



PRESS RELEASE
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Senate tax plan favors affluent more than House bill

Instead, legislators should cut back on a big loophole, adopt refundable EITC

Policy Matters Ohio today released an analysis of the biggest provisions of the tax plan in the Ohio Senate budget bill, which calls for eliminating two tax brackets, reducing rates by 8% and scaling back a special rate on business income over \$250,000. It found that the plan favors wealthier Ohioans to a greater degree than the previously approved House bill, while the tax cuts would do nothing for most of the poorest Ohioans.

“The Senate should follow the House and cut the costly, unproductive LLC loophole from \$250,000 to \$100,000,” said Wendy Patton, senior project director for Policy Matters Ohio. “It should also scrap the across-the-board rate cuts, which haven’t improved Ohio’s economic standing before. We would do better to target the tax cuts and invest in essential services.”

The analysis was done by the Institute on Taxation and Economic Policy (ITEP), a Washington, D.C., based nonprofit with a sophisticated model of the state and local tax system. Among its findings were that:

- 62% of the tax cuts in the plan would go to the top fifth of tax filers making \$101,000 or more;
- Those receiving a cut among the middle fifth of taxpayers, who make between \$42,000 and \$63,000 a year, would receive an average tax reduction of \$68;
- Tax increases as a result of the Senate tax plan are concentrated among the top 1% of Ohio earners who make more than \$496,000. Still, two-thirds of even this group would see a tax cut under the Senate plan. Overall, the top 1% would average only a minimal increase.

ITEP found that replacing the Senate cuts in rates and brackets with a 10% refundable state Earned Income Tax Credit (EITC), added to Ohio’s existing, non-refundable 30% EITC, would provide considerably more benefit to the poorest working taxpayers. Those making less than \$24,000 a year would get 56% of the tax cut, compared to just 7% under the Senate plan. A greater share of the poorest Ohioans would benefit, and those who did would get more on average.

“Most Ohioans would hardly notice the tax cuts in the Senate bill,” said Patton. “Only 24% of the poorest fifth of Ohioans will see a tax cut under the plan. We would do better to adopt a refundable Earned Income Tax Credit, better fund our K-12 schools and allow more parents to get affordable child care.”

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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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