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Office

S.B. 210
133rd General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Roegner

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SUMMARY

- Modifies the computation of the joint filer income tax credit to ensure that joint filers do not pay more combined tax on their joint return than they would if they filed separate returns.

DETAILED ANALYSIS

Computation of the joint filer credit

Federal law permits married individuals to file joint or separate federal income tax returns. Under continuing Ohio law, a married couple must file a joint state income tax return if they file a joint federal income tax return for the taxable year, and separate returns if either spouse files a separate federal return for the taxable year. If either spouse does not have to file a federal return but at least one of them must file a state return, they may choose to file joint or separate state returns.¹

Continuing Ohio law imposes a single tax rate schedule with graduated tax rates on all tax filers, regardless of joint or separate filing status.² Generally, this feature subjects joint filers' combined income to a higher effective rate than if the same couple filed separately. To compensate for this effect, at least in part, continuing law allows a joint filing credit. Under current law, the credit is available only if each spouse reports at least \$500 in noninvestment, nonrental income. The amount of the credit equals 20% of net tax due if joint Ohio adjusted

¹ R.C. 5747.08(E), not in the bill.

² R.C. 5747.02(A)(3), not in the bill. An exception is made for taxable business income (i.e., business income in excess of \$250,000, or \$125,000 for each spouse if filing separately), which is subject to a 3% flat rate instead of the graduated rates imposed on other forms of income. R.C. 5747.01(A)(31) and (HH) and 5747.02(A)(4), not in the bill.

gross income (OAGI) does not exceed \$25,000, 15% if joint OAGI is between \$25,000 and \$49,999, 10% if joint OAGI is between \$50,000 and \$75,000, and 5% if joint OAGI exceeds \$75,000. The credit cannot exceed \$650.³

The bill replaces the current method of computing the joint filer credit with a new formula that ensures joint filers do not pay more combined tax on their joint return than they would if they filed separate returns. Under the bill, the joint filing credit equals the difference between the spouses' combined liability on their joint return and the total amount of tax that would be due on the husband's and wife's separate returns if each spouse claimed all adjustments and credits allowed on those separate returns in a manner that would result in the least combined amount of tax due.⁴

Application date

The new joint filer credit formula applies to taxable years beginning on or after January 1, 2021.⁵

HISTORY

Action	Date
Introduced	10-07-19

S0210-I-133/ts

³ Because the credit amount depends on OAGI, and OAGI by definition does not include business income of \$250,000 or less for joint filers, the first \$250,000 of business income does not count toward these OAGI levels, allowing some taxpayers with business income to claim a greater credit than a taxpayer having lower total income. R.C. 5747.01(A)(31), not in the bill.

⁴ R.C. 5747.05(E).

⁵ Section 3 of the bill.