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Ohio must choose

The governor wants to slash income taxes. The state would be better served addressing directly the needs and skills of its people

The tightest state budget in decades has unleashed more than the usual flood of testimony at the Statehouse. A few, among them advocates for mental health programs, have been pleased by Bob Taft's proposal. Overwhelmingly, the thrust has been negative.

Mayors and other local government officials have organized furious opposition to cutting a 70-year-old program that shares state revenues. Educators have rallied to protest continued underfunding, especially for colleges and universities.

Housing advocates fear the loss of their ability to tap unclaimed state funds for loans. Those battling cuts in a program that provides financial help for severely ill children have an ally in House Speaker Jon Husted, but the budget wars are far from over.

Considered issue by issue, such protests may lose some of their punch, budget hearings turning into parades of hard-luck stories. Yet taken as a whole, and balanced against the tax cuts in the governor's two-year plan, they are far more difficult to dismiss.

The overall impact of the Taft budget would make life more difficult for middle- and lower-income taxpayers, eroding the state's quality of life. The poor would be hit hardest. Notably, the governor's proposed 21 percent cut in personal income tax rates would heavily favor wealthier taxpayers.

When fully implemented in 2010, the personal income tax cuts Taft has in mind would cost \$2 billion a year. An analysis prepared for Policy Matters Ohio, a Cleveland-based research organization, established a critical threshold. When the various fee hikes proposed by the governor are put into the equation, the total package would result in a net tax decrease for those making more than \$43,000 a year and a net tax increase for those making \$43,000 or less. The majority of Ohioans fall below the threshold.

Republican leaders insist that the current tax rates for upper-income brackets discourage economic growth. Still, questions are rightly raised about the strength of the link between tax cuts and the creation of jobs, especially in the knowledge economy.

Policy Matters Ohio noted recently that between 2001 and 2004, the top 1 percent of Ohio taxpayers received federal income-tax cuts amounting to \$90,000 each. Yet during that time, the state lost more than 240,000 jobs. States such as California and North Carolina, meanwhile, maintain high rates for top incomes, and invest heavily and successfully in high-technology enterprises.

Ohioans, their lawmakers, in particular, would do well to weigh the collective damage that would result from the governor's budget plan. Listen to the entire chorus of complaints, factor the loss of \$2 billion, and the worry deepens about weakening the state, its social fabric and its ability to produce skilled workers.