



TESTIMONY

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Testimony to the Senate Committee on Government Oversight and Reform

Hello Chair Manchester, Vice-Chair Brenner, Ranking Member Weinstein, members of the Senate Government Oversight and Reform 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 submit written 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. Restore and improve on Governor DeWine's Child Tax Credit. 3. Remove the illogical 30% cap on school district's cash reserves.

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. The Senate should follow their lead here. 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." I'd like to start by reiterating this point. 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 in general and taxes on businesses in particular are lower than the nation average.¹ A number of our neighboring states have flat income taxes with rates higher than our top marginal rate of 3.5%, while some are below. Illinois, Kentucky, and Michigan have higher rates of 4.95%, 4.0%, and 4.25% respectively. Pennsylvania and Indiana have lower rates at 3.07% and 3.0%, respectively. To reiterate Governor DeWine's comments at his budget press conference, not one company has told the Governor our state income taxes hinder their business from coming to Ohio.

What will hinder Ohio's growth is further income tax cuts at a time the state is struggling to constitutionally fund our public schools, enact targeted tax relief in the form of tax credits or provide 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

¹ [Total State and Local Business Taxes](#). Council on State Taxation. December 2024.

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, parks, and other services, as well as tax credits for low- and moderate-income Ohioans.³ This plan gives the state the opportunity to build on ideas such as Governor DeWine's proposed child tax credit.

Child Tax Credit

The main tax provision of Governor DeWine's budget is a first of its kind 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 where a benefits drop off due to increased income leaves one in a worse off economic position. It 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.⁴ Ohio should join these states by creating a child tax credit with no earnings requirement. 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. These improvements to the proposed child tax credit would do just that. 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.

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 veiled 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 need 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

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

avoid going to the ballot box. The house budget would force almost 80% of school districts, just shy of 500, to either spend down 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 the Circuit Breaker included in S.B. 22.⁶

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 cash reserve balances and focus on funding proper property tax relief like a circuit breaker. Thank for allowing me to submit written testimony.

⁵ Bailey Williams, [Cap on reserve funding fails as tax relief and disrupts school district budgets](#), Policy Matters Ohio, forthcoming in May 2025.

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