

Individual Income Tax

History of Major Changes

1971 General Assembly enacts the individual income tax, effective for 1972.

1972 Ohio voters reject a constitutional amendment that would have repealed the new income tax and prohibited future graduated income taxes.

1973 Voters approve a constitutional amendment that eliminates a \$3,000 cap on personal exemptions. Also, the legislature enacts a joint filer credit.

1982 The General Assembly imposes a temporary 25% across-the-board tax hike for 1982 and a temporary, 12 ½ % tax hike for 1983. Additional rate hikes are imposed on high-income individuals for 1982 and 1983 through the creation of new brackets for income in excess of \$80,000 and \$100,000.

1983 The new brackets are made permanent. The legislature also increases the temporary, across-the-board rate hikes to 83.3% for 1983 and to 90% for 1984, when the increases become permanent. The legislature also increases the value of the senior citizen credit, the joint filer credit and the personal exemption. In November, Ohio voters sustain these changes by rejecting a constitutional amendment that would have repealed all tax changes enacted since 1982.

1984 Legislature enacts a one-time special tax refund. For most taxpayers, the refund is 2.03 % of 1983 tax liability or \$7, whichever is greater. Taxpayers who had less than \$7 tax due in 1983 receive a full refund. Lawmakers also exempt certain Social Security and railroad retirement benefits from taxation.

1985 General Assembly enacts a three-year, 15% across-the-board rate cut. Rates are scheduled to fall (from 1984 levels) by 5% in 1985, 5% in 1986 and 5% in 1987.

1986 The legislature lowers the top marginal rate (on income in excess of \$100,000) from 8.55 % to 6.9 %, effective 1987. Legislators also lower other rates by an additional 7 % in 1987 and an additional 1 % in 1988 and thereafter.

1992 General Assembly creates a new bracket for income in excess of \$200,000, effective starting in 1993. The tax rate associated with this new bracket is 7.5%.

1996 General Assembly enacts a new mechanism to temporarily lower statutory rates in any year where a budget surplus exists. As a result, tax rates are temporarily reduced for 1996 by 6.609%. This provision later leads to temporary rate reductions in 1997, 1998, 1999 and 2000.

1997 The legislature enacts the pass-through entity withholding tax and indexes personal exemptions to inflation starting in 2000.

2002 Senate Bill 261 broadens individual income tax to include trusts between June 4, 2002 and Dec. 31, 2004. S.B. 261 also indexes tax brackets to inflation starting in 2005 and decouples Ohio from federal accelerated depreciation law, requiring a bonus depreciation adjustment

2005 House Bill 66 launches a five-year, 21% across-the-board reduction in income tax rates. Rates are scheduled to fall by 4.2% for 2005, 2006, 2007, 2008 and 2009. H.B. 66 also includes a credit that effectively shields all taxpayers whose taxable income is \$10,000 or less from all state income tax liability. The bill also makes permanent the extension of the tax to trusts and postpones the annual adjustment of tax brackets for inflation until 2010.

2006 Legislature permits resident service members to deduct military pay and allowances received while stationed out of state, effective Jan. 1, 2007.

2007 Legislature exempts military retirement pay from Ohio income and school district income taxes

effective Jan. 1, 2008.

2008 Tax preparers who filed more than 75 original income tax returns in 2008 required by law to file electronically as of Jan. 1, 2010.

2009 House Bill 318 postpones fifth income tax rate reduction for two years, until 2011. House Bill 1 creates a motion picture production credit.

2010 Tax Commissioner adjusts tax brackets for inflation for the first time, effective for the 2010 taxable year.
