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H.B. 114
133rd General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Skindell and Crawley

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SUMMARY

- Modifies the state's earned income tax credit (EITC) by making the credit refundable, rather than nonrefundable.

DETAILED ANALYSIS

Earned income tax credit modifications

The bill modifies an existing personal income tax credit based on a taxpayer's federal EITC. Under current law, the state EITC equals 30% of the taxpayer's federal EITC and is nonrefundable, which means that the amount of the taxpayer's credit may not exceed their tax liability.

The bill makes the state EITC credit refundable, similar to the federal EITC, meaning that if the credit amount exceeds the taxpayer's liability, the taxpayer receives any excess as a refund from the state. (The statute amended by the bill does not reflect recent changes in the law that increased the percentage of the credit from 10% to 30% of the federal credit and eliminated an income-based cap on the credit amount. These changes are described in the **COMMENT** section of this analysis).

The bill states that the change applies to taxable years beginning on or after January 1, 2019.¹

Federal earned income tax credit

The federal EITC is a refundable credit computed as a percentage of a person's earnings (including self-employment income). To qualify for the federal credit, the taxpayer's earned income and adjusted gross income must fall below a specified threshold. For 2019, those

¹ R.C. 5747.71 and 5747.98.

thresholds were \$15,570 for taxpayers without qualifying children (\$21,370 if married filing jointly), \$41,094 for taxpayers with one qualifying child (\$46,884 if married filing jointly), \$46,703 for taxpayers with two qualifying children (\$52,493 if married filing jointly), and \$50,162 for taxpayers with three or more qualifying children (\$55,952 if married filing jointly). For 2019, the maximum federal earned income credit for a person or couple without qualifying children was \$529, with one qualifying child \$3,526, with two qualifying children \$5,828, and with three or more qualifying children \$6,557. The credit amount is phased out as a person's income increases. In addition to the earned income limits, the taxpayer must also meet various other eligibility requirements, including limits on investment income (\$3,600 for 2019), minimum and maximum ages if qualifying without children (25 to 65 years), and qualifications for qualifying children.²

COMMENT

The state's EITC was recently modified in the FY 2020-2021 transportation budget, H.B. 62 of the 133rd General Assembly. That bill increased the amount of the credit from 10% to 30% of the federal EITC, applicable beginning in 2019. It also removed a limitation that had restricted the amount of the credit that a taxpayer with adjusted gross income in excess of \$20,000 could claim to no more than 50% of the taxpayer's liability.

H.B. 114 was introduced before H.B. 62's modifications were enacted in April 2019. Thus, H.B. 114 modifies the sections of state EITC law as they existed before H.B. 62's changes and therefore does not reflect the new 30% credit or the elimination of prior law's \$20,000 income restriction.

HISTORY

Action	Date
Introduced	02-28-19

H0114-I-133/ks

² 26 United States Code 32; Internal Revenue Service, 2019 EITC Income Limits and Maximum Credit Amounts, available at <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income-tax-credit-income-limits-and-maximum-credit-amounts>.