

VIEWPOINT: Lower Taxes to Keep Ohio Competitive

Hats off to Governor Jon Huntsman and state lawmakers in Utah. Together they are working to reduce the top tax rate on personal income from 6.98 to 5 percent and cut personal income taxes by \$100 million. While it remains to be seen exactly how the details of the plan's tax credits and phase-outs play out, maybe elected leaders in Ohio can take a few notes.

Huntsman said the lower rate now makes Utah competitive with other Mountain states that either have no personal income tax (Nevada and Wyoming) or have a rate lower than 5 percent (Arizona, Colorado and New Mexico).

Sound familiar?

Ohio's current top rate of 6.87 is higher than any of its neighboring states, and according to the Tax Foundation, Ohio's personal income tax system, composed of 9 separate tax brackets is "one of the nation's most complex."

Short of doing away with Ohio's income tax altogether, lowering Ohio's maximum tax rate would be one of the most effective reforms state lawmakers could implement to make the state more competitive with our neighbors and with states that don't have an income tax.

The sooner something is done the better. From 2003 through 2005, about 39,000 households left Ohio for states without income taxes, taking \$2.1 billion in annual income with them, according to the Internal Revenue Service.

To their credit, Ohio's legislature has made an attempt at this type of reform, cutting income tax rates by 21%, and phasing in a lower top marginal rate, decreasing it from 7.5% to 5.925%. However, while this may be a step in the right direction, Ohio still remains a high tax state.

After these reforms are implemented, Ohio will still have a higher top marginal income tax rate than Michigan, Pennsylvania, and Indiana, which impose a flat income tax of 3.9%, 3.07% and 3.4% respectively. Technically, Ohio's top marginal rate will be lower than Kentucky's (6%), but only slightly. Thus in terms of individual income tax, these recent reforms really only make Ohio more attractive than West Virginia, whose top marginal rate is 6.5%.

Likewise, when all state and local taxes are taken into account, Ohioans give 12.4% of their personal income to the government, a larger percentage than any of our neighboring

states. According to the Buckeye Institute, only Vermont, Maine, New York and Rhode Island take a larger percentage of personal income in taxes than Ohio.

Studies have shown that low tax states experience higher levels of population growth as well as growth in per capita income. The bottom line is that if Ohio can't compete against its neighbors to attract new businesses, people and jobs, how can we hope to compete nationally?