

## INDIVIDUAL INCOME TAX - STATE

### TAX BASE

For individuals, the base is federal adjusted gross income plus or minus adjustment according to Ohio income tax law.

For estates, the base is federal taxable income plus or minus adjustment, according to Ohio estate income tax law. There are no personal exemptions or exemption credits allowed.

### RATES (TAX YEAR 2001)

Ohio Taxable Income	Tax Calculation
0 - \$5,000	0.743% of Ohio taxable income
\$5,001 - 10,000	\$37.15 + 1.486% of excess over \$5,000
10,001 - 15,000	111.45 + 2.972% of excess over 10,000
15,001 - 20,000	260.05 + 3.715% of excess over 15,000
20,001 - 40,000	445.80 + 4.457% of excess over 20,000
40,001 - 80,000	1,337.20 + 5.201% of excess over 40,000
80,001 - 100,000	3,417.60 + 5.943% of excess over 80,000
100,001 - 200,000	4,606.20 + 6.900% of excess over 100,000
Over 200,000	11,506.20 + 7.500% of excess over 200,000

Each year, the income tax rates can be temporarily reduced from statutory rates due to surplus state funds at the close of the fiscal year. Any surplus funds are transferred to the Income Tax Reduction Fund (ITRF). The funds in the ITRF are used to determine the percentage rate cut for the current year. In fiscal year 2001, there were no surplus funds, so the 2001 rates are the statutory rates. The tax rates for 2002 will not be set until July 2002, after the close of fiscal year 2002 (on June 30, 2002).

### COMPUTATION OF TAX

Major adjustments to federal adjusted gross income and computation of Ohio income tax liability for individuals are shown in the following diagram. This computation is for tax year 2001.

(see following page)

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### FEDERAL ADJUSTED GROSS INCOME (FAGI)

#### Add\*

1. State and local bond interest (except Ohio governments).
2. Federal bond interest exempt from federal tax, but subject to state tax.
3. Losses from sale of Ohio public obligations.
4. Nonmedical withdrawals from medical savings accounts.
5. Distributive income from an electing small business trust which, absent ESBT treatment, would otherwise qualify as a grantor trust if the income is not included in FAGI.

#### Subtract\*

1. Federal bond interest to the extent included in FAGI.
2. Disability and survivor's benefits to the extent included in FAGI.
3. Compensation earned in Ohio by residents of reciprocity states.
4. Social Security and Railroad Retirement benefits to the extent included in FAGI.
5. State and municipal refunds to the extent included in FAGI.
6. Qualified expenses for long-term care insurance, medical insurance and medical expenses in excess of 7.5% of FAGI.
7. Gains from sale of Ohio public obligations to the extent included in FAGI.

\*These lists include only commonly used items.

### OHIO ADJUSTED GROSS INCOME



#### Subtract

Personal exemptions of \$1,150 each.



### OHIO TAXABLE INCOME



#### Apply

Graduated rates of 0.743 to 7.5% for 2001 (see prior page)



### TAX BEFORE CREDITS



#### Subtract

1. Personal exemption credit of \$20 per person.
2. Senior citizen credit of \$50.
3. Retirement income credit.
4. Child and dependent care credit.
5. Various business credits.
6. Job training credit.
7. Political contribution credit.
8. Adoption credit.
9. Joint filer credit for two working spouses (graduated based on income with a maximum credit of \$650).



### OHIO PERSONAL INCOME TAX LIABILITY



#### Subtract

Credit for income earned in or taxed by another state.



### OHIO NET PERSONAL INCOME TAX LIABILITY

## INDIVIDUAL INCOME TAX - STATE

### REVENUE (IN MILLIONS)

Fiscal Year	General Rev. Fund	Local and Library Funds	Other*	Total
1998	\$6,212.5	\$729.3	\$4.3	\$6,946.1
1999	6,416.8	753.2	3.8	7,173.8
2000	7,232.0	848.8	3.8	8,084.6
2001	7,263.4	852.5	3.4	8,119.3

\* Includes Political Party Fund and Attorney General Claims Fund.

### DISPOSITION OF REVENUE

After making any required deposits in the Attorney General Claims Fund, 89.5% of remaining revenue is deposited in the General Revenue Fund, 5.7% is deposited in the Library and Local Government Support Fund, 4.2% is deposited in the Local Government Fund, and 0.6% is deposited in the Local Government Revenue Assistance Fund.

For fiscal years 2002 and 2003, the three local government funds each receive the same amount of individual income tax revenue as they received in fiscal year 2001. The remaining revenue is deposited in the General Revenue Fund. However, if the total amount deposited in the local funds from all selected tax revenue sources during a designated semi-annual period exceeds the amount that would have been deposited had the statutory percentages been in effect, such excess is transferred from the local funds to the General Revenue Fund.

The Political Party Fund receives a transfer from the General Revenue Fund equal to the amount calculated from the check-off on the income tax return.

The Ohio Constitution requires that at least 50% of income tax collections be returned to the county of origin. This obligation is met primarily through General Revenue Fund allocations to education and local property tax relief.

### SECTIONS OF OHIO REVISED CODE

Chapter 5747.

### RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

## INDIVIDUAL INCOME TAX - STATE

### REMITTER OF TAX

Individuals and estates residing in Ohio or earning or receiving income in Ohio.

Employers who pay wages and salaries to an Ohio resident.

### PAYMENT DATES

#### For Individuals

Generally, the annual return is due on or before April 15. The return reconciles tax liability with amount remitted through withholding by employer and quarterly estimated payments by taxpayer.

Taxpayers file quarterly declarations if they expect to be under-withheld by more than \$500. Such taxpayers must file an estimated return and make quarterly payments on or before April 15, June 15, and September 15 of the current year and January 15 of the next year.

#### For Employers

Employers remit tax from several times a week to quarterly, depending on the size of payroll.

### SPECIAL PROVISIONS / CREDITS

#### Standard Personal Exemption and Credit

Personal exemptions of \$1,150 per person for tax year 2001. This amount is indexed for inflation each year. A credit against tax due of \$20 per personal exemption is allowed.

#### Joint Filer Credit

A husband and wife who file a joint return are allowed a tax credit if each had at least \$500 of income exclusive of interest, dividends and distributions, royalties, rents, and capital gains that is included in Ohio adjusted gross income. The maximum credit is \$650. The credit is a percentage of the tax after all other credits (except the resident/nonresident and nonrefundable business credits) as shown below:

Ohio Taxable Income	Amount of Credit
\$25,000 or less	20% of tax
25,001 to 50,000	15% of tax
50,001 to 75,000	10% of tax
more than 75,000	5% of tax

#### Senior Citizen Credit

A taxpayer 65 years of age or older during the taxable year receives a \$50 credit against the amount of Ohio income tax due. Only one credit is allowed for each return.

## INDIVIDUAL INCOME TAX - STATE

### SPECIAL PROVISIONS / CREDITS (con't.)

#### Retirement Income Credit

Taxpayers receiving retirement income which is included in Ohio adjusted gross income are allowed a credit based on the amount of retirement income received during the taxable year according to the following schedule:

Amount of Retirement Income Received During the Taxable Year	Credit
\$500 or less	\$0
Over 500 but not more than 1,500	25
Over 1,500 but not more than 3,000	50
Over 3,000 but not more than 5,000	80
Over 5,000 but not more than 8,000	130
Over 8,000	200

#### Military Pay

Military pay is taxable (except combat zone pay) no matter where the individual is stationed if the individual is domiciled in Ohio. Service personnel are not required to pay the Ohio income tax on military pay, even though stationed in Ohio, if they are domiciled in a state other than Ohio. They must compute a nonresident tax credit on the military pay.

#### Reciprocity

An individual who is a resident of Ohio or one of the five surrounding states and whose income consists solely of compensation from any of those states need only file with the state of residence.

#### Resident/Nonresident Income Credits

Taxpayers who earn income while living in another state or have income taxed by another state receive a credit for that portion of income.

#### Child and Dependent Care Credit

Taxpayers with Ohio adjusted gross income between \$20,000 and \$40,000 who are eligible for the federal child care credit may claim 25 percent of that credit as a state child care credit. For taxpayers with incomes below \$20,000, the credit is 100 percent of the federal credit.

#### Job Training Credit

Taxpayers may claim a credit for training expenses incurred within 12 months of losing or leaving a job due to abolishment of position or shift. Credit is for the lesser of \$500 or 50% percent of the training costs.

## INDIVIDUAL INCOME TAX - STATE

### SPECIAL PROVISIONS / CREDITS (con't.)

#### Political Contribution Credit

Taxpayers may claim a personal income tax credit for contributions made to the campaign committee of candidates for statewide elected offices or the General Assembly. The amount of the credit is equal to the lesser of the combined total contributions made during the taxable year or \$50 per individual return and \$100 per joint return.

#### Adoption Credit

Taxpayers with adoption expenses, except for the adoption of a stepchild, may claim a nonrefundable credit of up to \$500.

### HISTORY OF MAJOR CHANGES

- 1912 • Constitutional amendment authorized income taxes.
- 1971 • Personal income tax enacted, effective for calendar year 1972.
- 1972 • Up to \$4,000 of retirement benefits exempted from adjusted gross income.
  - Tax credit of \$25 per return for taxpayers over 65 years of age enacted.
- 1973 • Joint filer credit allowed on joint returns where both spouses earn at least \$500 of wage income.
- 1974 • \$3,000 personal exemption limitation removed.
- 1975 • Value of each exemption increased from \$500 to \$650.
- 1978 • Income tax credit for home improvements enacted.
- 1979 • Income tax credit for installation of a solar, wind, or hydrothermal energy system enacted (expired after tax year 1985).
- 1982 • Two new income tax brackets added above \$80,000 of taxable income for 1982 and 1983.
  - Temporary tax rate surcharge of 25% from 1981 tax rates for tax year 1982 and 12.5% for tax year 1983 enacted.
- 1983 • Two new brackets enacted in 1982 made permanent.
  - Provisions enacted allowing a taxpayer to claim for each \$650 personal exemption an additional \$350 exemption or \$20 credit.

## INDIVIDUAL INCOME TAX - STATE

### HISTORY OF MAJOR CHANGES (con't.)

- 1983 • Temporary tax rate surcharge increased to 83.3 percent in 1983 and to 90 percent in 1984 and made permanent.
  - Tax credit for taxpayers over 65 years of age increased to \$50.
  - Joint filer credit increased over two years.
  - \$4,000 retirement income deduction replaced by a sliding scale retirement income credit.
- 1984 • One-time special tax refund of 2.03 percent of tax year 1983 liability (minimum of \$7) enacted.
  - Title II Social Security and Tier I Railroad Retirement benefits exempt from taxation.
- 1985 • Rates reduced from 1984 level by 5 percent for 1985, an additional 5 percent for 1986, and an additional 5 percent (total of 15 percent) for 1987 and thereafter.
- 1986 • Maximum rate reduced to 6.9 percent; other rates reduced by 7 percent in 1987 and 8 percent in 1988 from rates enacted in 1985.
- 1987 • Home improvement credit repealed.
- 1988 • Income tax checkoff for qualified political parties established.
  - Child care credit implemented.
- 1989 • Accelerated employer withholding schedule implemented.
  - Tier II Railroad Retirement benefits exempted from taxation.
  - Twenty dollar personal exemption credit allowed for all taxpayers.
  - Additional \$350 exemption eliminated.
  - Joint filer credit capped at \$650.
- 1990 • Basis of the joint filer credit changed to Ohio adjusted gross income.
- 1991 • Child care credit expanded beginning in tax year 1993.
- 1992 • Ninth income bracket above \$200,000 added to be taxed at 7.5 percent beginning in 1993.
  - Job creation credit enacted.
  - Export credit enacted.

## INDIVIDUAL INCOME TAX - STATE

### HISTORY OF MAJOR CHANGES (con't.)

- 1993 • Withholding payment requirements amended.
  - Self-employed health care premiums made deductible.
- 1994 • Displaced worker training credit enacted.
  - Investment tax credit enacted.
- 1995 • Second investment tax credit enacted.
  - Personal exemption increased to \$750 per taxpayer and spouse and \$850 per dependent for 1996; these amounts go to \$850 and \$1,050 in 1997.
  - Political contribution credit enacted.
- 1996 • Statutory tax rates for 1996 temporarily reduced by 6.609 percent because of budget surplus (ITRF).
  - Personal exemption for taxpayer and spouse increased to \$950 in 1998 and \$1,050 in 1999.
- 1997 • Statutory tax rates for 1997 temporarily reduced by 3.987 percent because of budget surplus (ITRF).
  - Child care credit for taxpayers with under \$20,000 income increased to 100 percent of federal credit.
  - Employer credits for providing or subsidizing child care enacted.
  - Exemptions indexed for inflation beginning in tax year 2000.
  - Requires tax on payments to certain nonresident shareholders of pass-through entities to be withheld at source.
- 1998 • Statutory tax rates for 1998 temporarily reduced by 9.339 percent because of budget surplus (ITRF).
- 1999 • Statutory tax rates for 1999 temporarily reduced by 3.627 percent because of budget surplus (ITRF).
  - Deduction for medical expenses in excess of 7.5 percent of FAGI enacted.
  - Deduction for taxpayers ineligible for employer-provided medical plans enacted.
  - Deduction for long-term care insurance premiums enacted.
  - Credit (nonrefundable) for adoption related expenses enacted.
  - Beginning in 2001, deduction for tuition expenses for first two years of post-secondary education enacted.

## INDIVIDUAL INCOME TAX - STATE

### HISTORY OF MAJOR CHANGES (con't.)

- 2000 • Statutory tax rates for 2000 temporarily reduced by 6.929 percent because of budget surplus (ITRF).
- Deduction for contributions to the prepaid tuition and variable market tuition program enacted.
- Addition for income from an electing small business trust that also meets the definition of a grantor trust required.

### COMPARISON WITH OTHER STATES

State/Rate <sup>(1)</sup>	Personal Exemptions <sup>(1)</sup>		
	Single	Married /Joint	Dependent
<b>California</b> <sup>(2)</sup>	credits <sup>(2)</sup>		
	1% tax on the first \$11,496, up to 9.3% on portion of income over \$75,450.		
<b>Florida</b>	No Income Tax		
<b>Illinois</b> <sup>(5)</sup>	\$2,000	\$4,000	\$2,000
	3.0% on taxable net income.		
<b>Indiana</b> <sup>(5)</sup>	\$1,000	\$2,000	\$1,000
	3.4% on adjusted gross income.		
<b>Kentucky</b> <sup>(5)</sup>	credits <sup>(3)</sup>		
	2% on first \$3,000, up to 6% on portion of income over \$8,000.		
<b>Massachusetts</b> <sup>(5)</sup>	\$4,400	\$8,800	\$1,000
	A rate of 5.6 percent on all business income, earned income, annuities, short term capital gains, interest, and dividends. This rate drops to 5.3 percent in 2002 and 5.0 percent in 2003. Capital gains on assets held more than one year are taxed on a declining basis from five percent on gains on assets held two years or less to zero percent tax on assets held more than six years.		
<b>Michigan</b> <sup>(5)</sup>	\$2,900	\$5,800	\$2,900
	4.2% on taxable income.		

## INDIVIDUAL INCOME TAX - STATE

### COMPARISON WITH OTHER STATES (con't.)

State/Rate <sup>(1)</sup>	Personal Exemptions <sup>(1)</sup>		
	Single	Married /Joint	Dependent
<b>New Jersey</b>	\$1,000	\$2,000	\$1,500
	1.4% on first \$20,000 taxable income, up to 6.37% on portion of income over \$150,000.		
<b>New York</b>	\$1,000	\$1,000	\$1,000
	4% on first \$16,000 of taxable income, up to 6.85% on portion of income over \$40,000.		
<b>Ohio</b> <sup>(5) (3)</sup>	\$1,150 <sup>(4)</sup>	\$2,300 <sup>(4)</sup>	\$1,150 <sup>(4)</sup>
	<b>0.743% on first \$5,000 of taxable income, up to 7.5% on portion of income over \$200,000 for 2001.</b>		
<b>Pennsylvania</b> <sup>(5)</sup>	None		
	2.8% on taxable income.		
<b>Texas</b>	No Income Tax		
<b>West Virginia</b>	\$2,000	\$4,000	\$2,000
	3% on first \$10,000 of taxable income, up to 6.5% on portion of income over \$60,000.		

<sup>(1)</sup> The tax rate and exemptions are for tax year 2001 unless otherwise noted. For states with multiple schedules, the married filing joint rate is listed.

<sup>(2)</sup> California has inflation-indexed personal income tax rate tables, standard deduction and personal exemption credit amounts. For tax year 2001, credits are \$79 for single, \$72 married, filing separately, and for head of household, \$158 for married, filing jointly, and \$247 per dependent. Tax rates shown are for 2001.

<sup>(3)</sup> Kentucky and Ohio allow credits subtracted directly from tax liability. The credits are \$20 for single, \$40 for joint and \$20 per dependent.

<sup>(4)</sup> Beginning in 2000, the exemptions for a taxpayer, spouse, and dependent(s) will be indexed for inflation.

<sup>(5)</sup> States with only one tax schedule.