



## SENATE FINANCE COMMITTEE – Interested Party Testimony, House Bill 33, 5.18.23

Chairman Dolan, Vice Chair Cirino, Ranking Member Sykes and members of the committee, thank you for holding this hearing and for the opportunity provide testimony. My name is Donovan O’Neil, and I am State Director for Americans For Prosperity, Ohio. AFP, along with a series of partner organizations, is working to move our society more closely to one reflective of the Principles of Human Progress – the principles so eloquently captured in the Declaration of Independence – one of equal rights and mutual benefit, where everyone can live a life of meaning and succeed by benefiting others. My organization believes that society is multifaceted and can be better understood by examining its four Key Institutions: Community, Education, Business, and Government. Community, or civil society, should empower people to come together to solve problems and support one another. Education should empower people to discover, develop, and deploy their unique gifts and become lifelong learners. Business should empower people to create products and services that help others improve their lives. And Government should protect people’s equal rights, including the rights to life, liberty, property, and the pursuit of happiness. I mention all this because I think it helps provide context for the proposed policies in HB 33 that I am here to discuss today per the committee agenda, the provisions related to income tax reform and improving Ohio’s economic competitiveness.

The Buckeye state is on the cusp of becoming one of the most economically competitive states in the nation, but only if the Ohio Senate will take bold action to implement a flat income tax rate of 2.75% for all Ohioans in this state budget.

For decades, Ohio has been behind the curve. According to the Tax Foundation, at least 16 states have cut individual or corporate tax rates since 2021, including Ohio. While other states have taken action to reform their tax code, Ohio’s code has not been overhauled in its entirety since 2005. As a result, we are ranked 37<sup>th</sup> overall and 41<sup>st</sup> in individual taxes, according to this year’s State Business Tax Climate Index.

Moving Ohio to a flat tax of 2.75% has the potential to rapidly accelerate prosperity, innovation, and entrepreneurship by reducing the state income tax to a single rate.

Reducing Ohio’s income tax rate would make our state the second-lowest flat rate in the nation, and a lower tax rate than any state’s top graduated income tax rate. This would also

make Ohio a top 10 state for income tax competitiveness, behind only the states that do not impose an income tax.

The state took in nearly \$6 billion more than expected by the end of the last fiscal year. When government collects more money than needed, the most important priority should be returning that money to the taxpayers who earned it. Instead, the House version of the budget is looking to grow the state share of General Revenue Funding by nearly \$6 billion from Fiscal Year 2022 to appropriations allocated in Fiscal Year 2025. The Ohio Senate should now prioritize returning these funds to the taxpayers who earned it, in the form of a permanent income tax reduction. Moving to a flat tax would make it easier for families who already call Ohio home to keep more of their hard-earned wages and ensure that our state is top of mind for new workers and businesses.

This change would return over \$17 billion to taxpayers – attracting new workers and businesses, making it easier for existing Ohio businesses to stay and grow, while letting Ohio workers keep more of their pay.

We often get asked “how are we going to pay for this?” or “well, what will replace the income tax?” We’ve looked at a range of scenarios with a study done by the Buckeye Institute to move Ohio toward eliminating the state income tax. Each proposal is estimated to generate around \$10 billion or more in economic growth and add tens of thousands of new jobs to the state. Our study shows that eliminating the income tax, along with other responsible reforms such as cutting wasteful government spending, will revitalize Ohio’s economy and ultimately improve the financial landscape for families and businesses. The tools are here in the study, we just have to pick them up.

Thank you for the opportunity to provide testimony today. I’m happy to answer any questions from the committee.

*Americans for Prosperity (AFP) exists to recruit, educate, and mobilize citizens in support of the policies and goals of a free society at the local, state, and federal level, helping every American live their dream – especially the least fortunate. AFP has more than 3.2 million activists across the nation, a local infrastructure that includes 36 state chapters, and has received financial support from more than 100,000 Americans in all 50 states. For more information, visit [www.AmericansForProsperity.org](http://www.AmericansForProsperity.org).*

