



For immediate release
October 28, 2013

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policymattersohio.org/4percent-oct2013

Cheap cup of coffee for poor, four-figure tax cut for affluent under new Senate proposal, analysis finds

Under SB 210, poor residents on average would get \$1 a year

The 4 percent state income-tax cut proposed in a new Senate bill might buy a cheap cup of coffee a year, on average, for low-income Ohioans, while giving more than \$1,400 to the state's most affluent residents, according to a study released today by Policy Matters Ohio.

The analysis found that Ohioans in the top 1 percent of the income spectrum earning at least \$360,000 a year would receive an average reduction in taxes of \$1,437 a year. The middle fifth of Ohio residents, making between \$34,000 and \$54,000 a year, would get an average of \$28. Those in the bottom fifth, making less than \$19,000, would see an average reduction of just \$1.

“The proposed cut would further tilt the tax system in favor of affluent Ohioans,” said Zach Schiller, research director at Policy Matters Ohio. “Ohioans would be better served if we rehired police and firefighters, put teachers back in our classrooms, and invested more to protect vulnerable elderly from neglect and abuse.”

Under Senate Bill 210 as written, libraries and local governments would see additional annual reductions of millions of dollars a year, since each receives 1.66 percent of tax revenues. The bill was designed to use savings from Medicaid expansion for the tax reduction, but it is far from clear that savings will match the size of the proposed tax cut.

The Institute on Taxation and Economic Policy, a Washington, D.C., based research group with a sophisticated model of the tax system, did the analysis for Policy Matters.

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.

How a 4 percent income-tax cut would affect different Ohioans

Average cut for top 1 percent

\$1,437

Average cut for middle 20 percent

\$28

Average cut for lowest 20 percent

\$1