Individual Income Tax – Ohio

Taxpayer

The tax is paid by individuals, estates, and trusts residing in Ohio or earning or receiving Ohio income, including lottery winnings, prizes, or awards. The tax is also paid by individuals, trusts, and estates otherwise having nexus with Ohio.

Withholding responsibilities apply to employers who pay wages and salaries to employees who work in Ohio.

Tax Base

For individuals, the base is federal adjusted gross income plus or minus adjustments, according to Ohio income tax law. For estates and trusts, the base is federal taxable income plus or minus adjustments, according to Ohio income tax law.

Rates

Reflecting an 8.5 percent tax rate reduction from 2012, individual income tax rates for the 2013 taxable year are as follows:

Ohio Taxable Income	
Over - But not over	**Tax Liability**
$0 - 5,200	0.537% of Ohio taxable income.
$5,200 – $10,400	$27.92 plus 1.074% of amount in excess of $5,200.
$10,400 – $15,650	$83.77 plus 2.148% of amount in excess of $10,400.
$15,650 - $20,900	$196.54 plus 2.686% of amount in excess of $15,650.
$20,900 - $41,700	$337.56 plus 3.222% of amount in excess of $20,900.
$41,700 – $83,350	$1,007.74 plus 3.760% of amount in excess over $41,700.
$83,350 – $104,250	$2,573.78 plus 4.296% of amount in excess of $83,350.
$104,250 – $208,500	$3,471.64 plus 4.988% of amount in excess of $104,250
more than $208,500	$8,671.63 plus 5.421% of amount in excess of $208,500

Major Exemptions

A personal exemption is available for each taxpayer and each dependent. For the 2013 taxable year (returns filed in 2014), each exemption equals $1,700 per person. This amount is typically adjusted for inflation each year. The Tax Commissioner will not make such adjustments for taxable years 2013, 2014 or 2015 while the tax rates are being reduced.

In addition to certain other federal and state adjustments, the following forms of income are exempt from state taxation:

- Military pay earned by Ohio service members while stationed outside of Ohio and by non-Ohioans while stationed in Ohio.
- Uniformed Services retirement pay.
- Income earned in Ohio by military nonresident spouses who are domiciled in the same state as their military service member spouse.
- Qualified Social Security benefits and certain railroad retirement benefits.
- Certain disability and survivors benefits.
- Certain Ohio National Guard benefits.

Additionally, Ohio taxpayers may deduct the following expenses when calculating Ohio taxable income:

- Qualified organ donation expenses.
- Subject to limitations, purchases of tuition units, contributions to the Ohio Tuition Trust Authority's College Advantage 529 Savings Plan and certain Pell Grant expenses.
- Certain unreimbursed long-term care insurance premiums, unsubsidized health care insurance premiums, deposits into medical savings accounts and other medical expenses.
- Accident and health insurance premiums for taxpayers, and certain relatives, who do not have accident or health insurance at their place of employment and who are not eligible for Medicare or Medicaid.
- 50% of Ohio Small Business Investor Income (maximum $62,500 for those married filing separately filers and $125,000 for all other taxpayers).

Revenue
(In Millions)

Fiscal Year	General Revenue Fund	Revenue Sharing[1]	Other[2]	Total
2009	$7,629.1	$686.5	$7.7	$8,323.3
2010	7,247.2	629.2	10.4	7,886.8
2011	8,120.3	686.7	13.0	8,820.0
2012	8,432.9	584.3	12.5	9,029.7
2013	9,507.8	348.7	13.3	9,869.8

Disposition of Revenue

All revenue from the individual income tax is initially deposited in the General Revenue Fund. Each month, 3.68 percent of all general fund tax revenue is subsequently deposited into the Local Government Fund, credited against the individual income tax's portion of General Revenue Fund revenues. Beginning in August 2011, the 3.68 percent contribution percentage is no longer used. Through June 2013, designated dollar amounts will be deposited into the Local Government Fund and credited against individual income tax General Revenue Fund proceeds.

The Ohio Constitution requires that at least 50 percent 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.

Payment Dates

For individuals, trusts and estates:

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

Taxpayers file quarterly declarations if they expect to owe more than $500 after withholding. Such taxpayers generally must file an estimated return and make quarterly payments on or before April 15, June 15, and Sept. 15 of the taxable year and Jan. 15 of the following year.

For employers:

Employers remit withholding tax according to schedules that range from several times a week to quarterly, depending on the amount of income tax withheld.

Special Provisions/Credits

Credits:

Beginning with the 2013 tax year filing, filers whose Ohio Adjusted Gross Income is less than $30,000 may take a $20 credit for each personal exemption claimed on their return. A number of other credits are also available. They include, in alphabetical order:

Adoption credit: Taxpayers who adopt a child (except a stepchild) may claim a nonrefundable credit of $1,500 per child adopted during the taxable year.

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

Displaced workers' training expenses credit: Taxpayers may claim a credit for training expenses incurred within 12 months of losing or leaving a job due to abolishment of a position or shift. The credit is $500 or 50 percent of the training costs, whichever is less.

Earned Income credit (EIC): Taxpayers may claim a nonrefundable credit equal to 5% of the federal EIC if Ohio Adjusted Gross Income (OAGI) less applicable exemptions is $20,000 or less. If OAGI less applicable exemptions is greater than $20,000, taxpayers should utilize the EIC worksheet to determine if they are eligible for a portion of the nonrefundable credit.

Joint filing credit: A husband and wife who file a joint return are allowed a tax credit of up to $650 if each had at least $500 of qualifying income. The credit is a percentage of tax liability, after the application of several other credits, as shown below:

1 Before January of 2008, a portion of individual income tax revenue was distributed to the Local Government Fund and Public Library Fund for use by local governments and libraries. Starting in January, 2008, as part of a larger reform of Ohio's revenue sharing system, this column only includes deposits into the Local Government Fund.

2 "Other" revenue includes distributions to the Political Party Fund and the Attorney General Claims Fund.

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
$75,001 and over	5% of tax

Low-income credit: This credit is equal to the tax that would otherwise be due when Ohio taxable income is $10,000 or less. This credit eliminates all tax liability for such taxpayers. For the 2012 taxable year, this credit is $88.

Nonresident/part-year resident income credit: Taxpayers who are nonresidents or part-year residents of Ohio and who earn income while living in another state receive a credit for that portion of income.

Political contribution credit: Taxpayers may claim an individual income tax credit of up to $50 per year for contributions made to the campaign committee of candidates for statewide elected offices or for the Ohio General Assembly.

Retirement income credit: Taxpayers are allowed a credit to the extent that qualified retirement income is included in Ohio adjusted gross income, according to the following schedule:

Retirement Income	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

Senior citizen credit: A taxpayer 65 years of age or older during the taxable year may claim a $50 credit against the amount of tax due. Only one credit is allowed per tax return.

The above list does not include a number of business credits, some of which may also be claimed against corporation franchise tax or commercial activity tax.

Reciprocity:

An individual who is a full-year resident of any of the five states bordering Ohio and whose income from inside Ohio consists solely of wages, salaries, tips, or commissions need not file with Ohio. This rule does not apply if the individual owns, directly or indirectly, at least 20 percent of a pass-through entity having nexus with Ohio.

Sections of Ohio Revised Code

Chapter 5747.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1912	Ohio voters approve a constitutional amendment that permits the taxation of income on a uniform or graduated basis.
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 percent across-the-board tax hike for 1982 and a temporary, 12.5 percent 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 percent for 1983 and to 90 percent 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	The legislature enacts a one-time special tax refund. For most taxpayers, the refund is 2.03 percent 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 percent across-the-board rate cut. Rates are scheduled to fall (from 1984 levels) by 5 percent in 1985, 5 percent in 1986 and 5 percent in 1987.
1986	The legislature lowers the top marginal rate (on income in excess of $100,000) from 8.55 percent to 6.9 percent, effective 1987. Legislators also lower other rates by an additional 7 percent in 1987 and an additional 1 percent 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 percent.
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 percent. 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 (later delayed till 2010) and decouples Ohio from federal accelerated depreciation law, requiring a bonus depreciation adjustment.
2005	House Bill 66 launches a five-year, 21 percent across-the-board reduction in income tax rates. Rates are scheduled to fall by 4.2 percent 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.
2011	Enactment of fifth and final year of income tax rate reductions. H.B.153 creates new donation for the Ohio Historical Society. H.B. 167 creates a new income tax deduction for Pell Grant recipients.
2013	House Bill 59 launches a 10% reduction in income tax rates over three years. Rates are scheduled to fall 8.5% for the 2013 tax year filing, another 0.5% for the 2014 tax year, and the final 1% with the 2015 tax year filing. HB 59 also freezes the indexing of income brackets and the personal/dependent exemption during the three-year rate reductions. The bill also makes the $20 personal/dependent credit income-based. HB 59 introduces two new credits: the nonrefundable Earned Income Credit and the 50% Small Business Investor Income Credit.

Comparisons with Other States

(As of July 1, 2013)

The tax rates listed in this section are for taxable year 2013 unless otherwise noted. In some states, rate schedules vary according to filing status.

California

For individuals and couples[1] filing separately, graduated rates range from 1 percent on the first $7,455 of taxable income to 12.3 percent on income in excess of $500,000. An additional one percent tax is imposed on net incomes in excess of $1 million.

[1] Meaning a married couple or a registered domestic partnership.

Florida

Florida does not levy a personal income tax.

Illinois

A rate of 5 percent applies to all taxable income.

Indiana

A rate of 3.4 percent applies to modified adjusted gross income.

Kentucky

Graduated rates range from 2 percent on the first $3,000 of taxable income up to 6 percent on income in excess of $75,000.

Massachusetts

For tax year 2013, a 5.25 percent rate applies to all business income, earned income, annuities, long-term capital gains, interest, and dividends. Capital gains on collectibles and assets held less than one year are taxed at 12 percent.

Michigan

A rate of 4.25 percent applies to taxable income.

New Jersey

For individuals and couples[2] filing separately, a graduated rate of 1.4 percent applies to the first $20,000 of taxable income; rates range up to 8.97 percent on income in excess of $500,000.

New York

For individuals or married couples filing separately, rates range from 4 percent on the first $8,000 of taxable income up to 8.82 percent on income in excess of $1,000,000.

Ohio

For 2013, graduated rates range from 0.537 percent on the first $5,200 of income to 5.421 percent on the amount in excess of $208,500. (Please see the rates section for details.)

Pennsylvania

A rate of 3.07 percent applies to taxable income.

Texas

Texas does not levy a personal income tax.

West Virginia

For all filers except married couples filing separately, graduated rates range from 3 percent on the first $10,000 of taxable income up to 6.5 percent on income in excess of $60,000.

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[2] Meaning, a married couple or a civil union.