

Proponent Testimony on Senate Bill 210
Stephen Palmer on behalf of The Ohio Society of CPAs
Ohio Senate Finance Committee
December 10, 2019

Chairman Dolan, Vice Chair Burke, Ranking Member Sykes and members of the Senate Finance Committee, I'm Stephen Palmer, CPA, State and Local Tax Senior Manager at Plante Moran. I'm here today in my capacity as a member of the State and Local Tax (SALT) Committee for the Ohio Society of CPAs. Thank you for this opportunity to speak as a proponent for Senate Bill 210.

This legislation would permit married taxpayers filing a joint state income tax return to claim an enhanced joint filer credit that would effectively allow the couple to reduce their tax liability to no more than they would owe on a combined basis from filing separately. The proposed credit would be the difference between the taxpayers' tax liability when filing jointly, prior to calculating the credit, and their combined tax liabilities if they filed separately.

In the Society's Tax Reform Task Force report that was released in June 2016 to the Ohio 2020 Tax Policy Study Commission, a constant theme was this. Reducing the number of targeted tax deductions, credits and exemptions that are not achieving their intended purpose would lead to a lower overall rate enjoyed by all taxpayers and allow for needed revenue generation. This cleaner approach also makes the income tax more transparent. A simpler, more predictable income tax system will bode well for compliance with tax laws and ease of administration.

However, the report recommended one area where an additional tax expenditure should be considered: fixing Ohio's marriage tax penalty. Currently, married couples filing a joint Ohio income tax return may qualify for a tax credit. To qualify for this credit each spouse must have qualifying Ohio adjusted gross income of at least \$500 after adjustments. Qualifying Ohio adjusted gross income does not include social security, interest, dividends, capital gains, rents, royalties and other passive income. The credit is limited to a maximum of \$650, an amount that has not been adjusted since 1989. (See Appendix 3.)

The Joint Filing Credit was created to offset the tax penalty created for married couples as a result of Ohio's single tax rate table while requiring the filing status on the Ohio return to be consistent with the federal filing status. However, the credit usually does not fully cover the additional tax due caused by submitting a married filing joint return. In addition, the current joint filing credit can require extra documentation and create additional complexities for individuals.

Our neighboring states either allow multiple tax rate tables by filing status (i.e. West Virginia) or have a single tax rate (i.e. Kentucky, Indiana, Michigan, Pennsylvania) both of which mitigate the inequity of the marriage tax penalty.

The Task Force report also suggested other approaches of either allowing a different filing status for Ohio from the federal status or creating a new tax table for married filing joint returns and eliminating the credit.

Thank you again for this opportunity to offer proponent testimony on Senate Bill 210. I'm available to answer any of your questions.

APPENDICES

APPENDIX 3 (See 'Fewer Tax Brackets and Fewer Deductions/Credits Provide Simplicity', pgs. 10-11)

Ohio Joint Filing Credit for Married Couples⁴²

| Ohio Income Tax Base (IT 1040 line 5): | Your Credit: |
|---|---------------------|
| \$25,000 or less | 20% of line 12 |
| \$25,001- \$50,000 | 15% of line 12 |
| \$50,001- \$75,000 | 10% of line 12 |
| \$75,000 or more | 5% of line 12 |

*Credit is limited to a maximum of \$650

⁴² Source: Ohio Department of Taxation.