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Ohio Statehouse Update: House-Senate Conference Committee Reports Compromise Version of State Budget Bill

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Last night on a 4-2 party line vote the Conference Committee on House Bill 59, led by the chairmen of the House and Senate Finance Committees, Rep. Ron Amstutz (R-Wooster) and Sen. Scott Oelslager (R-Canton), reported a compromise version of the state's biennial budget bill that will now head to the House and Senate floor for a final vote to accept the changes.

Among the major items addressed through the Conference Committee, the committee approved a new tax reform package that is estimated to reduce taxes for small businesses and individual taxpayers in Ohio by more than \$2 billion over the next three years. Major components of that plan include the following:

- Increasing the state sales tax rate from 5.5 to 5.75 percent beginning January 1, 2014;
- Establishing new minimum Commercial Activity Tax (CAT) payments based on a tiered gross-receipts threshold for businesses with gross receipts exceeding \$1 million. The minimum CAT payment will be \$800 for businesses with gross receipts between \$1 million and \$2 million, \$2,100 for businesses between \$2 million and \$4 million, and \$2,600 for businesses with more than \$4 million in gross receipts.
- Maintaining the current CAT rate of 0.26 percent, and annual minimum payment of \$150 for businesses with gross receipts between \$150,000 and \$1 million;
- Cutting personal income tax rates ten percent across-the-board, phased in over three years (by 8.5 percent in 2013, 9 percent in 2014, and 10 percent in 2015 & beyond);
- Excluding from income tax 50 percent up to \$250,000 (maximum exclusion of \$125,000) of each owner or partner's share in a pass-through-entity;
- Suspending for three years the inflation-indexing adjustments of the nine income tax brackets and the personal and dependent exemptions;

- Creating the Earned Income Tax Credit for individuals earning less than \$10,000 per year, and limiting the \$20 personal exemption to individuals earning less than \$30,000 per year;
- Subjecting the sale of electronically transferred digital goods such as e-books, musical downloads or audiovisual works to sales tax;
- Maintaining the property tax homestead exemption for all seniors who currently have it, but limiting eligibility for the homestead exemption going forward for first-time applicants to those with less than \$30,000 in annual income; and
- Eliminating the 12.5 percent residential property tax rollback on new and replacement tax levies (maintains the rollback for all current levies).

In addition to the tax reform package, the Conference Committee reported version of House Bill 59 also includes:

- Increasing funding for disadvantaged K-12 schools, capping the Straight A Fund, and requiring that student performance account for 50 percent of teacher evaluations; and
- Maintaining the completion-focused funding plan previously agreed to by Ohio's institutions of higher education.

Major items initially proposed by Governor Kasich at the beginning of the budget process, but **not** included in the budget legislation as reported by the Conference Committee last night, include state Medicaid expansion, changes to the severance tax on oil and gas, and a proposed major expansion of the state's sales tax base.

The House and Senate are expected to vote to approve the Conference Committee version of House Bill 59 on Thursday at full voting sessions, and send the bill to Governor Kasich for his signature and consideration of possible line item vetoes. The state biennial budget is required to be signed into law by July 1, 2013, the beginning of the state's new fiscal year.

[Click here to view the H.B. 59 Comparison Document \(as reported by Conference Committee\)](#)

[Click here to view the H.B. 59 Budget in Detail Document \(as reported by Conference Committee\)](#)

[Click here to view full language of the H.B. 59 Conference Committee Report](#)