



Ohio should reinstate an estate tax

New national report outlines the tax as a key tool for broad prosperity

Ohio should reinstate an estate tax, which would reduce inequality and provide revenue for investments that would promote a strong economy.

A report issued today by the Center on Budget and Policy Priorities (CBPP) outlines how state estate taxes help accomplish those goals. The report is available at <http://www.cbpp.org/research/state-budget-and-tax/state-estate-taxes-a-key-tool-for-broad-prosperity>.

“Since 2001, many states have eliminated their estate tax — removing a key tool for reducing inequality and building broadly shared prosperity at a time when the income gap between the wealthiest Americans and the rest has widened significantly,” says CBPP Senior Fellow Elizabeth McNichol, author of the report. “Estate tax revenues support services that make a state an attractive place to do business and live — which is among a number of ways that the tax will help — not harm — the state.”

Ohio repealed its estate tax in 2011, effective in January 2013. It covered estates worth more than \$338,333. Four-fifths of estate tax revenue went to local governments, which have also suffered from other cuts in state aid. Ohio’s estate tax produced \$258 million or more a year in revenue from estates worth at least \$1 million in the four years before it was eliminated. The CBPP report estimated that reestablishing an estate tax in Ohio with an exemption on the first \$1 million would generate \$320 million a year (it was based on a federal rate schedule that provided higher rates for large estates).

Fewer than 2,000 estates each year with taxable value of more than \$1 million paid the old Ohio tax. That represents less than 2 percent of all the estates in Ohio. In short, such a tax would affect only a tiny share of Ohioans; average people would pay nothing. As it is now, Ohio’s tax system is tilted against low- and middle-income residents, who on average pay a larger share of their income in state and local taxes than the state’s wealthiest do. With inequality at the highest levels in decades, restoring an estate tax would take a step toward a better-balanced tax system.

Cincinnati and other large cities lost millions of dollars a year in revenue with the end of the estate tax. But across Ohio, local governments relied on the tax to make capital investments, such as buying police cruisers and garbage trucks, and so restoring the tax would enable them to more easily do so. “That would provide stability for communities across the state, instead of continuing with a tax break that goes to just a small number of Ohio’s most affluent,” said Zach Schiller, research director of Policy Matters Ohio.

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute.