



VIEWPOINT

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Thoughts on Ohio's Climb to the Top By David Hansen

The table on the reverse side shows that in the course of a generation, Ohio has climbed to the highest rungs of the tax burden ladder in this country. Once a low tax state, Ohio has raced past forty-one other states and now ranks fifth in state and local taxes measured as a percent of income. No other state in the nation has increased its relative tax burden as greatly over the past thirty-five years.

Does this matter? It does if you accept this economic truth: The more you tax something, the less you have of it. In the case of the Tax Foundation data presented here, the 'something' that is taxed is quite simply the sum of economic activity occurring in Ohio. The more we tax economic activity, especially in comparison to other states, the less of it we will enjoy here in Ohio.

Less 'economic activity' is a sanitized way of saying our climb up the tax burden ladder has meant fewer jobs, less wages for those lucky enough to have jobs, and less opportunity for our state's citizens to realize the prosperity their talents and effort could afford them elsewhere.

There are consequences of having less of each of these benefits of economic activity. They include more unemployment, more broken families, more criminal activity, more drug use, more flight of brainpower and youthful energies, more bankruptcies and more school dropouts, just to name a few issues at stake in our state and local tax policies.

Some try to turn the truth about the consequences of taxes on its head. They say that taxes and government spending are a necessary ingredient for growing an economy, that the spending decisions of politicians and bureaucrats are an 'investment' that builds the capacity of our economic infrastructure.

By making this claim the tax-and-spenders try to deny a second economic principle. When the citizens of Ohio are able to keep more of the reward of their talents, ambitions and industry, far more good is done for the state's economy than is caused by a similar amount of spending routed through, and paying for, the political classes which run government. This truth should be self evident: just look at what our politicians have to show for their management of our state's economy after leading us up forty-one steps on the tax burden ladder.

The debate needs to focus on why we are not cutting taxes. Jobs continue to leave the state yet the size and cost of government continues to grow. Ohio can compete for new jobs and higher incomes only if lawmakers follow the positive examples set by Florida, Tennessee, and Texas and eliminate state and local income taxes.

Citizens in these states enjoy a higher level of economic prosperity and freedom than do Ohioans. State and local income tax elimination would take Ohio's tax burden down from 12.4 percent to 9.3 percent and tie Texas for the eighth lowest tax burden in the nation. The move would give our state's economy a much needed boost.

Ohio's State and Local Tax Burden: Rank and Burden as Percent of Income Compared to Other States

Michigan and Colorado have constitutional Tax and Expenditure Limits similar to the TEL proposal: Michigan's 'Headley Amendment' was adopted in 1978, Colorado's Taxpayer Bill of Rights was adopted in 1992

1970			1994			2007		
1	Vermont	12.3%	1	New York	13.7%	1	Vermont	14.1%
2	New York	12.3%	2	Wisconsin	12.4%	2	Maine	14%
3	South Dakota	12.1%	3	Maine	12.2%	3	New York	13.8%
4	Wisconsin	11.8%	4	Hawaii	12.1%	4	Rhode Island	12.7%
5	North Dakota	11.4%	5	Vermont	12.0%	5	Ohio	12.4%
6	Alaska	11.3%	6	Minnesota	11.9%	6	Hawaii	12.4%
7	Wyoming	11.1%	7	Washington	11.7%	7	Wisconsin	12.3%
8	California	10.9%	8	Iowa	11.5%	8	Connecticut	12.2%
9	Maine	10.8%	9	New Jersey	11.3%	9	Nebraska	11.9%
10	Arizona	10.8%	10	New Mexico	11.2%	10	New Jersey	11.6%
11	Iowa	10.8%	11	Connecticut	11.2%	11	Minnesota	11.5%
12	Hawaii	10.7%	12	Rhode Island	11.1%	12	California	11.5%
13	Washington	10.5%	13	Arizona	11.1%	13	Arkansas	11.3%
14	Minnesota	10.5%	14	Nebraska	11.0%	14	Michigan	11.2%
15	Utah	10.5%	15	Utah	10.9%	15	Kansas	11.2%
16	Montana	10.4%	16	Idaho	10.6%	16	Washington	11.1%
17	Nebraska	10.3%	17	Oregon	10.5%	17	Louisiana	11%
18	Massachusetts	10.3%	18	Kansas	10.5%	18	Iowa	11%
19	Mississippi	10.3%	19	Montana	10.4%	19	North Carolina	11%
20	New Mexico	10.2%	20	Maryland	10.4%	20	Kentucky	10.9%
21	Nevada	10.2%	21	Kentucky	10.4%	21	West Virginia	10.9%
22	Illinois	10.1%	22	Massachusetts	10.4%	22	Illinois	10.8%
23	Michigan	10.0%	23	Michigan	10.3%	23	Maryland	10.8%
24	Kansas	10.0%	24	Ohio	10.3%	24	Pennsylvania	10.8%
25	Colorado	10.0%	25	Georgia	10.2%	25	Indiana	10.7%
26	Maryland	10.0%	26	California	10.2%	26	South Carolina	10.7%
27	Idaho	9.7%	27	Illinois	10.1%	27	Utah	10.7%
28	Oregon	9.7%	28	North Carolina	10.0%	28	Massachusetts	10.6%
29	West Virginia	9.6%	29	Mississippi	10.0%	29	Mississippi	10.5%
30	Indiana	9.5%	30	West Virginia	10.0%	30	Colorado	10.4%
31	Rhode Island	9.5%	31	Florida	9.9%	31	Arizona	10.3%
32	Kentucky	8.9%	32	North Dakota	9.9%	32	Georgia	10.3%
33	New Jersey	8.9%	33	Pennsylvania	9.9%	33	Virginia	10.2%
34	Connecticut	8.9%	34	Colorado	9.9%	34	Missouri	10.1%
35	Virginia	8.9%	35	South Carolina	9.9%	35	Idaho	10.1%
36	Florida	8.8%	36	Indiana	9.9%	36	Nevada	10.1%
37	North Carolina	8.7%	37	Nevada	9.8%	37	Oregon	10%
38	Pennsylvania	8.7%	38	Texas	9.7%	38	Florida	10%
39	Missouri	8.7%	39	Arkansas	9.6%	39	North Dakota	9.9%
40	Tennessee	8.7%	40	Oklahoma	9.6%	40	New Mexico	9.8%
41	Georgia	8.7%	41	Virginia	9.6%	41	Montana	9.7%
42	New Hampshire	8.6%	42	South Dakota	9.6%	42	Wyoming	9.5%
43	South Carolina	8.5%	43	Wyoming	9.5%	43	Texas	9.3%
44	Louisiana	8.4%	44	Missouri	9.5%	44	South Dakota	9%
45	Arkansas	8.3%	45	New Hampshire	9.1%	45	Oklahoma	9%
46	Alabama	8.2%	46	Louisiana	8.7%	46	Alabama	8.8%
47	Ohio	8.1%	47	Alabama	8.6%	47	Delaware	8.8%
48	Oklahoma	8.0%	48	Tennessee	8.3%	48	Tennessee	8.5%
49	Texas	7.9%	49	Delaware	8.2%	49	New Hampshire	8%
50	Delaware	7.7%	50	Alaska	6.9%	50	Alaska	6.6%

Sources: Tax Foundation – www.taxfoundation.org; Bureau of Economic Analysis, US Dept. of Commerce

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