



OHIO'S JOBS BUDGET 2.0

JOBS. MOMENTUM. TRANSFORMATION.

Leading Ohio Economists Support Governor Kasich's Tax Reforms

Richard K. Vedder, Professor of Economics at Ohio University and Former Senior Economist at the U.S.

Joint Economic Committee: "Governor Kasich's tax proposals are welcome, because they address Ohio's biggest long term problem, sluggish growth in job opportunities and incomes. Despite some meaningful improvements in the past three years, Ohio still has income levels below the national average, and too many of our best and brightest youth are leaving the Buckeye State for greener pastures elsewhere. As Tiger Woods and Phil Mickelson have recently demonstrated, productive people are repelled by high state income taxes, and the 20 percent reduction in the Ohio income tax over three years is particularly important for the state's future development, helping to close a gap with neighbors like Indiana and Michigan. The sales tax proposal likewise broadens the base and lowers the rate. The base broadening is desirable because it both reduces distortions in economic activity and probably reduces the regressive nature of the tax, making it fairer as well. The proposal to increase severance taxes is reasonable given the changes in energy technology, and will not kill the advantages we can derive from fracking and other new innovations--and will help finance the income tax reduction. On the whole, this is a bold, pro-growth tax proposal that I hope is enacted into law by the Ohio General Assembly."

Tony Caporale, Professor of Economics and Finance at the University of Dayton: "Governor Kasich's proposed tax changes seem designed to try to jump start state economic growth. The proposed 20% reduction in the state tax rate should increase Ohio's competitiveness and lead to an expansion in employment and income. Economic theory and empirical evidence tells us that the true cost of a tax is not amount paid but the amount not paid (or avoided). The cost of taxing work, income, and investment is that it leads to less work, income and investment. An Ohio income tax cut should reduce these distortions to job growth and business expansion. Therefore, there would be a benefit to a tax reduction even if Ohio were a low tax state in our region. The fact that several bordering states have lower taxes makes the case for tax cuts even stronger. Capital is very mobile, and business and jobs will flow to the states where they are less penalized. The reduction in the sales tax rate is also welcomed. Although sales taxes are a direct tax on spending, they economically serve as a tax on current and future income and wealth. Having these rates lowered should also help make Ohio a more attractive place to do business. Given budget constraints these tax reductions are partially financed by the proposed increase in severance taxes on oil and gas exploration (fracking). As long as Ohio's tax treatment is largely on par with other states the proposed change seems unlikely to kill or seriously damage this burgeoning new industry. Overall, the proposals seem like a good policy mix."

Mark Partridge, Rural-Urban Policy Professor at The Ohio State University: "The Governor's proposal is a good first step to ensure that all Ohioans benefit from the current energy boom. It guarantees that Ohio's energy industry remains competitive against all other producing states. The proposed changes to the income tax will help the competitiveness of Ohio's businesses across the overall economy, enhancing economic growth for the benefit of the state."