
POLICY MATTERS OHIO

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Who Gains: What the new U.S. tax law means for Ohio taxpayers

A new analysis of the federal tax changes signed into law last month reveals that Ohio taxpayers earning less than \$43,000 a year – the lowest-earning 60 percent of taxpayers in the state – will receive on average a total \$380 tax cut over the next four years. The top 1 percent of taxpayers in the state, who earn at least \$272,000 a year, will receive a \$53,240 tax cut over the same period.

The analysis was produced by the Institute on Taxation & Economic Policy, a nonprofit research group in Washington, D.C., using its model of the U.S. tax system. Policy Matters Ohio, a nonprofit research institute in Cleveland, released the numbers in Ohio.

Ohio taxpayers in the bottom fifth of the income scale will receive, on average, \$42 in tax cuts over the next four years. Taxpayers in the middle fifth of the income spectrum, who average \$35,100 a year, will receive a cut over the four years of \$785, on average.

Upper-income taxpayers will receive larger tax cuts in relation to their income than lower- and middle-income taxpayers do. The average annual tax cut taxpayers in the bottom fifth will get over four years works out to 0.1 percent of what they are projected to earn in 2003. For the middle fifth of taxpayers, that figure is 0.6 percent, while the top 1 percent of taxpayers will receive average annual tax cuts equal to 2.1 percent of this year's income.

“These findings underline the need for Ohio lawmakers to enact progressive tax reform in the current budget,” said Zach Schiller, research director of Policy Matters Ohio. “They should be sure to include a stronger corporate franchise tax as part of a plan to raise more revenue and protect needed services.”

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Impact of New U.S. Tax Law on Ohio Taxpayers, by Income Group							
All Ohio Taxpayers							
2003 Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range	Less Than \$16,000	\$16,000 - \$28,000	\$28,000- \$43,000	\$43,000- \$65,000	\$65,000- \$119,000	\$119,000- \$272,000	\$272,000 - Or More
Average Income in Group	\$9,500	\$21,800	\$35,100	\$53,200	\$84,600	\$165,400	\$638,300
In 2003	\$ -14	-128	-308	-683	-1,558	-3,359	-16,483
In 2004	\$ -24	-160	-389	-781	-1,680	-3,609	-18,681
In 2005	\$ -3	-13	-52	-160	-551	-1,821	-11,590
In 2006	\$ -2	-10	-35	-80	-192	-906	-6,486
Average annual savings over 4-year period	\$ -11	-78	-196	-426	-995	-2,424	-13,310
4-year total	\$ -42	-311	-785	-1,703	-3,980	-9,695	-53,240
Average annual decrease as share of 2003 income	0.1%	0.4%	0.6%	0.8%	1.2%	1.5%	2.1%

SOURCE: Institute on Taxation and Economic Policy, June 2003

