Policy Matters Ohio

COMMENT

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Gas tax holiday won't make Ohio affordable; legislators have better options

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For Ohioans struggling with the rising cost of groceries, healthcare, childcare, and utilities, any savings can help. But the legislature's headline-grabbing 3-month gas tax holiday is misguided in at least three critical ways: It will have only a small, temporary impact on gas prices; it drains the budget at a time when schools, childcare, and healthcare are already badly underfunded or facing massive federal cuts; and it fails to address the root of the problem: State and federal policies that prevent working people from taking home a fair share of the wealth they help create.

As reported in State of Working Ohio 2026, Ohio's median worker was paid less last year than the year before when adjusting for inflation, and the lowest-paid 20% of Ohio workers lost nearly $500 in annual purchasing power. So when legislators offer people some relief at the gas pump, of course that relief matters.

But according to the LSC, the gas tax holiday provides meager, short-term benefits, saving the average Ohio driver between $33 and $55 during the 12-week holiday — maybe enough to cover one more tank of gas by the time the holiday ends in January. At that point, Ohio will have $725 million less than we started with, and too many employers still won't be paying workers enough to afford the cost of living.

No such thing as a free holiday

Legislators were quick to reassure Ohioans that the three months of lost gas-tax revenue — which typically funds state and local transportation projects such as road and bridge repairs — would be paid for with unencumbered funds in the General Revenue Fund. According to the Office of Budget and Management's September financial report, roughly $745 million were available. (Legislators call this amount a "surplus," though that term is at best only technically true: Ohio's current budget underfunds public schools by $2.75 billion, a result of policy choices by many of the same legislators.)

Based on OBM's estimate, the gas tax holiday will drain all but roughly $20 million from the GRF. The same September report underscores the risk of spending down the state's remaining flexibility. In it, the state forecasts continued economic uncertainty, including elevated inflation, increasing non-labor costs and declining consumer spending. Those are reasons for preserving the state's capacity to respond to changing conditions, not exhausting it on a temporary tax holiday.

Legislators had better, more targeted options that would have split the difference, preserving a revenue cushion while cutting gas costs for Ohioans who need it most. For example, they could have created a refundable credit — like the refundable sales-tax credit Policy Matters has supported in the past — giving Ohio residents below a certain income threshold a credit against their income taxes. Such credits exist in a number of other states, and can be targeted to state residents only, rather than being available to any drivers passing through the state. As noted by the Institute on Taxation and Economic Policy:

> *These credits can be targeted to in-state residents and income groups most in need of tax relief and do not affect the sales tax base or long-term growth of sales tax revenue. Making these credits refundable is an essential component as it allows taxpayers with little or no income tax liability who pay a substantial portion of their income in sales taxes to still receive relief from the inherent regressivity of sales taxes.*

In the coming year, Ohio will face increasingly large federal cuts to critical programs including Medicaid and SNAP. Those cuts will leave legislators with a hard choice: Cut services for millions of Ohioans who rely on these programs for healthcare and food, or find funding in the state budget — which will be harder to come by because of the gas tax holiday.

"Affordability" is about prices and pay

Even if legislators enacted a more effective policy for lowering prices, reducing the cost of living without addressing chronically low pay does not solve the affordability crisis for Ohioans. The fact is that for Ohio to become more affordable, employers must pay higher wages. Legislators have spent decades making anti-worker policy; the result is an economy that simply does not work for many working people.

The problem goes back much further than one year of expensive gas. Since 1979, Ohio productivity has increased 84% while median compensation increased just 22%. Ohio workers are producing far more wealth, but legislators have systematically weakened workers' ability to bargain for better pay, allowing corporations and business owners to capture most of economic growth that working people make possible.

Legislators rushed the gas tax holiday while ignoring better alternatives

Ohio legislators moved with uncharacteristic urgency to pass HB 519, rushing the bill through the General Assembly with little opportunity for the kind of public debate warranted by a measure this expensive. The fact that saving less than $0.40 a gallon on gas feels urgently necessary for so many Ohioans is an indication of a much larger problem — one that won't be resolved by three months of somewhat lower prices at the pump.

In the upcoming lame duck session — and in the next General Assembly's budget negotiations — legislators should bring the same urgency to policies that will have a more lasting impact on the issues Ohioans face every day:

- Targeted property-tax relief for Ohioans who need it most.
- Strong consumer protections and data-center regulations to keep Ohioans from bearing an unfair share of rising electricity costs.

- Proven strategies for making childcare more affordable and accessible, including free childcare for childcare workers and better funding for Publicly Funded Childcare providers.
- A refundable state Earned Income Tax Credit, putting money directly into the pockets of working people.

Legislators can also pass pro-worker policies so economic growth results in shared prosperity. For example, Ohio legislators can:

- Require first contracts to be bargained within a certain timeframe after union recognition, like Illinois did.
- Address worker misclassification: Too often, workers are misclassified as independent contractors or salaried employees, allowing unscrupulous employers to skirt labor law.
- Require development projects receiving subsidies and incentives to pay all workers a livable wage.
- Prevent the passage of Ohio House Bills 510, 512, 513, and 965, all of which weaken union and worker protections.

These policies have been available for legislators all along, and any one of them would do more than the gas tax holiday to benefit working people throughout the state.

The gas tax holiday is poorly targeted tax policy that provides too little relief to the people who need it most, drains crucial resources from the state budget, and fails to confront one of the primary drivers of the affordability crisis: inadequate wages for working people. Ohioans need relief. They also deserve better than a temporary tax gimmick.