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Committees:

- Finance – *Ranking Minority Member*
- Civil Justice – *Ranking Minority Member*
- Agriculture
- Criminal Justice
- Finance – General Government Subcommittee
- State Government and Reform

**Sponsor Testimony on Senate Bill 21
Provided by Senator Michael J. Skindell
Before the Senate Ways and Means Committee
November 30, 2016**

Thank you Chairman Peterson, Vice Chair Beagle, Ranking Member Tavares and Members of the Senate Ways and Means Committee. I appreciate the opportunity to provide sponsor testimony on Senate Bill 21, which makes the current state Earned Income Tax Credit "EITC" refundable and removes the current credit income restrictions.

As you may be aware, the General Assembly enacted a state EITC in H.B. 59 in the 130th General Assembly. As the EITC currently exists, the amount of the state credit equals 10% of the federal EITC. The credit is for taxpayers whose Ohio adjusted gross income exceeds \$20,000. Ohio's EITC cannot exceed 50% of the tax due. In addition, the credit is nonrefundable, thus it can only result in a reduction or elimination of tax liability, not a refund. These provision makes our state EITC one of the weakest in the nation.

Income inequality is a significant problem in this country. Wages have been stagnant or falling for quite some time; in particular, for the working poor. The federal EITC, which is refundable, kept 5.7 million Americans--- including 3.1 million children--- out of poverty in 2011¹. In this time period, the average refund from the federal EITC in Ohio was \$2,238, which can equal two or three months' pay for a working-poor family².

A state refundable EITC is targeted to help low to moderate income working individuals and families. A refundable state EITC would have a significant impact on the long term economic well-being of our low income wage earners and our local and state economy. According to Policy Matters Ohio, the credit boosts family income and assists poor communities by stimulating local economies. Research has found that EITCs increase workforce participation among eligible families and that the refunds help asset building in that families use the refunds to pay off debt, educational expenses and securing decent housing. In addition, a recent study found that an Ohio EITC would significantly help families in rural counties.

¹ *Id.*

² *Id.*

The fact that Ohio's EITC is not refundable makes it benefit a relatively small portion of working-poor families in the state³. Two significant tax credits that go to businesses in Ohio are refundable ones--- the historic building rehabilitation credit and the job retention tax credit, yet the state's EITC is not⁴. In addition to the federal EITC, 26 states have credits that are refundable.⁵

Making Ohio's EITC refundable and removing the income restrictions on the credit amount will go a long way in reducing Ohio's poverty rate. Chairman Peterson, Vice Chair Beagle, Ranking Member Tavares and Members of the Senate Ways and Means Committee, thank you for your consideration of S.B. 21 this morning. I would be happy to answer any of your questions at this time.

³ *Id.*

⁴ Policy Matters Ohio. "A Credit that Counts". 10/17/13.

⁵ *Id.*