

IMPORTANT OHIO INCOME TAX CHANGES SIGNED INTO LAW

Ohio Governor Mike DeWine recently signed two bills – House Bills 62 and 166, that enact several significant Ohio income tax changes for the upcoming tax filing season. The following income tax changes are effective for tax year 2019 (as reported on the return due April 15, 2020):

Tax Rates

- The bottom three income tax brackets are combined into one bracket, taxed at a rate of 0%. This means taxpayers with Ohio Taxable Nonbusiness income of **\$21,750 or less will pay \$0 in Ohio income tax.**
- All Ohio income tax rates have been reduced by 4%. The top tax rate is now 4.797%.
- Ohio’s personal and dependent exemption amounts will **not** be adjusted for tax year 2019 and will remain the same as they were for tax year 2018.

Tax Credits

- Ohio’s **earned income credit (EIC)** is simplified. The nonrefundable credit now equals 30% of your federal earned income credit, if applicable.
- There is a newly enacted nonrefundable credit for investing in Ohio Opportunity zones. The **Ohio Opportunity Zone credit** is administered by the Development Services Agency (DSA) and requires an approved application and credit certificate in order to claim it. This credit will be added to the “Nonrefundable Business Credits” section of the Ohio Schedule of Credits.

Ohio’s Business Income Deduction (BID)

- Ohio now uses the concept of “modified adjusted gross income” (MAGI). Ohio MAGI is simply your Ohio adjusted gross income (Ohio IT 1040, line 3) plus the business income deduction claimed on your Ohio return (found on Ohio Schedule A, line 11).
IMPORTANT:
 - If you do **not claim the business income deduction**, this change will have **no impact** on your Ohio income tax.
 - Ohio modified adjusted gross income is **not** the same as federal modified adjusted gross income.

- Specifically, MAGI is used to determine your personal/dependent exemption amounts and your eligibility for certain tax credits, including:
 - Child and Dependent Care Credit; and
 - Joint Filing Credit.
- Additionally, MAGI (less personal/dependent exemptions) is used to determine your eligibility for the following tax credits:
 - Retirement Income and Lump Sum Retirement Income Credits;
 - Senior Citizen and Lump Sum Distribution Credits; and
 - Ohio Exemption Credit.
- Finally, if you live in a **taxing school district**, MAGI is also now used in the calculation of your school district income tax as follows:
 - Traditional Tax Base- Your tax base **remains unchanged**.
 - Earned Income Tax Base- Your tax base will still include your wages, salaries, tips, and other employee compensation, as well as any net earnings from self-employment. However, in prior years, these amounts were **limited by your Ohio adjusted gross income**. Now, your tax base is **limited by your MAGI**. Thus, your earned income tax base will now include any amounts you deducted via the business income deduction on your Ohio IT 1040.

Miscellaneous

- The ability to allocate \$1 of your income tax due to the “Ohio Political Party Fund” is no longer available. Accordingly, the checkboxes will be removed from all future versions of the IT 1040.

Please note- All other income tax changes are effective for tax years later than 2019 and will be communicated at a later date.

Questions. If you have additional questions or require more information, please visit www.tax.ohio.gov, click on the “Contact” link found at the top right of the page and then choose the “Email Us” option. Taxpayers with additional questions regarding this subject can also contact Individual Income Taxpayer Services at 1-800-282-1780, or at 1-800-750-0750 for the hearing impaired.