



H.B. 378

126th General Assembly
(As Introduced)

Reps. Ujvagi, Healy, J. McGregor, Distel, Reidelbach, DeGeeter, Yuko, Latta, Perry, Hughes, Skindell, Carano, Fende, Harwood

BILL SUMMARY

- Exempts active-duty military pay and allowances from the state income tax regardless of whether the serviceperson is serving in a declared combat zone.
- Exemption does not apply to pay and allowances received for active duty service while stationed in Ohio.
- Exemption also applies to school district income taxes that use the same tax base as the state income tax.

CONTENT AND OPERATION

Expansion of income tax exemption of military pay

(R.C. 5747.01(A)(22))

Under current law, the pay and allowances of persons serving in a branch of the military, including the reserves and National Guard, are subject to state and school district income taxes unless the pay and allowances are earned for service in a declared combat zone.¹ The combat zone exclusion applies to the entire pay

¹ *The current combat zones are designated to include the following (including airspace): Arabian Peninsula Areas (Persian Gulf, Red Sea, Gulf of Oman, the part of the Arabian Sea north of 10° North latitude and west of 68° East longitude, the Gulf of Aden, and the countries of Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates); Kosovo area (Federal Republic of Yugoslavia [Serbia and Montenegro], Albania, the Adriatic Sea and the Ionian Sea north of the 39th Parallel); Bosnia and Herzegovina, Croatia, and Macedonia; Afghanistan and supporting areas (including Pakistan, Tajikistan, Jordan, Incirlik Air Base, Turkey, Kyrgyzstan, Uzbekistan, Philippines [only troops with orders referencing Operation Enduring Freedom], Yemen, Djibouti), Turkey, and Egypt.*

and allowances of enlisted personnel, noncommissioned officers, and warrant officers and to the highest enlisted-pay equivalent of other commissioned officers. Also, current law exempts deceased military servicepersons completely from state and school district income taxes (for the year of their death) if they died as a result of injuries or disease incurred in a combat zone or in a military or terroristic event in a foreign country. (R.C. 5747.023 and 5747.024.) All military pay and allowances currently are exempted from municipal income taxes. (R.C. 718.01(F)(1).)

The bill expands the military pay and allowance exemption to include pay and allowances received by any person serving on active duty in the Army, Air Force, Navy, Marines, or Coast Guard, reserve components of those branches, or the National Guard, regardless of whether the service is in a declared combat zone. The exemption does not apply to pay and allowances for active duty service while stationed in Ohio. In addition to expanding the current exemption to include all non-Ohio active duty pay and allowances, the expansion also permits commissioned officers, whose current exclusion is capped at the highest enlisted pay level (plus hostile fire and imminent danger pay supplements), to exclude pay and allowances in excess of the cap.

The exemption applies as well to school district income taxes that are computed on the same basis as the state income tax base. (Recent legislation, H.B. 66, authorized school districts to use a different, earnings-only tax base, which for technical reasons would not be affected by the proposed expansion of the exemption. A technical amendment could make the expanded exemption apply to the earnings-only school district income tax base.)

Application date

(Section 3)

The exemption applies to a taxpayer's taxable year beginning in 2005 or afterwards.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	10-13-05	p. 1720

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