



For immediate release  
February 13, 2014

Contact: Zach Schiller, 216.361.9801  
[policymattersohio.org/taxes-feb2014](http://policymattersohio.org/taxes-feb2014)

## **Proposed income-tax cuts would favor wealthy** Poor and middle class would get little benefit, analysis finds

New income-tax cuts of the sort favored by Gov. John Kasich would heavily benefit Ohio's most affluent taxpayers. An across-the-board cut that would reduce the top rate below 5 percent – a target for Gov. Kasich – would give low-income Ohioans just enough each year to buy a slice of pizza, according to a report released today by Policy Matters Ohio.

The report finds that the top 1 percent of Ohioans, with annual incomes averaging \$1 million, would receive cut of \$2,515 a year on average. The middle fifth of taxpayers, who make between \$34,000 and \$54,000, would average a tax cut of \$48, while the lowest fifth would get \$2.

“Cutting the Ohio income tax will accomplish two things,” said Zach Schiller, research director at Policy Matters Ohio. “It will further skew the tax system in favor of Ohio's affluent, increasing inequality, and reduce the resources badly needed for our schools, local governments and services.”

For the report, Policy Matters relied on an analysis by the Institute on Taxation and Economic Policy, a Washington, D.C.-based research group that has a sophisticated model of the tax system. The top income-tax rate after the full phase-in of cuts approved last year will be 5.333 percent, down from the previous 5.925 percent and from 7.5 percent a decade ago. ITEP examined the impact of a 7 percent, across-the-board rate cut, which would reduce the top rate to 4.96 percent.

Only a very small number of Ohioans pay the top rate, which kicks in only for income above \$208,500. The top rate is often and erroneously referred to as if it is paid on all taxable income, when in fact it is paid only on taxable income over that amount.

“Another income-tax cut won't bring Ohio prosperity,” said Schiller. In 2005, the Ohio General Assembly approved a 21 percent phased-in reduction of income-tax rates. The reason for a reduction of that size was to get the top rate, then at 7.5 percent, below 6 percent. Since then, Ohio job performance has lagged behind that of the country as a whole.

Ohio is one of just a dozen states that have lost jobs since June 2005; we have lost a greater share of our jobs in that time than all but two other states, Rhode Island and Michigan. Since January 2011, the number of jobs in Ohio has grown by 3.97 percent; nationally, the figure is 5.02 percent.

###

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