

## **Ohio Budget Bill (L. 2013, H59) Generally Effective June 30, 2013**

### **Summary of the Tax Provisions:**

- A 10% personal income tax cut phased in over the next three years (8.5%, 9%, then 10%).
- Ohio small businesses will be able to take a 50% tax deduction on the first \$250K of business income. The deduction is available to owners & investors of pass-through entities.
- New non-refundable earned income tax credit for tax years beginning on or after January 1, 2013.
- Commercial Activity Tax is revamped and tied to the level of business receipts. For gross receipts up to \$1M the annual tax remains at \$150, greater than \$1M but no more than \$2M the tax is \$800, greater than \$2M but no more than \$4M the tax is \$2K, and greater than \$4M the tax is \$2,600.
- Inflation indexing of the individual income tax brackets will be suspended for three year starting with 2013.
- The \$20 personal exemption credit will be available only to households with Ohio taxable income under \$30K.
- State sales and use tax rate will increase from 5.5% to 5.75% on September 1, 2013.
- Digital products will now be subject to sales and use tax.
- A new motor fuel receipts tax will apply to fuel refineries and terminals in place of the CAT tax, effective July 1, 2014 and at a rate of .65%.
- Extended to June 30, 2015 the 2-cents per gallon tax on wine, vermouth, and sparkling and carbonated wine and champagnes.
- Real property rollbacks (reductions) of 10% and 2.5% will be eliminated for new and replacement levies passed in and after November 2013.
- Homestead exemption will be subject to means testing. Eligibility is limited to homeowners aged 65 or older with incomes less than \$30K, effective with applications for the 2014 tax year.
- Tobacco Taxes: “Little cigars” will be taxed at a rate equal to that levied on cigarettes. A “little cigar” is any roll for smoking, other than cigarettes, made wholly or in part of tobacco

Note: This is not a complete list of all the provisions in the Act. Please give us a call to discuss an item in greater depth or to inquire about an item not on this list.

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