



Ohio House of Representatives

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- Finance
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**Sponsor Testimony on Substitute House Bill 59
Provided by
Representative Michael J. Skindell
Before the House Ways and Means Committee
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Chairperson Merrin, Vice Chairperson Riedel, Ranking Member Sobbecki and Members of the House Ways and Means Committee, I appreciate the opportunity to provide sponsor testimony on Substitute House Bill 59, which makes a portion of the current state Earned Income Tax Credit "EITC" refundable. I am pleased to be joined by Representative Crawley as a joint sponsor of this legislation.

A federal EITC was enacted in 1975 and has been expanded over the years with overwhelming bipartisan support, including in the Tax Reform Act of 1986 under President Reagan. As described by online Wikipedia, the EITC at the federal level, and in most states, is a refundable credit for low- to moderate-income working individuals and couples, particularly those with children. The amount of the EITC benefit is dependent on the recipient's income and number of children. Today, the EITC is one of the largest anti-poverty tools in the United States and is mainly used to "promote and support work."

As you may be aware, after more than ten years of advocacy, the General Assembly enacted a limited state EITC in H.B. 59 in 2015. As enacted at that time, the amount of the state credit equaled 10% of the federal EITC, applied to taxpayers whose Ohio adjusted gross income exceeds \$20,000 and Ohio's EITC could not exceed 50% of the tax due. In addition, the credit was nonrefundable, thus it can only result in a reduction or elimination of tax liability, not a refund.

In 2019 under the State Transportation Budget, Sub. H.B. 62, the General Assembly made some updates to the state EITC. First, the credit was increased from 10% to 30% and the income cap, which no other state had, was eliminated. The legislature kept the non-refundability of the credit. Despite these changes, Ohio's EITC remains one of the weakest in the nation.

H.B. 59 make a portion (10%) of the current state EITC refundable. The impact of making 10% of Ohio's credit encourages work and fights poverty throughout the state. In the report "Refundability Now" published June 4, 2019, Policy Matters Ohio concludes:

Giving taxpayers a 10% refundable option would extend the credit to or make it more valuable for nearly 380,000 filers in the lowest income quintile, increasing the average value of their credit by \$248. A 10% refundable option would help an almost 185,000 of those earning between \$24,000 and \$42,000 (the lower-middle 20%), giving them an average credit of \$237. For those in the middle 20%, earning between \$42,000 and \$63,000, a 10% refundable option would benefit 45,000, with an average value of \$352.

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 10% refundable state EITC would have a significant impact on the long-term economic well-being of our low- and moderate-income wage earners and our local and state economies. 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. 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 10% of Ohio's EITC refundable will go a long way in reducing Ohio's poverty rate. Chairperson Merrin, Vice Chairperson Riedel, Ranking Member Sobocki and Members of the House Ways and Means Committee, thank you for your consideration of H.B. 59 this afternoon. I would be happy to answer any questions at this time.

¹ Policy Matters Ohio. "A Credit that Counts". 10/17/13.

² *Id.*

³ *Id.*

⁴ *Id.*

⁵ *Id.*