



Classified Ads
Homes | Jobs | Cars

Local News

Obituaries

Sports
High Schools | Reds
UD | WSU
OSU | Nascar

Business

Opinion/Editorial
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cartoons
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Local Guides
Movies | Music
Restaurants | Events
Shopping

Life

Celebrations
new

Neighbors
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Centerville/Bellbrook
Kettering/Oakwood
Trotwood/Northwest
Huber Hts./N'east
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Local News

Study: Poorer Ohioans' tax burden greater

Wealthy pay smaller portion of income to state, local taxes

By William Hershey
Columbus Bureau

COLUMBUS | State and local taxes gobble up a greater share of the incomes of low- and middle-income Ohioans than they do of the state's richest residents, according to a study released Tuesday.

Also, since 1989, those same low- and middle-income Ohioans have seen bigger increases in the percent of their incomes going to state and local taxes than have the wealthiest taxpayers, according to the study *Who Pays?*

It was done by the Institute on Taxation and Economic Policy, a nonpartisan, nonprofit Washington education and research group that examines government taxation and spending. The study was released in Ohio by Policy Matters Ohio, a nonprofit Cleveland research group.

State and local taxes include sales and excise taxes, property taxes and income taxes.

Release of the study, which examined all 50 states and the District of Columbia, comes as Ohio Gov. Bob Taft and the state legislature consider changes in the state's tax system. Taft's proposals are expected to be part of the two-year budget he submits to the legislature in February.

The study found that the fifth of Ohioans with the lowest incomes — \$15,000 or less — paid 11 percent of their income in state and local taxes

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while the top 1 percent of taxpayers, those with incomes of \$261,000 or more, paid 9.7 percent.

The middle fifth of taxpayers with incomes from \$27,000 to \$41,000 paid 10.7 percent in state and local taxes.

The difference was more striking when itemized deductions from federal income taxes were taken into account, the study said.

Taxpayers may deduct what they pay in state and local taxes when they compute their federal income taxes.

Upper-income taxpayers are more likely to use this tax break, the study said.

According to the study, when this is factored in, the poorest one-fifth of taxpayers paid 10.9 percent of their income in state and local taxes, while the top 1 percent paid 6.7 percent. The middle fifth paid 10.3 percent.

The study also found state and local taxes, as a percentage of income, rose by 2.3 percentage points for the poorest fifth of Ohio families and by 0.7 percent for the top 1 percent of taxpayers from 1989 to 2002. The increase was 2.2 points for the middle fifth.

"Ohio legislators should look at ways to make the tax system fairer to low-and middle-income taxpayers," said Zach Schiller, research director of Policy Matters Ohio. "We should reverse the trend that has meant a growing burden for poor and middle-class families, compared to the wealthy."

The report got a cooler welcome from Sam Staley, president of the Columbus-based Buckeye Institute for Public Policy Solutions, also a nonpartisan research and education group.

He said looking at the percentage of income paid by taxpayers at different income levels can be misleading.

"While higher income (taxpayers) pay a smaller percentage, they are still paying most of the taxes in dollars," Staley said.

Also, any analysis of the tax system should look at what services are provided on a per capita

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basis, he said. "Some services are used more intensively by moderate-income families than by upper-income families."

The results for Ohio generally mirrored the results nationally in the study that found most state and local tax systems take a greater share of income from middle and low-income families than from the rich.

Ohio was not among 10 states identified as the most regressive by the study, those in which the poorest residents pay up to 5 1/2 times as great a share of their income in taxes as the wealthy.

Only four states — Delaware, Montana, Vermont and California — require the wealthiest citizens to pay as much of their incomes in taxes as middle-income families do, according to the study.

[From the Dayton Daily News: 01.08.2003]

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