THE BUCKEYE INSTITUTE

Interested Party Testimony on House Bill 333
Before the Ohio House Ways and Means Committee

June 5, 2018

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Chairman Schaffer, Ranking Member Rogers, and members of the Committee, thank you for the opportunity to testify today regarding House Bill 333.

My name is Greg R. Lawson. I am the research fellow at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

House Bill 333 will annul the "marriage penalty" currently wedded to Ohio's personal state income tax. Nullifying tax penalties and making the tax code fairer for taxpayers is, of course, laudable. Eliminating this particular penalty—and thereby encouraging, rather than discouraging marriage—is especially worthwhile considering the significant correlation between marriage, poverty, and economic growth.

Last year, for instance, the American Enterprise Institute (AEI) and Brookings Institute found that "Less than half of poor Americans age 18 to 55 (just 26 percent) and 39 percent of working-class Americans are currently married, compared to more than half (56 percent) of middle- and upper-class Americans,"[1] indicating a strong connection between the matrimonial bond and economic status.

Using "models that control for a range of factors…that might otherwise confound the family-economy link at the state level," an earlier AEI study concluded in 2015:

> "Higher levels of marriage, and especially higher levels of married-parent families, are strongly associated with more economic growth, more economic mobility, less child poverty, and higher median family income at the state level in the United States. When we compare states in the top quintile of married-parent families with those in the bottom quintile, we find that being in the top quintile is associated with a $1,451 higher per capita GDP, 10.5 percent greater upward income mobility for children from lower-income families, a 13.2 percent decline in the child poverty rate, and a $3,654 higher median family income."[2]

Thus, on purely socio-economic policy grounds, policymakers should reduce if not eliminate disincentives to marry. The tax code's disincentives or the so-called "marriage penalties" arise when two people with similar incomes get married and jointly file their tax returns.[3] When the newly-weds combine their incomes and file jointly, they enter a higher bracket than if they chose to remain single and file separately.[4] This higher tax liability penalizes marriage—effectively using the tax code to pick winners (those who do not marry) and losers (married couples filing jointly). When governments pick winners and losers, people tend to suffer.

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[1] W. Bradford Wilcox and Wendy Wang, ***The Marriage Divide: How and Why Working-Class Families are More Fragile Today***, The American Enterprise Institute and Brookings Institute, September 2017.
[2] W. Bradford Wilcox, Robert I. Lerman, and Joseph Price, ***Strong Families, Prosperous States: Do Healthy Families Affect the Wealth of States?***, American Enterprise Institute, October 19, 2015.
[3] Kyle Pomerleau, ***Understanding the Marriage Penalty and Marriage Bonus***, Tax Foundation, April 23, 2015.
[4] *Ibid.*

HB 333 offers relief to a large number of Ohio families currently losing an unfair tax game because it allows married joint-filers to claim a new tax credit such that they would pay no more than if they could legally file separately. Such tax relief is good.

But HB 333's new marriage neutrality, of course, is only necessary because Ohio's tax code remains tragically progressive. Describing the similarly progressive federal tax code's "marriage penalties," Congress' Joint Committee on Taxation once explained:

> "The current tax system is progressive: as a taxpayer's income rises, the tax burden increases as a percentage of income. It also taxes married couples with equal income equally: it specifies the married couple as the tax unit so that married couples with the same income pay the same tax. However, it is not marriage neutral."[5]

Although HB 333 takes a positive step forward in the fight against unfair taxation, it is important to recognize its limitations. It addresses but one symptom of a bed-ridden patient without offering any lasting cure. Even after HB 333 nullifies the state's marriage penalty, Ohio will still suffer from its growth-killing disease: progressive taxation. Indeed, after accounting for the state's municipal income tax structure—the worst local tax system in America—Ohio ranks in the upper half of the nation in combined state and local tax burden.[6] And removing the state's marriage penalty, unfortunately, will not do enough to change that.

More systemic changes are needed. As The Buckeye Institute explained in our *Tax Reform Principles for Ohio*,[7] the state's tax code should be pro-growth, simple, transparent, fair, and equitable.[8] Flatter taxes on broader bases, without special exemptions, will lower the tax burden and spread their cost more evenly and fairly among taxpayers. Streamlining and simplifying the local tax structure will help, too. So although we applaud the efforts to end the state's marriage penalty, more fundamental work remains to be done. Settling only for superficial remedies without pursuing more fundamental changes, without working to structurally reform the state's progressive taxation, Ohio will continue to be plagued by mediocre economic growth that has kept families from climbing the ladder of prosperity for decades.[9]

Thank you for your time and consideration. I welcome any questions the Committee might have.

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[5] Staff for the Joint Committee on Taxation, ***Fairness and Tax Policy***, Joint Committee on Taxation, March 3, 2015.
[6] Katherine Loughead, ***State and Local Individual Income Tax Collections Per Capita***, Tax Foundation, May 31, 2018.
[7] Rea Hederman Jr., Tom Lampman, Greg R. Lawson, and Joe Nichols, ***Tax Reform Principles for Ohio***, The Buckeye Institute, February 2, 2015.
[8] *Ibid.*
[9] Rich Exner, **Ranking Ohio Governors for Jobs: John Kasich's Current Term is a Lot Like Ted Strickland's Record vs. the U.S.**, Cleveland.com, May 22, 2018.

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Founded in 1989, The Buckeye Institute is an independent research and educational institution – a think tank – whose mission is to advance free-market public policy in the states.

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