



April 14, 2003

[Register / Sign In](#) | [Home](#) | [Archive](#) | [Classifieds](#) | [Yellow Pages](#) | [Cars](#) | [Homes](#) |

Search...


[Site map](#) | [Help!](#)
NEWS

Local / State
 National / International
 Editorials / Letters / Forum
 Columnists | Archive
 Weather | Lottery
 Obituaries
 Faith & Values
 Special Reports

SPORTS

OSU Football
 OSU Men's Basketball
 OSU Women's Basketball
 Blue Jackets
 Crew | Clippers
 Reds | Indians
 Bengals | Browns
 Preps | Golf
 The Ticket | Outdoors

BUSINESS

Stocks
 Personal finance
 Connect: Technology

ACCENT/ARTS

WeekEnd | Food
 Dining | Movies
 Travel | IPIX
 Home & Garden
 NOW! for kids
 USA Weekend
 Horoscopes | Crosswords

SERVICES

Register / Sign In
 My Account | Web FAQs
 Subscribe to the paper
 Affiliated sites
 Other sites
 Newspaper in Education
 Sponsored events
 Dispatch jobs
 Dispatch Media Kit

▼ SPECIAL SECTIONS ▼

► Opinions/Letters

In Ohio, the poor are getting poorer, and regressive taxes hit them harder

Saturday, April 12, 2003

Faced with a \$4 billion budget shortfall over the next two fiscal years, the Ohio General Assembly must raise taxes to cover part of the gap.

Lawmakers should do so in a way that gives attention to people's ability to pay. Low- and middle-income Ohio families pay a higher proportion of their incomes to state and local taxes than higher-income families do.

This means the system is regressive, and it has become more so over time. At the same time, income inequality has worsened in Ohio, as it has in the nation. Ohioans at the top of the economic ladder gained far more from the economic expansion of the 1990s than those at the bottom.

Given these trends, the revenue package adopted by the legislature should include a temporary increase in the income-tax rate for those in the highest bracket and a state version of the federal Earned Income Tax Credit, to help working families in the lower brackets. The individual income tax is the state's largest single source of tax revenue.

Ohio's income tax is assessed at nine graduated rates that increase at higher levels of income. In other words, the tax divides a taxpayer's income into a series of stacked layers to which different rates apply. The highest rate, 7.5 percent, is assessed on that portion of taxable income above \$200,000.

Less than 2 percent of tax returns pay the highest rate. These top earners benefited the most from economic growth in recent decades, and they are able to offset about one-third of a temporary rate increase by itemizing federal deductions.

Because of its graduated rates, the income tax is progressive. Taxpayers pay a higher proportion of income to the tax as earnings increase.

The graduated income tax does not offset the regressive effects of sales, excise and property taxes, however. According to a study of Ohio's tax system by the Institute on Taxation and Economic Policy, state and local taxes claimed on average nearly 11 percent of the incomes of nonelderly taxpayers with incomes below \$15,000 (the bottom fifth of earners) in 2002.



[Parade of Homes Preview](#)

[HomeScapes-Spring](#)

[Higher Education](#)

[Weekend Fun](#)

[See the USA](#)

In contrast, nonelderly taxpayers with incomes above \$261,000 (the top 1 percent of earners), paid on average just 6.7 percent of their income in state and local taxes after federal deductions were taken into account.

While we don't collect enough from families in the top brackets, Ohio is one of the few states that impose an income tax on families with incomes below the federal poverty line. Gov. Bob Taft has proposed some measure of tax relief for these families, but a refundable Ohio Earned Income Tax Credit would be a more comprehensive solution.

An Ohio credit set at 20 percent of the federal credit would provide tax relief to more than 660,000 working Ohioans earning less than \$33,692 a year. This idea, already in place in 17 states, would lift about 8,000 Ohio children above the poverty line. Tax policy must recognize Ohio's growing income inequality.

Nearly one-fourth of Ohio's workers earn less than the federal poverty line for a family of four. More than one in seven Ohio children live below the federal poverty line. These grim statistics are not likely change soon.

From 1979 to 2001, the inflation-adjusted median wage of Ohio's workers actually declined. The earnings of the bottom 70 percent of Ohio's workforce fell, while the earnings of the top 20 percent rose. This growing divide among individual workers is reflected in family income. Between the late 1970s and late 1990s, the poorest fifth of families saw their inflation-adjusted incomes drop by 5.4 percent, while the richest fifth saw their incomes jump by 43.1 percent. Our tax system should reduce such inequality, not increase it.

We need more revenue in Ohio. But we need to pay attention to how we get it. Just increasing sales-tax and excise-tax rates, which are bound to be the first preference of a conservative legislature, will only make life more difficult for Ohio's working families in the midst of recession. The graduated income tax is the state's only means of raising revenue that takes into account a taxpayer's ability to pay. We will see in the coming months whether legislators have the political will to make constructive use of it.

JON P. HONECK

Research analyst, Policy Matters Ohio

Columbus

 [Printer-friendly version](#)  [E-mail this story](#)

Today's Editorials from The Dispatch

- [Stopping campus riots](#)
- [Breathing room](#)
- [Lee Leonard: Video-slot debate rambles on, but odds are that](#)

[the public will decide](#)

- [Fred LaSor: Despots make same fatal misjudgments](#)
- [Trudy Rubin: Murder of pro-U.S. cleric at holy shrine shows depth of political morass](#)
- [**All today's Editorials from The Dispatch**](#)



| [Home](#) | [Search](#) | [Site map](#) | [Privacy policy](#) | [News](#) | [Sports](#) | [Business](#) | [Features](#) | [Contact us](#) |

Copyright © 2003, The Columbus Dispatch. Content may not be republished without permission.