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policymattersohio.org/tax-cut-apr2013

Income-tax cut would favor affluent Ohioans

Middle-income residents on average would get \$51 a year, analysis finds

A permanent 7-percent income-tax cut approved by the Ohio House of Representatives would siphon more than \$1.4 billion from public services over the next two years. A new analysis done for Policy Matters Ohio by the Institute on Taxation and Economic Policy (ITEP) found that upper-income Ohioans would benefit the most from the tax cut.

“Since the 21-percent reduction in state income taxes approved in 2005, Ohio’s economy has underperformed the nation,” said Zach Schiller, research director at Policy Matters. “There is little reason to believe that another round of income-tax cuts will produce a different result.”

How a 7 percent income-tax cut
would affect different Ohioans

Average cut for top 1 percent

\$2,717

Average cut for middle 20 percent

\$51

Average cut for lowest 20 percent

\$3

Ohioans in the top 1 percent of the income spectrum earning at least \$335,000 a year would receive an average reduction in taxes of \$2,717 a year, according to the new ITEP analysis. The middle fifth of Ohio residents, making between \$33,000 and \$51,000 a year, would get an average of \$51. Those in the bottom fifth, making less than \$18,000, would see an average reduction of \$3.

The analysis shows that the 60 percent of Ohioans with income below \$51,000 a year would receive less than one dollar out of every seven cut in taxes. Nearly twice that amount, or one out of every four dollars cut in taxes, would go to the top 1 percent, whose average income is nearly \$900,000 a year.

The state Senate has begun its consideration of the budget, including the reduction approved by the House and a tax break for business owners proposed earlier by Gov. John Kasich (for an earlier Policy Matters analysis of the proposed tax break, see policymattersohio.org/tax-break-apr2013).

“Neither one of these proposals will help Ohio’s economy,” said Schiller. “They will only undermine public services and further tilt the tax system in favor of upper-income Ohioans.”

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus. The Institute on Taxation and Economic Policy is a nonprofit, nonpartisan research group in Washington, D.C. ITEP’s Microsimulation Tax Model allows it to measure the distributional consequences of federal and state tax laws and proposed changes in them, both nationally and on a state-by-state basis.