



www.lsc.ohio.gov

OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 617
136th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 617's Bill Analysis](#)

Version: As Introduced

Primary Sponsor: Rep. Young

Local Impact Statement Procedure Required: Yes

Jorge Valdebenito, Economist

Highlights

- The bill exempts capital gains from state and municipal income taxes.
- The estimated revenue loss for the state from personal income tax (PIT) would be between \$615.0 million and \$645.6 million in TY 2027 and \$647.8 million and \$679.8 million in TY 2028.
- The bill names this act as the Ohio Capital Gains Tax Repeal Act.

Detailed Analysis

The bill exempts all capital gains from both the state personal income tax (PIT) and municipal income taxes. For purposes of the bill, “capital gain” refers to income derived from the sale or exchange of an asset, including stocks, bonds, real property, and other investments. The exemption applies to capital gains arising from both business and nonbusiness activities.

Under current law, beginning in tax year (TY) 2026, two deductions are scheduled to become available under the state PIT: one for capital gains received by investors in certain Ohio-based venture capital companies, and another for capital gains realized from the sale of an ownership interest in a business. Because the bill fully exempts a taxpayer’s net capital gain from the PIT, these deductions become unnecessary, and the bill repeals them. With respect to municipal income taxation, capital gains are already exempt unless a municipality was “grandfathered” into taxing such income by virtue of imposing such a tax prior to 1989 (e.g., city of Wyoming and Village of Indian Hill). The bill eliminates this grandfather provision and fully exempts capital gains from municipal income taxes.

The bill applies to taxable years ending on or after the bill’s 90-day effective date, and LBO staff assumes it will first be effective for TY 2027.

Before July 1, 2027, the Director of Budget and Management must issue a report to the General Assembly on the effects of the bill's exemptions, including its effects on tax revenue and taxpayer behavior.

The bill names this act as the Ohio Capital Gains Tax Repeal Act.

Fiscal effect

The fiscal effect of the bill is estimated using the most recently available Internal Revenue Service (IRS) statistics for TY 2022 and data from TY 2023 Ohio individual income tax returns compiled by the Department of Taxation. According to the Department, Ohio taxpayers, both residents and nonresidents, reported \$23.86 billion in net capital gains as business income in TY 2023. However, under current law, capital gains derived from business activities may already be excluded from the PIT base through the business income deduction.¹ After accounting for this exclusion, current law exemptions and recent growth in capital gains, the total amount of income that would be exempted under the bill is projected to range from \$21.8 billion to \$22.9 billion in TY 2027 and from \$23.0 billion to \$24.1 billion in TY 2028. The higher estimates reflect gains reported to the IRS without adjusting for losses that would no longer offset gains. Applying the current law PIT rates to these amounts yields an estimated PIT revenue loss between \$615.0 million and \$645.6 million in TY 2027 and between \$647.8 million and \$679.8 million in TY 2028.

The fiscal effect described above includes capital gains attributable to both business and nonbusiness income. The table below summarizes the estimated PIT revenue loss due to the provisions of this bill for each income category.

Estimated State Tax Revenue Loss from Exempting Capital Gains, TY 2027 and TY 2028 (\$ in million)		
Taxable Income Category	TY 2027	TY 2028
Nonbusiness Income	\$441.0-\$462.6	\$456.5-\$478.8
Business Income	\$174.0-\$183.0	\$191.3-\$201.0
Total State Revenue Loss	\$615.0-\$645.6	\$647.8-\$679.8

The revenue loss is generally expected to grow over time, but capital gain income tends to fluctuate from year to year because it correlates with changes in financial markets. PIT receipts are distributed between the GRF (98.25%) and the Local Government Fund (LGF, 1.75%). Although not widespread, some municipalities include capital gains in their municipal income tax base, and the bill would reduce their municipal income tax revenue beginning in TY 2027.

¹ Under current law, taxpayers may deduct up to \$250,000 of business income (\$125,000 for those filing separately) from federal adjusted gross income (FAGI); income above these thresholds is taxed at a flat 3%. Among other things, business income includes the gain or loss arising from a partial or complete liquidation of the business as well as income from certain sales of equity or ownership interests in the business.

Similarly, school districts that levy income taxes using the traditional method, which is based on modified adjusted gross income, would see a reduction in income tax revenue under the proposed exemption. As of January 2026, 146 school districts across Ohio levied a school district income tax using the traditional base.