



Sub. H.B. 626

126th General Assembly
(As Reported by H. Ways & Means)

**Reps. Calvert, Buehrer, Latta, Flowers, Collier, Bupp, Wolpert, Schaffer,
Gibbs, Reidelbach**

BILL SUMMARY

- Accelerates the previously enacted 21% income tax rate reduction so that the rate reduction is fully implemented by 2008 instead of 2009.
- Reduces rates by 6.2% for 2006, 5.3% for 2007, and 5.3% for 2008, instead of the currently scheduled 4.2% each year (reductions are a percentage of 2004 rates).
- Accelerates the indexing of income tax rate brackets so that indexing begins in 2009 instead of 2010.

CONTENT AND OPERATION

Accelerated phase-in of income tax rate reduction

(R.C. 5747.02(A))

Current law, enacted by H.B. 66, reduces income tax rates in all brackets by a total of 21% compared to 2004 rates. The reduction is phased in evenly over 5 years, by 4.2% per year, between 2005 and 2009. H.B. 66 also postponed inflation indexing of the income brackets until 2010; before H.B. 66, indexing was scheduled to begin in 2005.

The bill retains the 21% rate reduction but accelerates its implementation by making larger-than-scheduled percentage reductions in 2006, 2007, and 2008. The 21% reduction therefore is fully implemented in 2008 instead of 2009. The rate reduction for taxable years beginning in 2006 is 6.2% instead of 4.2%; for taxable years beginning in 2007, the reduction is 5.3% instead of 4.2%; and for taxable years beginning in 2008 the reduction is 5.3% instead of 4.2%. From 2008, income tax rates will be 21% lower than the 2004 rates.

The bill also requires indexing of the income tax rate brackets to begin in 2009 instead of 2010.

HISTORY

ACTION	DATE
Introduced	06-29-06
Reported, H. Ways & Means	09-14-06

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