

Tax plan is bad for Ohio, lawmakers told

Additional cuts to Ohio's income tax proposed by Gov. John Kasich would detract from Ohio's fiscal stability, and are unlikely to accelerate job creation, Policy Matters Ohio Research Director Zach Schiller said in testimony to Ohio lawmakers today.

Instead of cutting taxes, Ohio should be looking for additional tax revenue to restore aid to local governments and pay for other unmet needs, Schiller told members of the House Ways & Means Committee.

"We need to help more of our young people to afford to go to college," he said. "We need to tear down or rehabilitate the tens of thousands of abandoned houses that resulted from the foreclosure crisis. We need to assist more families to pay for childcare, helping many to work. We languish near the bottom among states in public health indicators. Our support for public transit ranks below that of South Dakota and needs a substantial boost."

Reducing the income tax further will also skew the tax system even more against lower- and middle-income Ohioans. Ohio's income tax is the one major tax based on ability to pay. The state tax system is already weighted against low- and middle-income Ohioans.

An analysis by the Institute on Taxation and Economic Policy, a nonprofit research group in Washington, D.C., found the bottom three-fifths of Ohioans would pay more as a group under the governor's plan, which includes a sales-tax rate increase. Most of the increases like the sales-tax hike would fall more heavily on those with low or middle incomes. Even excluding the proposed increases in the cigarette and tobacco taxes, the proposal remains highly rewarding to Ohio's most affluent, while costing more on average for the bottom two-fifths of Ohio residents.

Raising the sales tax while cutting income taxes has other troubling aspects, too. "While it has its ups and downs, the income tax grows with the economy over time. Sales-tax revenues don't grow as fast," Schiller said. "Are we going to need to raise the sales tax again to make up the difference? Or will this crimp our ability to support vital public services? Either way, this is not a swap that is likely to help Ohio's finances."

A number of tax measures that Gov. Kasich has proposed are worthy of consideration. These include raising the severance tax, cutting certain tax breaks, and increasing the rate of the state's main business tax. However, these and other measures to improve Ohio's tax system should be considered on their own, not to pay for unneeded income tax cuts.

Policy Matters Ohio is a nonprofit, non-partisan research institute with offices in Cleveland and Columbus.