



Ohio Legislative Service Commission

Bill Analysis

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H.B. 318

128th General Assembly

(As Reported by H. Finance and Appropriations)

Reps. Sykes, Bolon

BILL SUMMARY

- Postpones for two years the last of five previously scheduled reductions in state income tax rates.
- Reduces legislative salaries and supplements by 5%.
- Makes changes to education appropriations for state fiscal years 2010 and 2011.

CONTENT AND OPERATION

Delay in income tax rate reduction

(R.C. 5747.02(A)(6) and 5747.056; Section 5)

Under current law, as enacted by H.B. 66 of the 126th General Assembly, the state income tax rates have been reduced by 4.2% per year since 2005 according to a statutory schedule, with the fifth and final reduction applying to taxable years beginning in 2009. (R.C. 5747.02(A)(6).) The total rate reduction over the five years is 21%. The reductions apply to all of the nine income brackets. The income tax applies to individuals, estates, and some trusts.

The bill postpones the fifth of the five scheduled reductions for two years. The rates for 2008 are extended to taxable years beginning in 2009 and 2010. The final 4.2% reduction previously scheduled to take effect in 2009 takes effect in 2011. The provision is not subject to the referendum and takes effect immediately, pursuant to Article II, Section 1d, Ohio Constitution. (Section 5.)

\$10,000 exemption

Current law grants lower-income individuals a credit that effectively exempts them from liability for state income tax if their taxable income is \$10,000 or less. (R.C. 5747.056.) As the income tax rates have been reduced since 2005, the credit amount has decreased accordingly. The credit for 2008 was \$93. The credit for taxable years beginning in 2009 currently is scheduled to be \$88.

In conformance with the delay in the rate reduction, the lower-income credit reduction for 2009 is postponed by two years: the credit is to remain at \$93 for taxable years beginning in 2009 and 2010, and will decline to \$88 in 2011. The credit continues to effectively exempt individuals whose taxable income is no greater than \$10,000.

Indexing

The bill retains current law's requirement that the income brackets be adjusted to correspond with any percentage increase in the Gross Domestic Product deflator index, beginning in 2010. (The effect of the indexing adjustment is to cause a general reduction in tax liability, as greater portions of every taxpayer's taxable income is subject to lower marginal rates.)

Reduction in legislative salaries and supplements

(R.C. 101.27)

The bill reduces the salaries that are paid to officers and members of the General Assembly, and the additional supplements that are paid to committee officers, by 5%. Because, however, Ohio Constitution, Article II, Section 31 prohibits changing the compensation of General Assembly members during their terms of office, the 5% reduction in salary and supplements will not affect officers and members who are currently holding office. This portion of the bill goes into effect on the 91st day after the bill is filed with the Secretary of State.

The following tables show the current legislative salaries and supplements and what they will be after the 5% reduction. (The current salaries reflect the salaries as they were adjusted from 2002 through 2008 under the legislative salary statute, R.C. 101.27.)¹

¹ Section 303 of Am. Sub. H.B. 420 of the 127th General Assembly modifies the pay scales for certain officers of the General Assembly for calendar years 2009 and 2010. Additionally, that section refers to the "Senate Majority Floor Leader" in place of the statutory "Senate Assistant President Pro Tempore." Section 303 provides that the members of the Senate elected president, president pro tempore, majority floor leader, majority whip, minority leader, assistant minority leader, minority whip, and assistant

Position	Current Salary	Reduced 5%
Speaker of House	\$94,437	\$89,715
President of Senate	\$94,437	\$89,715
Speaker Pro Tempore	\$86,165	\$81,857
President Pro Tempore	\$86,165	\$81,857
Minority Leader	\$86,165	\$81,857
Majority Floor Leader	\$81,163	\$77,105
Assistant Minority Leader	\$78,668	\$74,735
Assistant Majority Floor Leader (H only)	\$76,169	\$72,361
Majority Whip (H only)	\$71,173	\$67,614
Minority Whip	\$71,173	\$67,614
Assistant Majority Whip (H only)	\$66,175	\$62,866
Assistant Minority Whip	\$63,381	\$60,212
Member	\$60,584	\$57,555

Finance Committee Supplements	Current	Reduced 5%
Chairperson	\$10,000	\$9,500
Vice-Chairperson	\$5,500	\$5,225
Ranking Minority Member	\$6,500	\$6,175
Standing Subcommittee Chairperson	\$6,500	\$6,175
Standing Subcommittee-Ranking Minority Member	\$5,000	\$4,750

Other Committee Supplements	Current	Reduced 5%
Chairperson	\$6,500	\$6,175
Vice-Chairperson	\$5,000	\$4,750
Ranking Minority Member	\$5,000	\$4,750
Standing Subcommittee Chairperson	\$5,000	\$4,750
Standing Subcommittee-Ranking Minority Member	\$2,500	\$2,375

minority whip shall receive salary payments equal to the amounts paid under R.C. 101.27 to the members of the House of Representatives elected speaker, speaker pro tempore, majority floor leader, assistant majority floor leader, minority leader, assistant minority leader, minority whip, and assistant minority whip, respectively.



Education appropriation changes

(Sections 3 and 4)

The bill decreases appropriation item 200612, Foundation Funding, by \$285,236,905 in fiscal year 2010 and by \$566,271,428 in fiscal year 2011 and increases appropriation item 200550, Foundation Funding, by the same amount. These appropriations have the same purpose--to pay state formula aid obligations for school districts, community schools, and joint vocational school districts. The appropriations, however, have different revenue sources. Item 200612 is paid from the Lottery Profits Education Fund (Fund 7017), which receives revenue from the profits of the state lottery. Item 200550 is paid from the General Revenue Fund (GRF). The two largest sources of revenue for the GRF are the sales and use tax and the personal income tax.

HISTORY

ACTION	DATE
Introduced	10-16-09
Reported, H. Finance & Appropriations	10-20-09

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