

Tax & Budget

TAX CHANGES IN THE STATE BUDGET

A MISSED OPPORTUNITY

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For the first time in years, the Ohio General Assembly approved a budget that doesn't significantly cut ongoing revenues for public services or shift the responsibility for paying taxes onto those who can least afford it. There is no new round of income tax cuts, in particular. Ohio has been on a tax-cutting spree for most of the last dozen years. These cuts sapped the state of billions of dollars a year of vitally needed revenue and weighted the tax system in favor of the wealthiest at the expense of low- and middle-income Ohioans.

While the legislature did not approve a big, regressive tax cut, it still passed a range of new or expanded special-interest tax breaks. Thankfully, Governor Kasich vetoed some of the most expensive ones. The budget also:

- Cut the amount of municipal income tax some businesses pay on their profits, and set up a parallel state collection system that companies can use instead of filing with municipal tax authorities. Together, these moves will reduce municipal revenues and undercut cities' authority over an important funding source;
- Cut property taxes for farmers;
- Cut two brackets out of the state income tax, eliminating the tax for a small number of low-income taxpayers;
- Changed the way appeals of some tax decisions are made;
- Forced some out-of-state online retailers to collect the Ohio sales tax; and
- Provided an amnesty for those who haven't paid taxes they owe.

The sales-tax provision would help level the playing field between Main Street and online retailers and collect revenue that is already due. The elimination of the two lowest income-tax brackets will save taxpayers making between \$10,000 and \$10,500 a year a total of \$2 million in 2019, according to the state budget office, a tiny step toward a more balanced tax system.

But municipalities see erosion of their control over an important tax, while farmers gain at the expense of school districts and residential taxpayers. Instead of slashing unneeded tax breaks, or even taking modest steps to rein some in, the General Assembly added more. These include expanding the income-tax deduction for college savings accounts, which favors affluent taxpayers and is unlikely to significantly increase college attendance for low-income Ohioans; extending the poorly targeted sales-tax holiday for another year; and lowering taxes on "premium cigars." According to the budget office, over the two-year budget Kasich's tax break vetoes saved \$581 million.

The budget is another missed opportunity to eliminate unneeded tax breaks and revamp Ohio's tax system. That is vital both to provide the revenue we need and rebalance the tax system to rely more heavily on those who can afford to pay.