

How the Grinch Stole Ohio's Tax Cut

December 22, 2009

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After intense debate regarding Ohio's state budget deficit, Governor Strickland signed into law a bill that delays a personal income tax cut for two years (H.B. 318). This tax reduction was to be the last step of implementing Ohio's 2005 Tax Reform Act. The 2009 and 2010 top Ohio personal income tax rate will be 6.24% - instead of the 5.925% as anticipated if the tax cut had not been delayed.

Taxpayers may owe additional Ohio tax when they file their 2009 Ohio personal income tax return. The withholding tables for 2009 did not take into account the deferral of the tax cut. As a result, many taxpayers will find that they have not had enough Ohio personal income tax withheld in 2009. The bill provides taxpayers a "break" in that they will not be subject to the interest penalty if their 2009 tax withholding and estimates were based on the lower withholding schedule in effect for most of the year.

PLANNING TIP: Taxpayers who pay their Ohio tax deficiency in 2009 (instead of waiting to pay with their return) may benefit from an additional itemized deduction on their 2009 Federal income tax return. Accelerating a federal tax deduction could take some of the sting out of paying additional Ohio personal income tax.