Policy Matters Ohio

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Trump $4.8 trillion tax cut plan stiffs most Ohioans

The Trump tax plan reduces federal revenues by $4.8 trillion over 10 years and overwhelmingly benefits the wealthiest Americans and large corporations, according to a new report by the Institute on Taxation and Economic Policy (ITEP). For a state like Ohio with few super-wealthy residents, few people will receive large tax cuts while many will be harmed by cuts to important programs.

"The cuts are likely to be funded through cuts to services," said Wendy Patton, Policy Matters Ohio Senior Project Director. "We can expect to see deep cuts in student aid, Medicaid, food aid and Social Security for disabled people, important programs many Ohio families rely on."

Ohio's richest 1 percent is projected to make an average income of almost $1.5 million in 2018. Under Trump's tax plan, they would receive 47.2 percent of all tax cuts that go to Ohio's residents and enjoy an average cut of $87,490 in 2018. By contrast, the middle fifth of taxpayers — projected to make an average income of $48,100 in 2018 — would get 8 percent of the tax cuts next year in Ohio.

Middle-income Ohioans would get an average tax cut of 1.5 percent, but the wealthiest would see a tax cut that is 4 times as large as a share of income. The benefit is 12 times greater for the richest 1 percent compared to the poorest 20 percent.

Trump's tax plan does the most for residents of states with high concentrations of the super-rich like Florida, Connecticut and Wyoming. Ohio, with fewer of the nation's wealthiest, would receive 17 percent less in total tax cut dollars than we would if the tax cuts were spread equitably across the nation's population.

The ITEP analysis was based on the broad principles for tax policy changes released by the Trump Administration on April 26 and statements of administration officials. Fact sheets for each state are included with the report.

The report also highlights changes to the corporate tax code, which includes deep cuts in rates, although the current effective rate averages just 14 percent. A proposed shift to a territorial tax system for international corporations would legitimize the offshoring of corporate earnings to avoid American taxes.

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