-income who don't own property—to cover the cost of this "relief.”
  - This proposal eliminates this policy 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. Taxpayers who don't own property shouldn't have to subsidize tax relief for property owners.

Sales Tax Reform: *Adopting the House & Senate GOP Caucus Proposals*

- Beginning an incremental shift AWAY from the punitive income tax towards consumption based taxes. To do this, the base sales tax rate will be adjusted from 5.5% to 5.75%

- **Streamlining sales tax:** modernizing our overall tax structure
  - Ohio currently participates on an "associate" basis in a multi-state compact whereby out-of-state companies voluntarily agree to remit sales tax collected on catalog or internet purchases by Ohio residents. Ohio will become a full member of the compact and expand the collection of sales taxes which are already due under Ohio law.

- Equalizing sale of digital goods with their already-taxed hard copy counterparts

Closing Loopholes: *Implementing Common Sense Reforms*

- Eliminate the gambling loss deduction (*Why should Ohioans subsidize the risky behaviors and bad luck of others?*)

- Equalizing the cigarette tax (*Smaller cigarettes known as “cigarillos” are not currently taxed at the same rate as cigarettes, but at a lower rate*).

- Equalizing magazine taxes (*Magazines purchased at a newstand are subject to sales tax but not if they are purchased via subscription.*) This special exemption is repealed, except for *charitable non-profit* publications.

Medicaid Expansion/Reform

- As noted by Speaker Batchelder and Rep. Amstutz, Medicaid expansion and the newly proposed Medicaid reform proposals are being vetted in separate legislation.

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