Tax breaks won’t fix root of college affordability problem

Today, the Senate Finance Committee is holding a hearing on legislation that would boost tax deductions for those who participate in College Advantage, Ohio’s 529 college savings plan. A new report from Policy Matters Ohio shows how the plan fails to address the root causes of college unaffordability and amounts to a giveaway to Ohio’s wealthiest.

Ohio ranks 45th out of 50 for college affordability. For the 2016-2017 school year, the average cost of tuition at Ohio’s public university main campuses is $9,745. Students attending branch campuses pay $5,787 and those at community colleges pay $4,224. Senate Bill 5 (SB 5) tries to address this problem by increasing the amount College Advantage participants can deduct from their state income taxes from $2,000 to $10,000. With more than a quarter of Ohioans making less than $25,000 a year and the state median income being just over $51,000, most Ohio families can’t take full advantage of the credit.

“The only group that really benefits is the wealthy,” said report author and Policy Matters State Policy Fellow Victoria Jackson. “For them, it’s unlikely increasing the deduction will be the make or break factor in whether or not a student attends college. For low-income and middle-income families, affordability is often the determining factor in if they go.”

Enduring cuts from the state, public universities and community colleges pass costs off to students. The report shows that the best way to address the affordability problem is to properly fund Ohio’s public higher education system. SB 5 does just the opposite. At current levels, the deduction starves the state of an estimated $13.8 million in 2018 and $14.8 million in 2019. Increasing it to $10,000 would cost the state even more.

“Ohio’s public universities say they need a 10 percent funding increase for state need-based aid and Governor Kasich says we need to trim $800 million from the 2018-2019 budget,” Jackson said. “Ohio is in no position to give more money away to those who don’t need it. Now is the time to invest in the students who need it most.”

###

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