



August 27, 2015

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Kasich-era tax cuts enrich the richest Ohioans

The top 1 percent of Ohioans on average will see a \$17,618 annual reduction in state taxes as a result of major tax changes made during the Kasich administration, while the bottom fifth will pay \$17 more, according to a new report by Policy Matters Ohio.

The windfall for the wealthy results from cuts in state income taxes, the major tax that is based on the ability to pay, while increases in other taxes such as the sales tax fall more heavily on lower- and middle-income Ohioans.

Those are the key findings of an analysis by the Institute on Taxation and Economic Policy (ITEP), a nonprofit national research group with a sophisticated model of state and local tax systems across the country.

ITEP did the analysis for Policy Matters, taking into account Kasich-era tax changes that have already taken effect and some that have not yet taken full effect. ITEP found that middle-income Ohioans will see tax cuts averaging \$94 a year. Those lower down on the income scale on average will see even less, while some of the poorest Ohioans will have to pay a little more. Leaving aside the tax increases that were approved, the top 1 percent will receive 38 percent of the income-tax cuts, while the bottom three-fifths gets just 12 percent of the total.

Across-the-board cuts in Ohio's state income tax, of 10 percent in 2013 and another 6.3 percent this year, were a key element in the tax changes. These flow heavily to high-income residents because like most states, Ohio has a graduated income tax, under which higher amounts of income are taxed at a higher rate. Likewise, upper-income Ohioans especially benefit from a big new tax break for business income that was approved in 2013 and then further expanded this year.

"Ohio's job market has underperformed the nation's as we've been cutting the income tax and raising other taxes," said Zach Schiller, Policy Matters research director and author of the report. "Meanwhile, this has drained revenues that are badly needed to invest in our state. This tax policy needs to be reversed."

Annual impact of tax changes enacted during Kasich administration

Average cut for top 1%

-\$17,618

Average cut for middle 20%

-\$94

Avg. *increase* for lowest 20%

+\$17