Bill Analysis

Peter A. Cooper *Legislative Service Commission*

H.B. 766

123rd General Assembly
(As Introduced)

Reps. **Young, Allen, Buchy, Calvert, Cates, Evans, Goodman, Grendell, Jordan, Krebs, Mettler, Patton, Perry, Schuck, Schuler, Taylor, Van Vyven, Vesper, Widener, Willamowski**

BILL SUMMARY

- Increases the existing yearly senior income tax credit from $50 to $150.
- Increases the lump sum senior credit similarly, and allows persons who previously chose the lump sum credit (and who are entitled to a reduced yearly credit) to claim a greater yearly credit.
- Permits spouses filing a joint tax return to claim a $300 yearly senior credit if both spouses are 65 years of age or older.
- Increases the yearly credit that may be claimed by persons who are younger than 65 and who previously claimed a lump sum credit.

CONTENT AND OPERATION

Senior credit--current law

(sec. 5747.05(C))

Currently, a credit of up to $50 may be claimed against Ohio income tax liability each year by persons who are 65 years of age or older. In lieu of the $50 yearly credit, some taxpayers may claim a one-time lump sum credit equal to $50 times the estimated number of years remaining in their life (as determined by I.R.S. annuity schedules). In order to claim the lump sum credit, the taxpayer must have received a lump sum distribution from a qualified employee benefit plan sometime during the taxable year, either as an employee participant in that plan or as a beneficiary.[1] Taxpayers who are younger than 65 years of age also are entitled to a credit of $50 times the expected remaining life of a person who is 65 years of age. (The credit for those younger than 65 is available only if the lump sum distribution was received in a taxable year ending before July 31, 1991.) But once a taxpayer claims either the over-65 or under-65 lump sum credit, the taxpayer may not later claim another lump sum credit or the $50 yearly credit. However, such a taxpayer is entitled to a reduced yearly credit of $25 if the taxpayer chose the lump sum credit before July 1, 1983.[2]

If a married couple files a joint return, the couple is entitled to claim only one $50 yearly senior credit between them; if they file separate returns, each spouse may claim a separate $50 credit. If a couple claims one of the lump sum credits, their filing status--joint or separate--does not affect the amount of credit they may claim. Neither the yearly credit nor lump sum credit is refundable, so the yearly credit will be less than $50 if the final tax due is less than $50, and the lump sum credit will be less than $50 times expected remaining life if the final tax due is less than that product.

Increase senior credit; allow each spouse to claim separate credit

The bill increases the yearly senior credit amount from $50 to $150, and permits two spouses filing a joint return to each claim the $150 yearly credit, for a total credit of $300. In order for each spouse to claim the senior credit, both spouses must be 65 years of age or older.

The bill also increases each of the lump sum credits from $50 times expected remaining life to $150 times expected remaining life. The yearly senior credit for taxpayers who chose a lump sum credit before July 1, 1983 (and who therefore currently are permitted to claim a $25 yearly credit) is increased to $125 per year.

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[1] *For the purposes of claiming the lump sum credit, a qualified employee benefit plan includes a pension, retirement, profit-sharing, stock bonus, Keogh, or 401k plan, or one of the state's retirement system plans. All of the benefits payable under the plan must be paid within a single year, and must be paid on account of the employee having terminated service with the employer sponsoring the plan. The employee must have been a participant in the plan for at least 5 years before the credit is claimed (unless the employee died within that time).*

[2] *This was the effective date of the legislation that increased the yearly credit from $25 to $50 and increased the lump sum credit from $25 times expected remaining life to $50 times expected remaining life (H.B. 291 of the 115th G.A.). By allowing persons who claimed the lump sum credit at the former $25 level also to claim an additional credit of $25 each year, the legislation enabled them to benefit from the increase of credit.*

And the bill allows taxpayers claiming a lump sum credit between July 1, 1983, and January 1, 2001, and who were 65 or older when first claiming the lump sum credit, to claim a $100 yearly credit in addition to the lump sum credit previously received.

The credits remain nonrefundable.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	08-31-00	p. 2214

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