

Report: Tax cuts won't benefit most state households

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Monday, March 14, 2011

3/14/2011 5:35:07 AM

Eighty percent of Oklahoma households would see little or no direct benefit from an impending quarter-percent income tax cut, according to a report issued last week by the Oklahoma Policy Institute.

Nearly three-quarters of the \$120-million tax cut would go to the wealthiest 20 percent of households - those with earnings of more than \$86,000 a year - according to an analysis by the Institute on Taxation and Economic Policy for the Tulsa-based Oklahoma Policy Institute.

Forty-three percent of Oklahoma households would see no tax benefit at all from the reduction, according to the report.

The median benefit would be \$24.

Jonathan Small of the Oklahoma Council for Public Affairs, which favors elimination of the state income tax, said it makes sense that a tax cut would bring a greater net benefit to wealthier taxpayers.

"If you lower the rate, people who pay in more money are going to get more back," said Small.

The OPI, however, notes that low-income Oklahomans pay a greater percentage of their income for state and local taxes than those higher up the scale.

According to a 2009 report, Oklahoma household incomes of less than \$15,000 paid about 10 percent in state and local taxes. Those making as much as \$79,000 a year paid almost 9 percent, while those making at least \$412,000 paid less than 6 percent.

Small cautioned against such comparisons. "You're making an assumption that because someone works hard and makes more money they should pay more," he said. "If you have less money, everything is going to take a bigger percentage of your income.

"I don't think it's fair to say a tax cut is not going to benefit everybody," said Small. "That \$24 is a medical co-pay. That's \$25 an individual can decide how to spend."

A projected 4 percent increase in state general fund revenues triggered the tax cut, a part of a 2006 tax reform bill. The cut is scheduled to go into effect on Jan. 1, 2012, and to cost the state \$38 million in the budget year that begins July 1, 2011, and \$120 million in the following fiscal year.

This comes as the state struggles with \$500 million less in general revenues than a year ago, and 13 percent less than in 2008.

"If it wasn't in the statutes already, I don't think legislators would ask for this," said OPI Executive Director David Blatt. "Once it's in a statute, they seem inclined to wave it on through. In our opinion, that should not be sufficient reason."

According to the OPI report, the pending income tax cut would produce no change in tax liability for the lowest 20 percent of taxpayers. The average benefit for the next 20 percent is \$6, with most households in the bracket getting no benefit.

The third 20 percent would see an average of \$24, the next 20 percent \$67.

Only at this level would the tax cut have much of an effect - \$148 for those in the 15 percent making \$86,000 to \$176,000.

The next 4 percent - those making \$176,000 to \$399,100 - would gain on average \$295.

The top 1 percent would have an average benefit of \$1,930.

Original Print Headline: Study: No tax cut gain for most households

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