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House tax plan: A gift to Ohio's wealthiest

Like Gov. John Kasich's budget proposal, the tax plan in the budget approved by the Ohio House of Representatives last week is tilted in favor of the wealthiest Ohioans and would increase income inequality in Ohio, a new analysis shows.

"The House budget delivers thousands of dollars a year in average tax cuts to the most affluent, while providing so little to the poorest Ohioans it wouldn't be enough for a gallon of milk," said Policy Matters Ohio Research Director Zach Schiller. "Middle-income residents would get enough to buy a six-slice toaster oven."

The analysis was done for Policy Matters by the Institute on Taxation and Economic Policy, a Washington, D.C.-based research group with a sophisticated model of the tax system. It found that the House proposal would provide a \$3,568 annual tax cut on average to taxpayers in the top 1 percent of the income spectrum, who made more than \$388,000 in 2014. The bottom fifth of Ohio taxpayers, who made less than \$20,000 last year, on average would see just a \$2 reduction. Most of this group would see no benefit at all because many of the poorest Ohioans pay little or no state income tax, though overall they pay more of their income in state and local taxes than more affluent Ohioans do. Middle-income Ohioans making between \$37,000 and \$58,000 on average would get just a \$52 annual tax cut under the bill.

The House tax plan does not shift who pays taxes to lower- and middle-income Ohioans to the same degree as Gov. Kasich's original tax proposal. Under his plan, which included a 23 percent income tax rate cut, the top 1 percent would average an annual gain of \$11,906, while the bottom 60 percent of Ohioans as a group would pay more.

But while the House bill reduces the income-tax cuts to 6.3 percent, it would more than double the size of the total net tax cut to \$1.2 billion over two years compared to Gov. Kasich's plan.

Tax changes would benefit affluent Ohioans

Average cut for top 1 percent

\$3,568

Average cut for middle 20 percent

\$52

Average cut for lowest 20 percent

\$2

“Ohio can ill afford such tax cuts, which will go mostly to well-off Ohioans, when we have gaping needs,” Schiller said. “We need to restore aid to local governments. We need to help more of our young people afford college. We need to help more families pay for childcare, so the parents can work. We languish near the bottom among states in public health indicators. These are just a few of our unmet needs.”