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S.B. 256
135th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Blessing

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SUMMARY

- Increases the basic state minimum wage to \$12.00 per hour beginning January 1, 2025.
- Increases the basic state hourly minimum wage rate by \$1.00 each year for the following three years, beginning January 1 of the respective year.
- Increases the state hourly minimum wage rate for tipped employees to \$6.00 per hour beginning January 1, 2025.
- Increases the state hourly minimum wage for tipped employees by \$.50 each year for the following three years, beginning January 1 of the respective year.
- Requires, beginning January 1, 2029, the minimum wage rates to be adjusted annually based on the Consumer Price Index, in accordance with Ohio's constitutional minimum wage requirements.
- Modifies the state's earned income tax credit (EITC) for lower-income taxpayers, including by offering a refundable credit option.
- Declares an emergency.

DETAILED ANALYSIS

Minimum wage law

State minimum wage for nontipped employees

The bill raises the state minimum wage rate to \$12.00 per hour beginning January 1, 2025. It also increases the hourly minimum wage by \$1.00 each year for the

following three years. The following table identifies the minimum wage under the bill an employee who does not receive tips must be paid during the listed year.¹

Year	Hourly wage rate under the bill (nontipped employee)
2025	\$12.00
2026	\$13.00
2027	\$14.00
2028	\$15.00

Under current law, the basic state minimum wage is \$10.45 per hour. The basic state minimum wage is currently set pursuant to the Minimum Wage Amendment of the Ohio Constitution (MWA). The MWA requires the basic state minimum wage to be increased annually according to the Consumer Price Index or its successor index for all urban wage earners and clerical workers for all items as calculated by the federal government, rounded to the nearest five cents. However, the MWA allows laws to be passed that set the state minimum wage at a rate higher than the rate calculated pursuant to the MWA.² The bill establishes scheduled increases in the minimum wage rate and, beginning January 1, 2029, requires the Director of Commerce, who administers and enforces the law, to adjust the minimum wage rate annually in accordance with the MWA.³

Currently, pursuant to MWA, employees who are under age 16 or who are employed by a business with gross annual receipts of \$385,000 or less in 2023 must be paid at least the federal minimum wage rate, which is \$7.25 per hour. Under the MWA and the bill, the amount of gross annual receipts is adjusted annually based on the Consumer Price Index. The bill permits these employees to continue to be paid the federal minimum wage rate.⁴

State minimum wage for tipped employees

Under continuing law, tipped employees may be paid less than, but not less than half, the basic state minimum wage rate if the employer is able to demonstrate that the employee receives tips that combined with the wages paid by the employer are equal to or greater than

¹ R.C. 4111.02(A)(1).

² Ohio Constitution, Article II, Section 34a; *see also* Ohio Department of Commerce Division of Industrial Compliance (ODC-DIC), [State of Ohio 2024 Minimum Wage \(PDF\)](#), which may be accessed by conducting a keyword “minimum wage poster” search on the Department’s website: <https://com.ohio.gov/>.

³ R.C. 4111.02, with conforming changes in R.C. 4111.09 and 4111.14.

⁴ R.C. 4111.02; Ohio Const., art. II, sec. 34a; 29 United States Code (U.S.C.) 206; ODC-DIC, [State of Ohio 2024 Minimum Wage \(PDF\)](#).

the state minimum wage rate for all hours worked. Because the bill raises the state minimum wage, the minimum wage for tipped employees (\$5.25 per hour in 2024) would also increase. The following table identifies the minimum wage under the bill a tipped employee must be paid during the listed year:⁵

Year	Hourly wage rate under the bill (tipped employee)
2025	\$6.00
2026	\$6.50
2027	\$7.00
2028	\$7.50

Relationship between state and federal law

The federal Fair Labor Standards Act⁶ (FLSA) and Ohio's minimum wage laws both specify minimum wages that an employer must pay the employer's employees at least the minimum wage. An employer may be subject to one or both laws. The FLSA specifies that if an employer is subject to both laws, the employer is governed by the law that establishes the higher minimum wage.⁷ Currently, Ohio has a higher basic minimum wage (\$10.45 per hour in 2024) as compared to the basic minimum wage under the FLSA (\$7.25 per hour). Thus, employers subject to both laws pay the state rate under current law and under the bill.

Earned income tax credit modification

The bill modifies the state's earned income tax credit, or EITC, for lower-income taxpayers. Under current law, the state EITC equals 30% of the taxpayer's federal EITC and is nonrefundable, which means that the amount of the taxpayer's credit may not exceed their tax liability.

The bill gives taxpayers the option of claiming either the existing 30% nonrefundable credit or a refundable credit equal to either (a) 12% of the federal EITC, if the taxpayer has a dependent under the age of 3 or (b) 9% of the federal EITC, if the taxpayer does not. If the taxpayer claims the refundable credit, the taxpayer would receive a refund of the amount by

⁵ R.C. 4111.02(B)(1); Ohio Const., art. II, sec. 34a; ODC-DIC, [State of Ohio 2024 Minimum Wage \(PDF\)](#).

⁶ 29 U.S.C. 201 *et seq.*

⁷ 29 U.S.C. 218.

which the credit exceeds their tax liability.⁸ The modified credit applies to taxable years beginning on or after January 1, 2025.⁹

Federal earned income tax credit

The federal EITC is a refundable credit computed as a percentage of a person’s earnings (including self-employment income). To qualify for the federal credit, the taxpayer’s earned income and adjusted gross income must fall below a specified threshold. For 2023, those thresholds are \$17,640 for taxpayers without qualifying children (\$24,210 if married filing jointly), \$46,560 for taxpayers with one qualifying child (\$53,120 if married filing jointly), \$52,918 for taxpayers with two qualifying children (\$59,478 if married filing jointly), or \$56,838 for taxpayers with three or more qualifying children (\$63,398 if married filing jointly). For 2023, the maximum federal earned income credit for a person or couple without qualifying children was \$600, with one qualifying child \$3,995, with two qualifying children \$6,604, and with three or more qualifying children \$7,430. The credit amount is phased out as a person’s income increases.

In addition to the earned income limits, the taxpayer must also meet various other eligibility requirements, including limits on investment income (\$11,000 for 2023), minimum and maximum ages if qualifying without children (25 to 65 years), and qualifications for qualifying children.¹⁰

HISTORY

Action	Date
Introduced	05-01-24

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⁸ R.C. 5747.71 and 5747.98.

⁹ Section 3.

¹⁰ 26 U.S.C. 32; see also [IRS Earned Income and Credit Tables](#), available by conducting a keyword “EITC Tables” search on the Internal Revenue Service’s website: www.irs.gov.