



**Senators George Lang and Stephen Huffman
Sponsor Testimony - Senate Bill 3
Senate Ways and Means Committee
January 29th, 2025**

Senator Lang:

Chairman Blessing, Vice Chair Roegner, Ranking Member DeMora, and members of the Senate Ways and Means Committee: thank you for allowing my joint sponsor and I to present sponsor testimony on Senate Bill 3: a bill that seeks to enact a flat tax that will be phased in over the next two years – tax years 2025 and 2026.

To start, let's briefly examine the history of our state's income tax law. In 1971, the Ohio General Assembly implemented, for the first time, a state income tax. In that year, Ohio had twenty-six electoral votes. Today? We sit at just seventeen and have lost congressional representation in every census since.

And, according to a recent report from the New York Post, the fifteen states who have been the most tax-friendly since 2000 have experienced a 2.2% growth in population, while the fifteen highest-taxed states have experienced a 1% loss.

Most notably, the income tax-free states of Florida and Texas are projected to incur a gain of three and four electoral votes in 2030, respectively.

If Ohio hopes to increase its congressional representation now and into the future, we need a way to level the playing field. Senate Bill 3 aims to create a fair, tax-friendly competition, especially with those neighboring our State.

Furthermore, as we have seen throughout history, as government lowers taxes, revenues increase. This is evidenced by the fact that since the federal income tax was introduced in 1913, **every time** the federal government has raised tax rates, it has seen a decrease in revenue. And, every time it has lowered taxes, it has seen a rise in revenue.

We should absolutely expect that by enacting a flat tax, we will encourage economic growth, thereby increasing revenues.

Before I turn the mic over to Senator Huffman, I would be remiss to mention that Ohio does have other taxes that are flat.

- State sales tax – 5.75%
- Municipal tax – levy up to 1% without voter approval. But rate can be higher with voter approval
- Gas tax – 38.5 cents per gallon
- Commercial Activity Tax – 0.26% of gross receipts of more than \$6 million

Senator Huffman:

SB 3 is a vital step in the right direction.

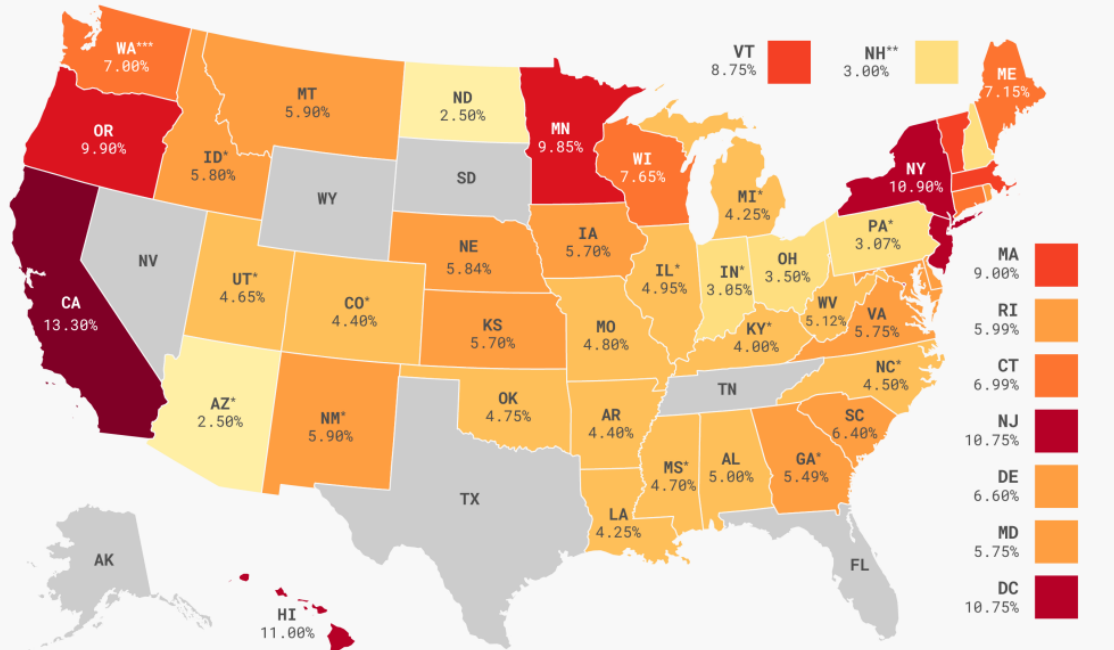
This bill will make Ohio an important economic model for the Midwest and provide many new opportunities for Ohio families and businesses to succeed and thrive.

In addition to providing much-needed relief to taxpayers, a flat tax system will expand our economy by encouraging out-of-state families and businesses to move to our great state. Ohio is surrounded by states that have previously implemented a flat tax – Kentucky (4.00%), Indiana (3.05%), Illinois (4.95%), and Michigan (4.25%). But, our proposal of 2.75% would be the lowest in the region.

We have an opportunity with this piece of legislation to lead the Midwest with a flat tax that is lower, often significantly lower, than our neighboring states. This legislation will benefit all Ohioans by promoting economic growth and simplifying the tax code, and keeping more **earnings** in the **pockets** of Ohioans and their communities.

We would like to thank the committee for allowing us to present sponsor testimony today and would be happy to answer any questions.

Top Marginal State Individual Income Tax Rates (as of January 1, 2024)



(*) State has a flat income tax.

(**) State only taxes interest and dividends income.

(***) State only taxes capital gains income.

Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective tax rates, which would include the effects of various tax preferences. Local income taxes are not included.

Sources: Tax Foundation; state tax statutes, forms, and instructions.

Top Marginal Individual
Income Tax Rate

