June 17, 2014

**Governor Signs Legislation Providing Further Tax Relief for Ohioans**

Ohio Governor John Kasich, in partnership with the General Assembly, is continuing the work to grow Ohio’s economy and to get our state back on track that he began when he took office three years ago. Last year, Ohio took significant steps forward with the approval of a new state budget, which implemented substantial tax law changes to deliver a $2.7 billion tax cut to individuals and businesses, over the course of three years. The changes included:

- A 10 percent personal income tax cut to be phased in over the next three years. In 2013 rates were reduced 8.5 percent, and employer withholding tables were updated to reflect the lower rate.
- A small business tax cut that enables owners/investors to deduct from taxable income 50 percent of the first $250,000 in net business income.
- New assistance for lower-income Ohioans in the form of an Earned Income Tax Credit (EITC) equal to five percent of the amount claimed for the federal EITC.

We believe those tax cuts are helping spur Ohio’s recovery and this week the governor approved House Bill 483 that includes additional tax reductions to build on that progress. These cuts, emerging from the governor’s Mid-Biennium Review, were possible because our improving economy is generating stronger than expected state revenue. Those revenues, along with greater efficiencies enacted to manage state government, provided the opportunity for more tax relief that includes:

- **Accelerating the Income Tax Cut:** Next year’s scheduled one percent cut in income tax rates is moving up to be effective retroactive to January 1, 2014, and shortly after July 1, 2014, income tax withholding rates will be reduced. These changes will give taxpayers the full 10 percent income tax cut that was not set to begin until January 2015.

- **Additional Small Business Tax Cuts:** For tax year 2014, the personal income tax deduction on small business income will be increased to 75 percent, freeing up additional funds for private sector job creators to further invest in growing their businesses.

- **New Tax Relief for Low- and Middle-Income Ohioans:** Ohio is doubling the EITC from 5 to 10 percent of the federal credit. In addition, the state is increasing the personal exemption for Ohioans earning less than $40,000 a year from $1,700 to $2,200, and for those with incomes between $40,000 and $80,000 a year from $1,700 to $1,950.

Although there is still more work to be done, it is clear Ohio is heading in the right direction. ODT will continue to keep you up-to-date on the additional tax changes or for a comprehensive overview of this legislation please review the governor’s [fact sheet](#). Thank you for your interest and attention.

Sincerely,

Joseph W. Testa
Ohio Tax Commissioner