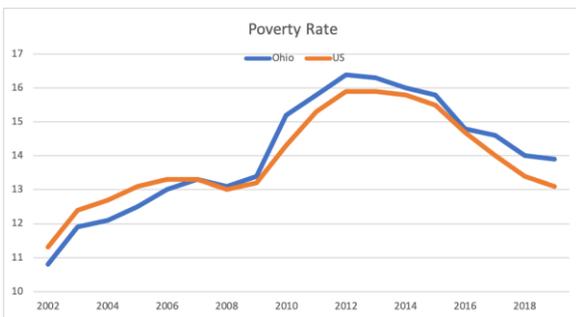
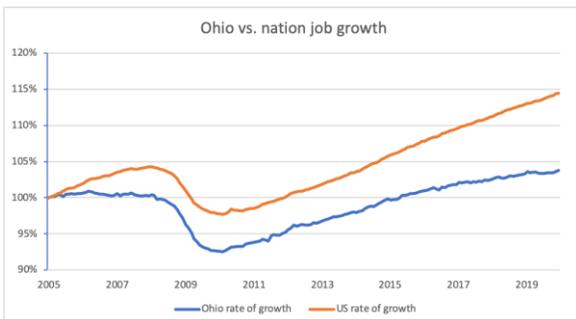




Chairman Dolan, Vice Chair Gavarone, ranking member Sykes, and members of the committee, my name is Nick Bates, and I am the budget and tax policy director for One Ohio Now. We are a statewide coalition of more than 100 social service, labor, advocacy and faith organizations. Today I stand against the proposed 2% income tax cut proposed by the Ohio House. This \$380 million tax cut builds on many previous tax cuts that have simply not worked for the benefit of Ohio. I would encourage the Senate to pursue a more sound decision with these dollars.



**We have already tried this approach, and it didn't work:** Since 2005, Ohio has cut income tax rates nine times,<sup>1</sup> costing Ohio over \$7 billion a year in lost revenue.<sup>2</sup> These tax cuts have not led to the promised job growth<sup>3</sup> 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 - before the pandemic - was worse than before the tax cuts began, and we have fallen behind the national average.<sup>4</sup>

**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.<sup>5</sup> This means that some Ohioans are doing very well while others are not. For example, in 2020 food insecurity jump 40% in Ohio.<sup>6</sup> African American unemployment in the fourth quarter last year was nearly double the statewide average (11.1% compared to 5.8%).<sup>7</sup> Similarly, a study released in December found that 11% of renters in Ohio are at risk of eviction – placing Ohio

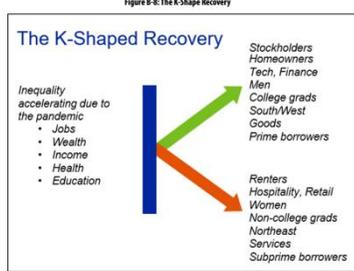


Image from OBM  
Bluebook for FY2022-  
2023

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

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

<sup>3</sup> Bureau of Labor Statistics

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

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

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

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

in the top 10 states.<sup>8</sup> 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.<sup>9</sup> 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 tax shifts, the wealthiest are paying \$40,000 a year less while the poorest Ohio households are in fact paying \$126 a year more.<sup>10</sup> The proposed 2% income tax cut will add to the disparity and not benefit those Ohioans who are struggling the most as is evidence in the table below.

Income Level	Share of taxpayers	Annual average tax reduction
Less than \$22,000	Lowest 20%	\$0
\$22,000-40,000	Next 20%	\$1
\$40,000-\$61,000	Middle 20%	\$7
\$61,000-\$98,000	Next 20%	\$19
\$98-\$205,000	Next 15%	\$54
\$205,000-\$490,000	4%	\$136
\$490,000 +	Top 1%	\$612

**This tax cut could put federal dollars at risk:** Also, as we wait on the courts and others, 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 Senate to invest to address real needs. For example, these dollars could expand childcare funding and eligibility to 200% of the federal poverty level or provide an increase to the State Share of Instruction (SSI) to reduce the cost of higher education. These investments, and many others, would do more to strengthen the economy for Ohio families.

If the legislature is set on doing a tax cut, may I suggest, a **refundable Earned Income Tax Credit**. This change would improve income for low-wage workers by rewarding work, be spent quickly in local businesses, and strengthen the transition away from public assistance for people working hard to climb toward economic stability.

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

<sup>8</sup> <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>

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

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