Policy Matters Ohio

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Income-tax proposal: A bad deal for Ohioans

A resolution in the Ohio Senate proposes a constitutional amendment to require a two-thirds vote of the General Assembly to approve an income-tax increase. Policy Matters Ohio Research Director Zach Schiller today made the following statement on the proposal:

"Senate Joint Resolution 3 protects an upside-down tax system under which low-income Ohioans pay nearly twice as much of their income in state and local taxes as the top 1% do. It would likely freeze in place 25 tax breaks costing nearly $2.5 billion a year. While some of these are useful, they include the business income deduction often known as the LLC Loophole, an unproductive $1 billion tax break enacted in 2013.

"Ohio's income tax is the only major tax based on the ability to pay. This principle was embraced by founders of our democracy, as well as the intellectual father of capitalism, Adam Smith. As your income goes up, you pay a higher rate. The tax supports public education and a myriad of local services, from public safety to libraries.

"In every recession during the past 40 years, under both Democratic and Republican governors, Ohio has raised taxes at least temporarily to make up for lost revenue. Authors of this proposal are telling Ohioans that the next time, the income tax will be off limits—and so only more regressive taxes and fee increases, falling harder on low- and middle-income Ohioans—will be possible.

"The proposed amendment would allow a minority of legislators to override a vote by a majority of Ohioans, a move that is fundamentally undemocratic.

"States with higher income-tax rates have ample opportunity, freedom and prosperity. California's high income-tax rates didn't keep LeBron James from playing there, or Apple from building a new headquarters. Last year, in fact, California had more than three times as many venture capital deals, worth seven times as much, as Florida, Texas and all the states without an income tax put together.

"A supermajority provision would reduce the state's financial flexibility. It's possible that it could weaken Ohio's bond rating, making capital investments more expensive.

"Legislators should vote 'no' on Senate Joint Resolution 3. It is not in the best interests of Ohio."

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.