Policy Matters Ohio

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REMI REPORT PRESENTS JUST HALF OF THE EQUATION

The Ohio Department of Development claims a new economic impact study by Regional Economic Models Inc. (REMI) proves that the Governor Taft's tax plan will provide the economic stimulus so badly needed to create new jobs. But a close review shows that in many ways, it fails to justify the tax proposal.

1) **The REMI study looked at tax cuts – but not the cuts in government spending that would result.** Even when the increased economic activity from tax cuts is taken into account, the Taft Plan will cause billion-dollar budget shortfalls in the years ahead. The state constitution mandates a balanced budget, so if you cut taxes, you must cut services. When you cut services, you eliminate jobs.

2) **The REMI study didn't take all of the Taft taxes into account.** The REMI study assumes that tax changes affect job creation or loss, but four tax changes proposed in Taft's tax plan, totaling $567 million in revenue in 2010, were not included in the REMI study. Two of these taxes, the kilowatt hour tax ($170 million) and the elimination of the rollback of property taxes on commercial and industrial property ($365 million), affect business directly.

3) **The economic impact of only half the equation is still small.** The jobs created in FY 2010, projected to be 43,250, would be less than 1% of our current statewide total. As one Senator exclaimed in hearings: "That would be good for the Columbus Metropolitan Area, but not for the state as a whole!" The increase in economic activity resulting from the Taft plan in FY2010 would be only 0.7% of our current Gross State Product.

4) **The REMI model has shown in a number of studies for other states that spending increases in direct services such as schools create more jobs than tax cuts.** This is in part because governments are more likely to buy locally produced goods and services, whereas the private consumption that results from tax cuts is less targeted to the local economy

The Department of Development's hopeful study of the economic impact of the Governor's tax reform plan is an incomplete analysis. Worse, it doesn't support its billing: it fails to establish that the plan will significantly boost Ohio's economy.