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Kasich budget shifts taxes, again

New report shows governor's plan makes inequality worse

Governor John Kasich's new tax proposal will make Ohio's growing income inequality worse and still doesn't raise enough revenue to fund crucial programs.

New analysis for Policy Matters Ohio by the Institute on Taxation & Economic Policy, a national nonprofit research institute with a sophisticated model of the state and local tax system, shows the governor's tax plan raises taxes for many Ohioans. It reduces state income tax rates and cuts the number of brackets from nine to five. On average, Ohioans who made between \$36,000 and \$56,000 last year would pay \$44 more a year. Those who made less than \$21,000 would pay \$64 more. The top 1 percent of earners who made more than \$457,000 would get an average cut of \$2,412.

Kasich pays for most of the 17 percent reduction in income tax revenue by increasing the sales tax rate to 6.25 percent from 5.75 percent; broadening the sales tax base to include more services; hiking the tax on cigarettes by 65-cents-a pack, increasing the Other Tobacco Products tax and boosting the severance tax

"Fundamentally, the governor's plan would shift taxes from affluent Ohioans who can most easily afford them to those who earn less and cannot," said Zach Schiller, Policy Matters research director and report author. "We know that is the result of raising the sales tax to make up for lost revenue from the income tax, the only major tax based on the ability to pay."

Unlike his last two proposals, Kasich does not significantly cut taxes in this budget plan. Yet Ohio still grapples with the loss of \$3 billion a year due to tax cuts since 2005. Local governments struggle from big losses in state aid. The governor's budget underinvests in education, public transit and many crucial services Ohioans need.

"There are some good ideas in this tax plan, such as closing some small tax loopholes and broadening the sales tax base to include more services," said Schiller. "But overall, the governor's plan relies on yet another tax shift that will just reinforce growing inequality in the state."

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

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