



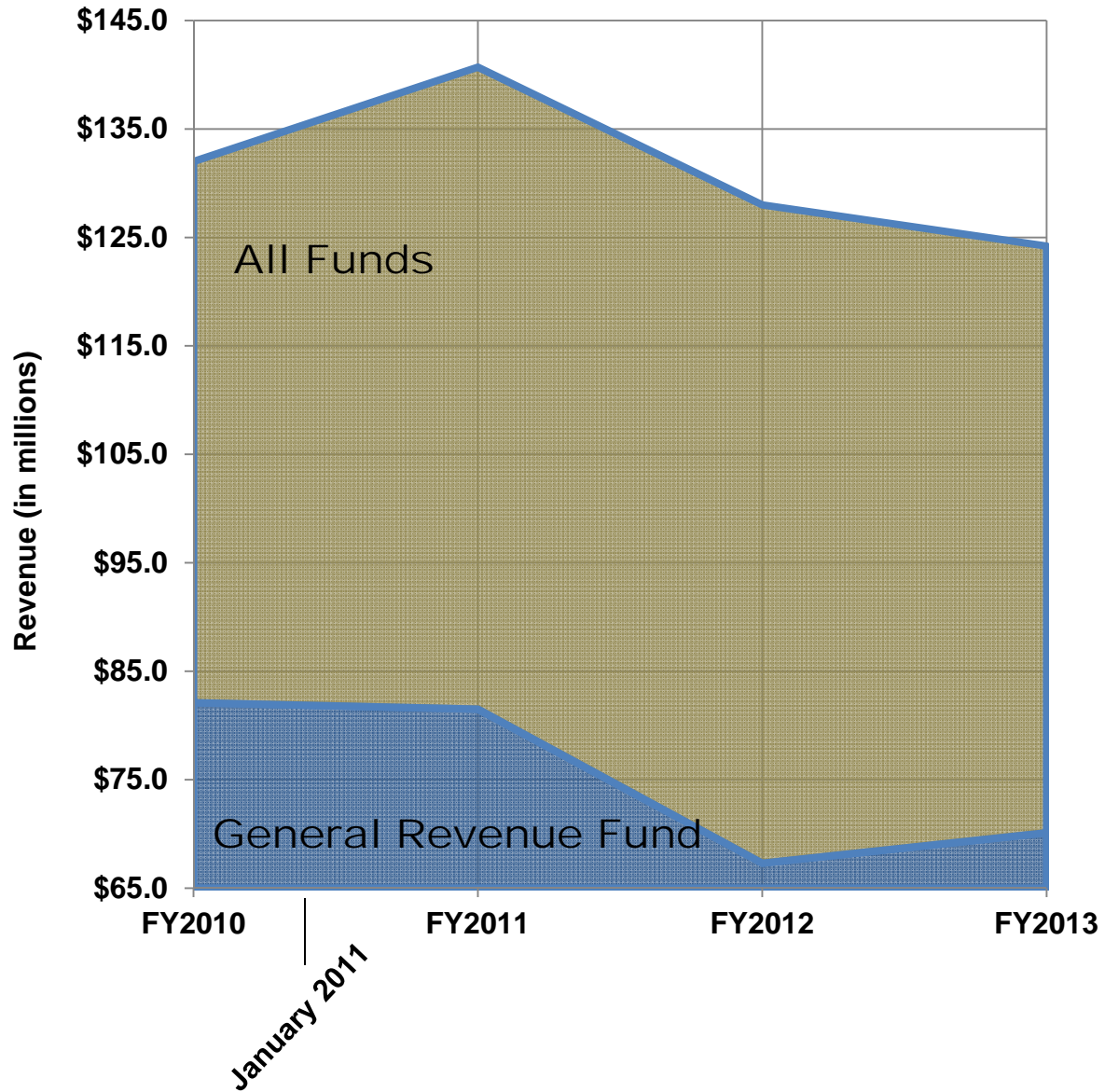
OHIO'S JOBS BUDGET 2.0

JOBS. MOMENTUM. TRANSFORMATION.

Governor John R. Kasich

**Joseph Testa, Tax
Commissioner**

Ohio Department of Taxation
GRF and All Funds
Actual Expenditures Comparison
FY2010 to FY2013





Ohio is back on track

- Ohio is one of nation's top job creators – 162,300 new private sector jobs since 2011.
- CEOs survey: Ohio jobs climate most improved in 2012.
- Site Selection Magazine: 4th Best State Business Climate in the Country.
- Per-capita wages are growing.
- Rainy Day Fund was 89 cents; now at historic level.

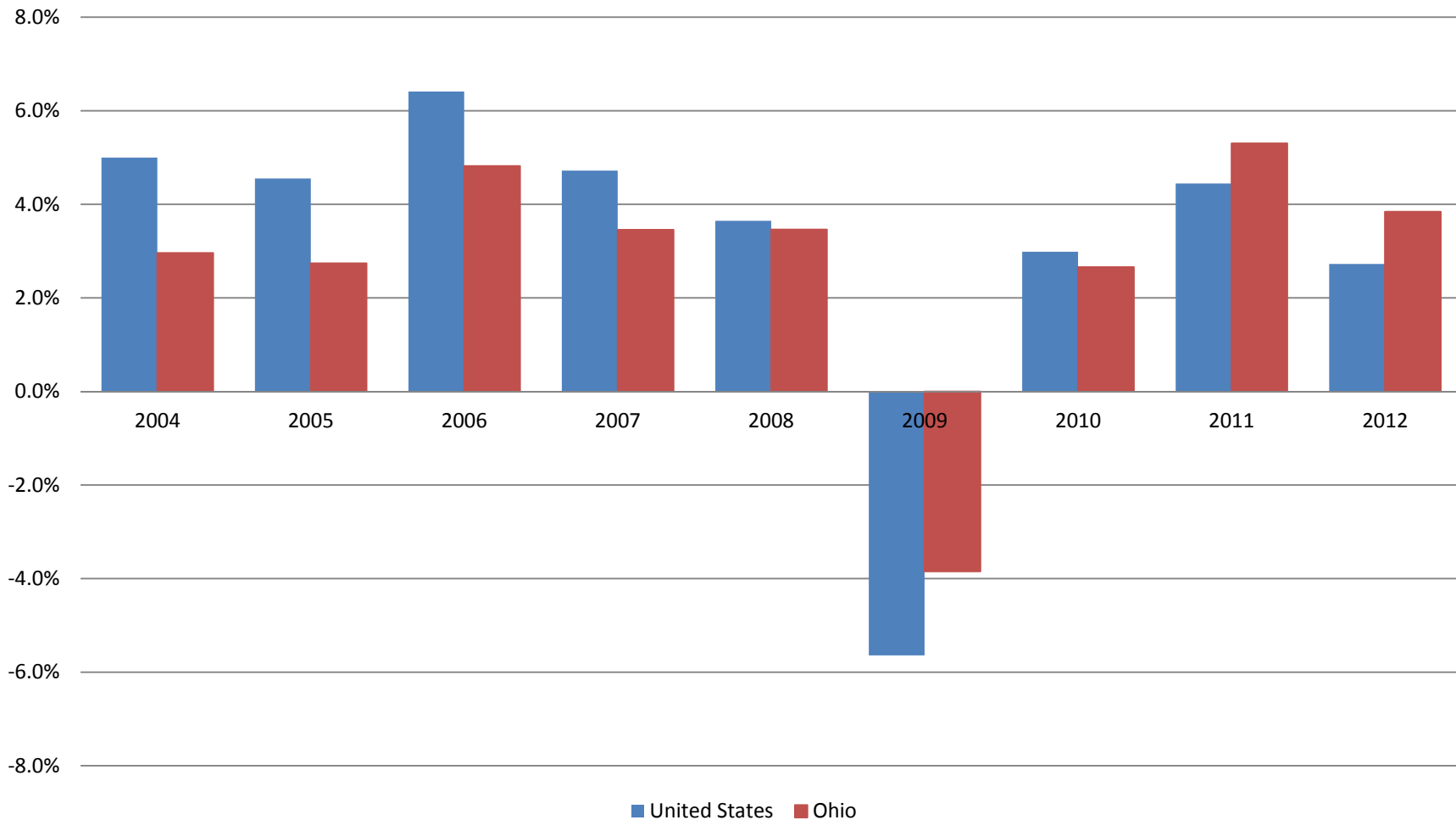
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Per Capita Personal Income: Year to Year Percent Growth

Source: U.S. Department of Commerce; Bureau of Economic Analysis



Transforming Ohio For Jobs + Growth

Fiscal Years 2014-2015 State Budget



\$2.7 Billion Net Tax Cut to Create Jobs and Economic Growth

- Cut Small Business Income Tax 50% Immediately.
- Cut Income Taxes 10% over Three Years.
- Sales Tax Changes.
- Property Tax Reform.
- Eliminates Other Exemptions, Credits or Loopholes.

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Business Tax Changes

- Small Business Tax Cut = 50% of first \$250,000 net income = \$1.6B over 3 years.
- Commercial Activity Tax: made Annual Minimum Tax variable.
- Sales Tax: Raised state rate .25% . . . expanded base to include Magazine Subscriptions and Digital Goods
- Ohio now full member of Streamlined Sales Tax Project.
- 'Little Cigars' : raised wholesale tax rate to the equivalent of cigarette tax.

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Individual Tax Changes

- Cut Income Tax 10% over three years.
- Updated Employer Withholding tables.
- Suspended indexing of PIT brackets and Personal Exemption for 3 years.



Assistance for Low & Moderate Income Families

- NEW: Ohio Earned Income Tax Credit (EITC).
- 475,000 households eligible to take EITC.
- Retain \$20 Personal Credit for households with income below \$30,000.
- Existing low income tax credit = \$0 tax for 1.1 million taxpayers.



Real Property Tax Changes

- **Homestead Exemption:** Grandfathered – Portable.
- Indexed to \$30,500 for TY 2014 . . . Can apply for 2013 thru June 2, 2014.
- More generous than previous program:
 - *Social Security, interest, and pension income not counted in OAGI.
 - *Participant could have household income of more than \$51,000.
- Manufactured/mobile home tax – same changes but take effect in 2015 (must have received exemption in 2014 to grandfather)
- **10% & 2.5% Rollbacks** – No subsidy on New and Replacement levies.

Homestead Now
\$30,500 (ceiling)
<u>21,045</u> (avg. S.S., interest, pension)
\$51,545 (total household income)



Ohio Government Funding

- **State Keeps for Operations = less than 10%**
 - **State Debt Service = about 5%**
 - **State Subsidies = more than 85%**
-
- Local Government Fund (LGF) cut by 50% in FY 2013 (\$694M to \$348M).
 - LGF is less than 3% of the direct financial support provided to schools & local governments.

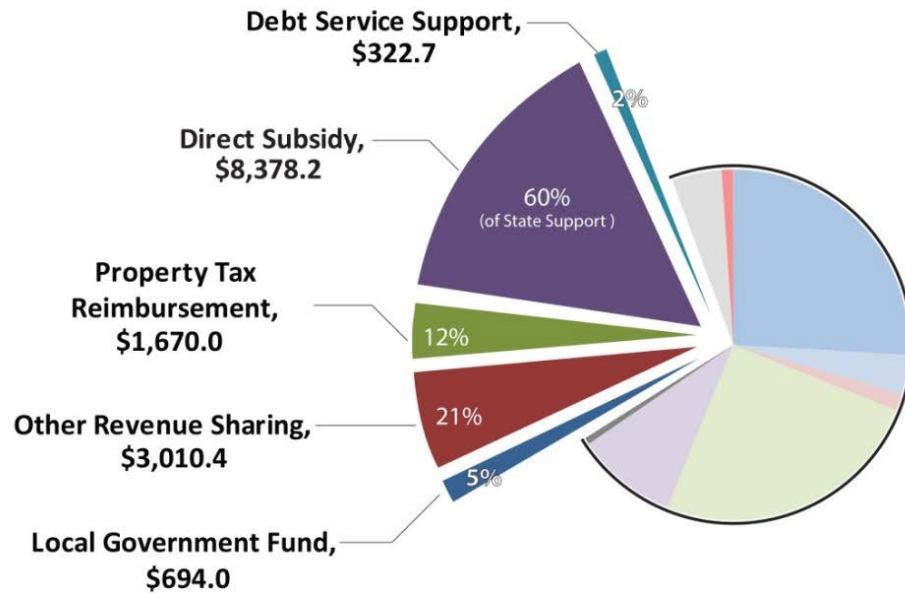
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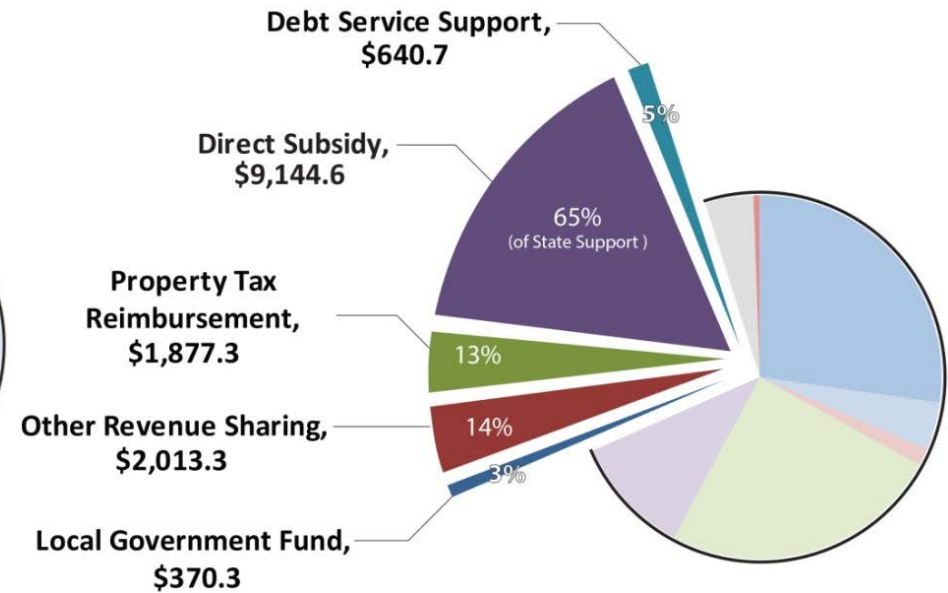


State Support for Schools and Local Government

2011 (\$ 14,075.3)



2015 est. (\$ 14,197.2)



Sources: Ohio Office of Budget and Management - Blue Book

All Chart \$\$ in millions



Why Pursue Tax Cuts?

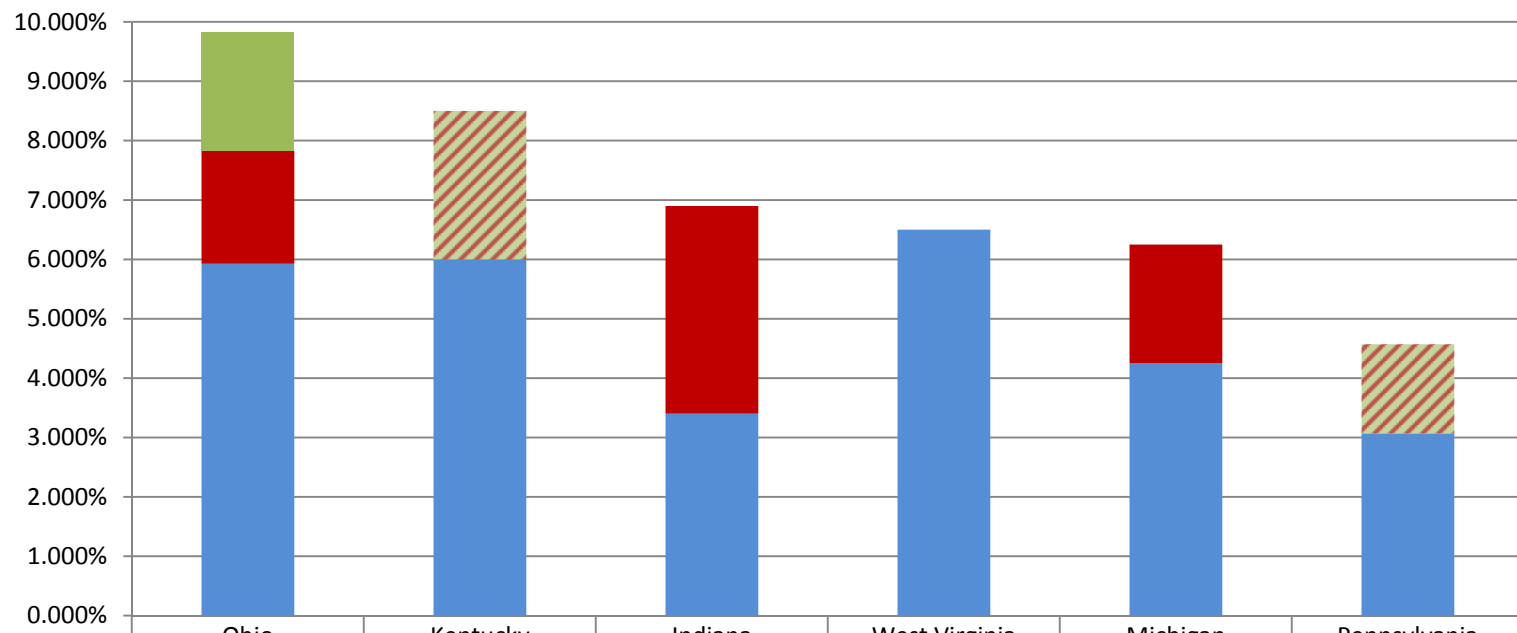
- Governor and leading economists believe cutting income tax will bring long-term economic growth.
- Low taxes foster growth; High taxes discourage it.
- Ohio's progressive income tax and high tax rates harm job creation.
- Stay competitive → Other states moving to lower rates: North Carolina, Indiana, Kansas.

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Comparing Maximum Total Income Tax Rates: Ohio v. Surrounding States Tax Year 2012

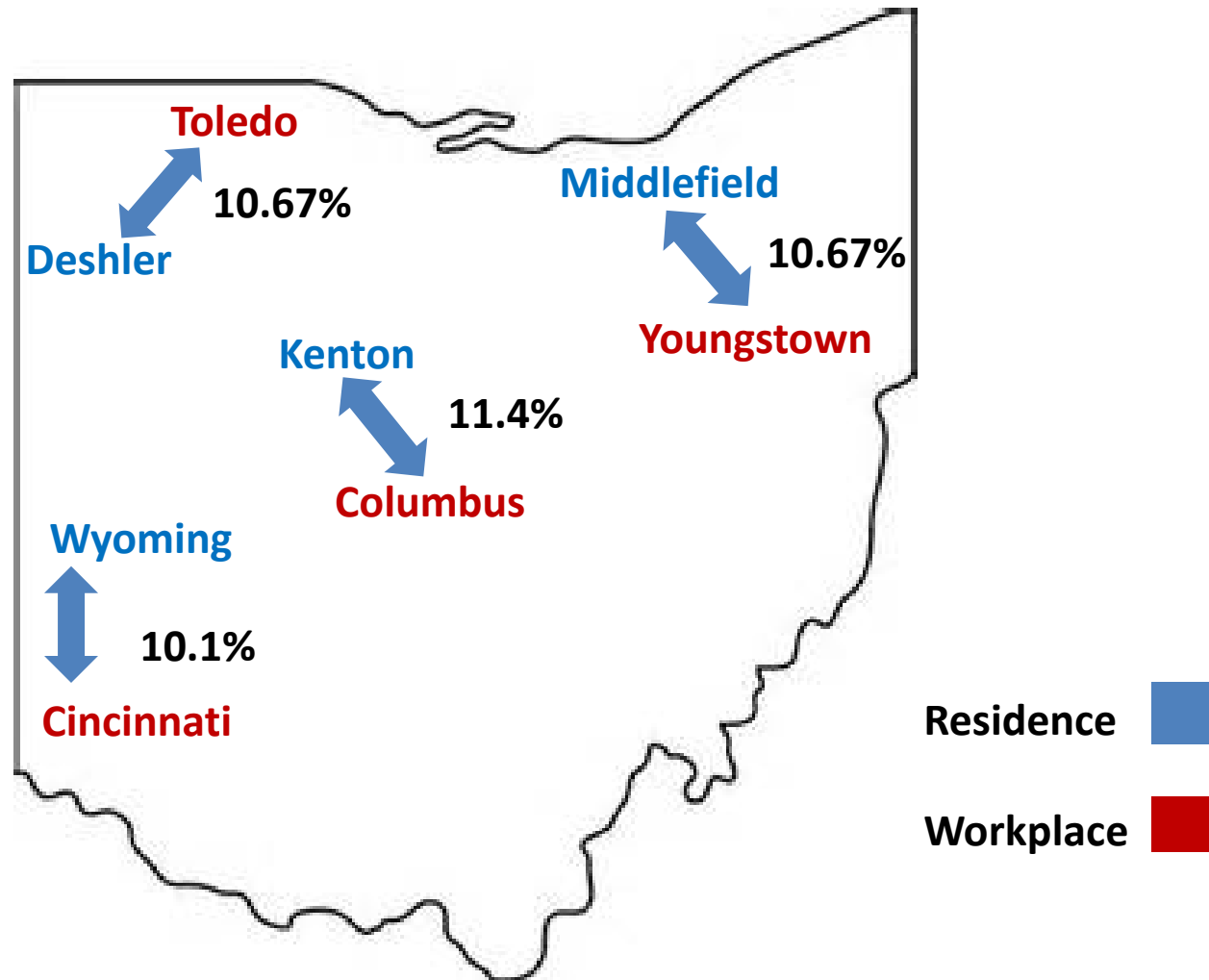


Joint city/school district		2.50%				1.50%
School district income tax	2.00%		n/a	n/a	n/a	
City/county income tax	1.90%		3.50%		2.00%	
State income tax	5.925%	6.00%	3.40%	6.50%	4.25%	3.07%

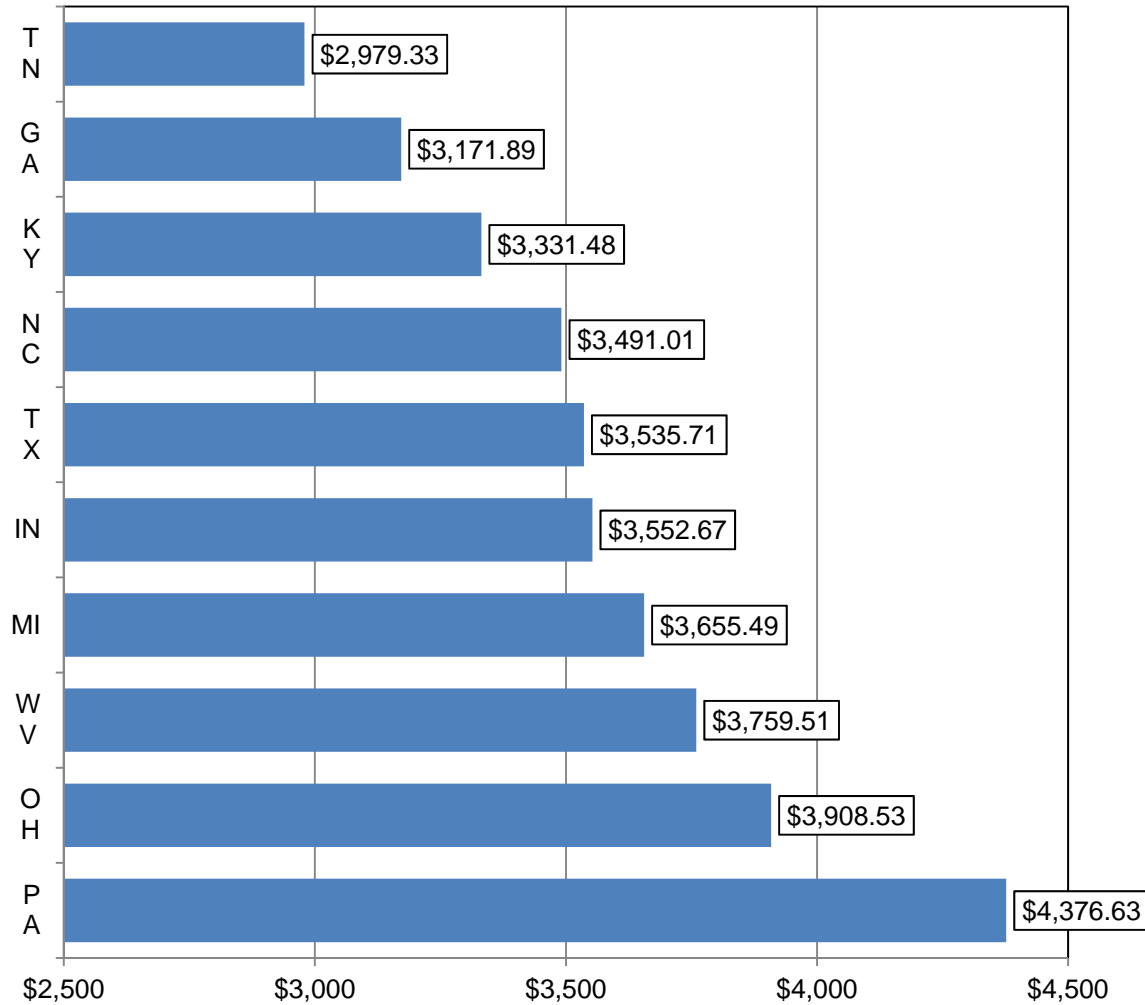
Notes: Ohio does not have a cap on local or school district tax rates. Special authority is granted to certain cities (Philadelphia, Pittsburgh, Detroit) to levy local taxes in excess of statewide cap.



Maximum Income Tax Rates



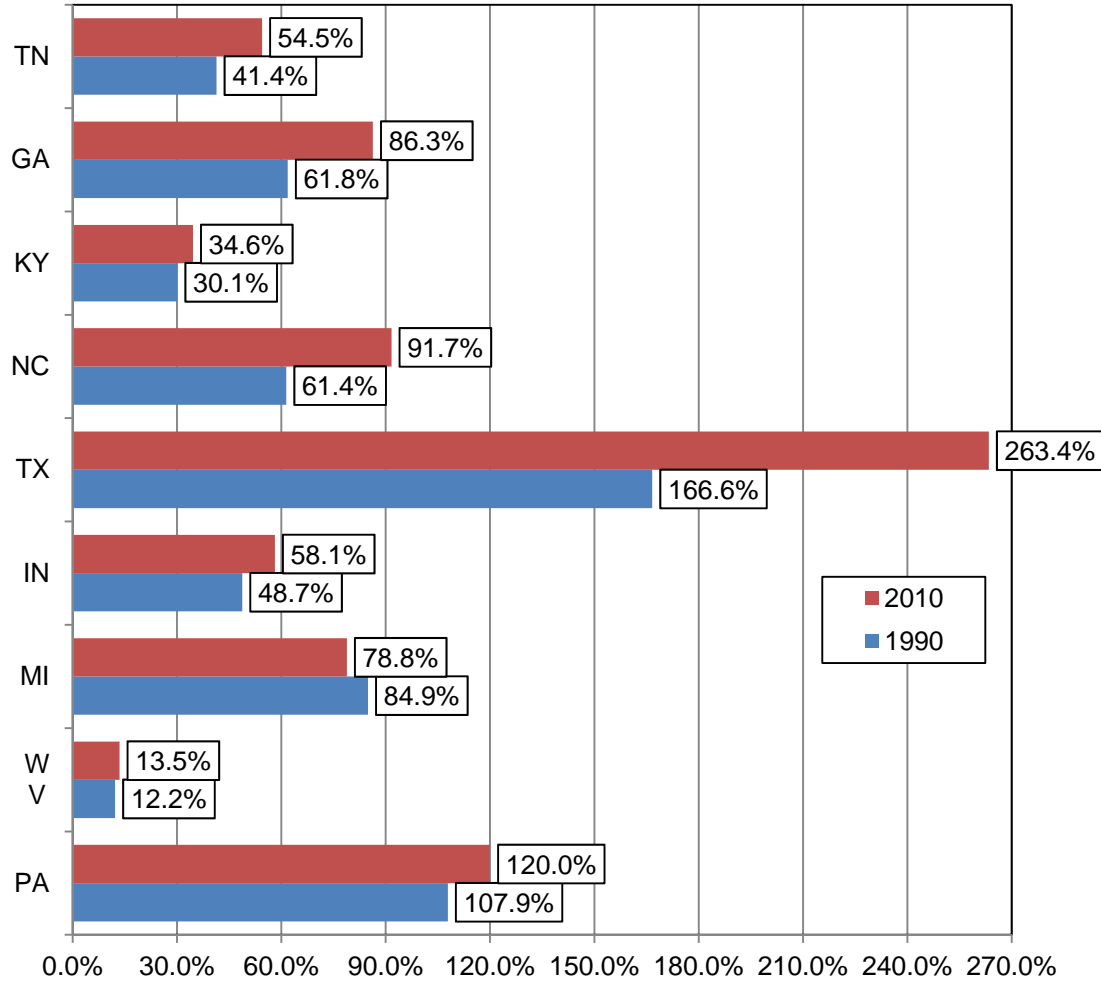
Comparison States Combined State & Local Taxes Per Capita FY 2011



Comparison States

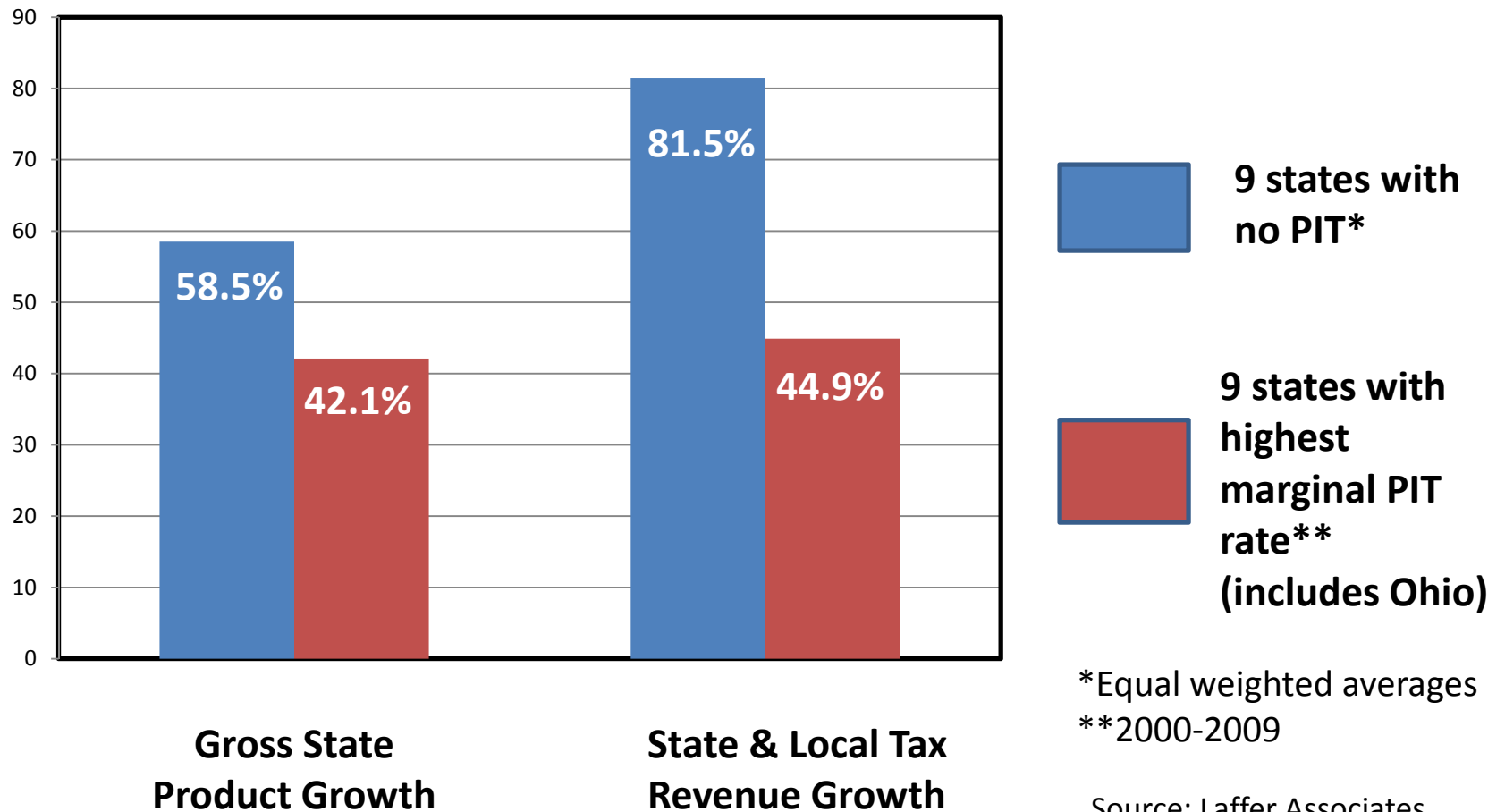
GSP as a Percentage of Ohio GSP

1990-2010



Nine States with the Lowest & Highest Marginal Personal Income Tax (PIT) Rates

10-year economic performance (2001-2010) unless otherwise noted



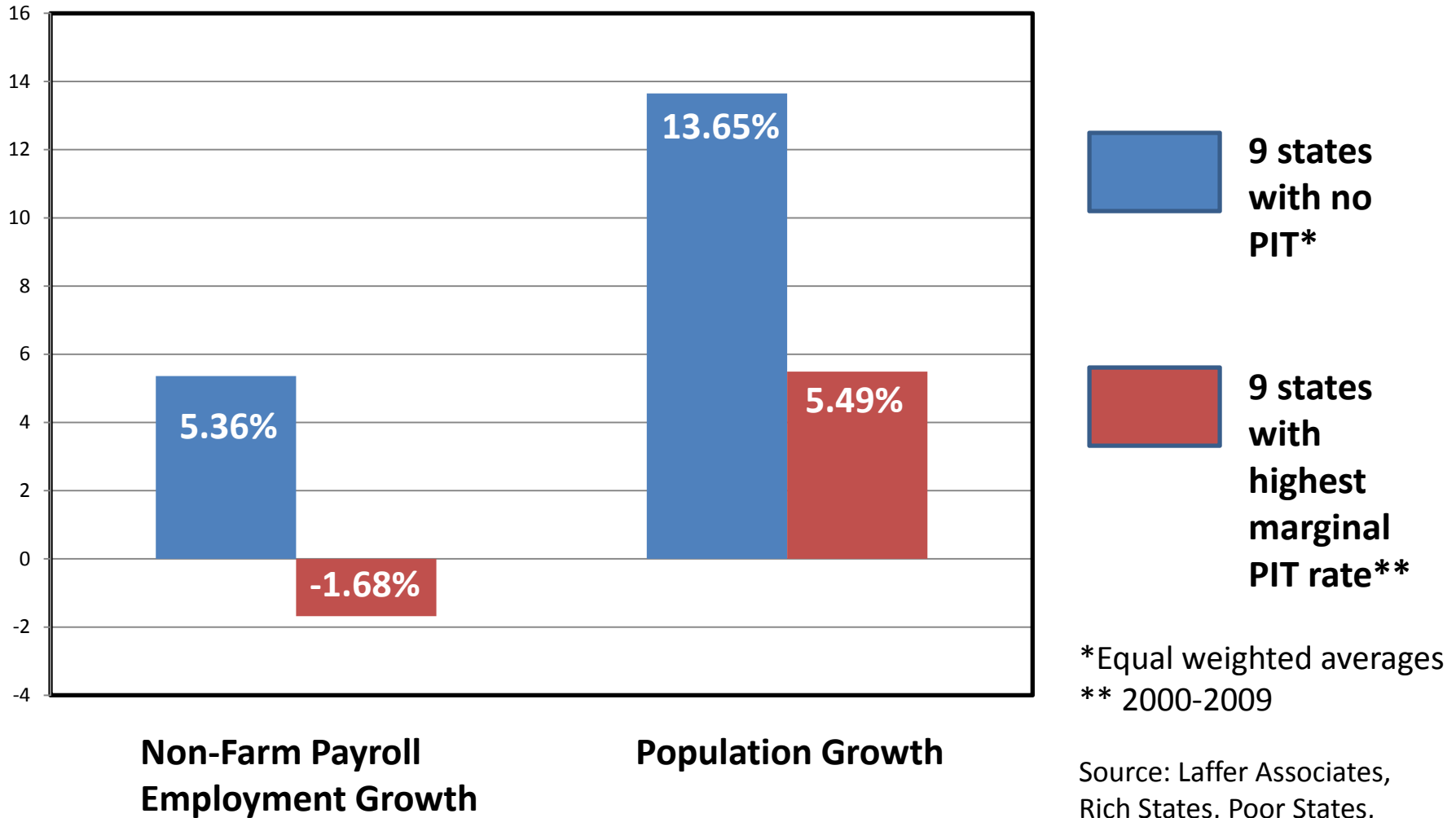
*Equal weighted averages

**2000-2009

Source: Laffer Associates,
Rich States, Poor States,
ALEC 2013

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Ohio	
Net loss of AGI	\$17.1 billion
Top five states to which Ohio lost AGI	Florida - \$5.9 billion North Carolina - \$11.6 billion Texas - \$1.1 billion South Carolina - \$1.1 billion Arizona - \$1 billion
Cumulative population loss	242, 039
Top state income tax rate	5.93%
State-local tax burden	9.7%
Taxes per capita	\$3,563
Rank	20

From 1995 - 2010

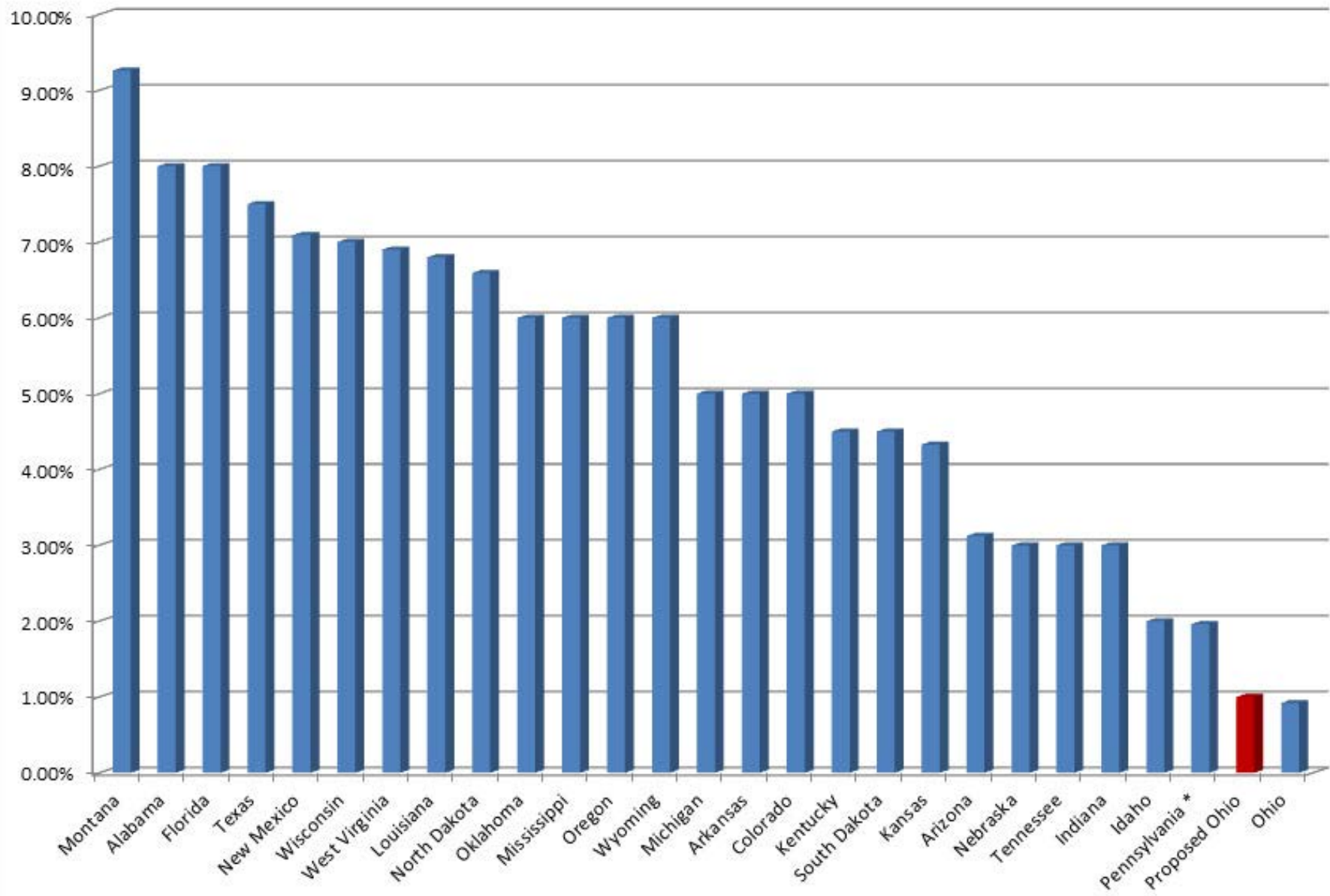
Source: How Money Walks,
by Travis H. Brown



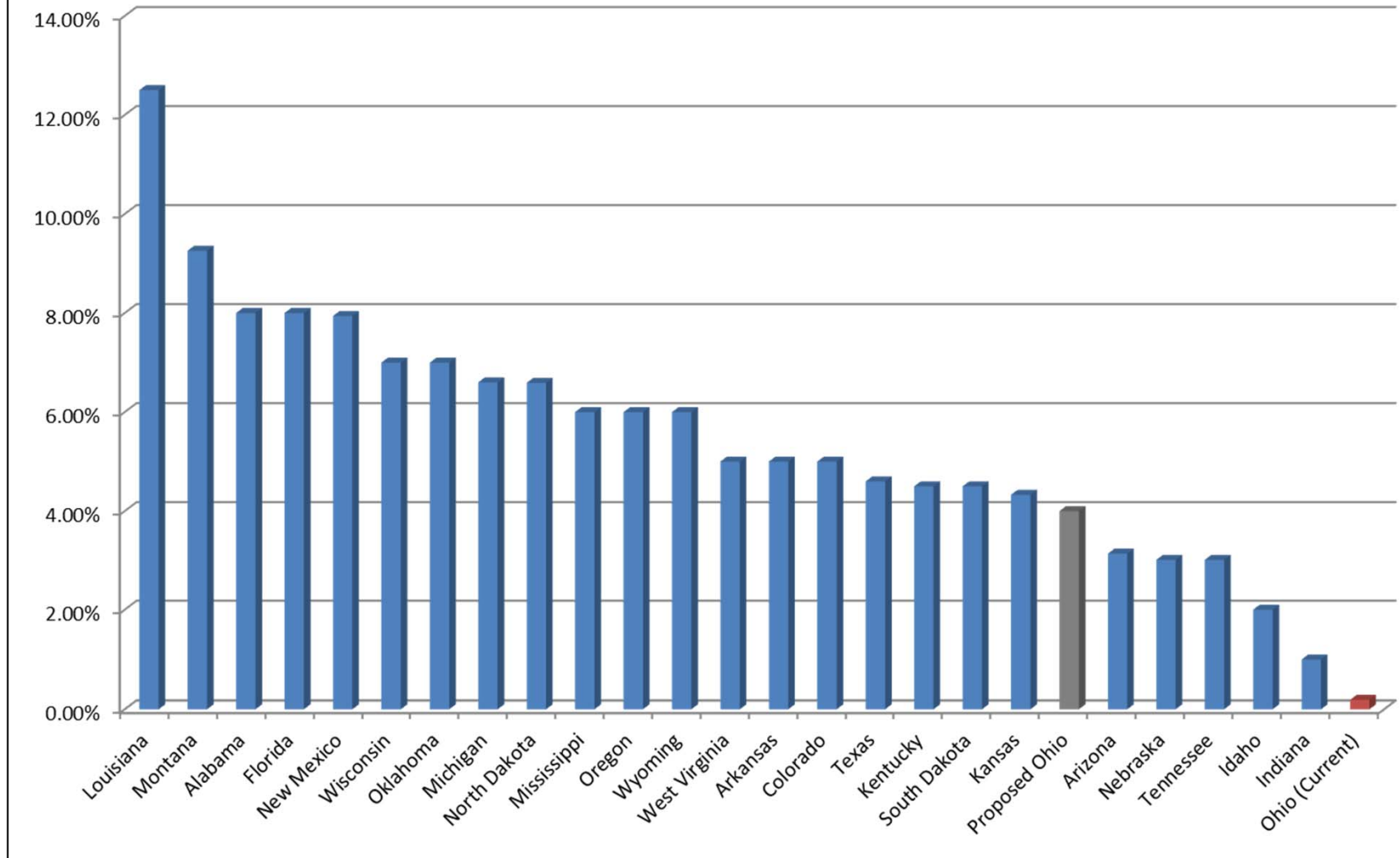
Modernize Severance Tax

- Advanced technologies and newly discovered resources beneath Ohio's soil has changed the fabric of the state's oil and gas industry.
- One-time Ohio natural resource...40 companies drilling and producing (none are Ohio-based).
- Ohio is lowest in severance tax.
- \$7B committed to Utica shale.

Gas Severance Comparisons



Oil Severance Comparisons





Ohio Governor John Kasich:

“Ohio needs to continue to innovate and implement big ideas...This budget keeps our foot on the accelerator...”



What's next?