PRESS RELEASE

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Analysis shows Ohio capital gains tax cut is another handout for the rich

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

A proposed Ohio House bill to eliminate the state and local capital gains tax would overwhelmingly benefit Ohio's highest-income households, according to Policy Matters Ohio analysis of data from the Institute on Taxation and Economic Policy (ITEP).

The bill, H.B. 617, would do little or nothing for everyday Ohioans. "On average, the lowest-income 20% of Ohioans would see no tax change from this repeal," said Aditi Srivastava, tax policy researcher and author of the brief. "The top 1% would see an average tax cut of $6,424 annually."

"When you consider who profits most from capital gains, the reason for this disparity becomes clearer," Srivastava added. "About 60% of net capital gains in the state go to Ohio's highest-income 1% — whose average annual income is more than $1.8 million. Just 3% of the state's capital gains is split among the 60% of Ohioans with average annual income less than $84,500. This is a prime example of legislation crafted specifically to serve the wealthiest households — and it is expensive."

Ohio's Legislative Service Commission has found that the bill would cost the state upwards of $600 million in forgone revenue in each of the next two tax years, with projected costs rising in subsequent years.

"The legislature's move to a flat income tax is already projected to cost the state approximately $486.2 million in fiscal year 2026, and more than a billion in FY 2027," Srivastava said. "Considering the $15.9 billion a year Ohio already forgoes as a result of state income tax cuts that disproportionately benefit the highest-income filers, Ohio's leaders should be looking for ways to make the tax code more equitable. H.B. 617 does the opposite."

Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.