Policy Matters Ohio

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School District Income Taxes:

A limited funding tool

Ohio school districts are making decisions about whether to place school district income taxes (SDITs) on the November ballot. New analysis from Policy Matters Ohio finds that while SDITs can help some districts fill in gaps, they are not a general-purpose solution to local funding short-falls.

“SDITs have some appealing features, but also some key flaws that should be kept front of mind when considering their use,” said Zach Schiller, Policy Matters Research Director and a co-author of the brief. “Overall, SDITs shift taxes away from businesses and onto workers. Larger reliance on SDITs would see Ohio businesses contributing even less to our schools than they already do.”

Interactive Policy Matters mapping shows that SDITs are used by one-third of Ohio school districts. The vast majority of these are small town and rural districts, and SDITs made up a notable portion (28%) of their local operating revenue last year.

But for many districts, SDITs are not a great option. “Few of Ohio's poorest school districts have adopted them, and for good reason: SDITs fall harder on the lowest earners, because they're paid on the first dollar of a what someone earns.” said co-author and Policy Matters Tax Researcher Aditi Srivastava.

While increasingly on ballots across Ohio, new SDITs have had only some uptake by voters over the past year. “This points to a critical need for solving the issue that lies underneath district-level funding short-falls,” said Srivastava. “Without adequate state support, school districts and regular Ohioans will keep being asked to fill in the gaps.”

Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.