Mike Curtin: State income tax cuts have fueled the property tax crisis (published as a guest column in the October 5, Cleveland Plain Dealer).

Mike Curtin, former Columbus Dispatch associate publisher and former legislator and member of the Ohio Constitutional Modernization Commission, provides a historical perspective on how income tax cuts have contributed to the current property tax crisis and school funding dilemma.

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Gov. Mike DeWine says the case for lowering the income tax once was reasonable. Before 2005, Ohio's top marginal rate, for incomes over $200,000, was 7.5%. But since 2005, the General Assembly has enacted eight separate reductions.

Today, Ohio has a flat-rate income tax of 2.75% for all taxpayers. Among the 15 states with flat-rate income taxes, Ohio's is second lowest. Only Arizona's, at 2.5%, is lower. Twenty-six other states have graduated-rate income taxes.

After two decades of income tax cuts, Ohio ranks 43rd among states in per-capita, state-levied taxes, as measured by the Federation of Tax Administrators.

Further cuts are unnecessary, DeWine says. In discussions with CEOs considering new or expanded investments in Ohio, "there's not one of them, not one CEO who said, 'Your income tax is too high,'" DeWine said. "This is just not an issue anymore."

Warren County Auditor Matt Nolan, a Republican and past president of the County Auditors Association of Ohio, echoes DeWine. Beyond his auditor duties, Nolan is an attorney with real estate experience. The income tax, he said, "is not a reason businesses come or don't come to Ohio. It's just not."

On a larger scale, Ohio voters historically have understood that a state income tax reduces government overreliance on property taxes.

Three times, when given a chance to authorize or retain state income taxes, Ohioans have voted to do so.

The 1912 vote: Such understanding originally motivated voters to authorize state income taxation. In 1799, before statehood, Ohio's territorial assembly enacted a broad-based land tax, which was re-enacted upon statehood in 1803.

As Ohio developed into a large, industrial state, agricultural landowners worried property taxes, the primary source of government revenue, would become oppressive.

By 1910, with a population of 4.7 million, Ohio had become the nation's fourth largest state. In 1911, among the 48 states, only Wisconsin had an income tax. A state tax commission, intrigued by "the Wisconsin experiment," encouraged delegates to Ohio's 1912 state constitutional convention to consider income taxation. Agricultural interests, led by the Ohio State Grange, encouraged it.

On Sept. 3, 1912, in a special election to consider amendments to the Ohio Constitution, voters approved – 52-48 – an amendment authorizing the General Assembly to enact income taxes.

The legislature was not quick to use its new authority. As the 20th century unfolded, it chose instead to expand business, utility and excise taxes. Then, in 1934, to meet demands of the Great Depression, it adopted a 3% retail sales tax, effective in 1935. The state sales tax was raised to 4% in 1967, to 5% in 1981, and now is 5.75%.

In 1968, with a population of 10.8 million, an Ohio tax-study committee held 24 hearings across the state. Business groups voiced support for an individual income tax to offset personal property taxes, despised because they bore no relation to profitability.

Gov. John J. Gilligan, elected in 1970, wasted no time advancing an income-tax proposal before a Republican-led legislature. The plan's centerpiece: a graduated, individual income tax with rates ranging from 1% to 4%, and a net income component to the corporate franchise tax with rates ranging from 4% to 8%. Previously, the franchise tax was based only on corporate net worth.

After an extended battle, the legislature approved a two-year budget including Ohio's first state income tax, with brackets ranging from 0.5% to 3.5%. The budget also reduced tangible personal property taxes and provided a 10% across-the-board rollback of local real estate taxes (with the state reimbursing local governments for lost revenue). Ohio became the 43rd state with an income tax.

1972 and 1983 repeal campaigns: Conservative Republicans, led by state Rep. Robert Netzley of Miami County, qualified an income-tax-repeal amendment for the November 1972 ballot. The Ohio Republican Party remained silent on the issue, as did former Gov. James A. Rhodes, who planned a 1974 comeback. The repeal failed by more than 2-to-1, losing all 88 counties.

Preserving the income tax allowed the state to continue funding the 10% property-tax rollback program, and – in 1979 – provide an additional 2.5% rollback for owner-occupied residential property. Thus, beginning in 1979, the state was paying one-eighth of the property-tax bills of residential homeowners.

During the 1981-82 recession, Gov. James A. Rhodes persuaded the General Assembly, with a Democratic-controlled House and a Republican-controlled Senate, to approve a 50%, "temporary" increase in the income tax.

Rhodes' successor, Democratic Gov. Richard F. Celeste, in 1983 persuaded the legislature, with both houses under Democratic control, to make permanent the 50% "temporary" increase and add another 40% over pre-1982 levels.

The historic increases prompted another repeal effort, this time led by conservative state Sen. Thomas A. Van Meter of Ashland. On Nov. 8, 1983, the repeal effort failed 56-44, losing 78 of the 88 counties.

Business and trade organizations fueled opposition to repeal, largely because the same legislation that increased the income tax included significant tax relief for businesses.

With the personal income tax serving as the state's largest revenue source, the legislature was able to phase out tangible personal property taxes between 2006 and 2009 and eliminate estate taxes in 2013.

However, the series of income tax reductions begun in 2005 set in motion a continuing tax burden shift from the state to local governments.

- In 2002, state government provided 48.5% of the revenue needed for the base cost of Ohio's K-12 public schools; the state's share now is 31.5%.
- In 2002, Ohio ranked 35th nationally in its share of the cost of K-12; in 2023, Ohio ranked 45th, according to the U.S. Census Bureau.
- Ohio now leads the nation in the frequency of property tax levies for public schools, according to the Ohio Education Policy Institute.
- The Local Government Fund, the state's primary source for revenue sharing with local governments, in 2011 shared 3.68% of its general fund revenues; the state now shares 1.75%.

- In the current state budget, the General Assembly ended a decades-long practice of sharing a fixed percentage of general fund revenue (ranging from 1.7% to 2.2%) with public libraries. State funding for libraries now is discretionary.
- In 2013, the state ended the 10% and 2.5% rollbacks for new and replacement property tax levies. So far, phasing out the rollbacks has shifted an estimated $2.7 billion in property tax burden back to residential property owners.
- In 2005, according to the conservative Tax Foundation, Ohio had the nation's 22nd highest effective property tax rate; today, Ohio has the 8th highest.

The long march to reduce – and possibly eliminate – state income taxation has produced substantial tax-burden shifts to local property levies, creating anxieties echoing those of early statehood.

Curtin is a former Columbus Dispatch editor and associate publisher and co-author of "The Ohio Politics Almanac." He served two terms as a state lawmaker and formerly was a member of the Ohio Constitutional Modernization Commission.