



H.B. 578

126th General Assembly
(As Introduced)

Rep. T. Patton

BILL SUMMARY

- Excludes from the personal income tax, retirement income of up to \$25,000 for individual filers and up to \$35,000 for joint filers.

CONTENT AND OPERATION

Retirement income excluded from Ohio adjusted gross income

(R.C. 5747.01(A)(24))

Under the bill, retirement income of up to \$25,000 for individual filers and up to \$35,000 for joint filers is not subject to Ohio's personal income tax.

Under current law, when an individual determines the individual's Ohio income tax liability, the individual begins with federal adjusted gross income. From that figure, the individual subtracts any applicable deductions. There are currently 23 deductions. Under the bill, a 24th deduction is added: retirement income.¹

If the retirement income was already excluded from federal adjusted gross income on the individual's federal income tax return, no additional deduction is permitted.

¹ After applicable deductions have been subtracted, the difference is called "Ohio adjusted gross income." R.C. 5747.01(A). To determine the individual's actual tax liability, the individual would subtract from this figure the individual's personal exemptions, apply the appropriate tax rate, subtract any available tax credits, and then subtract any tax amounts the individual has already paid.

Excluded income and the retirement credit

(R.C. 5747.055(A)(1))

Under continuing law, individuals who receive more than \$500 in retirement income are entitled to a tax credit. The credit is worth between \$25 and \$200, depending on the amount of the retirement income received.

The bill provides that retirement income deducted pursuant to the bill may not be used in computing the retirement income tax credit. For example, if during the taxable year an individual single filer received \$26,000 from a pension and deducts \$25,000 under the bill, the individual could then claim a retirement income credit only for the remaining \$1,000 in retirement income. (The credit for \$1,000 in retirement income is \$25.)

"Retirement income"

(R.C. 5747.01(A)(24) and 5747.055(A))

For both the deduction and credit, retirement income includes income, benefits, annuities, and distributions that are made from or pursuant to a pension, retirement, or profit-sharing plan.

First applicability

(Section 3)

The bill's retirement income deduction applies to taxable years beginning on or after January 1, 2007.

HISTORY

ACTION	DATE
Introduced	05-09-06

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