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New analysis indicates federal tax cuts benefit richest Ohioans

The one percent of Ohioans who earn the highest incomes in the state, averaging \$784,700 a year, will receive more in total from federal tax cuts between 2001 and 2010 than the bottom 60 percent of Ohio taxpayers. That was one of the findings of a new analysis by Citizens for Tax Justice of federal tax cuts enacted between 2001 and May 2006, including extending tax breaks for dividends and capital gains through 2010.

Citizens for Tax Justice is a nonprofit, nonpartisan research group based in Washington D.C. CTJ used a microsimulation model of the federal tax system to generate the analysis. Policy Matters Ohio, a nonprofit, nonpartisan research institute based in Cleveland, released the report in Ohio.

The top one percent of Ohio taxpayers on average will receive tax cuts amounting to \$297,278 apiece between 2001 and 2010. By contrast, taxpayers in the middle of the income scale will receive an average of \$10,488, while those in the bottom 20 percent, who average \$10,500 a year, will get just \$820.

The most affluent Ohioans also will get bigger tax cuts as a share of their income than others further down the income scale. The 55,000 taxpayers making at least \$306,900 a year will receive an average of 3.9 percent of their income in tax cuts over the 10-year period, more than double the share of any other income group. That share is nearly five times as much as the average 0.8 percent going to the 1.1 million taxpayers in the bottom fifth of the income scale, who make less than \$17,900 a year.

The Ohio analysis reflects tax changes in current law, which provides relief from the Alternative Minimum Tax for 2006, but not in future years.

(See table below)

Impact of U.S. Tax Cuts 2001 through May 2006 on Ohio Taxpayers, For All Income Groups							
All Ohio Taxpayers							
2006 Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Next 1%
Average Income in Group	\$10,500	\$24,100	\$39,100	\$59,500	\$94,600	\$187,000	\$784,700
2001	-\$58	-\$274	-\$370	-\$528	-688	-902	-2,127
2002	-\$77	-\$336	-\$486	-\$745	-1,126	-2,606	-20,964
2003	-\$85	-\$446	-\$745	-\$1,304	-2,439	-5,321	-34,674
2004	-\$91	-\$487	-\$794	-\$1,333	-\$2,563	-\$5,680	-\$39,636
2005	-\$76	-\$452	-\$714	-\$1,145	-\$2,273	-\$4,146	-\$24,502
2006	-\$74	-\$450	-\$705	-\$1,126	-\$2,300	-\$4,307	-\$25,940
2007	-\$79	-\$467	-\$712	-\$1,056	-\$1,464	-\$1,586	-\$26,631
2008	-\$86	-\$494	-\$747	-\$1,084	-\$1,386	-\$1,464	-\$29,461
2009	-\$93	-\$514	-\$765	-\$1,088	-\$1,316	-\$1,587	-\$37,383
2010	-\$101	-\$534	-\$782	-\$1,079	-\$1,232	-\$1,997	-\$55,960
Average 10- year total	-\$820	-\$4,453	-\$6,820	-\$10,488	-\$16,785	-\$29,596	-\$297,278
Share of tax cut over 10 years	1.5%	8.0%	12.2%	18.7%	22.4%	10.5%	26.7%
Average decrease as share of income	-0.8%	-1.9%	-1.8%	-1.8%	-1.8%	-1.6%	-3.9%
Source: Citizens for Tax Justice, June 2006.							

For more information, including a link to the full report, go to http://www.policymattersohio.org/fed_tax_cuts_2006_06.htm.