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Income-tax cut would favor affluent

Study: Middle-class Ohioans wouldn't get enough for a tank of gas

Poor and middle-income Ohioans would get little out of Gov. John Kasich's proposed income-tax cut, while the highest-income Ohioans would see reductions in the thousands of dollars, according to a report issued today by Policy Matters Ohio. While House Republicans have sidelined the proposal for now, Rep. Ron Amstutz, chair of the Finance and Appropriations Committee, has indicated it will be taken up in the future.

The analysis found that Ohioans in the top 1 percent of the income spectrum earning at least \$321,000 a year on average would receive roughly \$2,300 a year in reduced taxes. The middle fifth of Ohio residents, making between \$32,000 and \$49,000 a year, on average would get about \$42 – not enough for a tank of gasoline at today's prices.

The report comes from an analysis by the Institute on Taxation & Economic Policy, a Washington, D.C., based research group with a sophisticated model of the tax system. The estimates are based on the Kasich administration's projection of \$500 million in annual income-tax cuts. Those would be funded from a tax boost on oil and gas produced by hydraulic fracturing, or fracking, in shale rock.

“Gov. Kasich said every Ohioan should benefit from the wealth in shale oil and gas, not just out-of-state shareholders in oil and gas companies. Yet he proposes to give the money raised from a higher severance tax mostly to upper-income Ohioans,” said Zach Schiller, Policy Matters Ohio research director. “Instead, we all ought to benefit from better education and public services that otherwise are being cut in the current state budget. Moreover, we need to reserve a portion of the increased revenue for the costs fracking is likely to create.”

The \$500 million is an estimate at peak production years from now, which may or may not come about; in the interim, tax cuts would be smaller. Thus, the \$42 is considerably more than middle-income Ohioans could expect soon. The analysis shows that the 60 percent of Ohioans with income below \$49,000 a year would receive only a little more than one dollar in every eight of the tax cuts. One out of every four dollars cut in taxes would go to the top 1 percent. Overall, more than 40 percent of the cut would go to the top 5 percent, those Ohioans making more than \$137,000.

Policy Matters Ohio is a nonprofit, nonpartisan research organization with offices in Cleveland and Columbus. The Institute on Taxation and Economic Policy is a nonprofit, nonpartisan research group in Washington, D.C. ITEP's Microsimulation Tax Model allows it to measure the distributional consequences of federal and state tax laws and proposed changes in them, both nationally and on a state-by-state basis.