



POLICY BRIEF SENATE BILL 210

Medicaid expansion savings
funding a 4% income tax rate cut.



January 3, 2013

Sponsors

Senator Widener, Faber, Patton, Obhof, Oelslager

Summary

SB 210 will use savings and new revenue from Medicaid expansion - initially projected at \$404 million by the Office of Health Transformation¹ - to cut income tax rates by 4% on top of the 10% rate cuts that passed in the recent budget bill.

Budget & Revenue Implications

This bill will further weaken Ohio's personal income tax, a change which benefits the wealthiest Ohioans the most and reduces revenue available for our communities. Legislative Services estimates a loss of \$577 million for the remainder of this budget cycle, and \$377 million a year from future budgets². This does not include reductions to local governments and libraries. Short-term revenue increases from Medicaid expansion will be reduced as a result of the state-federal cost share, which phases in over the next decade. Medicaid expansion is projected to have a net positive impact on Ohio's budget, but given the many needs for investment in public services, it is not prudent to weaken Ohio's income tax.

Political and Policy Climate

Senator Widner cast a closely scrutinized vote for Medicaid expansion through the Controlling Board on October 21st, and introduced this legislation on Oct. 22nd. This is widely considered to be a pivot to shift the focus away from a vote that many conservatives strongly opposed. There remains a constant effort to erode Ohio's income tax - a move that will benefit the wealthiest Ohioans - in an effort to woo business interests into Ohio. Many legislative leaders have countered with their own proposals. For instance Speaker Batchelder (R-Medina) wants to invest in veteran services and combatting drug addiction. Rep. Boose (R- Norwalk) wants to restore local government funds, and Rep. Hall (R-Millersburg) wants to pay down a federal loan Ohio received for unemployment compensation.

Policy Matters Ohio highlights other needs in Ohio, where investment would benefit the state more than income tax cuts. They point out that Ohio could hire 1,000 police officers, 675 fire fighters, 239 case workers for senior citizens, 1,570 teachers, create 14,000 preschool spots, provide need-based assistance for college students **and** strengthen the EITC for 855,000 Ohio families.

Fine Print

This tax cut will have a negligible impact on most Ohioans. Annually, the bottom 20% of Ohioans can expect about \$1, the middle 20% of Ohioans will receive about \$28, and the top 1% will receive over \$1,400. In 2005, Ohio cut income tax rates by 21%, and in 2013, Ohio passed another 10% income tax rate cut. These cuts went largely unnoticed by Ohioans, because the state income tax is a small portion of the total tax load carried by individuals and businesses.

Additional Resources

[SB 210 Legislative Language](#)
[Policy Matters Ohio](#)
[Policy Matters Ohio](#)

<http://bit.ly/KgZjOY>
<http://bit.ly/1chsMFb>
<http://bit.ly/1die7Xv>

1. Office of Health Transformation Financial Estimates <http://1.usa.gov/1cOb5ez>
2. Legislative Services Commission Fiscal Note <http://bit.ly/1cOb623>