



OHIO LEGISLATIVE SERVICE COMMISSION

Bill Analysis

Mackenzie Damon

S.B. 21

131st General Assembly
(As Introduced)

Sens. Skindell, Brown, Cafaro, Gentile, Sawyer, Schiavoni, Tavares, Thomas, Williams, Yuko

BILL SUMMARY

- Makes the earned income tax credit refundable, rather than nonrefundable, and removes the credit's income restrictions, beginning with the 2015 taxable year.

CONTENT AND OPERATION

Earned income tax credit

The bill makes the state earned income tax credit refundable, rather than nonrefundable, and removes the income restrictions on the credit amount.

State earned income tax credit

The state earned income tax credit is a credit for low-income taxpayers who are eligible to claim the federal earned income tax credit. The amount of the state credit equals 10% of a taxpayer's federal credit. Under current law, the state credit is nonrefundable, so it can result only in a reduction or elimination of tax liability, not a refund. The credit is further limited for taxpayers whose Ohio adjusted gross income exceeds \$20,000 (joint or separate, and after subtracting personal exemptions): for such taxpayers, the credit cannot exceed 50% of the tax due after subtracting all other nonrefundable credits other than the joint filing credit.

The bill removes this income-based limit on the credit amount. Consequently, any taxpayer that qualifies for the state credit would receive the full 10% of the taxpayer's federal credit amount.

The bill also makes the credit refundable, which means that if the amount of a taxpayer's credit exceeds the taxpayer's outstanding tax liability for the year, the taxpayer would receive a refund for the excess.¹

Federal earned income tax credit

The federal earned income tax credit is a refundable credit computed as a percentage of a person's earnings (including self-employment income). To qualify for the federal credit, the taxpayer's earned income and adjusted gross income must fall below a specified threshold. For 2016, those thresholds were \$14,880 for taxpayers without qualifying children (\$20,430 if married filing jointly), \$39,296 for taxpayers with one qualifying child (\$44,846 if married filing jointly), \$44,648 for taxpayers with two qualifying children (\$50,198 if married filing jointly), and \$47,955 for taxpayers with three or more qualifying children (\$53,505 if married filing jointly).

For 2016, the maximum federal earned income credit for a person or couple without qualifying children was \$506, with one qualifying child \$3,373, with two qualifying children \$5,572, and with three or more qualifying children \$6,269. The credit amount is phased out as a person's income increases. In addition to the earned income limits, the taxpayer must also meet various other eligibility requirements, including limits on investment income (\$3,400 for 2016), minimum and maximum ages (25 to 65 years), and qualifications for qualifying children.²

Effective date

The bill applies to taxable years beginning in 2015 and thereafter.³

HISTORY

ACTION	DATE
Introduced	02-02-15

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¹ R.C. 5747.71 and 5747.98.

² IRS 2016 EITC Income Limits, Maximum Credit Amounts and Tax Law Updates, available at <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/eitc-income-limits-maximum-credit-amounts>.

³ R.C. 5747.71 and 5747.98.

