



Chairman Oelslager, Vice Chair Plummer, ranking member Crawley, and members of the committee, my name is Nick Bates, and I am the budget and tax policy director for One Ohio Now. We are a statewide coalition of more than 100 social service, labor, advocacy and faith organizations. Today I stand against the proposed 2% income tax cut proposed in the Substitute House Bill 110. This \$380 million tax cut builds on many previous tax cuts that have simply not worked.

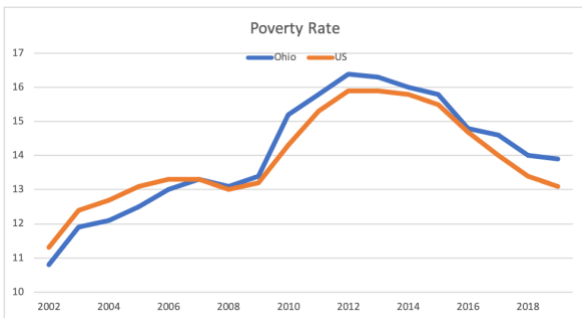
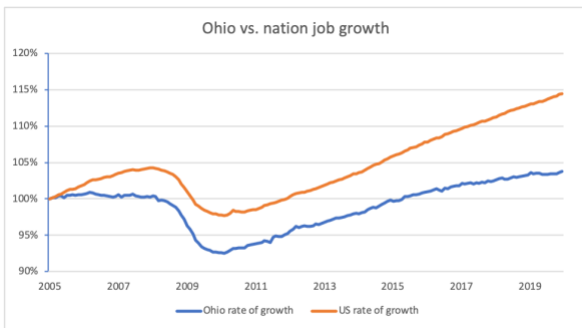


Figure B-8: The K-Shape Recovery

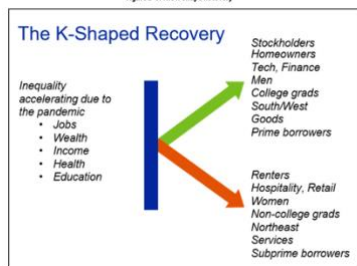


Image from OBM Bluebook for FY2022-2023

We have already tried this approach, and it didn't work: Since 2005, Ohio has cut income tax rates nine times,¹ costing Ohio over \$7 billion a year in lost revenue.² These tax cuts have not led to the promised job growth³ as is evidenced in the chart to the left. The data shows the rate of job creation in Ohio has regularly trailed the rate of growth in the nation despite regular rate reductions. In addition, poverty in 2019 was worse than before the tax cuts began, and we have fallen behind the national average.⁴

The needs in Ohio are too great right now to cut revenue. Economic forecasters are calling this a *K-shaped recovery*. This economic reality exposes the existing economic inequality in our country and continues to make it worse.⁵ This means that some Ohioans are doing very well while others are not. For example, in 2020 food insecurity jump 40% in Ohio.⁶ African American unemployment in the fourth quarter last year was nearly double the statewide average (11.1% compared to 5.8%).⁷ Similarly, a study released in December found that 11% of renters in Ohio are at risk of eviction – placing Ohio

¹ <https://tax.ohio.gov/wps/portal/gov/tax/individual/resources/annual-tax-rates>

² <https://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/tax-policy/rebalance-the-income-tax-to-build-a-better-ohio-for-everyone>

³ Bureau of Labor Statistics

⁴ <https://www.development.ohio.gov/files/research/p7005.pdf>

⁵ <https://www.businessinsider.com/k-shaped-recovery-definition>

⁶ <https://www.cleveland.com/opinion/2021/01/state-must-shoulder-more-of-the-burden-of-feeding-ohios-hungry-david-long-higgins.html>

⁷ <https://www.epi.org/indicators/state-unemployment-race-ethnicity/>

in the top 10 states.⁸ We also know that women have been hit hard by the pandemic. Last September, for example, 23% more women than men had to leave the workforce because the pandemic hit female dominated industries (like restaurants and hospitality) hard, and women are more likely to be primary caregivers for young children.⁹ The proposed 2% income tax rate reduction will do nothing to help these families.

Across the board rate reductions primarily benefit the wealthy: Over the past 16 years of Ohio's tax shift, the wealthiest are paying \$40,000 a year less while the poorest Ohio households are in fact paying \$126 a year more.¹⁰ The proposed 2% income tax cut will add to the disparity and not benefit those Ohioans who are struggling the most.

This tax cut might put federal dollars at risk: Also, as we wait on the rules and court proceedings, we should be cautious in proposing a tax cut that could cause Ohio to lose money through the American Recovery Plan. This 2% rate reduction could be even more costly than anticipated.

In Conclusion: Instead of spending \$380 million on a 2% income tax cut that won't benefit the majority of Ohio families or communities, we encourage the legislature to invest to address real needs. For example, these dollars could expand childcare funding and eligibility to 200% of the federal poverty level. Likewise, an increase to the State Share of Instruction (SSI) both two- and four-year institutions would provide more affordable higher education options for Ohioans looking to train for their career.

If the legislature is set on doing a tax cut, may I suggest, there are meaningful ways to put dollars into the hands of low- and middle-income Ohioans such as an expansion of the dependent deduction, create a sales tax credit for low-income Ohioans, or make work pay with a **refundable** Earned Income Tax Credit (EITC). These changes would have positive economic impacts because they put dollars into the hands of families that immediately put them to use in the economy.

Thank you and I would be happy to answer any questions.

⁸ <https://www.clevescene.com/scene-and-heard/archives/2020/12/16/ohio-renters-face-some-of-the-highest-risk-of-eviction-in-the-nation-study-says>

⁹ <https://www.daytondailynews.com/news/i-couldnt-find-the-balance-impact-of-women-leaving-workforce-will-ripple-through-economy/BQYXTA4GV5GVRMZVZ7PX6JJ2MM/>

¹⁰ <https://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/tax-policy/rebalance-the-income-tax-to-build-a-better-ohio-for-everyone>