



# Ohio Legislative Service Commission

## Bill Analysis

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### **S.B. 113**

129th General Assembly  
(As Introduced)

**Sens.** Skindell, Cafaro, Tavares, Turner

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## **BILL SUMMARY**

- Authorizes a refundable state earned income tax credit for low-income taxpayers equal to a percentage of the taxpayer's federal earned income credit.

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## **CONTENT AND OPERATION**

### **Ohio earned income tax credit**

The bill authorizes a state earned income tax credit for taxpayers who receive a federal earned income tax credit. The credit may be claimed for taxable years beginning on or after January 1, 2011. The amount of the state credit equals 5% of the federal earned income tax credit allowed on a federal return filed for 2011, and 10% of the federal credit allowed on federal returns filed for 2012 and thereafter. The credit is refundable, which means that if the amount of a taxpayer's credit exceeds the taxpayer's outstanding tax liability for the year, the taxpayer is refunded the excess.<sup>1</sup>

### **Federal earned income tax credit**

The federal earned income tax credit is a refundable credit available to certain low-income taxpayers.<sup>2</sup> The credit equals a percentage of the taxpayer's earned income, which includes wages, tips, net earnings from self-employment, or other compensation.

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<sup>1</sup> R.C. 5747.71 and 5747.98.

<sup>2</sup> 26 U.S.C. 32.

## Eligibility for the federal credit

The federal earned income tax credit is available to any taxpayer 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. An enhanced credit is available to the parents of one or more qualifying children. A qualifying child is a child who is under the age of 19 or, if the child is a student, under the age of 24. Permanently and totally disabled children of any age are also considered qualifying children.

To qualify for the federal credit, the taxpayer's earned income and adjusted gross income must also fall below a specified threshold. For 2010, those thresholds were \$13,460 for taxpayers without qualifying children (\$18,470 if married filing jointly), \$35,535 for taxpayers with one qualifying child (\$40,545 if married filing jointly), \$40,363 for taxpayers with two qualifying children (\$45,373 if married filing jointly), and \$43,352 for taxpayers with three or more qualifying children (\$48,362 if married filing jointly).

## Computation of the federal credit

The federal earned income credit is computed as a percentage of a taxpayer's earned income. The amount of a taxpayer's credit increases as the taxpayer's income increases, up to a specified plateau, and then will decrease from that plateau until the credit is completely phased out. For example, the credit amount for an individual without qualifying children and with an earned income of \$3,000 would be \$230. If the same individual earned \$6,000, the amount of the credit would be \$457. However, if that individual earned \$9,000, the credit would decrease to \$339. The Internal Revenue Service publishes a table that specifies credit amounts based on filing status and earned income, which is broken down into increments of \$50.<sup>3</sup>

For 2010, the maximum federal earned income credit for a person or couple without qualifying children was \$457, with one qualifying child was \$3,050, with two qualifying children was \$5,036, and with three or more qualifying children was \$5,666.

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## HISTORY

ACTION	DATE
Introduced	03-09-11

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<sup>3</sup> See IRS 1040 Instructions 2010, pages 52-68.

