



Department of
Taxation

November 30, 2018

Ohio Cuts Income Tax Withholding Rates

Lower rates will put an estimated \$153 million into the pockets of Ohio workers

COLUMBUS, OH – Beginning January 1, 2019, millions of Ohioans will be getting a bit more money in their paychecks.

At the direction of Governor John R. Kasich, Tax Commissioner Joe Testa said today that Ohio will be reducing withholding rates used by employers to calculate required payroll deductions for the state income tax.

These reductions are the first change in state withholding rates since 2015. They come as a result of a 6.3% state income tax cut (H.B. 64) approved in 2015 that was not structured at the time to reduce withholding rates to match cuts in the tax rate.

“While the extra cash may not amount to more than few dollars in the average worker’s paycheck, I think most Ohioans would like to have that money in their own pockets rather than the state’s,” Tax Commissioner Joe Testa said.

Earlier this year, Gov. Kasich said that with state revenues showing stable growth and the rainy-day fund holding robust reserves, he wanted to bring the income tax and withholding rates into alignment with the 2015 tax cut. The lower withholding rates, for one example, mean an Ohio taxpayer with taxable wages of \$60,000 a year and three dependents will take home about \$4.67 more each month. Reductions in withholding rates will not have a long-run impact on state tax revenues. However, reductions in withholding rates in FY 2019, which will not be offset by lower refunds to taxpayers until FY 2020, will have a one-time fiscal impact, reducing revenues in FY 2019 by approximately \$153 million (the General Revenue Fund impact will be approximately \$147 million).

Testa said these withholding reductions complete the expansive package of income tax cuts initiated by Gov. Kasich that have reduced tax rates by 16% since 2011 and helped save Ohio taxpayers more than \$5 billion. “The Kasich tax cuts have repeatedly demonstrated that cutting taxes creates an economic climate friendly to job creators and a formula for future prosperity that helps more Ohioans participate in our state’s economic revival,” he said.

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