



TESTIMONY

June 4, 2025
Bailey Williams

Testimony to the Senate Finance Committee on HB 96

Hello Chair Cirino, Vice-Chair Chavez, Ranking Member Hicks-Hudson, members of the Senate Finance Committee. My name is Bailey Williams, and I am a tax policy researcher at Policy Matters Ohio, a nonprofit, nonpartisan research organization with the mission of creating a more vibrant, equitable, sustainable, and inclusive Ohio. Thank you for the opportunity to deliver testimony on H.B. 96, the proposed state operating budget for Fiscal Years 2026 and 2027.

My testimony will focus on one specific tax policy included in the Senate Sub-Bill: The flattening of our personal income tax to a single 2.75% rate by next year. This provision must be removed from the operating budget. This fiscally irresponsible tax cut can be summed up as **a billion-dollar giveaway to Ohioans making six figures.**

Ohio's personal income tax currently consists of just two taxable brackets. A 2.75% rate on income in between \$26,050 and \$100,000, and a 3.5% rate on income above \$100,000. The elimination of the top bracket in favor of a single bracket at 2.75% means only Ohioans making at least six figures will see an income tax cut. Estimates from both the Legislative Service Commission (LSC) and the Institute on Taxation and Economic Policy (ITEP) place the cost of moving to a 2.75% flat tax at \$1.1 billion per year. Table 1 below shows more analysis by ITEP on the main beneficiaries of a 2.75% flat tax.

Table 1: Distribution of move to 2.75% flat tax by income quintile group.

A 2.75% flat income tax amounts to a \$1 billion hand out to Ohioans making more than \$100k.

Only 2.88% of the tax cut would go to Ohioans in the bottom 80% of earners. The top 1% alone would get over 40% for the benefit. No millionaire needs a \$10k tax cut.

2025 Income	Bottom 20%	Second 20%	Third 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range Start	Below	\$26,300	\$52,000	\$83,100	\$139,900	\$273,300	\$748,200
Income Range End	\$26,300	\$52,000	\$83,100	\$139,900	\$273,300	\$748,200	And Above
Average Income	\$15,100	\$38,900	\$66,800	\$107,400	\$179,500	\$409,500	\$1,780,900
Share of Resident Tax Cut	0.00%	0.00%	0.00%	2.88%	28.44%	28.58%	40.10%
Avg. Tax Cut for Those with Cut	\$0	\$0	\$0	\$96	\$390	\$1,483	\$9,891

Source: Estimates provided by the Institute on Taxation and Economic Policy • Created with Datawrapper

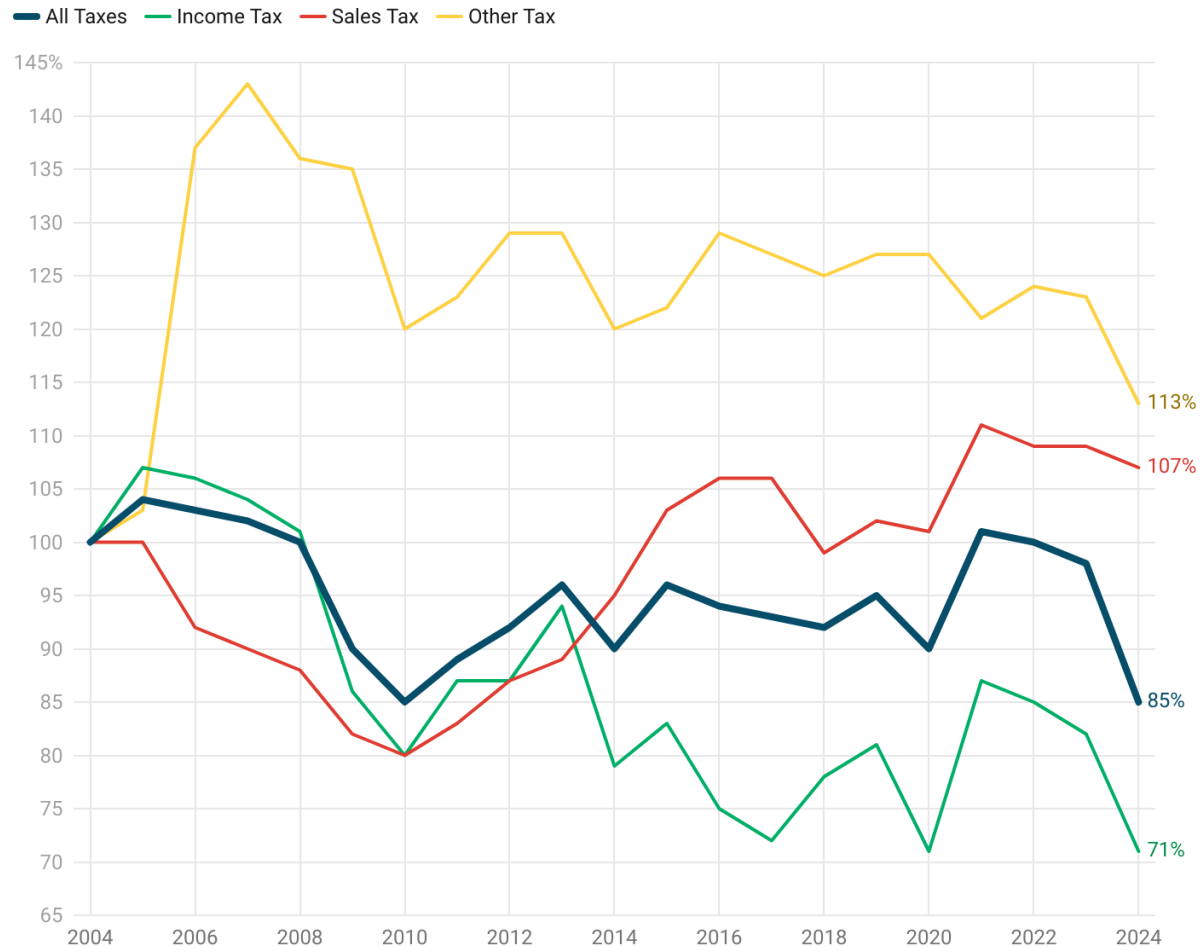
According to ITEP, less than 3% of this tax cut would go to the bottom 80% of Ohioans. The other 97% of this tax cut goes to Ohioans in the top 20% of earners making at least \$139,000 dollars. 40% of benefit of this tax cut goes to the top 1% alone. An Ohioan in the top 1% has an average income of over \$1.7 million and would receive an average tax cut of \$9,891. There is not a single millionaire in the world who needs a \$10,000 tax cut. Yet, this budget caters to wealthiest while leaving the rest of us out to dry.

Advocates would have us believe there are down-stream benefits for this tax cut, but those claims only hold water in theory and are debunked with data. First, **Ohio has not seen significant increases in the purchasing power of other tax revenues to make up for our large cuts to the income tax.** Table 1 below shows the change in purchasing power for our major taxes since 2004. Since that, the purchasing power of all our state tax revenue has decreased 15%. In other words, for every dollar in tax revenue Ohio had in 2004, we now have only 85 cents today. While the purchasing power of sales tax revenue increase by 7% showing some increased revenue there, these gains are far out weighed by the 29% drop in the income tax revenue's purchasing power. We've cut our income tax too much. We cannot continue to go down this route with a flat income tax.

TABLE 2: Purchasing power of state revenue in Ohio since 2004.

Fiscal Year 2024 was the worst year for state revenue since FY 2010, the height of the Great Recession.

Purchasing power of state tax revenue in Ohio in 2004 Dollars. State revenue has seen a 15% drop in purchasing power since 2004.



Tax Revenue Data from the Ohio Department of Taxation's Net Tax Collections of Taxes Administered by the Tax Commissioner. Purchasing Power derived from the Consumer Price Index for All Urban Consumers Chained to 2004 Dollars.

Created with Datawrapper

We don't need to go back 20 years to see a negative impact on our revenues. We can see it as recently as two years ago. In fiscal year 2023, Ohio's general revenue fund raised \$28.92 billion. The next year, the GRF brought in almost \$1 billion less in state revenue at \$27.94 billion, before accounting for inflation. The main driver of this was a \$1.28 billion drop in income tax revenue from the tax cuts passed in the last budget bill. This far outweighs the \$217 million increase the sales tax saw. These income tax cuts are not being made up for on the backend.

Second, our tax rates are already comparable to states around us. Ohio's overall tax structure and our taxes on businesses are lower than the national average.¹ Table 2 below compares Ohio top marginal rate of 3.5% to the flat tax rates of neighboring states. What we see is Ohio's rate is very competitive, situated right in the middle of several of our neighboring states. We won't attract many Midwesterners to Ohio with 1% difference in income tax rates. We will dissuade people from moving here if we expect them to accept an upside-down tax code that can't adequately fund public goods and services.

TABLE 3: Ohio's Top Marginal Income Tax Rate Compared to Neighboring States' Flat Income Tax Rate

State	Top Marginal Rate
Indiana	3.00%
Pennsylvania	3.07%
Ohio	3.50%
Kentucky	4.00%
Michigan	4.25%
Illinois	4.95%

Finally, the income tax with its graduated brackets is the only tax that asks the rich to pay a higher share of their income. Eliminating what remains of the progressive tax brackets also eliminates any notion of equity in the state tax code. All other major taxes we rely on in the state, in particular the sales tax and property tax, are regressive taxes that impose higher rates on those with less income. The less we rely on fair taxes like the income tax, the more we rely on regressive taxes.

ITEP analysis shows Ohioans in the bottom 20% of earners pay 12.7% of their income to state and local taxes. The lion's share of that goes to the sales tax (7.2%) and property tax (3.8%.) Compare this to the top 1% of Ohio earners. These Ohioans pay just 6.3% of their income to state and local taxes, less than half the rate the bottom 20% pays. The top 1% pay most of their taxes to the income tax at 3.7%. Further reducing this progressive tax means making more inequitable tax code. Remove the flat tax.

In summation, I implore this committee to remove the 2.75% flat income tax from HB 96. This fiscally irresponsible tax cut only benefits Ohioans making six figures. The further shifting of the state to regressive taxes for revenue while hindering proper funding for public services will deter more people from moving here. We do not need an income tax that imposes the same tax rate on teachers as it does professional athletes and corporate CEOs. We need a tax that properly funds the needs of all Ohioans. Remove the flat tax. Thank you, I'm happy to take any questions.

¹ Total State and Local Business Taxes. Council on State Taxation. December 2024.