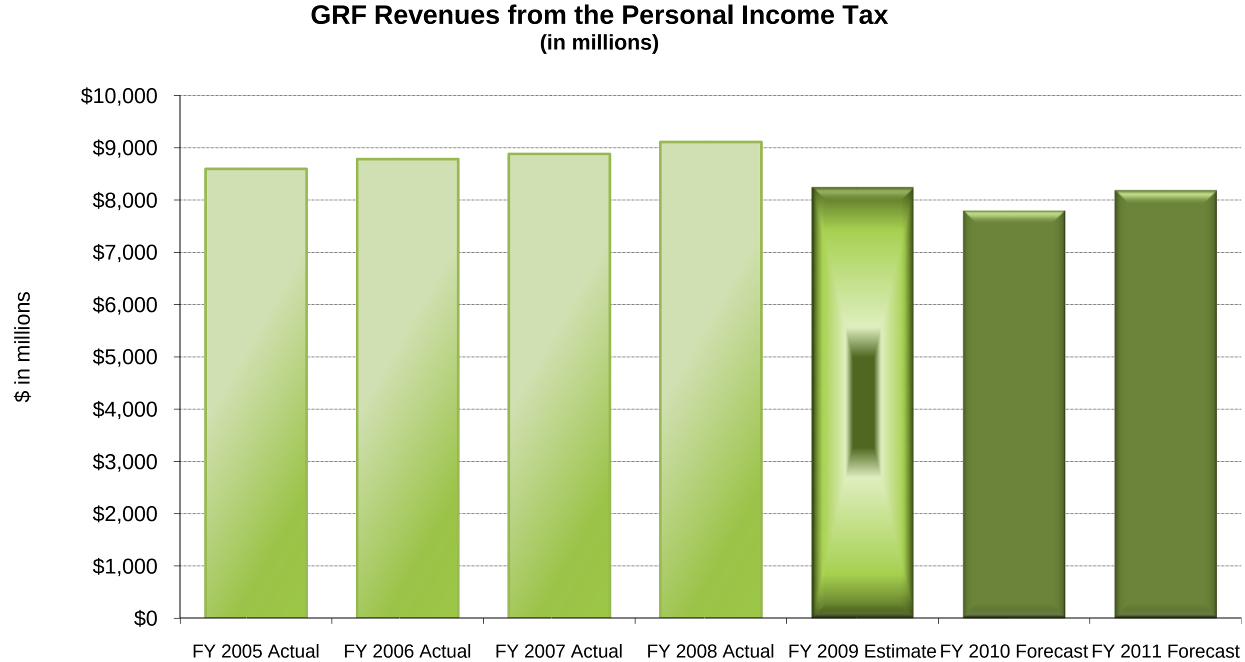
Personal Income Tax



	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Forecast	FY 2011 Forecast
Revenue	$8,598.9	$8,786.4	$8,885.3	$9,114.7	$8,243.9	$7,790.6	$8,190.6
Growth	11.7%	2.2%	1.1%	2.6%	-9.6%	-5.5%	5.1%

The personal income tax is levied on Ohio taxable income (the amount reported as federal adjusted gross income 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.

The estimated revenues for FY 2009-FY 2011 are based on the results of a model of revenue collections. The model works with the four components of tax collections: employer withholding, individual taxpayer (quarterly estimated payments and annual returns), other revenues (trust income and miscellaneous collections), and refunds. The data are organized on a fiscal year basis. Withholding is estimated as a function of Ohio wage and salary income, nonfarm payroll employment, withholding rates, and the population ages 19 and under. The individual taxpayer component is a function of proprietors' income and other taxable nonwage income, transfer payments, the Standard and Poor's (S&P) 500 index (used to represent capital gains), the prime lending rate, and tax rate variables. Refunds are a function of employer withholding plus the individual taxpayer component, the change from the previous year in withholding plus individual payments, and the value of the personal exemption. All other income tax collections are a function of the S&P 500, revenue trends, and qualitative historical events. Forecasted values of the explanatory variables are based upon the "very deep recession" scenario released by Global Insight in January 2009. The model estimates were reduced in FY 2011 to reflect the inflation adjustment of tax brackets in tax year 2010 as provided in H.B. 66 of the 126th General Assembly. Further modifications to revenue estimates incorporate the exemption of retired military personnel pay enacted by H.B. 372 of the 127th General Assembly. The forecast also includes estimated revenue losses arising from H.B. 149 of the 126th General Assembly, as amended by H.B. 554 of the 127th General Assembly, which authorized refundable tax credits for rehabilitating historical buildings.

Through December, FY 2009 GRF revenues from the personal income tax were down 4.2% compared to FY 2008. Gross collections were 0.6% below estimate and 3.2% below FY 2008 levels. Refunds were 14.4% above estimate and 1.1% above FY 2008 levels. Distributions to local government funds were 0.8% below estimate and 6.3% above FY 2008 levels. Under the current system for distribution of local government funds, 3.68% of total tax revenues to the GRF and the local government funds are distributed from the personal income tax to the local government funds.

The FY 2009 estimate for GRF revenues from the personal income tax is $8,243.9 million, a 9.6% decrease from FY 2008 revenues. GRF revenues are projected to decline by 5.5% in FY 2010, and to grow by 5.1% in FY 2011. The revenue declines expected in both FY 2009 and FY 2010 are a result of reductions in income tax rates that were enacted in H.B. 66 of the 126th General Assembly and the current recession. Income tax rates as enacted in H.B. 66 were reduced by approximately 4.8% in tax year 2008, as compared with tax year 2007, mainly affecting FY 2009 receipts. The final income tax rate cut affects tax year 2009, affecting FY 2010 revenue, and the rates will be cut by 5.0% as compared with tax year 2008 rates.