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Bill Analysis
Legislative Service Commission

H.B. 10

123rd General Assembly
(As Introduced)

Reps. D. Miller, Metelsky, Opfer, Bender, Allen

BILL SUMMARY

- Grants an earned income tax credit equal to 15% of a taxpayer's federal earned income tax credit.

CONTENT AND OPERATION

Federal earned income tax credit

(Internal Revenue Code sections 32 and 3507)

Eligibility

A federal earned income tax credit is available for persons with relatively low incomes. The purpose of the credit is to encourage lower-income taxpayers to become or remain employed. The credit is for a percentage of income earned by the taxpayer, whether as wages, other compensation, or self-employment income. A taxpayer who has one or more children is entitled to an enhanced credit. The credit is available only to a person who is (or whose spouse is) between 25 and 64 years of age, lives primarily in the United States, and is not claimed as a dependent by any other taxpayer.

Any wage earner eligible for the earned income tax credit may choose to receive the credit all at once when the annual tax return is filed, or on an "advanced" basis as an addition to each paycheck.

Computation of federal credit

The federal credit is computed as a percentage of a person's earned income, up to a designated income level. The percentage and the designated earned income level depends on the number of children a taxpayer has, as follows:

<u>Number of children:</u>	<u>Earned income amount:</u>	<u>Percentage:</u>
No children	\$4,220	7.65%
One	\$6,330	34%
Two or more	\$8,890	40%

So, for example, a taxpayer with one child and earned income of no more than \$6,330 is entitled to an earned income tax credit of \$2,152 (34% of \$6,330).

The federal earned income tax credit is gradually phased out as a person's income increases. Thus, for example, a person with one child and an (adjusted) income of \$16,000 would be entitled to a credit of \$1,493. The one-child credit is completely phased out at \$25,078 in adjusted income, the no-child credit at \$9,500 and the two-children credit at \$31,723.

Ohio earned income tax credit

(secs. 5747.37 and 5747.98)

The bill proposes granting an earned income tax credit to taxpayers who receive a federal earned income tax credit. The amount of the state credit would equal 15% of a taxpayer's federal earned income tax credit. The credit is refundable, meaning that if the amount of a taxpayer's credit exceeds the taxpayer's end-of-year tax liability, the taxpayer is entitled to a refund of the excess.

The credit could be claimed for taxable years beginning on or after January 1, 2000.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	01-20-99	p. 94

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