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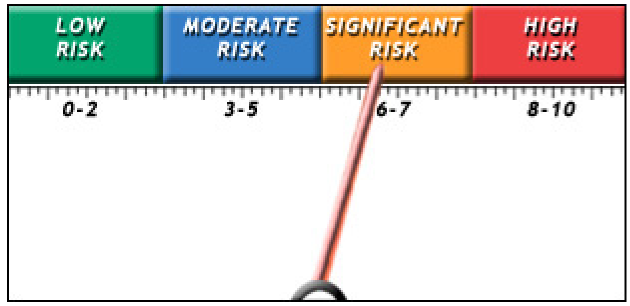
OHIO

Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. Ohio is rated as having a significant risk of a structural deficit based on its score of six on the risk scale for structural deficits.



- In Ohio, corporate income taxes as a share of total taxes declined by 7.2 percentage points from 1979-2002, surpassing the US average decline of 5.5 percentage points. Also, Ohio has significant loopholes in its corporate income tax.

- Ohio's income tax preferences for its seniors exceed the US average.

- Ohio faces spending pressures from: Medicaid, the number of non-elderly disabled, and the number of students with special needs.

- Between 1994 and 2000, Ohio reduced personal and corporate income taxes and, to a lesser extent, sales and excise taxes. Between 2001 and 2004, Ohio raised sales, motor fuel and cigarettes taxes. This is problematic since income taxes provide stronger growth over the long term than sales and excise taxes.

- Ohio has two limits on the growth of local property tax revenue: a property tax rate limit and a property tax revenue limit.

- Two other national studies (Boyd 2002 and Besendorf & Kottlikoff 2002) found that Ohio has a structural gap.