



Stephen Estelle

Bill Analysis
Legislative Service Commission

H.B. 534

127th General Assembly
(As Introduced)

Reps. Adams and Collier, Setzer, Wagner, Brinkman, Dolan, Huffman, Fessler, Zehringer, Goodwin, Bacon, Combs, Batchelder, Hottinger, Hite, Uecker, Wachtmann, Widowfield, Coley

BILL SUMMARY

- Phases out the personal income tax over ten years.
- Repeals the withholding tax on trust and pass-through entity withholding tax for taxable years beginning after 2018.

CONTENT AND OPERATION

Income tax phase-out

(R.C. 5747.02)

The bill phases out the income tax on individuals, estates, and trusts over ten years. Under the bill, for taxable years beginning in 2010 and thereafter, a taxpayer's tax liability equals the difference of the taxpayer's tax liability using current-law tax rates applicable to taxable years beginning in 2009, minus all credits to which the taxpayer is entitled, multiplied by a percentage. (The 2009 rates reflect the 21% rate reduction enacted in 2005.) For taxable years beginning in 2010, the percentage equals 90%. For each subsequent taxable year, the percentage is reduced by 10%. For taxable years beginning in 2019 and thereafter, no tax is levied. Any nonrefundable credit not utilized and authorized to be carried forward to subsequent taxable years is carried forward to its fullest extent against the tax due without regard to the reduction percentage.

Trust and pass-through entity withholding tax

(R.C. 5747.41)

R.C. 5747.41 imposes a withholding tax on qualifying trusts and pass-through entities. The tax serves as a means to collect income tax owed by a

nonresident individual who is the beneficiary of a trust that has income producing property in Ohio, or who invests in a pass-through entity that has a taxable nexus with Ohio. The tax owed by the trust or pass-through entity equals the individual's distributive share of trust or pass-through entity income apportioned to Ohio, multiplied by 5%. The amount of withholding tax paid by the trust or pass-through entity may be claimed as a credit by the individual against the individual's income tax liability. If the trust or pass-through entity has paid more tax than is owed by the individual, the individual is entitled to a refund.

Because the bill phases out the income tax, the bill repeals the withholding tax for a qualifying trust's and pass-through entity's taxable years beginning after 2018.

HISTORY

ACTION	DATE
Introduced	04-14-08

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