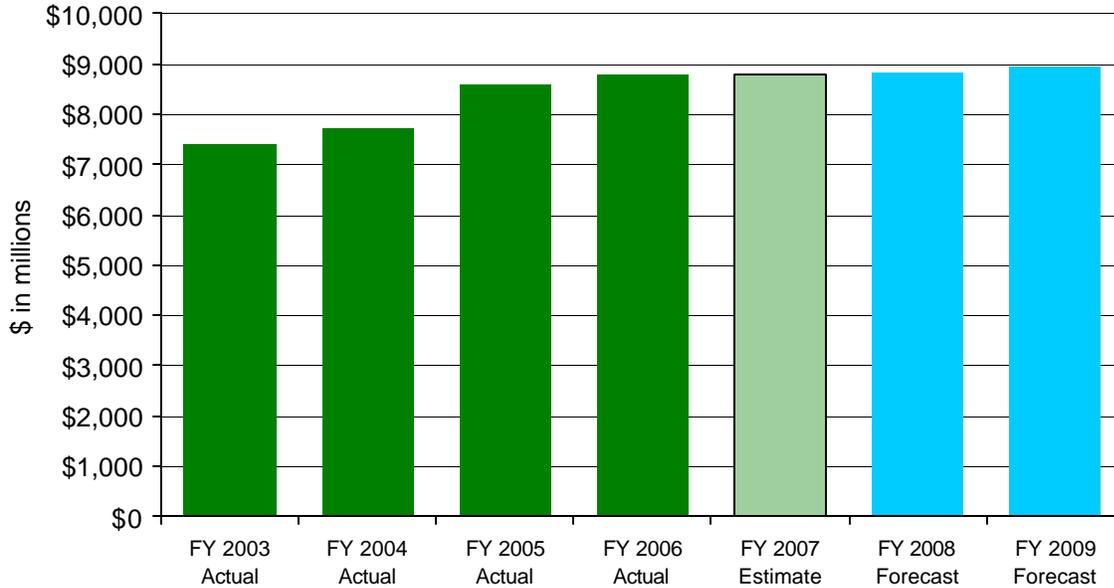


Personal Income Tax

GRF Revenues from the Personal Income Tax

(in millions)



	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
	Actual	Actual	Actual	Actual	Estimate	Forecast	Forecast
Revenue	\$7,420.7	\$7,696.9	\$8,598.9	\$8,786.4	\$8,788.5	\$8,830.6	\$8,932.2
Growth	1.6%	3.7%	11.7%	2.2%	0.0%	0.5%	1.2%

The personal income tax is levied on Ohio taxable income (the amount reported as federal adjusted gross income (FAGI) to the U.S. Internal Revenue Service, with adjustments, minus personal and dependent exemptions). A taxpayer's tax liability before credits is obtained by applying Ohio's graduated tax rates to the taxpayer's Ohio taxable income. Certain credits may be subtracted from this amount to arrive at the taxpayer's final tax liability. Under the Revised Code, the revenue collected from the personal income tax is distributed as follows: 89.5% to the General Revenue Fund, 4.2% to the Local Government Fund, 0.6% to the Local Government Revenue Assistance Fund, and 5.7% to the Library and Local Government Support Fund.

The estimated revenues for FYs 2007-2009 are based on the results of a model of revenue collections. The model works with the four components of tax collections: employer withholding (partial-weekly, monthly, quarterly, and annual returns), individual taxpayer (quarterly estimated payments and annual returns), other collections, and refunds. The data were organized on a fiscal year basis. Withholding was assumed to be a function of Ohio wage and salary income. The individual taxpayer component was assumed to be a function of the S&P 500 index (used to represent U.S. stock markets)

and combined Ohio nonwage and proprietors' income. Other collections were assumed to be a function of the same variables as for the individual taxpayer component. Refunds were assumed to be a function of gross collections (employer withholding + individual taxpayer + other collections) and the value of the personal and dependent exemption. Forecasted values of the explanatory variables were taken from the Global Insight January 2007 release. The model estimates were adjusted to account for the effects of the changes made in H.B. 66 of the 126th General Assembly. Additional adjustments were made for the effects of H.B. 73, H.B. 149, and H.B. 530.

Through February, FY 2007 GRF revenues from the personal income tax are 1.1% greater than estimate and are down 1.5% compared to FY 2006. Gross collections are 1.5% above estimate and 0.8% below FY 2006 levels. Net collections (gross collections minus refunds) are 1.0% above estimate and 1.3% below FY 2006 levels.

The original FY 2007 estimate for GRF revenues from the personal income tax was \$8,650.0 million, a 1.5% decrease from FY 2006 revenues. The new FY 2007 estimate assumes that current collection trends continue and is \$8,788.5 million, a 1.6% increase over the original estimate, and 0.02% greater than FY 2006 revenues. GRF revenues are projected to grow by 0.5% in FY 2008 and 1.2% in FY 2009.