Policy Matters Ohio

POLICY BRIEF

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Ohio capital gains tax cut is another handout for the rich

HB 617 will cost the state billions, likely require more regressive taxes

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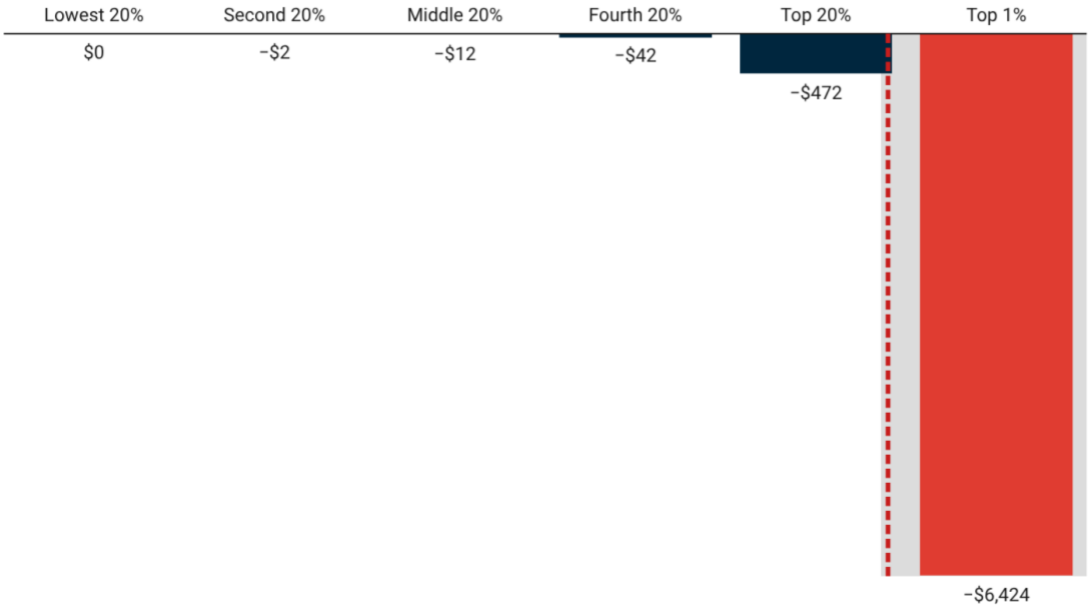
A proposed Ohio House bill to eliminate the state and local[1] capital gains tax would overwhelmingly benefit Ohio's highest income households.

Capital gains tax applies to income from selling assets like stocks, bonds, and other investments.[2] Analysis of House Bill 617 by the Institute on Taxation and Economic Policy (ITEP) finds that that on average, the lowest-income 20% of Ohioans would see no tax change from this repeal, while the top 1% would see an average tax cut of $6,424.[3]

Figure 1

HB 617: On average the lowest earning Ohioans will see no tax change while the wealthiest reap cuts in the thousands

Average tax change by income group, 2026 income levels (Total state and local impacts)



Source: Institute on Taxation and Economic Policy, March 2026, based on estimated 2026 incomes. Includes Ohio residents only. Estimates for "Top 1%" are also included in calculation of "Top 20%."

[1] Repealing the capital gains tax would primarily affect the state personal income tax, while also reducing school district income taxes. Capital gains are generally exempt from municipal income taxes; the bill removes the legacy exceptions (City of Wyoming and Indian Hill) and fully exempts them statewide.
[2] Ohio Legislative Service Commission.
[3] This captures state impact and local impact to the school district income tax.

Ohio's highest-income 1% (with an average annual income of $1,805,400) receives 61% of net capital gains in the state.

Just 3% of the state's capital gains is split among the 60% of Ohioans with average annual income less than $84,500.

Figure 2
HB 617: Total State and Local Impacts

Change by income level (All state residents, 2026 income levels)

						A closer look at the wealthiest 20%		
Income Group	**Lowest 20%**	**Second 20%**	**Middle 20%**	**Fourth 20%**	**Top 20%**	**Least-wealthy 15%***	**Next 4%***	**Top 1%***
Income Range	< $26,000	$26,000-$50,200	$50,200-$84,500	$84,500-$140,100	>$140,100	$140,100-$279,500	$279,500-$753,900	>$753,900
Average Income	$14,700	$38,200	$66,600	$108,800	$309,000	$181,400	$414,200	$1,805,400
Average Tax Change	$0	-$2	-$12	-$42	-$472	-$70	-$487	-$6,424
Share of resident tax cut	0.0%	0.39%	2.18%	7.91%	89.52%	9.9%	18.45%	61.17%

**Columns to the right of the red line describe portions of the top 20%*

Source: Institute on Taxation and Economic Policy • Created with Datawrapper

A recent memo from the Ohio Legislative Service Commission (LSC) reaches a similar conclusion to the ITEP analysis, finding that more than 81% of net capital gains go to taxpayers with incomes above $200,000, while those making under $100,000 receive just 7.3%.[4]

Taken together, these findings make it clear that repealing the capital gains tax would provide little or no benefit to most Ohioans while disproportionately rewarding those at the top of the income scale.

This proposal continues Ohio legislators' long-standing pattern of tax cuts that disproportionately benefit wealthy and high-income households. Since 2005, the legislature has repeatedly cut the income tax, resulting in nearly $15.9 billion a year in lost revenues.[5] Ohio's highest-income 20% have received 74% of the benefits from these changes.[6] Those in the top 1% have captured more than a quarter of the total. An equal share (27%) is divided among the 80% of Ohioans with income below $140,100.[7]

Repealing the capital gains tax would deepen existing inequities and likely require other regressive forms of taxation like sales and use taxes.

Capital gains are currently taxed as ordinary non-business income at the state's flat rate of 2.75%.[8] Because capital gains are closely tied to market performance, revenue from

[4] Ohio Legislative Service Commission. H.B. 617 estimate by income category. Note that the LSC's income bracket revenue estimates are based on the Internal Revenue Service's Statistics of Income 2019-2022 data. This data was last updated in 2022.
[5] Policy Matters Ohio. Great Ohio Tax Shift 2026. February 19, 2026.
[6] Ibid.
[7] Ibid.
[8] Ohio Laws & Administrative Rules. Ohio Revised Code: Section 5747.01| Income Taxes. Also Section 718.01| Municipal Income taxes. Income over $26,050 is taxed a base amount of $342 in addition to the flat rate.

this tax fluctuates from year to year; nonetheless, the LSC expects revenue losses from repeal to grow over time.[9]

The LSC's fiscal analysis of H.B. 617 shows that repealing capital gains tax would cause the state to forgo an estimated $615-647 million in tax year (TY) 2027 and $645-679.8 million in TY 2028.[10] Ohio's recent move to a flat income tax is already projected to cost the state approximately $486.2 million in fiscal year (FY) 2026 and $1.03 billion in FY 2027.[11]

H.B. 617 represents a costly and inequitable policy choice that prioritizes tax cuts for the wealthiest Ohioans at the expense of the state's fiscal health and public investments. At a time when Ohio already struggles to adequately fund schools, Medicaid, and essential services,[12] repealing the capital gains tax would further erode revenue, deepen reliance on regressive taxes, and widen economic inequality—without delivering meaningful benefits to most Ohioans.

[9] Ohio Legislative Service Commission. H.B. 617 Fiscal Note & Local Impact Statement. Pg. 2.
[10] Ibid.
[11] These figures combine costs to Ohio's General Revenue Fund, Local Government Fund, and Public Library Fund. Ohio Department of Taxation and Ohio Office of Budget and Management. Impact of House Bill 96 (FY 2026-2027 state operating budget): As Enacted, After Vetoes. Page 2. July 29, 2025
[12] Policy Matters Ohio. Fallout from federal budget cuts will last years. November 13, 2025.