Policy Matters Ohio

POLICY BRIEF

October 15, 2026

Cutting capital gains tax benefits few, harms far more

A new bill would drain even more from state budget, with benefits flowing primarily to wealthy investors

Aditi Srivastava

Ohio House Bill 617 would eliminate state and local taxes on capital gains.[1] Fewer than 1 in 5 Ohio tax filers would benefit,[2] and those benefits would primarily go to a small number of high-income households. The resulting loss of state revenue could limit funding for public investments that contribute to long-term economic growth and opportunity for all Ohioans.

The benefits of eliminating taxes on capital gains would flow directly to filers with capital gains income, the overwhelming majority of which goes to households with annual income over $200,000. In tax years 2022 and 2023[3] (the most current data sets available) those households received 83% of all capital gains income In Ohio. (Nationally capital gains are even more concentrated: Roughly 90-91% are realized by those with income over $200,000.[4]) While taxpayers across the income spectrum may occasionally realize capital gains,[5] eliminating capital gains taxes would be yet another policy change that primarily benefits those at the top of the income distribution.

Capital gains are concentrated geographically as well as economically. As illustrated in map 1, tax returns reporting capital gains make up a larger share of all income tax returns in affluent suburban communities adjacent to Ohio's major metropolitan areas than they do in many urban, rural, or lower-income areas.[6]

In other words, the Ohio taxpayers most likely to realize capital gains are concentrated in a limited number of high-income ZIP codes. Only 21.7% of Ohio ZIP codes with available

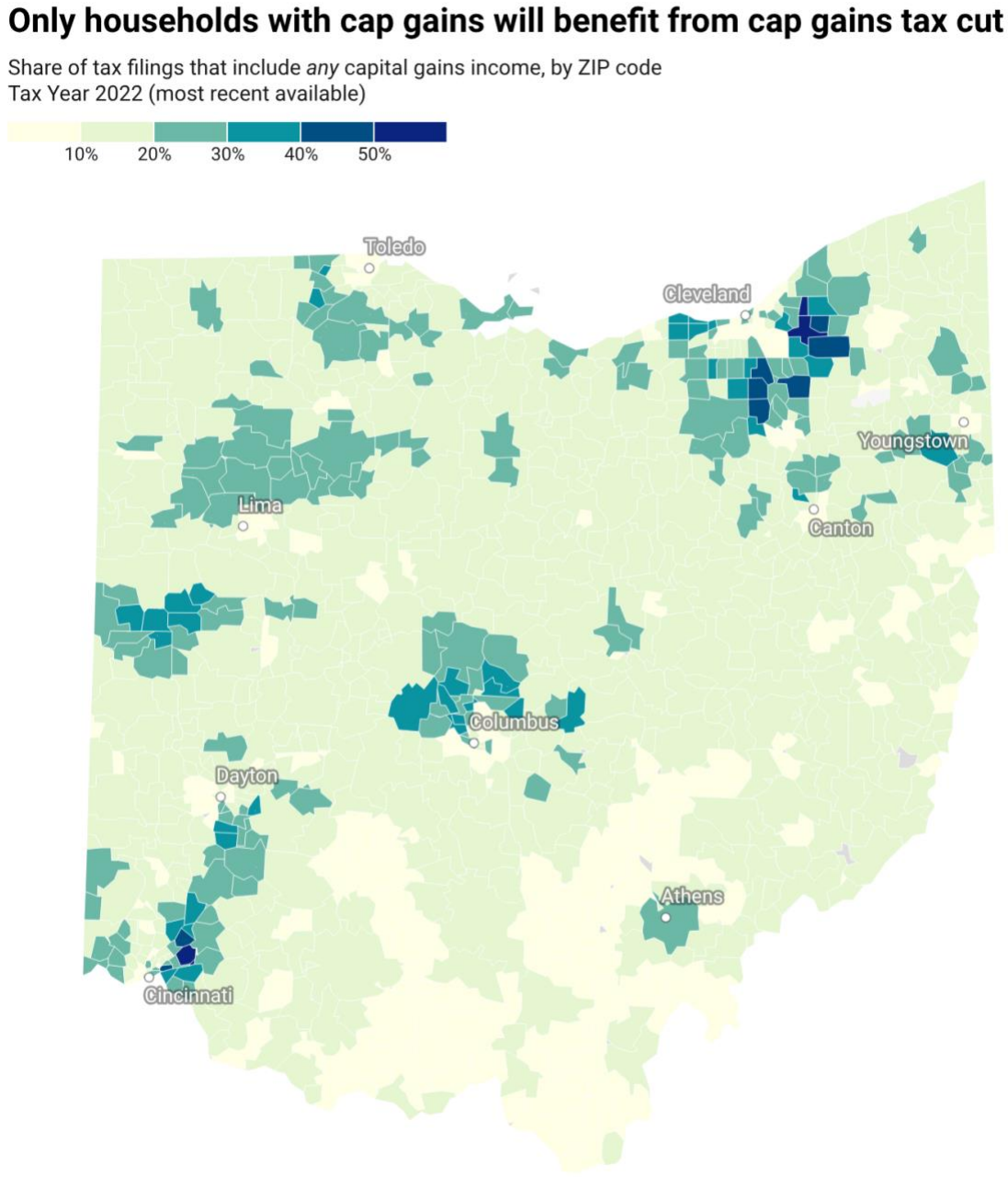
---

[1] Policy Matters Ohio. Ohio Capital Gains Tax Cut Is Another Handout for the Rich.
[2] In TY 2022 and 2023 (the most recent available data), just 17% of Ohio tax filers reported capital gains. Policy Matters analysis of IRS data: SOI tax stats- Historic table 2: Summary statistical tables (TY 2022 and 2023).
[3] Ibid.; Also note: Not all IRS data sets are updated on the same schedule; where 2023 data was not available we used tax year 2022 data. See footnote 7.
[4] Policy Matters analysis of IRS data. SOI tax stats- Historic table 2: Summary statistical tables (TY 2022 and 2023).
[5] Ibid., and: Institute on Taxation and Economic Policy. Trump Weighs Another Giveaway to the Wealthy. Aug. 12, 2026; IRS. The distribution of capital gains in the United States. Dec. 23, 2024; Tax Policy Center. Who has capital gains? Nov. 26, 2024.
[6] ZIP codes classified as Akron or Cincinnati include adjacent affluent suburban neighborhoods, which may contribute to the higher concentration of capital gains reported in those areas. An Ohioan's Guide to State & Local Government. Cleveland State University. Differences between wealthy and poor school districts.

2022 income tax return data had 20% or more tax returns reporting capital gains. The average of the median household incomes in these ZIP codes was $91,736 in 2022,[7] considerably above Ohio's median household income that year: $65,720.[8]

Map 1

Live map includes number of claims by income level.



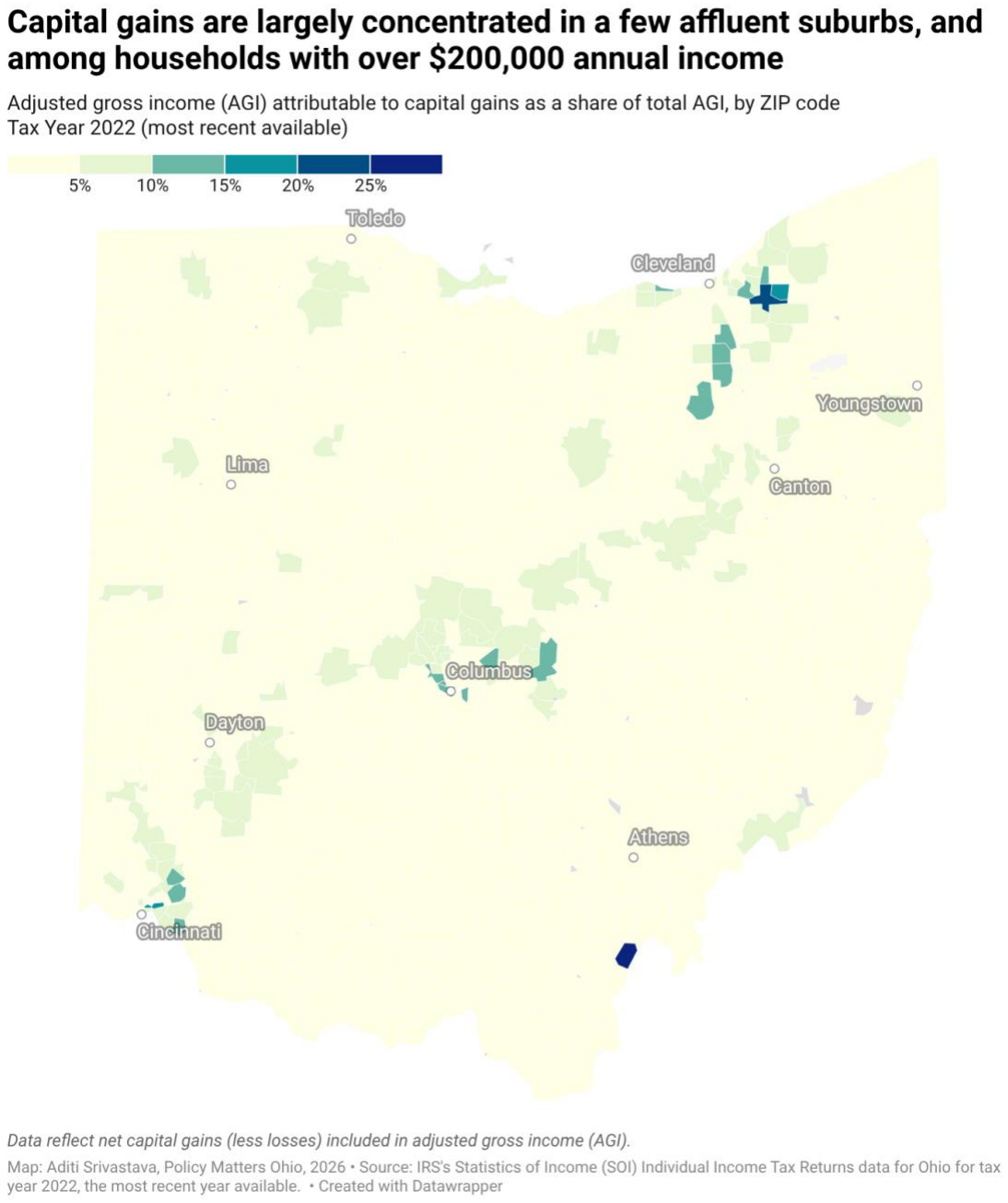
Policy Matters analysis of IRS data. Note: The most recent IRS SOI ZIP-code level data available is for tax year 2022. The data represent net capital gains (less losses) included in adjusted gross income (AGI).

[7] Policy Matters analysis of IRS data: SOI tax stats- Individual income tax statistics- 2022 ZIP code data.
[8] US Census Bureau. "Income in the Past 12 Months (in 2022 Inflation-Adjusted Dollars)." *American Community Survey, ACS 1-Year Estimates Subject Tables, Table S1901.* Accessed on 30 Sep 2026.

Typical Ohio tax filers make all or nearly all their income from wages and salaries. However, in a few wealthy enclaves (highlighted in Map 2), between 10% and 28% of the total adjusted gross income (AGI)[9] comes from capital gains. Those are the areas primarily served by eliminating capital gains taxes.

Map 2

Live map includes number of claims by income level.



[9] Adjusted gross income (AGI) is your total income from all sources minus certain eligible adjustments. It's calculated before you subtract the standard deduction or itemized deductions on your tax return. Definition of adjusted gross income. Internal Revenue Service.

HB 617 would eliminate hundreds of millions of dollars from the state budget. That's hundreds of millions *not* available to support public services, education, infrastructure, health programs, or other state priorities.[10] Ohio's nonpartisan Legislative Services Commission estimates the bill would cost the state between $615 and $647.8 million in state fiscal year 2027 and between $645.6 and $679.8 million in fiscal year 2028.[11] That is more than 5% of the $11.1 billion in total personal income tax revenue Ohio collected for the General Revenue Fund (GRF) in fiscal year 2026.[12]

The key question for legislators is whether the benefits justify the cost. Based on the geographic and income distribution of capital gains income, the largest gains from repeal would flow to a small segment of high-income taxpayers, particularly those living in affluent suburban communities where investment income is already concentrated. The 83% of Ohioans with no capital gains income in a typical year[13] would see little direct benefit from the change and may be harmed by diminished funding for public services.

An analysis by the Institute on Taxation and Economic Policy (ITEP) found that in tax year 2026, nearly 90% of the tax cut from eliminating Ohio's capital gains tax would go to the highest-income 20%, and more than 60% would go to the top 1% alone. Meanwhile, the 80% of Ohioans with income below $140,000 would receive just 10.5% of the benefit, and the lowest-income 20% would receive none. ITEP's full analysis can be seen in Figure 1 below.

Table 1

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

[10] Policy Matters Ohio. Great Ohio Tax Shift 2026. February 19, 2026

[11] Ohio Legislative Service Commission. H.B. 617 estimate by income category. LSC's income bracket revenue estimates are based on the IRS Statistics of Income 2019-22 data, last updated in 2022. LSC's estimates cover a broad range because capital gains income fluctuates widely from year to year due to investment decisions and market conditions. See Pew: Managing volatile tax collections in state revenue forecasts. March 10, 2015.

[12] Ohio OBM. Appendix A: Information concerning the state of Ohio. Pg. A-5. June 30, 2026.

[13] See footnote 2.

As the above table shows, repealing the capital gains tax would primarily serve a small group of high-income investors, with a small share of the benefits distributed among upper-middle-income households. At a time when many of the state's most important investments are already underfunded or facing fiscal pressure, foregoing hundreds of millions of dollars in tax revenue would make it even more difficult to meet the needs of Ohio families.

In Ohio's most recent budget, legislators underfunded public K-12 traditional school districts by more than $2.75 billion,[14] affecting a system that serves more than 82% of Ohio students.[15] At the same time, the state's Medicaid program, which covers one in four Ohioans,[16] faces a potential $7.33 billion shortfall,[17] while SNAP administrative funding is expected to be reduced by $38 million.[18] These funding gaps have real consequences for the health, education, and economic security of Ohio families. At a time when so many families need targeted public investments and support, providing a large tax cut to so few would further reduce the resources available to build an Ohio where everyone can thrive.

[14] Policy Matters Ohio. Legislators abandon Fair School Funding Plan, funnel state support away from high poverty districts. September 23, 2025.
[15] Ohio LSC. Enrollment continues to decline in school districts but grows in other types of schools.
[16] Center for Community Solutions. Medicaid in Ohio by county.
[17] Policy Matters Ohio. Federal provider tax restrictions: Without state action, billions are on the line. July 30, 2026.
[18] Ohio Job and Family Services Directors' Association. Federal SNAP Cost Shifts Under H.R. 1: Implications for Ohio. September 2026.