



PRESS RELEASE
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Overhaul: A plan to rebalance Ohio's income tax

New Policy Matters Ohio tax plan taps the affluent to invest in Ohio

Policy Matters Ohio today proposed a [plan](#) to overhaul Ohio's income tax to raise more revenues for schools, treatment of Ohioans caught in the drug epidemic, and other key needs.

"Dramatic tax cuts since 2005 have weakened Ohio and created an upside-down system that causes those near the bottom of the income scale to pay nearly twice the share of their income in state and local taxes as the top 1 percent," said Zach Schiller, Policy Matters research director. "We need to reverse course."

Policy Matters proposes the following changes to the state income tax:

- Restore the 7.5 percent income-tax rate on income over \$218,250 approved in 1992 under Governor George Voinovich;
- Add a new 8.5 percent rate on income over \$500,000;
- Repeal the business income deduction enacted in 2013, which drains more than \$1 billion a year from state revenues with little discernible impact on jobs or small-business growth, and
- Make our state earned income tax credit (EITC) refundable, removing a cap that reduces the amount many Ohioans may receive, and raising it to 20 percent of the federal amount.

The plan would generate almost \$2.6 billion a year, including the cost of expanding the EITC, according to analysis by the Institute on Taxation and Economic Policy (ITEP), which has a model of the tax system. It would still leave Ohio's richest taxpayers with overall annual state tax cuts averaging more than \$2,000 a year—and they'll receive additional giant tax cuts because of the federal tax bill approved last December. Many low- and moderate-income Ohioans, some 17 percent of tax filers in all, would see a tax cut if these state tax changes were enacted. Another 71 percent would see no change in what they pay.

"Ohio's economy needs long-term investments in the education and welfare of its residents and restored state support to local governments, public transit and libraries," said Wendy Patton, senior project director. "The state can pay for this by restoring taxation of the richest households, making our state and local tax system more fair than it is today. Rebalancing the tax code is a key to a more prosperous, equitable Ohio."

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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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