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CLEVELAND: 3631 PERKINS AVENUE SUITE 4C - EAST • CLEVELAND, OHIO, 44114 • TEL: 216/361-9801 • FAX: 216/361-9810
COLUMBUS: 85 E. GAY STREET, SUITE 802 • COLUMBUS, OHIO, 43215 • TEL: 614/221-4505 • FAX: 614/224-8132
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Contact: Zach Schiller 216-361-9801, 216-272-9072

Read the report: <http://www.policymattersohio.org/EstateTax2011.htm>

Estate tax set for repeal despite importance for Ohio communities Study shows only affluent pay; \$230 million went to local governments in 2010

The repeal of Ohio's estate tax, approved by the House and now pending in the Senate, would slash needed revenue and increase inequality in Ohio.

With fewer than 8 percent of all Ohio estates paying, the tax affects the affluent, not the middle class, according to a new report by Policy Matters Ohio. More than three-quarters of the tax is paid by estates worth more than \$1 million. The estate tax is one of the few taxes partially offsetting a state and local tax system that falls more heavily on less affluent families.

In 2010, Ohio's estate tax produced \$230.8 million for local governments, in addition to the \$55 million that went to the state. It provides an important source of revenue not only to affluent communities but also to places like Elyria, Springfield, Parma and Findlay.

"Repealing this tax would hit local governments just when they are reeling from a huge cut in the Local Government Fund and vastly lower reimbursements for lost property taxes," said Zach Schiller, Policy Matters research director and report author.

The study also found that farms and small businesses are not hard hit by the estate tax. Because of an additional exemption, many family farms do not pay the tax. And hardly any estates with farms or small businesses find themselves in such hardship that they take advantage of the opportunity to avoid paying it for up to 15 years, as permitted under state law.

Nor are large numbers of Ohioans moving out of state because of the estate tax, any more than the lack of such a tax in Michigan is keeping many residents of that state at home. "Research doesn't back the argument that states can keep elderly residents, or attract new ones, by reducing or eliminating estate or inheritance taxes," said Schiller.

The idea of progressive taxation was supported by Thomas Jefferson and other founding fathers, and lies at the heart of our democracy. This tax supports the idea that equal opportunity must be the foundation of economic success, not inheritance of wealth. Ohio's most affluent residents were able to create their wealth because of the security, education, infrastructure and opportunity that state and local government have provided. Thus, it is reasonable that their estates contribute to maintain those services for those who follow. We should keep this smart, progressive tax.

