



OHIO CHAMBER OF COMMERCE LEGISLATIVE UPDATE



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Executive Budget Introduction

The beginning of this month marked the introduction of Governor DeWine's Executive Budget for Fiscal Years 2026-2027. As is typical for the state's operating budget, Medicaid constitutes the majority of the general revenue fund appropriations (50.9%), followed by Primary and Secondary Education (22%). The All Funds budget is projected to be \$108.6 billion in FY26, a 2.9% increase over FY25. The All Funds budget in FY27 is projected to be \$110.7 billion, a 1.9% increase from FY26.

The Ohio House of Representatives began hearings on the budget last week and are expected to continue their considerations through the first week of April. The budget will then head to the Senate for consideration before Conference Committee, where both chambers must come to an agreement on their differing budgets prior to July 1, 2025.

The Executive Budget includes several proposed tax increases and a new fee on employers to fund an updated unemployment system. The Ohio Chamber of Commerce has concerns about the tax and revenue changes and are working to understand their implications. We expect these provisions to change throughout the budget process and as always, welcome your input.

- Increase sports gaming tax from 20% to 40%.

- Revenue will go into the newly proposed Sports Construction & Education Fund, to fund professional sports stadiums, youth sports, and sports education in Ohio.
- Increase to cigarette taxes by \$1.50, from \$1.60 per pack to \$3.10. The tax on vapor products would also increase from 17% to 42%.
 - This proposed tax increase would be used to support an income-based child tax credit of up to \$1,000 per child ages 6 and under.
- Increase to marijuana tax at point of sale from 10% to 20%.
 - This tax revenue would go toward supporting law enforcement training, expungement program, 988 crisis line, etc.
- New fee on employers to fund modernized unemployment system.
 - The Executive budget proposes levying a technology and customer service assessment on contributory employers of up to 0.15% of the taxable wage base per year for each covered employee. This equates to a maximum of \$13.50 a year, paid in conjunction with employers' unemployment taxes, for each employee who earns at least \$9,000.

The proposed budget expects total tax revenue to reach \$28.44 billion in FY25, increasing by 1.8% over the previous year.

Federal Tax Conformity Bill – House Bill 14

Each general assembly sees two federal tax conformity bills introduced to align specific federal tax provisions from the previous year with the Ohio Revised Code. Ohio law requires that specific changes to the IRC and other federal laws must be incorporated into Ohio law by an act of the General Assembly. The Ohio House of Representatives held hearings and ultimately passed this routine tax law update with an emergency clause, HB 14, with a vote of 93-0.

HB 14, sponsored by Ways and Means Chairman Roemer and Rep. Workman, adopts certain changes to the Internal Revenue Code that took effect after March 13, 2023. The incorporated changes include those made by the “Federal Disaster Tax Relief Act of 2023.” Specifically, HB 14 adopts the federal change that excludes from a taxpayer’s gross income qualified disaster relief payments for losses resulting from the East Palestine Train derailment in February 2023.

Ohio Transportation Budget Introduced as House Bill 54

The Ohio Transportation Budget has been introduced as HB 54. The Ohio Chamber of Commerce supports this legislation, which proposes over \$9.5 billion in funding over the next two years for the Ohio Department of Transportation's infrastructure maintenance and improvement plans. It also provides appropriations for transportation-related programs administered by the Ohio Public Works Commission and Ohio Department of Development. The bill proposes that the state motor fuel tax and federal highway aid would provide most of the revenue for the transportation budget, and it allocates over 98% of the funding to ODOT with the largest portion to be used for highway construction and maintenance.