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House Ways & Means Committee
Sponsor Testimony – H.B. 386
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Chair Roemer, Vice Chair Lorenz, Ranking Member Troy, and honorable members of the House Ways & Means Committee, thank you for the opportunity to present sponsor testimony on House Bill 386, legislation to once-and-for-all eliminate Ohio's state income tax and commercial activity tax (CAT) by 2030.

This bill, which establishes a six-year gradual phase-down of the state income tax through the remainder of the decade, aims to ensure that Ohio remains a destination for businesses to grow and attract people who want to work, raise a family, and truly thrive here. Recognizing that change cannot happen overnight, we build on the progress made by past General Assemblies in reducing the state income tax and continue this trend through the remainder of the decade when Ohio will finally become the tenth state in the country to fully eliminate its state income tax, thereby signaling to the nation that we are and will remain the best state in the country in which to live and build a business.

Historically, the General Assembly implemented the state income tax in 1971 after having previously been authorized to do so over half a century prior. Although they wisely steered away from doing so for most of the 20th century, Ohio reached a peak of nine tax brackets and a maximum tax rate of 9.5% shortly thereafter. The detrimental effects of doing so came swiftly, and we have lost relative population in every census since.

In recent years, we have worked hard to correct course and cut both tax brackets and rates based on the underlying principle that tax dollars should remain in the hands of hardworking taxpayers, not the government. The most recently enacted state budget leaves us with two tax brackets and a top rate of 3.5%. Our plan begins here and gradually decreases the rates in both brackets between now and 2028, at which point we will arrive at a single flat rate of 1.17% in 2028. From there, the single rate is reduced evenly to arrive at 0% in 2030. The chart below outlines this phase-out in detail.

	2024	2025	2026	2027	2028	2029	2030
\$26,050-100,000	2.75%	2.35%	1.96%	1.56%	1.17%	0.58%	0%
\$100,000+	3.5%	2.92%	2.33%	1.75%	1.17%	0.58%	0%

Additionally, the plan similarly eliminates the CAT in 2030. This elimination demonstrates our commitment to the mission of ensuring that Ohio is the ideal place to start and run a business, to be the place where every entrepreneur's dreams can be realized. From the Wright Brothers to Intel, innovation belongs in Ohio.

For Ohio, this bill is necessary to compete with our neighboring states. If we look to the east or west, our income tax rates are higher. Similarly, in population growth, Ohio stands in the middle of the pack nationwide as no income tax states such as Tennessee and Florida rapidly outpace us, with their favorable tax climate being a contributing factor.

As we complete this phase-out, revenue considerations will be an important and necessary focus of this conversation. While we will hear from a variety of interested parties who will speak more to this over the coming weeks, a focal point of our plan is to complete this transition without impacting any of the quality services Ohioans have come to expect including both Medicaid and quality public education. Using data from TY 2021, the most current detailed figures published for the personal income tax by the Department of Taxation with which to base estimates, eliminating the personal income tax in 2021 would have resulted in a revenue loss of roughly \$8.6 billion. Additionally, LSC estimates an approximate revenue loss of \$2.7 billion from the CAT in 2031. We are looking to other states, such as North Carolina, on ways to ensure that we are able to cut taxes and have a responsibly balanced budget. We will achieve this through a combination of right-sizing government, looking to new revenue streams such as those resulting from utilizing Ohio's energy sector, and closing tax loopholes while ensuring that we protect core services and vulnerable populations.

Given its significance, my joint sponsors in both the House and Senate and I have committed to broadening this conversation beyond the committee room and engaging our communities through a series of focused town halls in which we hope to receive as much community input as possible. We have already held nine town halls in and around our districts since introduction and have received an incredible amount of feedback underscoring both the need to implement this plan and the importance of responsibly managing its implementation, and we are committed to hosting more throughout the state over the coming months. Now is the time to think boldly, and we are going to do it together.

Ohio is ready to reclaim our role as the economic engine of the Midwest. In just two years, we could have the lowest income tax rate in the region, and after that, this plan ensures we become a beacon of economic freedom nationwide. Now, bold action is necessary and possible, and we look forward to working alongside this committee to reign in the size of government, simplify and lower taxes, and empower families and businesses to thrive.

Thank you for the opportunity to testify here today, and I look forward to answering any questions.