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BUDGET CRISIS OR REVENUE CRISIS?

On our blog site, [Working-Class Perspectives](#), CWCS co-directors discussed organizing in the face of the current attack on public sector workers and the working class. As part of our research and working with the staff at the [Mahoning Valley Organizing Collaborative](#), the CWCS began asking questions about the current Ohio "budget crisis" that has been the subtext of current budget and labor reform efforts. Our conclusion is that current budget deficits have been largely the result of a revenue crisis. Here is a quick look at what we found and a link to a newly formed [revenue coalition website](#).

RESOURCES

- ✦ [Blogs](#)
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- ✦ [CWCS Projects](#)
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I. [Revisit the 2005 Tax Overhaul:](#)

- A. What it is: Approved in 2005, the 2005 tax overhaul resulted in:
 1. a 21% reduction in the state income tax
 2. The elimination of the state's tax on corporate profits
 3. The elimination of business' local property tax on machinery, equipment, inventory, furniture and fixtures
- B. Why it was approved:
 1. It was said that it would spark economic growth.
- C. Did it work?
 1. No! Since the overhaul was passed, the state of Ohio has suffered even more than the country as a whole.
 - a. Ohio's share of the nation's jobs has shrunk from 4.06% to 3.87%.
 - b. Ohio's share of manufacturing jobs has fallen from 5.7% to 5.35%.
 - c. Ohio has lost 385,300 nonfarm jobs.
 - d. Ohio has lost 189,100 manufacturing jobs.
- D. Who is benefiting from this overhaul?
 1. Corporations and top wage earners
 - a. More than 40% of the income tax cuts will go to the five percent of families with income \$135,000 or more.
 - b. The bottom three-fifths of Ohio families by income will receive just 13% of the total tax cuts.
 - c. The 1% of families who make \$319,000 or more will average an annual tax cut of \$10,000. Meanwhile, the one-fifth of families in the middle of the income spectrum making between \$32,000 and \$48,000 will save \$180, while the bottom fifth, making below \$17,000, will see just an average of \$20 in savings.
 - d. Corporations are receiving a cut of \$1.8 billion a year from the overhaul.
 - e. In the 1970s corporations paid 40% of the tax burden, today they only pay 30% of the tax burden.

II. [A Review the tax incentives that cost Ohioans \\$7 billion a year:](#)

- A. What they are:
 1. The State of Ohio has 122 exemptions and credits that cost the state \$7 billion a year.
 2. According to the Ohio Department of Taxation: "Tax expenditures result in a loss of tax revenue to state government, thereby reducing the funds available for other government programs. In essence, a tax expenditure has the same fiscal impact as a direct government expenditure."
- B. The problem with tax expenditures:
 1. Many of them have been on the books for years and provide a special advantage for certain



interests without being regularly evaluated to see if they serve their original purpose.

- C. Some of the tax expenditures blatantly favor those who can afford to pay more:
 - 1. If you have a timeshare with a corporate jet, you pay a flat tax rate of \$800-you pay more money in taxes if you buy a new car.
 - 2. There is no tax on lobbying efforts.
- D. How to resolve this problem:
 - 1. Examine all tax expenditures every five years based on whether or not they are fulfilling the purpose they were originally approved to meet.

III. The Role of Wall Street:

- a. Ohio's revenue crisis is directly related to the revenue crisis at the national level that resulted from the financial collapse in 2008. Now the very same executives who received bail out money to cover their mistakes are back to making billions of dollars in bonuses, while the American people are left to foot the bill.