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NATIONAL INCOME TAX DAY SPECIAL: POLICY MATTERS OHIO REVIEWS OHIO TAX AND BUDGET ISSUES

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By tomorrow, April 15, 2010, income tax returns must be filed. In the past year or so, Policy Matters Ohio has completed a dozen analyses and one magazine article reviewing Ohio's tax, revenue and budget situation. In summary, these find that Ohio has substantially cut taxes over the past five years, adding to the national economic downturn to create a tight revenue situation. Others have documented what this has meant for services in Ohio, which have already been devastated by the cuts. The federal stimulus provided extensive fiscal relief, but without further federal aid even more drastic cuts will be required.

"Taxes pay for the things we need in Ohio - for schools and prisons, police officers and firefighters, bus service and child abuse prevention service, roads and water and sewer systems," said Wendy Patton, Senior Associate at Policy Matters Ohio. "If we want a safe, educated, prosperous society, where children can aspire to join or stay in the middle class, we have to pay for the basics."

Tax policy pursued by both parties in Ohio has reduced revenue for the basics. Specifically, the Ohio Department of Taxation estimates that the 2005 tax changes are costing \$2.1 billion a year (see Fact Sheet, Tax Reform in Ohio: <http://bit.ly/cHJ3VA>). As of August 2009, the Commercial Activity Tax was falling \$476 million short of what was needed to reimburse schools and local governments; it is off further since then. Income tax cuts implemented since 2005 have also cost the state enormously. Restoring and raising taxes for the top one percent of Ohio earners (who earn as much as the entire bottom half of the population) would generate \$600 million annually.

These cuts were implemented amid claims that they would bring prosperity to Ohio. But since pursuing this tax cut strategy, Ohio has fallen further behind, losing jobs at a faster pace than the rest of the country. While the reasons for Ohio's job loss are complex, tax cuts have not helped, and have left us unable to pay for the basics. Research shows that states with lower taxes have not grown faster than states that gather the revenue they need to do what matters.

Proposals to further slash revenues, such as the bill to eliminate the state's income tax, would obliterate state services. Our analysis of the income tax elimination bill found that we could close down the state prison system, end all aid to higher education and cut off property-tax relief paid by the state, and we still would have to cut more to make up the loss of income-tax revenue.

Below are links to some of the analyses done by Policy Matters in recent years that documents how our tax slashing strategy has deprived the state of needed revenue. Policy Matters recommends rejecting future attempts to further reduce taxes and restoring revenue – in a progressive way – so that the state can better pursue economic, educational, and other goals.

NOT A FAT CAT: THE COMMERCIAL ACTIVITY TAX ADDS TO OHIO'S BUDGET WOES
August 2009

<http://www.policymattersohio.org/NotFatCAT2009.htm>

SPENDING BY ANOTHER NAME: THE 2009 OHIO TAX EXPENDITURE REPORT
June 2009

<http://www.policymattersohio.org/OhioTaxExpenditures2009.htm>

LIMITING LOOPHOLES: A DOZEN TAX BREAKS OHIO CAN DO WITHOUT
September 2008

<http://www.policymattersohio.org/LimitingLoopholes2008.htm>

POLICY MATTERS TESTIMONY ON HOUSE BILL 400 (INCOME TAX ELIMINATION)
February 2010

http://www.policymattersohio.org/TestimonyOnHB4002010_0224.htm

BOOSTING REVENUE: TAPPING OHIO'S TOP EARNERS TO MEET OHIO'S NEEDS
October 2009

<http://www.policymattersohio.org/BoostingRevenue2009.htm>

ECONOMIC GROWTH AND THE PUBLIC SECTOR: EVIDENCE FROM THE STATES
http://www.policymattersohio.org/state_economic_growth_2006.htm

THE 2005 TAX OVERHAUL, BUSINESS AND OHIO'S ECONOMY: LEGISLATIVE BRIEFING,
http://www.policymattersohio.org/TaxBriefing2009_0219.htm

BUSINESS TAX REVAMP: A DEFIIT IN THE MAKING

<http://www.policymattersohio.org/BusinessTaxRevamp2009.htm>

WHO PAYS? A DISTRIBUTIONAL ANALYSIS OF THE TAX SYSTEMS IN THE STATES
November 2009

<http://www.policymattersohio.org/WhoPays2009.htm>

THE 2005 TAX OVERHAUL AND OHIO'S ECONOMY

<http://www.policymattersohio.org/2005TaxOverhaul.htm>

INCOME TAXES AND OHIO MIGRATION: A LINK THAT DOESN'T EXIST
JUNE 2005

http://www.policymattersohio.org/Taxes_and_Migration_2005_06.htm

STATEMENT ON THE BUDGET SHORTFALL
February 2008

http://www.policymattersohio.org/StatementOnTheBudgetShortfall2008_0227.htm

BUCKEYE BUDGET BLUES (Published by the American Prospect, January 2009)

http://www.prospect.org/cs/articles?article=buckeye_budget_blues