



TESTIMONY

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Bailey Williams

Testimony to the Senate Finance Committee on HB 96

Hello Chair Cirino, Vice-Chair Chavez, Ranking Member Hicks-Hudson, members of the Senate Finance Committee. My name is Bailey Williams, and I am a tax policy researcher at Policy Matters Ohio, a nonprofit, nonpartisan research organization with the mission of creating a more vibrant, equitable, sustainable, and inclusive Ohio. Thank you for the opportunity to deliver testimony on H.B. 96, the proposed state operating budget for Fiscal Years 2026 and 2027.

My testimony will focus on three tax-related issues debated during this budget season:

1. No flat income tax. The senate should follow the lead of the House and the governor, who shunned these cuts for other alternatives.
2. Remove the illogical 30% cap on school district's cash reserves.
3. Restore and improve on Governor DeWine's Child Tax Credit.

No income tax cuts

The main point of agreement on tax policy between the House and the governor was no further cuts to the state's personal income tax. I'd like to start by reiterating this point. The Senate should follow their lead. Comments from Governor DeWine and from OBM Director Murnieks convey their reasoning on this, summed as "we've cut it enough, we're competitive enough." No cuts to our personal income tax are necessary to be competitive compared to surrounding states. Any additional cuts would just be fiscally irresponsible and further tilt our tax system in favor of the wealthiest Ohioans. This includes a push to flatten our income tax.

Ohio's overall tax structure and our taxes on businesses are lower than the national average.¹ Table 1 below compares Ohio top marginal rate of 3.5% to the flat tax rates of neighboring states. What we see is Ohio's rate is very competitive, situated right in the middle of several of our neighboring states.

TABLE 1: Ohio's Top Marginal Income Tax Rate Compared to Neighboring States' Flat Income Tax Rate

State	Top Marginal Rate
Indiana	3.00%
Pennsylvania	3.07%
Ohio	3.50%
Kentucky	4.00%
Michigan	4.25%
Illinois	4.95%

¹ Total State and Local Business Taxes. Council on State Taxation. December 2024.

Ohio's growth will be hindered by further income tax cuts that will undercut funding for public education and other needed public services. If anything, Ohio needs to reverse course on a generation of income tax cuts that has left the state with an annual revenue shortfall of nearly \$13 billion.²

Policy Matters Ohio's proactive revenue plan would ask the wealthiest 3.1% to pay their fair share in the form of just 2% of their income to equitably and sustainably fund our schools or provide targeted assistance in the form of refundable tax credits for low- and moderate-income Ohioans.³ Alternatively, SB 190 would close wasteful tax loopholes to fund free school breakfast and lunch and targeted property tax relief through a circuit breaker. That proposal is a real solution that the state can use to help locals and schools, in stark contrast to the 30% cap on school rollover balances passed by the House.

Remove the 30% cap on school district rollover balances

The senate should act by removing the 30% cap on school district rollover balances included in the House-passed version of H.B. 96. This poorly targeted attempt at property tax relief would be simply ineffective in meeting the needs of Ohioans. Any property tax relief measure should focus on getting that relief to those who need it while protecting the local taxing authority who rely on that property tax revenue. This cap on school district rollover balances fails on both fronts.

Supporters of the 30% cap on rollover balances would have us believe school districts are gaming the property tax system to pad their cash reserves. But this ignores the varying reasons why a district might have a high cash reserve that are not related to high property taxes, such as sound fiscal management or saving for a major future expense to avoid going to the ballot box. It also fails to adequately target relief to Ohioans who need it, like people living on a stable income.

Table 2 below looks at changes to property values, tax revenue, and millage rates for all 606 school districts covered by this proposal, categorizing each based on whether the district is above, at, or below the 30% cap on rollover balances as of Fiscal Year 2024.⁴ This comparison shows how poorly targeted this so-called property tax relief is. Whether looking at changes in value, revenue, or millage rates, school districts with higher cash reserves have experienced similar property tax pressures as districts with lower balances.

² Bailey Williams, [The Great Ohio Tax Shift](#), Policy Matters Ohio. September 26, 2024. This also has left the poorest Ohioans paying twice as much of their income in state and local taxes as the richest 1% do.

³ Bailey Williams, [Revise Ohio's Tax Code to Benefit Everyday Ohioans](#), February 14, 2025.

⁴ [See Cash Balances Report – Traditional School Districts for Fiscal Year 2024, from the Ohio Department of Education and Workforce](#). The cap on rollover balances does not apply to Joint Vocation School Districts and specifically exempts five other school districts with the Typology Code "0." Four of them are "island districts" located on Lake Erie, Kelley's Island LSD in Erie County and Middle Bass LSD, North Bass LSD, and Put-In-Bay LSD in Ottawa County. The fifth is Union County-College Corner Joint State School District in Preble and Butler Counties, a district located on the Ohio-Indiana border and ran jointly by both states. (The Union County in the name is for Union County, Indiana, not Union County, Ohio.)

TABLE 2: Average Changes in Property Values, Tax Revenue, and Millage Rates Across School Districts Subject to 30% Cap on Rollover Balances

	All Districts	Districts Above Cap	Districts At/Below Cap
Number of Districts	606	481	125
Percent Change in Property Value (2020-23)	31.7%	32.6%	28.9%
Percent Change in Property Tax Revenue (2020-23)	15.7%	15.9%	15.0%
Percent Change in Average Millage Rate (2020-23)	-8.6%	-8.7%	-7.9%

The house budget would force almost 80% of school districts to either spend these reserves or the county budget commission will provide a one-time property tax rate reduction. As for residents in the other 20% of school districts, they would be left out of this “relief” measure even though these districts experienced similar property valuation increases in recent years.⁵ Since this 30% cap does not adequately address property tax relief for residents in districts below or above the cap, Ohioans will still rightfully demand relief. The state can hold up their end of the bargain to provide relief by enacting policy like Senator Blessing’s circuit breaker included in SB 22 and SB 190.⁶

Child Tax Credit

Finally, the senate should reinstitute the main tax provision of Governor DeWine’s budget: a first of its kind refundable state child tax credit. Unfortunately, this provision was dropped in the House-passed version of the budget. The proposed credit would be a fully refundable tax credit valued at up to \$1,000 for a child under the age of 7. This credit would put money directly into the pockets of parents who need it. The proposed credit also has a phase-out feature as one’s income increases. This prevents what is known as a benefits cliff and also keeps the cost of the credit low by targeting it to those with greater need. While Policy Matters supports this proposal and sees real strengths in this credit, compared to others across the country, we can do even better.

The main weakness in the Governor’s tax credit is the earnings requirement. To begin qualifying for at least a partial credit, a potential claimant must have at least \$2,500 in income. This earning requirement undercuts the Governor’s claim the credit is targeted for those with the most need. If that were truly the case, there would be no earnings requirement or a phase-in. Parents with zero income, by definition those with the greatest need, would qualify for the full value of the credit. According to the Center on Budget and Policy Priorities, none of the 14 other states and Washington D.C. with a child tax credit have an earnings requirement.⁷ Ohio should join these states by creating a child tax credit with no earnings requirement.

⁵ Bailey Williams, [Capping school districts’ reserves will hurt public schools, won’t provide targeted tax relief](#), Policy Matters Ohio, May 21, 2025.

⁶ [Senate Bill 22](#), 136 General Assembly, January 22, 2025. [Senate Bill 190](#), 136 General Assembly, May 6, 2025.

⁷ Samantha Waxman, Joanna Lefebvre, Sonali Master, [States Should Continue Enacting and Expanding Child Tax Credits and Earned Income Tax Credits](#), Center on Budget and Policy Priorities, August 26, 2024.



Additionally, to aid parents with children of all ages, Policy Matters recommends covering kids through the age of 17 with a credit of \$500. When the opportunity comes to assist working parents in Ohio, we should go all in. I urge the senate to take the initiative to improve on the Governor's proposed credit by including a fully refundable child tax credit that covers children of all ages.

Conclusion

In summation, the Senate has an opportunity to improve on tax policy in this budget. It is key the state does not continue down the path of cutting vital revenue sources like the income tax. I urge this committee to pass an operating budget that raises the revenue we need by asking the wealthy to pay their fair share to fund public services and a proper state child tax credit. Further, the senate must remove the 30% cap on school district cash reserve balances and focus on funding proper property tax relief like a circuit breaker. Thank you for the opportunity to testify and I'm happy to answer questions.