

Who Pays?

**A Distributional Analysis of the
Tax Systems in All 50 States**

Fourth Edition



Institute on Taxation & Economic Policy

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About The Institute on Taxation & Economic Policy

The Institute on Taxation and Economic Policy (ITEP) is a non-profit, non-partisan research organization that works on federal, state, and local tax policy issues. ITEP's mission is to ensure that elected officials, the media, and the general public have access to accurate, timely, and straightforward information that allows them to understand the effects of current and proposed tax policies. ITEP's work focuses particularly on issues of tax fairness and sustainability.

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METHODOLOGY

EXECUTIVE SUMMARY

The 2013 *Who Pays: A Distributional Analysis of the Tax Systems in All Fifty States* (the fourth edition of the report) assesses the fairness of state and local tax systems. The report measures the state and local taxes paid by different income groups in 2013 (at 2010 income levels including the impact of tax changes enacted through January 2, 2013) as shares of income for every state and the District of Columbia. It discusses state tax policy features and includes detailed state-by-state profiles providing essential baseline data for lawmakers seeking to understand the effect tax reform proposals will have on constituents at all income levels.

- The main finding of this report is that virtually every state's tax system is fundamentally unfair, taking a much greater share of income from middle- and low-income families than from wealthy families. The absence of a graduated personal income tax and the over reliance on consumption taxes exacerbate this problem in many states.
- Combining all of the state and local income, property, sales and excise taxes state residents pay, the average overall effective tax rates by income group nationwide are 11.1 percent for the bottom 20 percent, 9.4 percent for the middle 20 percent and 5.6 percent for the top 1 percent.
- Ten states rank as having the most regressive overall tax systems. In these "Terrible Ten" states, the bottom 20 percent pay up to six times as much of their income in taxes as their wealthy counterparts. Washington State is the most regressive, followed by Florida, South Dakota, Illinois, Texas, Tennessee, Arizona, Pennsylvania, Indiana, and Alabama.
- Five of the ten most regressive states derive roughly half to two thirds of their tax revenue from sales and excise taxes, compared to a national average of roughly one third. Five of these ten most regressive states do not levy a broad-based personal income tax (four do not have any taxes on personal income and one state only applies its personal income tax to interest and dividends) while the other five have a personal income tax rate that is flat or virtually flat.
- Of the three broad kinds of taxes states levy (income, property, consumption), the income tax is the only one that is typically progressive in that its rate rises with income levels. Property taxes are usually somewhat regressive. Sales and excise taxes are the most regressive, with poor families paying eight times more of their income in these taxes than wealthy families, and middle income families paying five times more.
- Personal income taxes vary in their fairness not only because of rates but because of deductions and exemptions. For example, the Earned Income Tax Credit improves progressivity in 24 states and the District of Columbia, while nine states undermine progressivity by allowing taxpayers a reduced rate on capital gains income.

- States' consumption tax structures are highly regressive with an average 7 percent rate for the poor, a 4.6 percent rate for middle incomes, and a 0.9 percent rate for the wealthiest taxpayers. Because food is one of the largest expenses for a low-income family, taxing food is a particularly regressive tax policy; five of the ten most regressive states tax food at the state or local level. Excise taxes on things like gasoline, cigarettes or beer take about 1.6 percent of the income of the poorest families, 0.8 percent from middle income families and 0.1 percent of income from the most well-off.
- Taxes on personal and business property are a significant revenue source for both states and localities and are generally regressive in their overall effect, particularly for middle income households. A home-stead exemption (exempting a flat dollar or percentage amount of property value from a property tax) improves progressivity. A property tax circuit breaker that caps the amount a property owner pays in property taxes can also improve progressivity; none of the ten most regressive states offer this tax break for low-income families regardless of age.
- States commended as “low tax” are often high tax states for low- and middle-income families. The ten states with the highest taxes on the poor are Arizona, Arkansas, Florida, Hawaii, Illinois, Indiana, Pennsylvania, Rhode Island, Texas, and Washington. Seven of them are also among the “terrible ten” because they are not only high tax for the poorest, but low tax for the wealthiest.

INTRODUCTION

As elected officials evaluate tax reform proposals, it is important to keep in mind the question of who pays the most — and the least — of their income in state and local taxes.

This study assesses the fairness of each state's tax system, measuring the state and local taxes paid by different income groups in 2013 (at 2010 income levels including the impact of tax changes enacted through January 2, 2013) as shares of income for every state and the District of Columbia. The report provides valuable comparisons among the states, showing which states have done the best — and the worst — job of providing a modicum of fairness in their tax systems overall.

The study's main finding is that nearly every state and local tax system takes a much greater share of income from middle- and low-income families than from the wealthy. That is, when all state and local income, sales, excise and property taxes are added up, most state tax systems are regressive.

Fairness is, of course, in the eye of the beholder. Yet almost anyone would agree that the best-off families should pay at a tax rate at least equal to what low- and middle-income families pay.

Virtually every state fails this basic test of tax fairness: as this study documents, no state requires their best-off citizens to pay as much of their incomes in taxes as their very poorest taxpayers must pay, and only one state taxes its wealthiest individuals at a higher effective rate than middle-income families have to pay.

Nationwide, effective state and local tax rates on non-elderly families (see text box on page 18) follow a strikingly regressive pattern:

- The average state and local tax rate on the best-off one percent of families is 5.6 percent (this accounts for the tax savings from federal itemized deductions for state and local taxes, an effect commonly referred to as the “federal offset”. For more on the federal offset, see page 11).
- The average tax rate on families in the middle 20 percent of the income spectrum is 9.4 percent.
- The average tax rate on the poorest 20 percent of families is the highest of all. At 11.1 percent, it is almost double the effective rate on the very wealthy.

Averages for All States

Total State and Local Taxes Imposed on Non-Elderly Residents, as Shares of 2010 Income

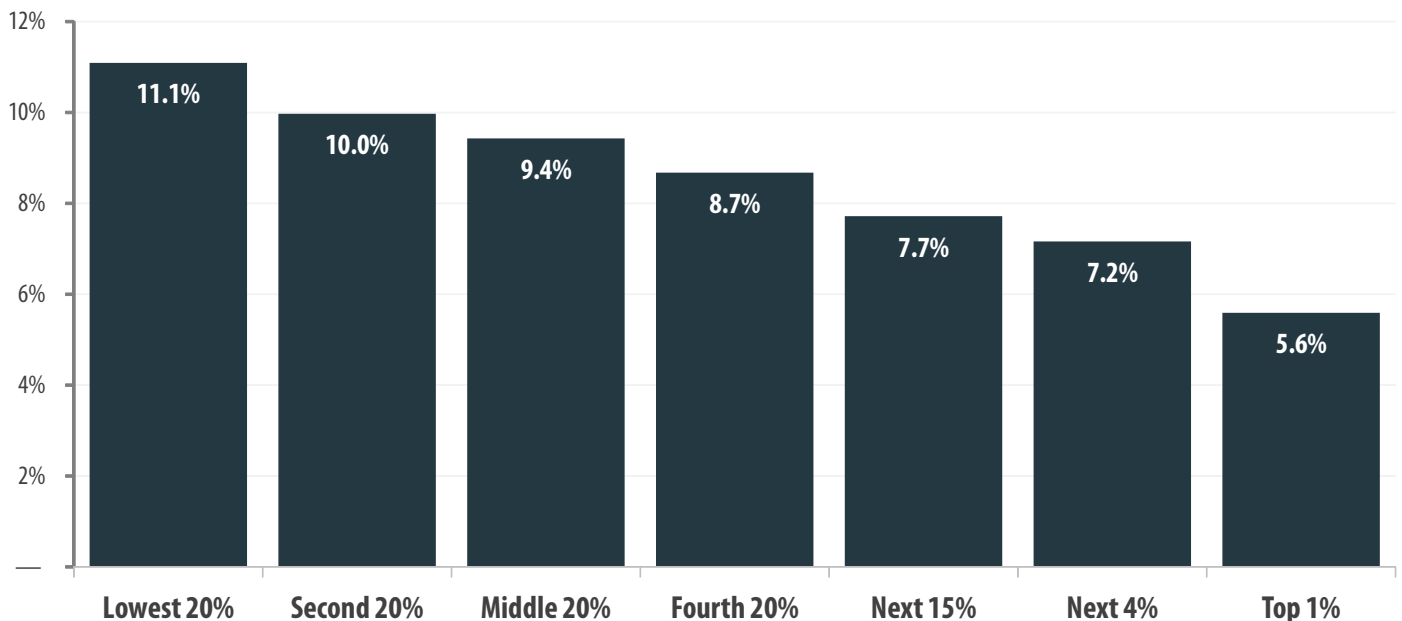


Figure represents 50 state (and District of Columbia) average for total state and local taxes paid as a share of 2010 income, post-federal offset

THE 10 MOST REGRESSIVE STATE AND LOCAL TAX SYSTEMS

Ten states — **Washington, Florida, South Dakota, Illinois, Texas, Tennessee, Arizona, Pennsylvania, Indiana, and Alabama** — are particularly regressive. These “Terrible Ten” states ask their poorest residents — those in the bottom 20 percent of the income scale — to pay up to six times as much of their income in taxes as they ask the wealthy to pay. Middle-income families in these states pay up to three times as high a share of their income as the wealthiest families.

The Ten Most Regressive State Tax Systems					
Taxes as shares of income by income for non-elderly residents					
	Taxes as a % of Income on			Ratio of	
	Poorest 20%	Middle 60%	Top 1%	Poor to Top 1%	Middle to Top 1%
Washington	16.90%	10.50%	2.80%	605%	375%
Florida	13.20%	8.30%	2.30%	569%	357%
South Dakota	11.60%	8.20%	2.10%	552%	391%
Illinois	13.80%	11.10%	4.90%	285%	228%
Texas	12.60%	8.80%	3.20%	389%	273%
Tennessee	11.20%	8.60%	2.80%	400%	307%
Arizona	12.90%	9.70%	4.70%	274%	207%
Pennsylvania	12.00%	9.80%	4.40%	274%	225%
Indiana	12.30%	10.70%	5.40%	228%	199%
Alabama	10.20%	9.40%	3.80%	268%	246%

Note: States are ranked by the ITEP Tax Inequality Index. The ten states in the table are those whose tax systems most increase income inequality after taxes compared to before taxes. See page 130 for a full description of the Index. Total taxes as a share of income are post-federal offset.

What Makes a State’s Tax System Regressive?

What characteristics do states with particularly regressive tax systems have in common? Looking at the ten most regressive tax states, several important factors stand out:

- Four of the ten states do not levy a personal income tax— Florida, South Dakota, Texas, and Washington. An additional state, Tennessee, only applies its personal income tax to interest and dividend income.
- Five states do levy personal income taxes, but have structured them in a way that makes them much less progressive than in other states. Pennsylvania, Illinois and Indiana use a flat rate which taxes the income of the wealthiest family at the same marginal rate as the poorest wage earner. Arizona and Alabama have a graduated rate structure, however there is little difference between the bottom marginal rate and top marginal rate.
- Five of the ten most regressive tax systems— those of Washington, South Dakota, Tennessee, Arizona and Alabama— rely very heavily on regressive sales and excise taxes. These states derive roughly half to two-thirds of their tax revenue from these taxes, compared to the national average of 34 percent in FY09-10.

THE LEAST REGRESSIVE STATE AND LOCAL TAX SYSTEMS

Just as the combination of flat (or non-existent) income taxes and high sales and excise taxes tends to make for very regressive tax systems, the most noticeable features of the least regressive tax states are exactly the opposite: they have highly progressive income taxes and rely less on sales and excise taxes. For example:

- Vermont’s tax system is among the least regressive in the nation because it has a highly progressive income tax and low sales and excise taxes. Vermont’s tax system is also made less unfair by the size of the state’s refundable Earned Income Tax Credit (EITC) — 32 percent of the federal credit.
- Delaware’s income tax is not very progressive, but its high reliance on income taxes and very low use of consumption taxes nevertheless results in a tax system that is only slightly regressive overall. Similarly, Oregon has a high reliance on income taxes and very low use of consumption taxes. The state also offers a refundable EITC and has a fairly progressive personal income tax rate structure.
- New York and the District of Columbia each achieve a close-to-flat tax system overall through the use of generous refundable EITC’s and an income tax with relatively high top rates and limits on tax breaks for upper-income taxpayers.

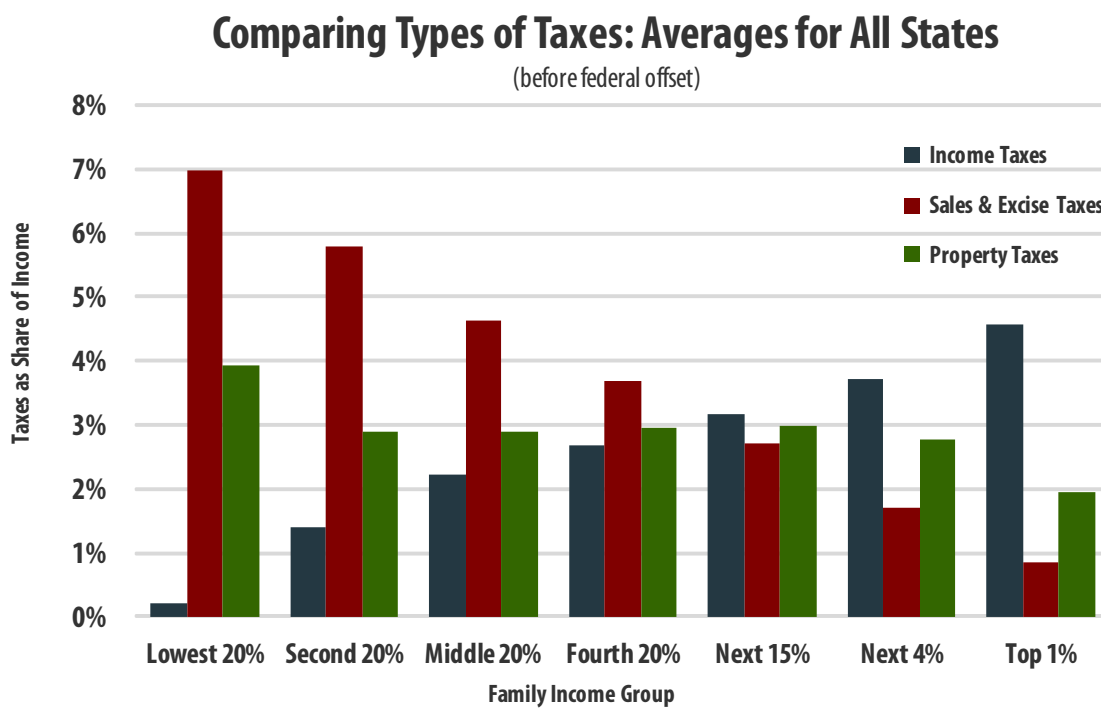
Characteristics of the Least Regressive Tax Systems				
	Personal Income Tax			Low Use of Sales & Excise Taxes
	Very Progressive	High Reliance on PIT	Use of Refundable Credits	
Delaware		✓		✓
District of Columbia	✓		✓	✓
New York	✓	✓	✓	
Oregon	✓	✓	✓	✓
Vermont	✓		✓	✓

It should be noted that even the least regressive states generally fail to meet what most people would consider minimal standards of tax fairness. In each of these states, at least some low- or middle-income groups pay more of their income in state and local taxes than the wealthiest families must pay.

THE KIND OF TAX MATTERS

State and local governments seeking to fund public services have historically relied on three broad types of taxes — personal income, property, and consumption (sales and excise) taxes.¹ As can be seen by ITEP’s analysis of the most and least regressive tax states, the fairness of state tax systems depends primarily on which of these three taxes a state relies on most heavily. Each of these taxes has a distinct distributional impact, as the table on this page illustrates:

- State income taxes are typically progressive — that is, as incomes go up, effective tax rates go up. On average, poor families pay only a tenth of the effective income tax rate that the richest families pay, and middle-income families pay about half of the effective rate of the well-to-do. Of the three major taxes used by states, the personal income tax is the only one for which the effective tax rates typically rise with income levels.
- Property taxes, including both taxes on individuals and business taxes, are usually somewhat regressive. On average, poor homeowners and renters pay more of their incomes in property taxes than do any other income group — and the wealthiest taxpayers pay the least.
- Sales and excise taxes are very regressive. Poor families pay almost eight times more of their incomes in these taxes than the best-off families, and middle-income families pay more than five times the rate of the wealthy.



¹States also rely on non-tax revenue sources such as user fees, charges, and gambling revenues. A few states rely heavily on non-traditional tax sources, such as severance taxes on the extraction of natural resources, which are not included in this analysis.

A state’s tax fairness is only partially determined by the mix of these three broad tax types. Equally important is how states design the structure of each tax. Some personal income taxes are far more progressive than others, simply because lawmakers chose to design them that way. The same is true, to a lesser extent, of property and sales taxes: while any state relying heavily on these taxes is likely to have a regressive tax structure, lawmakers can take steps to make these taxes less regressive. The overall regressivity of a state’s tax system, therefore, ultimately depends both on a state’s reliance on the different tax sources and on how the state designs each tax.

For example, California’s level of reliance on each of the three major tax types is fairly typical. But the state income tax is more progressive than most — and this makes California’s tax system one of the least regressive in the country.

Delaware, on the other hand, is one of the most progressive tax states not because any one of its taxes is exceptionally progressive, but because it relies so heavily on a modestly progressive income tax and relies very little on regressive sales and excise taxes.

Progressive, Regressive, Proportional

A Progressive Tax

Income Group	Percentage of Income	Relative Tax Share
Lowest	20%	Lowest
Second	20%	Low
Middle	20%	Medium-Low
Fourth	20%	Medium
Next	15%	Medium-High
Next 4%	15%	High
Top 1%	1%	Highest

A progressive tax is one in which upper-income families pay a larger share of their incomes in tax than do those with lower incomes.

A Regressive Tax

Income Group	Percentage of Income	Relative Tax Share
Lowest	20%	Highest
Second	20%	High
Middle	20%	Medium-High
Fourth	20%	Medium
Next	15%	Low
Next 4%	15%	Very Low
Top 1%	1%	Lowest

A regressive tax requires the poor and middle-income to pay a larger share of their incomes in taxes than the rich.

A Proportional Tax

Income Group	Percentage of Income	Relative Tax Share
Lowest	20%	Equal
Second	20%	Equal
Middle	20%	Equal
Fourth	20%	Equal
Next	15%	Equal
Next 4%	15%	Equal
Top 1%	1%	Equal

A proportional tax takes the same percentage of income from everyone, regardless of how much or how little they earn.

INCOME TAXES

State personal income taxes — with their counterpart, corporate income taxes — are the main progressive element of state and local tax systems. In 2013, 41 states and the District of Columbia use broad-based personal income taxes to partially offset the regressivity of consumption taxes and property taxes. Yet some states have been noticeably more successful than others in creating a truly progressive personal income tax — one in which effective tax rates increase with income. Some states, such as California or Vermont, have very progressive income taxes. Others have only nominally progressive taxes. A very few states, such as Alabama and Pennsylvania, actually have what are effectively regressive income taxes.

These differences in the fairness of state income taxes are due to three broad policy choices made by lawmakers: the use of either a graduated or flat-rate tax structure, the use of exemptions and tax credits that primarily benefit low-income taxpayers, and in a number of states, the use of regressive tax loopholes that primarily benefit the wealthiest taxpayers.

Personal Income Tax Rate Structure

Of the states currently levying a broad-based personal income tax, all but seven have chosen to apply graduated tax rates — in which higher tax rates are applied at higher income levels. The remaining seven states — Colorado, Illinois, Indiana, Massachusetts, Michigan, Pennsylvania, and Utah — tax income at one flat rate. While most of the “terrible ten” most regressive states achieve membership in this club by having no income taxes at all, two of them — Pennsylvania and Illinois — achieve this dubious honor through their use of a flat-rate tax.

Income Taxes (or not) in the 10 Most Regressive States				
State	Little or No Income Tax	Flat-Rate Tax	Low Top Rate	Most Pay at Top Rate
Washington	✓			
Florida	✓			
South Dakota	✓			
Illinois		✓		
Texas	✓			
Tennessee	✓			
Arizona			✓	
Pennsylvania		✓		
Indiana		✓		
Alabama				✓

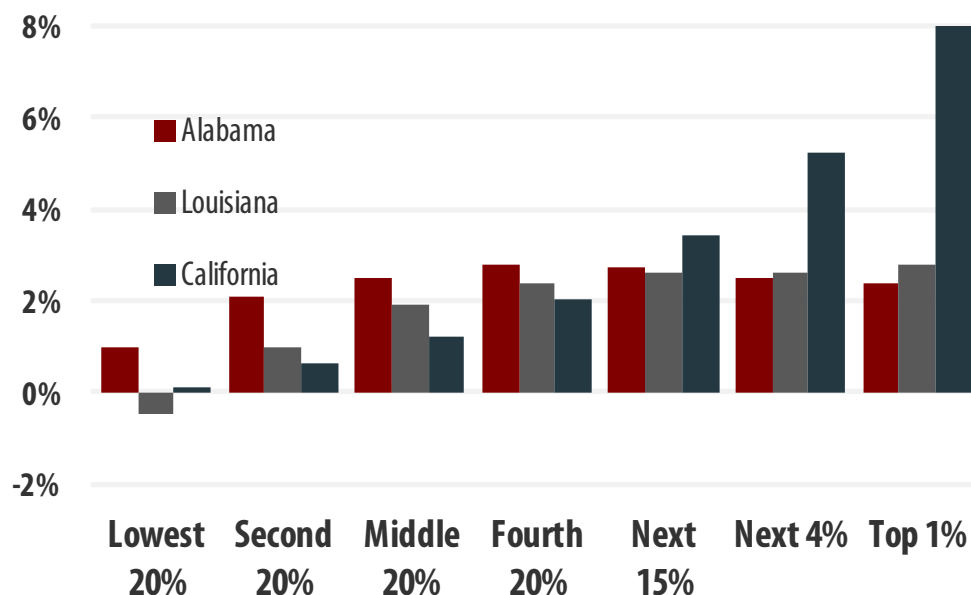
However, using a graduated rate structure is not enough to guarantee an income tax that is progressive overall. Some graduated-rate income taxes are about as fair as a flat tax — and some nominally graduated state income taxes are actually less progressive than some flat-rate taxes. The level of graduation in state income tax rates varies widely. The chart below shows three state income taxes — those of Alabama, Louisiana, and California — that apply graduated rate structures with very different distributional impacts.

California’s income tax is quite progressive. Its ten graduated tax rates range from 1 percent to 13.3 percent. (Temporary legislation enacted in 2012 added three top brackets and increased top rates.) Because the top tax rate of 13.3 percent is a “millionaire’s tax,” most Californians pay at a much lower rate.

Louisiana’s income tax has fewer tax brackets (three) over a narrower range (2 to 6 percent), and the top rate begins at \$100,000 of taxable income for a married couple. The tax is progressive for low- and middle-income families, but is basically flat across the top 20 percent of the income distribution, so a family earning a million a year pays the same top rate as a family earning \$100,000. (The use of a small Earned Income Tax Credit results in an effective tax rate that is slightly negative for low-income Louisianans.)

Alabama is a good example of a state with nominally graduated income tax rates that don’t mean much in practice. The state’s top tax rate of 5 percent is not much lower than Louisiana’s top rate — but the top rate kicks in at just \$6,000 of taxable income for married couples. As a result, 66 percent of Alabama families pay at the top rate. In combination with special tax breaks targeted to upper-income families, this essentially flat-rate structure results in an effective income tax rate that actually declines slightly at upper income levels, making this income tax less progressive than even some flat taxes.

Not All Income Taxes Are Created Equal



Income Tax Provisions that Benefit Low- and Moderate-Income Families

Perhaps the most important factor enhancing the fairness of income taxes in recent years has been the proliferation of low-income tax credits. These credits are most effective when they are refundable — that is, they allow a taxpayer to have a negative income tax liability which offsets sales and property taxes — and are adjusted for inflation so they do not erode over time.

Twenty-four states and the District of Columbia have enacted state Earned Income Tax Credits based on the federal EITC. Calculating a state EITC as a percentage of the federal credit makes the credit easy for state taxpayers to claim (since they have already calculated the amount of their federal credit) and easy for state tax administrators to monitor.

Refundability is an especially important component of state EITCs to ensure deserving families get the full benefit of the credit. Refundable credits do not depend on the amount of income taxes paid: if the credit amount exceeds your income tax liability, the excess amount is given as a refund. Thus, refundable credits are useful in offsetting the regressive nature of sales and property taxes, and can provide a much needed income boost to help families pay for basic necessities. In all but three states (Delaware, Rhode Island and Virginia), the EITC is fully refundable. EITCs are most generous to families with children. The use of low-income tax credits like the EITC are an important indicator of tax progressivity: only two of the ten most regressive state income taxes has a permanent EITC, while seven of the ten most progressive state income taxes currently provide a permanent EITC.

Because the Earned Income Tax Credit is targeted to low-income working families with children, it typically offers little or no benefits to older adults and adults without children. Thus, refundable low-income credits are a good complementary policy to state EITCs. Eleven states (Arizona, Georgia, Indiana, Kentucky, Maryland, New York, Ohio, Pennsylvania, Virginia, West Virginia and Wisconsin) offer income tax credits of their own design to ensure that families below a certain income level aren't subject to the personal income tax. These credits also improve the progressivity of a state's personal income tax. For example, Ohio offers a nonrefundable credit which ensures that families with incomes less than \$10,000 aren't subject to the income tax. Kentucky offers a nonrefundable credit based on a family's size which ensures that families at or below the poverty level aren't subject to state income taxes. Making these targeted low-income credits refundable would increase their effectiveness for low-income families.

Five states (Arizona, Hawaii, Idaho, New Mexico and Oklahoma) offer an income tax credit to help offset the sales and excise taxes that low-income families pay. Some of the credits are specifically intended to offset some of the impact of sales taxes on groceries. The credits are normally a flat dollar amount for each family member, and are available only to taxpayers with income below a certain threshold. These credits are usually administered on state income tax forms, and are refundable — meaning that the full credit is given even if it exceeds the amount of income tax a claimant owes.

Undermining Progressivity with Tax Breaks for Wealthy Taxpayers

In contrast to states that improve tax fairness with tax credits for low-income families, more than a dozen states currently allow substantial tax breaks that undermine tax progressivity by targeting their benefits to the wealthy. Two of the most regressive state income tax loopholes are capital gains tax breaks (Arizona, Arkansas, Hawaii, Montana, New Mexico, North Dakota, South Carolina, and Vermont) and deductions for federal income taxes paid (Alabama, Iowa, Louisiana, Missouri, Montana, and Oregon).

In combination with a flat (or only nominally graduated) rate structure, these tax breaks can sometimes create the odd — and unfair — result of the highest income taxpayers paying less of their income in income taxes than middle-income taxpayers must pay.

For example: Alabama allows a deduction for federal income taxes paid. Although Alabama's income tax is essentially flat, the federal income tax is still progressive. So Alabama's deduction for federal income taxes paid disproportionately benefits the state's wealthiest taxpayers. As a result, effective marginal income tax rates in Alabama actually decline at higher income levels. Despite the 5 percent top tax rate, the effective income tax rate on the very wealthiest taxpayers is actually less than 3 percent. Like Alabama, two other states allow a full deduction for federal taxes; three other states have a partial deduction.

THE FEDERAL OFFSET

Federal income tax rules allow taxpayers to claim itemized deductions for state and local personal income and property taxes (and, temporarily, general sales taxes). The ability to deduct these taxes on your federal tax forms means that if you itemize (rather than take the standard deduction) on your federal taxes, some of your state taxes are offset by lower federal taxes. This feature of the federal income tax is what ITEP refers to as the “federal offset.”

The practical impact of being able to write off these state and local taxes is that if you itemize your federal income taxes, your state income tax and property tax bills are never really as big as they appear. Some portion of the state taxes you pay initially will be directly offset by lower federal taxes when you file your federal tax forms. For example, if a wealthy family pays \$5,000 in state personal income tax, they get a deduction from federal taxable income of \$5,000. This means that as much of \$5,000 of their income will be exempt from federal income tax. How good a deal this is depends on how much income you have and whether or not you itemize on your federal returns. Lower-income taxpayers who don't itemize their federal income taxes will not be able to take advantage of the federal offset at all. On average, a fifth of all state personal income and individually-paid property taxes are shifted to the federal government (and to taxpayers nationwide) as a result of the deductibility of state and local taxes from the federal tax. For the very best-off taxpayers, more than one-third of their state and local income and property tax bills are effectively paid by the federal government.

The federal offset has a significant impact on the bottom-line state and local taxes better-off taxpayers pay, and on cross-state differences in total effective taxes. For this reason, the *Who Pays* results are presented after applying the federal offset to average total state and local taxes. The detailed state summaries include data for each state pre- federal offset as well.

Wisconsin allows a deduction for 30 percent of capital gains income. Because capital gains are realized almost exclusively by the wealthiest 20 percent of taxpayers, this deduction makes the state income tax much less progressive. Seven other states allow substantial capital gains tax breaks. In a welcome development, several states (including Wisconsin) pared back or eliminated capital gains tax breaks in 2009.

SALES AND EXCISE TAXES

Sales and excise taxes are the most regressive element in most state and local tax systems. Because sales taxes are levied at a flat rate, and because spending as a share of income falls as income rises, sales taxes inevitably take a larger share of income from low- and middle-income families than they take from the rich. Thus, while a flat-rate general sales tax may appear on its face to be neither progressive nor regressive, that is not its practical impact. Unlike an income tax, which generally applies to most income, the sales tax applies only to a portion of income that is spent — and exempts income that is saved. Since high earners are able to save a much larger share of their incomes than middle-income families — and since the poor can rarely save at all — the tax is inherently regressive.

The average state's consumption tax structure is equivalent to an income tax with a 7 percent rate for the poor, a 4.6 percent rate for the middle class, and a 0.9 percent rate for the wealthiest taxpayers. Obviously, no one would intentionally design an income tax that looks like this — yet by relying on consumption taxes as a revenue source, this is effectively the policy choice lawmakers nationwide have made.

The single most important factor affecting the fairness of different state sales taxes is the treatment of groceries. Taxing food is a particularly regressive strategy because poor families spend most of their income on groceries and other necessities. Of the ten most regressive sales taxes in the country, eight apply to groceries in some form. A few states have enacted preferential tax rates for taxpayers perceived to have less ability to pay — for example, South Carolina's sales tax rate is lower for taxpayers over 85 — but these special rates usually apply to taxpayers regardless of income level. Arkansas exempts some utilities for low-income taxpayers.

Sales Taxes in the 10 Most Regressive States		
State	Heavy Reliance on Sales Tax	Food in Base
Washington	✓	
Florida	✓	
South Dakota	✓	✓
Illinois		✓
Texas		
Tennessee	✓	✓
Arizona	✓	
Pennsylvania		
Indiana	✓	
Alabama	✓	✓

Sales taxes are usually calculated as a percentage of the price of a fairly broad base of taxable items. Excise taxes, by contrast, are imposed on a small number of goods, typically ones for which demand has a practical per-person maximum (for example, one can only use so much gasoline). Thus, wealthy people don't keep buying more of these goods as their income increases. Moreover, excise taxes are typically based on volume rather than price — per gallon, per pack and so forth. Thus better-off people pay the same absolute tax on an expensive premium beer as low-income families pay on a run-of-the-mill variety. As a result, excise taxes are usually the most regressive kind of tax.

Overall, state excise taxes on gasoline, cigarettes and beer take about 1.6 percent of the income of the poorest families, 0.8 percent of the income of middle-income families, and just 0.1 percent of the income of the very best-off. In other words, these excise taxes are 16 times harder on the poor than the rich, and 8 times harder on middle-income families than the rich.

In addition to being the most regressive tax, excise taxes are relatively poor revenue-raising tools because they decline in real value over time. Since excise taxes are levied on a per-unit basis rather than ad valorem (percentage of value), the revenue generated is eroded due to inflation. That means excise tax rates must continually be increased merely to keep pace with inflation, not to mention real economic growth. Policy makers using excise tax hikes to close fiscal gaps should recognize that reliance on excise tax revenues means balancing state budgets on the back of the very poorest taxpayers — and that these revenues represent a short-term fix rather than a long-term solution.

PROPERTY TAXES

Property taxes have historically been the most important revenue source for state and local governments. Today, a state's property tax base typically includes only a subset of total wealth: primarily homes and business real estate and, in some states, cars and business property other than real estate. Our analysis shows that, overall, the property tax is a regressive tax — albeit far less regressive than sales and excise taxes. There are several reasons for this:

- For average families, a home represents the lion's share of their total wealth. At high income levels, however, homes are only a small share of total wealth. Because the property tax usually applies mainly to homes and exempts most other forms of wealth, the tax applies to most of the wealth of middle-income families, and hits a smaller share of the wealth of high-income families.
- For homeowners, home values as a share of income tend to decline at higher incomes. Thus, a typical middle-income family's home might be worth three times as much as the family's annual income, while a rich person's home might be valued at one-and-a-half times his or her annual income or less.
- Renters do not escape property taxes. A portion of the property tax on rental property is passed through to renters in the form of higher rent — and these taxes represent a much larger share of income for poor families than for the wealthy. This adds to the regressivity of the property tax.

The regressivity of the property tax is reduced by the business tax component, which generally falls on owners of capital, and to a significant degree is “exported” to residents of other states. On average, this study finds that about 40 percent of a typical state’s property taxes fall on business (excluding the portion of apartment taxes that is assigned to renters).

The regressivity of property taxes is also dependent on factors within the control of policy makers, such as the use of exemptions, tax credits, and preferential tax rates for homeowners, and on external factors such as housing patterns in the state. The fairest property taxes are generally those that use the following tax relief strategies:

Homestead Exemptions

The most frequently used form of broad-based state property tax relief for homeowners is the homestead exemption, which usually exempts a flat dollar amount, or a flat percentage of home value, from property tax. Some states apply the exemption only to certain types of property tax levies, such as school taxes, while other states apply the exemption to all homeowner property taxes.

Allowing a generous homestead exemption is what sets less regressive property-tax states apart from the most regressive states. While several states have increased the value of their homestead exemptions in recent years, many other states have allowed the real value of their homestead exemptions to diminish, as growing assessed home values made fixed-dollar exemptions less valuable.

Property Taxes in the 10 Most Regressive States			
State	Heavy Reliance on Property Tax	Homestead Exemption	Low Income Circuit Breaker
Washington			61+ only
Florida	✓	✓	
South Dakota			65+ only
Illinois	✓	✓	
Texas	✓	✓	
Tennessee			
Arizona		✓	65+ only
Pennsylvania			65+ only
Indiana		✓	
Alabama		✓	

Low-Income Circuit Breakers

A majority of states now offer some kind of credit designed to assist low-income taxpayers in paying their property tax bills. Many of these credits come in the form of a “circuit breaker,” a relatively inexpensive — and more precisely targeted — form of property tax relief that is allowed only when property tax bills exceed a certain percentage of a person’s income. Unfortunately, as with all low-income property tax credits, many circuit breakers are made available only to elderly taxpayers. Only nine states offer substantial circuit breakers to all low-income property taxpayers regardless of age or disability. Notably, not a single one of the ten most regressive states has a low-income circuit breaker.

LOW TAXES OR JUST REGRESSIVE TAXES?

This analysis has focused on the most regressive state and local tax systems and the factors that make them so. Aside from their regressivity, however, many of these states have another trait in common: they are frequently hailed as “low-tax” states, often with an emphasis on their lack of an income tax. But this raises the question: “low tax” for whom?

No income-tax states like Washington, Texas and Florida do, in fact, have average to low taxes overall. Can they also be considered “low-tax” states for poor families? Far from it. In fact, these states’ disproportionate reliance on sales and excise taxes make their taxes among the highest in the entire nation on low-income families.

The Ten States with the Highest Taxes on the Poor	
Washington	16.9%
Illinois	13.8%
Florida	13.3%
Hawaii	13.0%
Arizona	12.9%
Texas	12.6%
Indiana	12.3%
Rhode Island	12.1%
Pennsylvania	12.0%
Arkansas	11.9%

The table to the left shows the ten states that tax poor families the most. Washington State, which does not have an income tax, is the highest-tax state in the country for poor people. In fact, when all state and local sales, excise and property taxes are tallied up, Washington’s poor families pay 16.9 percent of their total income in state and local taxes. Compare that to neighboring Idaho and Oregon, where the poor pay 8.2 percent and 8.3 percent, respectively, of their incomes in state and local taxes — far less than in Washington.

Illinois, which relies heavily on consumption taxes, ranks second in its taxes on the poor, at 13.8 percent. Florida — a no-income-tax state — taxes its poor families at a rate of 13.3 percent, ranking third in this dubious category.

The bottom line is that many so-called “low-tax” states are high-tax states for the poor, and most do not offer a good deal to middle-income families either. Only the wealthy in such states

HOW HAVE RECENT TAX CHANGES AFFECTED STATE TAX FAIRNESS?

State lawmakers have enacted a wide variety of tax changes over the past three years since the last publication of *Who Pays*. Many of these changes have dramatically reshaped state and local tax fairness — for better or worse. There are several prominent trends worth noting:

Sustainable Tax Increases

- Six states have increased income tax rates on the best-off taxpayers. These states include Maryland and Connecticut (permanent changes) and California, the District of Columbia, New York and Hawaii (temporary changes).
- Federal itemized deductions, costly tax breaks that disproportionately benefit upper-income taxpayers, were reduced or eliminated in four states. Rhode Island eliminated all federal itemized deductions. Hawaii temporarily placed a cap on allowable itemized deductions while Minnesota and the District of Columbia phased-out the benefit of a portion of deductions.
- Rhode Island phased-out the benefit of its standard deduction and personal exemption for upper-income taxpayers and Maryland did the same for the personal exemption only.

Reducing Taxes for Low- and Moderate-Income Families

- Connecticut introduced a new state Earned Income Tax Credit (EITC) equal to 30 percent of the federal credit. Illinois lawmakers doubled their state's EITC from 5 to 10 percent.
- The personal exemption and standard deduction were increased in a number of states. Rhode Island, Hawaii and Maine increased both the standard deduction and personal exemption. Oklahoma's standard deduction is also now tied to federal levels. Georgia increased its personal exemption for married couples by \$2,000.
- Three states — Arkansas, Tennessee, and West Virginia—decreased the sales tax rate on groceries.

Tax Cuts for the Wealthy and Profitable Corporations

- Two states — Idaho and Oklahoma — reduced their income tax rates for upper-income families. In these states, personal income taxes — and the tax system overall — have become more regressive as a result.
- Three states — Kansas, Maine and North Dakota — reduced income tax rates “across the board.” While these tax changes have provided some benefit to lower- and middle-income families, by reducing a progressive tax most of the benefit went to upper-income households making the tax systems more regressive overall.

- Arizona enacted a new costly capital gains tax break.
- Kansas eliminated all pass-through business income from the personal income tax. North Carolina temporarily offers a \$50,000 exclusion for pass-through entities and South Carolina introduced a lower tax rate for small businesses.
- More than ten states gave away big breaks to profitable corporations either through rate cuts, a change in the apportionment formula used to calculate the corporate income tax, expanded exclusions, or the reduction or elimination of personal property taxes. These states include Arizona, Alabama, Florida, Idaho, Louisiana, Michigan, Missouri, North Dakota, Pennsylvania, and Wisconsin.

Tax Hikes on Low- and Moderate-Income Families

- Several states either reduced or eliminated refundable credits designed to offset the impact of regressive taxes on low- and moderate-income families. Michigan, New Jersey, and Wisconsin reduced their Earned Income Tax Credits (EITC). Michigan also reduced its homestead property tax credit. Kansas eliminated the food tax rebate credit, child and dependent care credit and homestead refund for renters. Georgia made its low-income credit nonrefundable. Maine reduced the benefit of the state's property tax circuit breaker program by 20 percent.
- Nine states have increased their cigarette tax.
- Connecticut and the District of Columbia permanently increased their state sales tax rate. Arizona, Arkansas, California, Hawaii, Kansas, and Nevada all temporarily increased the sales tax.

Other Notable Changes

- A dozen states either adopted an “Amazon” law or reached an agreement with the online retailer to collect and remit sales taxes in their states. The states include Arkansas, California, Georgia, Illinois, Indiana, Massachusetts, New Jersey, Nevada, South Carolina, Tennessee, Texas, and Virginia. This change will help to level the playing field between in-state brick and mortar retailers and online competitors and increase sales tax revenue.
- Rhode Island, Connecticut and Colorado made small steps towards expanding their sales tax bases to include services and other exempt goods.

Looking forward, legislators would do well to focus more clearly on real tax reform that achieves both improved tax fairness and long-term revenue stability. The alternative — increasing a wide range of taxes in times of fiscal difficulty but reducing mainly progressive taxes in times of plenty — undermines both progressivity and revenues.

CONCLUSION

The main finding of this report is that virtually every state's tax system is fundamentally unfair and is made more so by the absence of a progressive personal income tax and by the over reliance on consumption taxes which neutralize whatever benefit the working poor receive from available low-income tax credits. The bleak reality is that of the twenty-four states and the District of Columbia that have taken steps to reduce the working poor's tax share by enacting state earned income tax credits, nine still require their poorest taxpayers to pay a higher effective tax rate than any other income group.

The results of this study provide an important reference for lawmakers seeking to understand the inequitable tax structures enacted by their predecessors. States may ignore these lessons and continue to demand that their poorest citizens pay the price of balanced state budgets. Or, they may decide instead to ask wealthier families to pay tax rates more commensurate with their incomes. In either case, the path that states choose in the near future will have a major impact on the well-being of their citizens — and on the fairness of state and local taxes.

WHY THE SCOPE OF THE STUDY IS LIMITED TO NON-ELDERLY TAXPAYERS

The analyses contained in this report show the tax incidence of singles and couples, with and without children who are under the age of 65. State tax structures are notorious for treating elderly families very differently from other families and these differences cloud the incidence of state tax structures.

Virtually every state conforms to at least one of the federal government's elderly tax breaks. All 42 states that levy broad-based income taxes follow the federal exemption for Social Security benefits, with many states exempting them altogether. Ten states allow their seniors to claim the same higher federal standard deduction.

But most income tax states go beyond these tax preferences inherited from federal income tax rules to allow special elderly-only tax breaks of their own. Thirty-six states allow an exemption for private or public pension benefits. These range from fully exempting all pension benefits for adults above a certain age (three states — Illinois, Mississippi, and Pennsylvania) to only exempting very specific benefits such as those for military veterans. Twenty-one states allow senior citizens an extra personal exemption or exemption credit, allowing these taxpayers to shelter twice as much of their income from tax as similar non-elderly taxpayers can claim.

For example, Illinois exempts all pension and retirement income from their tax base which costs the state about \$1 billion annually. If retirement income were taxed the middle twenty percent of Illinoisans would see a tax increase equivalent to 0.2 percent of their income on average. Those in the next quintile with an average income of \$72,000 would see their taxes increased by 0.3 percent of their income.

Because so many states offer special consideration for elderly taxpayers, including elderly families in the Who Pays analysis would not give an accurate depiction of how the tax structure treats the majority of taxpayers.

Appendix A: Who Pays Summary Results

Total State and Local Taxes as a Share of Family Income for Non-Elderly Taxpayers in All 50 States and DC

States	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Alabama	10.2%	10.4%	9.6%	8.3%	6.7%	5.1%	3.8%
Alaska	7.0%	5.3%	4.5%	3.4%	3.1%	2.5%	2.4%
Arizona	12.9%	11.4%	9.4%	8.3%	7.0%	6.0%	4.7%
Arkansas	11.9%	12.1%	11.4%	10.0%	9.1%	7.0%	6.0%
California	10.6%	9.2%	8.2%	7.6%	7.4%	8.7%	8.8%
Colorado	8.9%	9.0%	8.3%	7.6%	6.6%	5.8%	4.6%
Connecticut	11.0%	9.1%	10.5%	10.3%	9.1%	7.7%	5.5%
Delaware	5.7%	5.3%	5.4%	5.3%	5.3%	4.9%	4.2%
DC	6.6%	9.8%	11.0%	9.4%	8.5%	7.3%	6.3%
Florida	13.2%	9.7%	8.5%	6.8%	5.5%	4.3%	2.3%
Georgia	11.3%	10.7%	9.6%	9.1%	8.0%	7.2%	4.9%
Hawaii	13.0%	12.4%	11.6%	10.0%	8.4%	7.5%	8.0%
Idaho	8.2%	7.8%	7.8%	8.0%	7.6%	6.8%	6.4%
Illinois	13.8%	12.0%	10.9%	10.3%	9.0%	7.6%	4.9%
Indiana	12.3%	11.4%	10.8%	10.0%	8.5%	7.0%	5.4%
Iowa	10.9%	10.3%	10.1%	9.6%	8.6%	7.0%	6.0%
Kansas	10.3%	8.7%	8.9%	8.5%	7.7%	6.2%	3.9%
Kentucky	9.1%	10.7%	10.9%	9.7%	8.8%	7.3%	5.7%
Louisiana	10.6%	10.5%	10.1%	9.2%	7.3%	5.7%	4.6%
Maine	9.6%	9.3%	9.3%	9.1%	8.8%	7.7%	6.9%
Maryland	9.7%	9.5%	9.9%	9.1%	8.0%	8.3%	6.4%
Massachusetts	10.0%	9.8%	9.3%	8.7%	7.6%	7.3%	4.9%
Michigan	9.7%	9.6%	9.5%	9.3%	8.1%	7.3%	5.8%
Minnesota	8.8%	9.6%	9.6%	9.6%	8.5%	8.1%	6.2%
Mississippi	10.4%	10.4%	10.5%	9.0%	7.5%	6.0%	5.4%
Missouri	9.6%	9.2%	9.0%	8.7%	7.6%	6.8%	5.4%
Montana	6.4%	6.1%	6.3%	6.0%	5.6%	5.2%	4.7%
Nebraska	10.9%	9.9%	10.3%	9.0%	8.3%	7.7%	5.8%
Nevada	9.0%	7.0%	6.8%	6.0%	4.9%	3.8%	2.4%
New Hampshire	8.6%	7.4%	6.6%	6.0%	5.2%	4.2%	2.4%

Note: Table shows total state and local taxes paid as a share of 2010 income, post- federal offset.

Appendix A: Who Pays Summary Results

Total State and Local Taxes as a Share of Family Income for Non-Elderly Taxpayers in All 50 States and DC

continued

States	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
New Jersey	11.2%	10.0%	9.1%	8.7%	7.9%	8.8%	7.0%
New Mexico	10.6%	10.2%	9.7%	9.2%	7.9%	6.4%	4.8%
New York	10.0%	10.4%	11.9%	11.4%	11.0%	11.0%	6.9%
North Carolina	9.8%	9.5%	9.4%	9.1%	8.3%	7.7%	6.5%
North Dakota	9.2%	7.8%	7.5%	6.7%	5.8%	4.6%	3.6%
Ohio	11.6%	10.6%	10.3%	9.7%	9.0%	7.8%	6.3%
Oklahoma	10.3%	9.7%	9.3%	8.4%	7.5%	5.8%	4.6%
Oregon	8.3%	7.7%	7.6%	7.8%	7.3%	7.4%	7.0%
Pennsylvania	12.0%	10.4%	10.1%	9.0%	8.2%	6.8%	4.4%
Rhode Island	12.1%	10.1%	10.5%	9.5%	8.7%	8.6%	6.4%
South Carolina	7.1%	6.9%	7.3%	7.4%	7.2%	6.0%	5.0%
South Dakota	11.6%	9.5%	8.0%	7.0%	5.6%	3.9%	2.1%
Tennessee	11.2%	10.1%	8.8%	6.8%	5.4%	4.0%	2.8%
Texas	12.6%	10.4%	8.6%	7.4%	6.1%	4.8%	3.2%
Utah	9.4%	9.0%	8.7%	8.3%	7.4%	6.6%	5.0%
Vermont	8.7%	9.1%	10.4%	8.9%	8.3%	8.1%	8.0%
Virginia	8.6%	8.2%	8.2%	7.9%	6.9%	6.7%	4.9%
Washington	16.9%	12.3%	10.4%	8.7%	6.8%	4.7%	2.8%
West Virginia	8.7%	8.6%	8.9%	8.7%	8.1%	6.8%	6.3%
Wisconsin	9.6%	10.7%	10.7%	10.6%	9.7%	8.3%	6.9%
Wyoming	8.2%	7.1%	5.9%	5.0%	4.0%	3.0%	1.6%
United States	11.1%	10.0%	9.4%	8.7%	7.7%	7.2%	5.6%

Note: Table shows total state and local taxes paid as a share of 2010 income, post-federal offset.

Appendix B: Changes in the Composition of State & Local General Own-Source Revenue

Fiscal Year 2000-2010, Including Non-Tax Revenues

	Fiscal Year 2000						Fiscal Year 2010						Change in Non-Tax Share
	Taxes					Non-Tax Revenues	Taxes					Non-Tax Revenues	
	Property	Sales & Excise	Income (Personal & Corp.)	Other	Total		Property	Sales & Excise	Income (Personal & Corp.)	Other	Total		
Alabama	8.4%	28.8%	15.1%	6.9%	59.1%	40.9%	10.8%	26.4%	13.1%	5.4%	55.5%	44.5%	3.6%
Alaska	10.0%	3.7%	5.7%	10.9%	30.3%	69.7%	12.2%	6.3%	6.0%	32.8%	57.3%	42.7%	-27.0%
Arizona	21.2%	33.0%	15.3%	3.0%	72.5%	27.5%	25.6%	30.5%	9.9%	2.7%	68.8%	31.2%	3.8%
Arkansas	11.0%	33.6%	19.5%	4.1%	68.1%	31.9%	12.5%	34.4%	17.8%	3.5%	68.1%	31.9%	-0.0%
California	15.4%	23.4%	27.2%	4.8%	70.7%	29.3%	21.4%	20.6%	21.7%	4.8%	68.5%	31.5%	2.2%
Colorado	18.7%	24.6%	20.1%	3.7%	67.0%	33.0%	24.9%	21.0%	13.8%	4.0%	63.7%	36.3%	3.3%
Connecticut	27.8%	26.0%	22.6%	4.2%	80.5%	19.5%	34.4%	20.5%	24.0%	2.9%	81.8%	18.2%	-1.3%
Delaware	8.7%	6.8%	23.2%	21.1%	59.9%	40.1%	29.0%	7.3%	16.2%	21.3%	55.0%	45.0%	4.9%
Dist. of Col.	17.4%	25.1%	33.6%	4.7%	80.7%	19.3%	10.2%	21.2%	22.4%	5.9%	78.5%	21.5%	2.2%
Florida	22.0%	34.7%	1.8%	7.0%	65.4%	34.6%	26.2%	28.6%	1.7%	4.5%	61.0%	39.0%	4.4%
Georgia	18.2%	28.5%	21.7%	3.0%	71.3%	28.7%	23.1%	24.0%	16.8%	1.8%	65.7%	34.3%	5.6%
Hawaii	10.4%	36.9%	19.7%	3.8%	70.7%	29.3%	14.8%	34.5%	17.1%	3.8%	70.2%	29.8%	0.6%
Idaho	17.6%	21.7%	22.2%	5.5%	66.9%	33.1%	18.1%	21.2%	16.2%	4.6%	60.2%	39.8%	6.7%
Illinois	27.1%	24.9%	18.5%	4.7%	75.1%	24.9%	31.6%	23.0%	13.3%	4.5%	72.4%	27.6%	2.7%
Indiana	22.6%	20.8%	21.1%	2.1%	66.6%	33.4%	21.5%	24.3%	16.9%	2.9%	65.7%	34.3%	0.9%
Iowa	21.2%	22.0%	17.5%	5.4%	66.1%	33.9%	21.9%	21.1%	15.5%	4.5%	62.9%	37.1%	3.2%
Kansas	19.9%	26.5%	19.6%	4.0%	69.8%	30.2%	21.9%	21.9%	17.0%	2.8%	63.7%	36.3%	6.1%
Kentucky	11.6%	24.9%	25.3%	6.9%	68.6%	31.4%	14.0%	24.8%	22.1%	4.3%	65.2%	34.8%	3.4%
Louisiana	10.1%	36.0%	10.4%	6.5%	63.0%	37.0%	12.9%	33.2%	10.2%	5.3%	61.6%	38.4%	1.4%
Maine	27.5%	20.6%	21.1%	4.3%	73.4%	26.6%	30.4%	21.4%	19.0%	4.0%	74.8%	25.2%	-1.5%
Maryland	19.7%	18.9%	31.0%	5.3%	74.8%	25.2%	22.7%	18.3%	29.2%	5.1%	75.3%	24.7%	-0.6%
Massachusetts	24.0%	16.2%	32.5%	3.0%	75.5%	24.5%	27.7%	15.0%	25.5%	3.3%	71.4%	28.6%	4.0%
Michigan	20.6%	21.5%	21.9%	4.4%	68.3%	31.7%	25.9%	23.5%	11.8%	3.1%	64.4%	35.6%	3.9%
Minnesota	17.4%	22.6%	24.3%	5.3%	69.4%	30.6%	21.1%	23.0%	20.2%	4.4%	68.6%	31.4%	0.8%
Mississippi	14.5%	31.8%	12.3%	4.2%	62.6%	37.4%	16.9%	27.9%	11.1%	3.9%	59.8%	40.2%	2.8%
Missouri	16.8%	28.8%	20.3%	4.8%	70.6%	29.4%	20.0%	24.9%	17.0%	4.2%	66.0%	34.0%	4.6%
Montana	25.6%	9.7%	17.4%	7.5%	60.0%	40.0%	24.0%	10.1%	15.1%	11.1%	60.3%	39.7%	-0.2%

Source: US Census State & Local Government Finance Data (Fiscal years 2000 and 2010)

Appendix B: Changes in the Composition of State & Local General Own-Source Revenue

Fiscal Year 2000-2010, Including Non-Tax Revenues

continued

	Fiscal Year 2000						Fiscal Year 2010						Change in Non-Tax Share
	Taxes					Non-Tax Revenues	Taxes					Non-Tax Revenues	
	Property	Sales & Excise	Income (Personal & Corp.)	Other	Total		Property	Sales & Excise	Income (Personal & Corp.)	Other	Total		
Nebraska	21.2%	23.1%	18.0%	5.9%	68.0%	32.0%	24.1%	21.0%	14.9%	5.7%	65.6%	34.4%	2.4%
Nevada	17.2%	42.9%	—	9.7%	69.7%	30.3%	24.0%	35.1%	—	10.4%	69.5%	30.5%	0.2%
New Hampshire	43.2%	11.8%	8.1%	6.9%	69.9%	30.1%	44.2%	10.9%	7.9%	5.4%	68.4%	31.6%	1.5%
New Jersey	33.1%	18.9%	19.7%	3.7%	75.3%	24.7%	36.7%	17.0%	18.3%	3.8%	75.7%	24.3%	-0.4%
New Mexico	8.1%	31.8%	13.6%	9.3%	62.6%	37.4%	11.8%	29.6%	9.8%	8.2%	59.3%	40.7%	3.3%
New York	22.0%	19.6%	30.3%	4.0%	75.8%	24.2%	24.3%	19.0%	28.4%	3.3%	75.0%	25.0%	0.8%
North Carolina	14.4%	22.4%	26.2%	4.0%	66.8%	33.2%	17.1%	23.5%	20.9%	3.9%	65.4%	34.6%	1.4%
North Dakota	18.9%	25.6%	9.9%	9.1%	63.4%	36.6%	13.6%	21.3%	7.7%	26.1%	68.7%	31.3%	-5.3%
Ohio	19.8%	21.5%	25.1%	4.8%	71.2%	28.8%	20.1%	21.8%	19.0%	6.1%	67.0%	33.0%	4.2%
Oklahoma	10.4%	25.8%	18.6%	11.2%	65.9%	34.1%	12.7%	25.3%	12.9%	9.4%	60.2%	39.8%	5.7%
Oregon	17.7%	5.8%	28.6%	7.8%	59.8%	40.2%	22.6%	6.0%	24.5%	7.0%	60.1%	39.9%	-0.2%
Pennsylvania	19.3%	20.8%	21.1%	9.1%	70.2%	29.8%	21.2%	21.8%	20.3%	6.6%	69.9%	30.1%	0.2%
Rhode Island	29.9%	22.1%	19.9%	3.2%	75.0%	25.0%	32.0%	20.7%	15.0%	2.4%	70.2%	29.8%	4.8%
South Carolina	17.5%	22.7%	17.4%	4.7%	62.2%	37.8%	18.5%	17.8%	11.1%	4.2%	51.6%	48.4%	10.5%
South Dakota	24.1%	33.3%	1.7%	7.1%	66.2%	33.8%	23.0%	34.4%	0.8%	6.0%	64.1%	35.9%	2.1%
Tennessee	15.6%	39.5%	4.3%	8.0%	67.2%	32.8%	17.8%	36.7%	3.8%	6.3%	64.6%	35.4%	2.6%
Texas	25.7%	34.5%	—	7.7%	67.9%	32.1%	30.3%	29.7%	—	7.0%	67.0%	33.0%	0.9%
Utah	14.4%	26.9%	20.2%	3.6%	65.0%	35.0%	16.4%	22.2%	16.7%	3.9%	59.3%	40.7%	5.7%
Vermont	30.2%	18.7%	18.4%	5.3%	72.3%	27.7%	32.6%	20.8%	13.8%	3.9%	71.2%	28.8%	1.1%
Virginia	19.7%	19.6%	24.3%	5.8%	69.3%	30.7%	23.5%	17.2%	19.7%	4.6%	65.1%	34.9%	4.2%
Washington	19.9%	41.6%	—	6.5%	67.9%	32.1%	20.3%	39.0%	—	5.2%	64.4%	35.6%	3.5%
West Virginia	13.0%	28.0%	18.0%	7.5%	66.4%	33.6%	13.8%	24.3%	17.6%	9.1%	64.7%	35.3%	1.7%
Wisconsin	22.3%	20.9%	25.6%	4.0%	72.7%	27.3%	27.8%	20.3%	19.1%	3.0%	70.3%	29.7%	2.4%
Wyoming	19.3%	21.9%	—	15.4%	56.5%	43.5%	25.3%	18.6%	—	15.6%	59.5%	40.5%	-3.0%
All States	19.9%	24.8%	19.8%	5.4%	69.8%	30.2%	23.5%	23.0%	16.1%	5.0%	67.6%	32.4%	2.2%

Source: US Census State & Local Government Finance Data (Fiscal years 2000 and 2010)

DETAILED STATE-BY-STATE TABLES

A ROADMAP TO THE STATE-BY-STATE TABLES

The following pages show state-by-state estimates of the distribution of state and local taxes by income group for non-elderly taxpayers. For each state, two pages of tax information are presented.

The first page for each state shows the distribution of state and local taxes in 2013. In each distributional chart, the non-elderly population is divided into income quintiles (groups of 20 percent of the population). The wealthiest quintile is further subdivided into three groups: the wealthiest one percent, the next wealthiest four percent, and the next wealthiest 15 percent. This is done because the wealthiest quintile received more than 60 percent of all income in 2010 — and because income is distributed unequally within the top quintile. The top figure shows total average state and local taxes by income group, post-federal offset. The smaller figures show the distribution of each state’s personal income, sales and excise, and property taxes by income group.

The second page includes additional charts and information that help clarify the distribution of state and local taxes including a detailed table of *Who Pays* results, tax code features, and recent legislative developments. Each state page also includes an additional chart highlighting either a specific feature of the state’s tax code or a recent development.

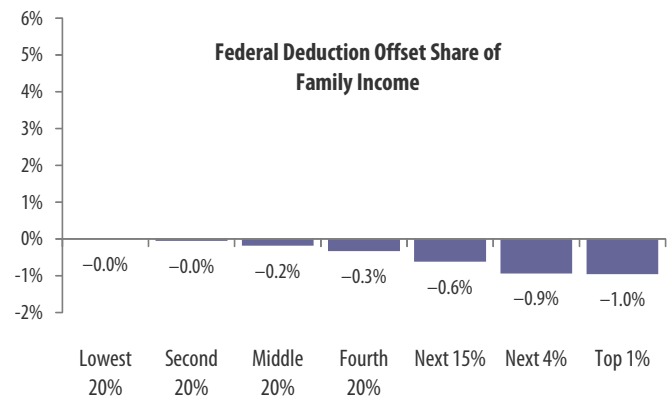
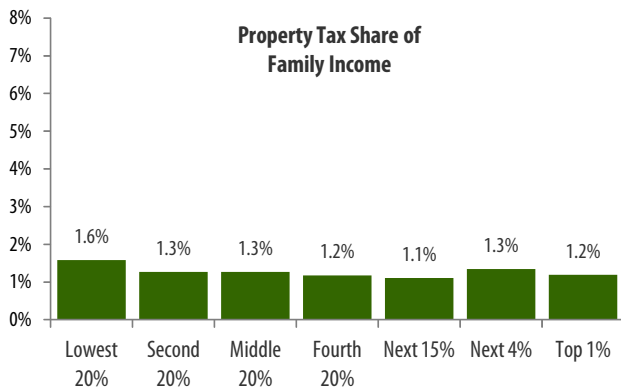
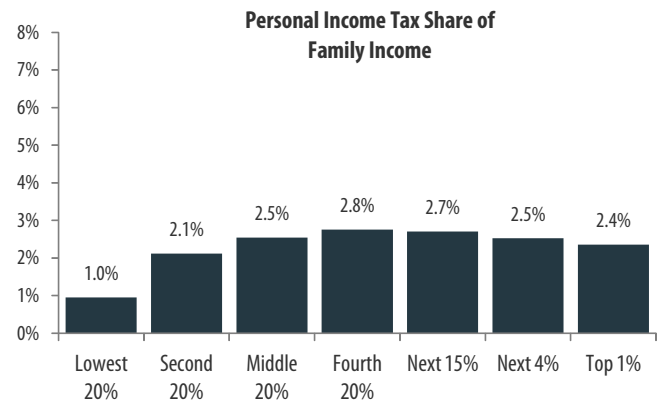
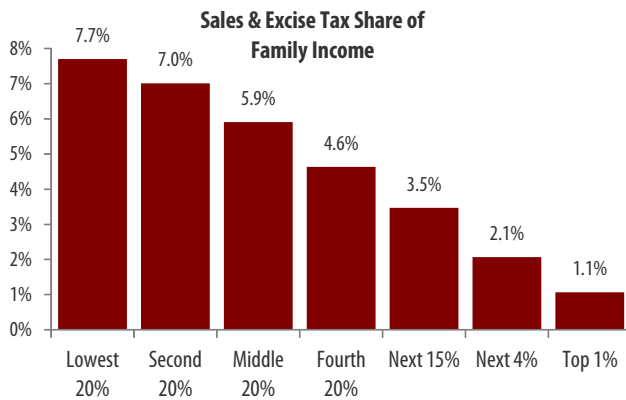
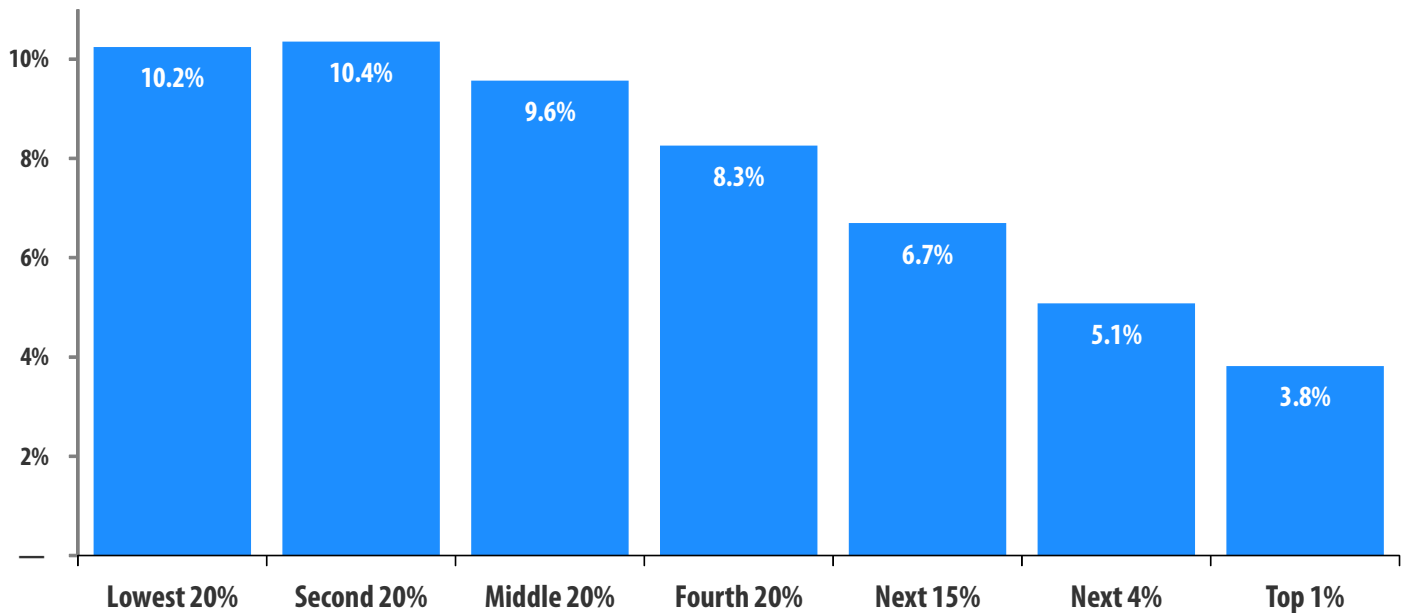
Since each state’s tax system is unique, a variety of different charts are used. The majority of these charts display state-specific information about topics discussed generally in the report. While most of these charts are self-explanatory, one may require some clarification. Charts depicting “Select State and Local Taxes Relative to the National Average” compare specific taxes across states based on the portion of taxpayer income collected by those taxes. State and local property taxes, for example, were 3.7 percent of personal income nationwide. If the state being examined instead collects fifty percent more than that amount, or 5.6 percent of taxpayer income, through property taxes, this chart will indicate that the tax is 50 percent above the national average.

Finally, two appendices provide more detail and information to accompany the *Who Pays* results. Appendix A (page 19) shows a summary of the *Who Pay* results by state (totals shown are post-federal offset). Appendix B (page 21) shows trends in both tax and “non-tax” revenues as shares of total state and local own-source revenues. This differs from the data in the rest of the report which focuses solely on taxes. The table covers the period from fiscal year 2000 to fiscal year 2010 (the latest U.S. Census data currently available). Shifts towards non-tax revenues, such as fees for state college tuition and lottery revenues, can be meaningful, because such revenue sources are usually regressive ways to pay for state and local programs.

Alabama State & Local Taxes

#10 of the Terrible 10

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Alabama enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of income, post-federal offset.

Alabama State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$26,000	\$26,000 – \$47,000	\$47,000 – \$77,000	\$77,000 – \$146,000	\$146,000 – \$371,000	\$371,000 or more
Average Income in Group	\$10,700	\$21,400	\$35,000	\$59,200	\$100,600	\$199,300	\$900,400
Sales & Excise Taxes	7.7%	7.0%	5.9%	4.6%	3.5%	2.1%	1.1%
General Sales—Individuals	4.1%	3.8%	3.3%	2.7%	2.1%	1.3%	0.7%
Other Sales & Excise—Ind.	1.8%	1.6%	1.3%	0.9%	0.6%	0.4%	0.2%
Sales & Excise on Business	1.7%	1.6%	1.3%	1.0%	0.8%	0.5%	0.3%
Property Taxes	1.6%	1.3%	1.3%	1.2%	1.1%	1.3%	1.2%
Property Taxes on Families	1.5%	1.2%	1.2%	1.1%	1.0%	1.1%	0.6%
Other Property Taxes	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.6%
Income Taxes	1.0%	2.1%	2.6%	2.8%	2.7%	2.6%	2.5%
Personal Income Tax	1.0%	2.1%	2.5%	2.8%	2.7%	2.5%	2.4%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	10.3%	10.4%	9.7%	8.6%	7.3%	6.0%	4.8%
Federal Deduction Offset	0.0%	0.0%	-0.2%	-0.3%	-0.6%	-0.9%	-1.0%
OVERALL TOTAL	10.2%	10.4%	9.6%	8.3%	6.7%	5.1%	3.8%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

✓ Provides one of the largest property tax homestead exemptions in the country

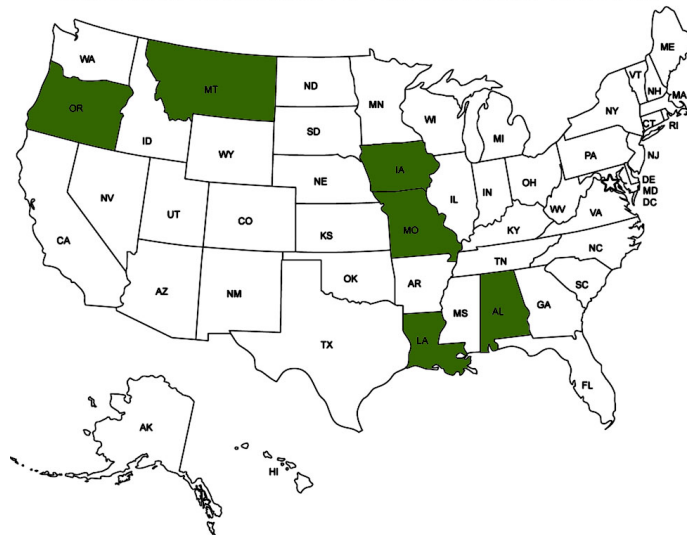
Regressive Features

- ✗ Narrow income tax brackets mean majority of taxpayers pay top income tax rate
- ✗ Sales tax base includes groceries
- ✗ Fails to provide a credit designed to offset sales tax on groceries
- ✗ Offers an income tax deduction for federal income taxes paid

Recent Developments

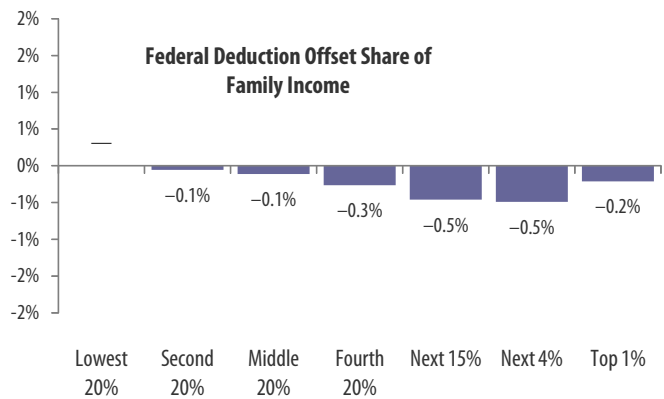
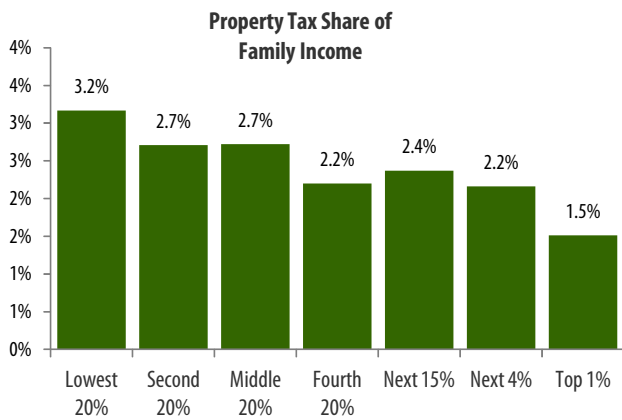
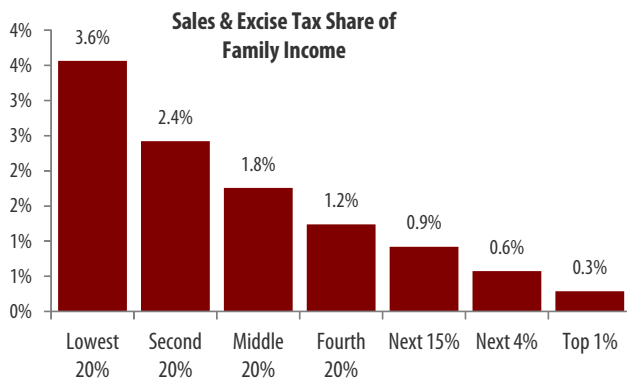
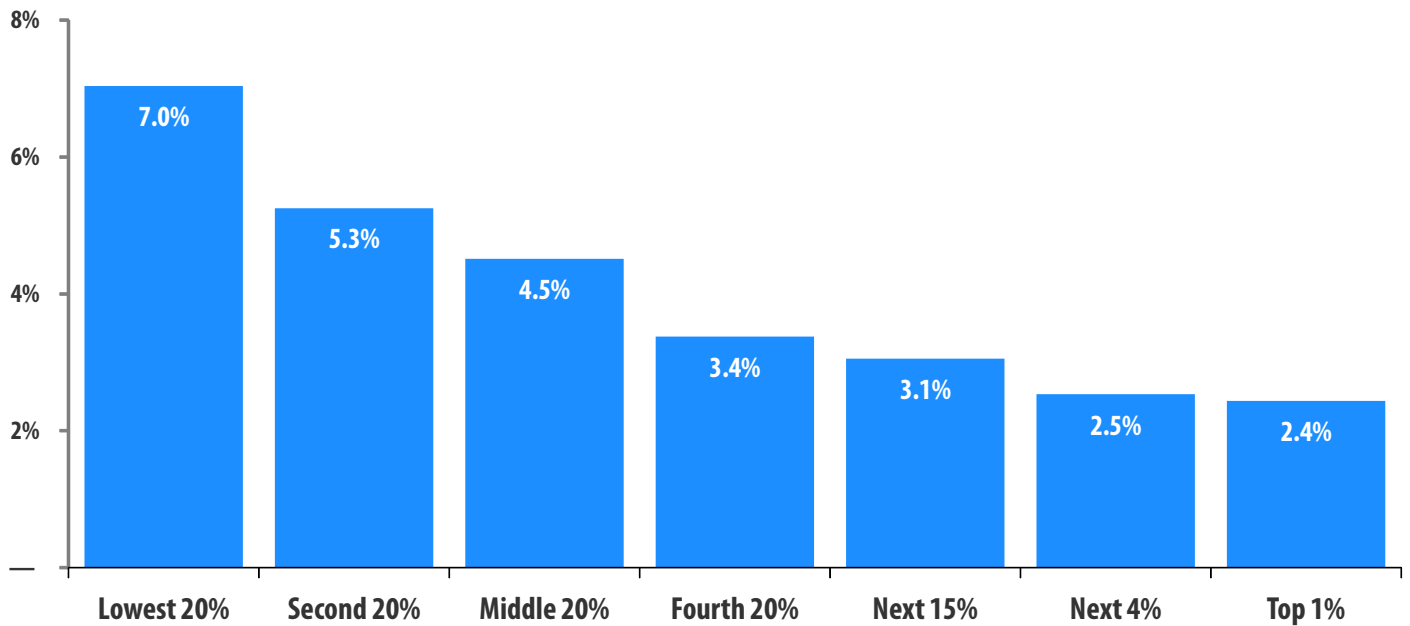
▲ Enacted double-weighted sales factor apportionment rules for calculating the corporate income tax

States With a Deduction for Federal Income Taxes Paid



Alaska State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Alaska enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Alaska State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$25,000	\$25,000 – \$38,000	\$38,000 – \$65,000	\$65,000 – \$115,000	\$115,000 – \$201,000	\$201,000 – \$394,000	\$394,000 or more
Average Income in Group	\$15,400	\$30,600	\$52,100	\$87,800	\$145,800	\$251,500	\$1,184,200
Sales & Excise Taxes	3.6%	2.4%	1.8%	1.2%	0.9%	0.6%	0.3%
General Sales—Individuals	1.0%	0.8%	0.7%	0.5%	0.4%	0.3%	0.2%
Other Sales & Excise—Ind.	2.2%	1.3%	0.9%	0.5%	0.4%	0.2%	0.1%
Sales & Excise on Business	0.4%	0.3%	0.2%	0.2%	0.1%	0.1%	0.1%
Property Taxes	3.2%	2.7%	2.7%	2.2%	2.4%	2.2%	1.5%
Property Taxes on Families	2.8%	2.5%	2.5%	2.0%	2.1%	1.8%	0.5%
Other Property Taxes	0.3%	0.2%	0.2%	0.2%	0.3%	0.4%	1.0%
Income Taxes	0.3%	0.2%	0.2%	0.2%	0.2%	0.3%	0.8%
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.3%	0.2%	0.2%	0.2%	0.2%	0.3%	0.8%
Total Taxes	7.0%	5.3%	4.6%	3.6%	3.5%	3.0%	2.6%
Federal Deduction Offset	0.0%	-0.1%	-0.1%	-0.3%	-0.5%	-0.5%	-0.2%
OVERALL TOTAL	7.0%	5.3%	4.5%	3.4%	3.1%	2.5%	2.4%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ No statewide sales tax
- ✓ Requires the use of combined reporting

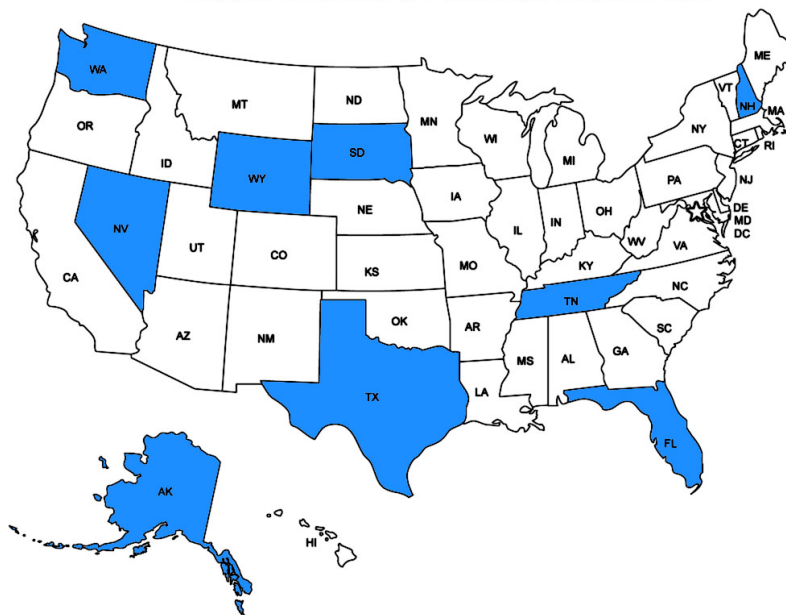
Regressive Features

- ✗ No personal income tax

Recent Developments

- ▲ No significant developments

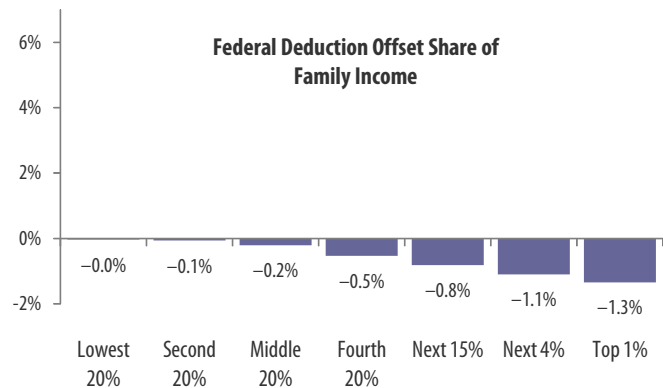
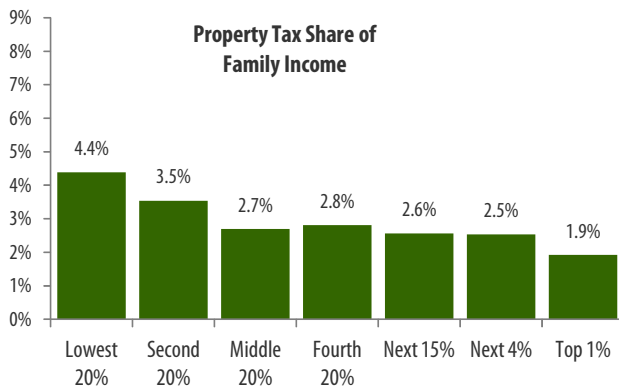
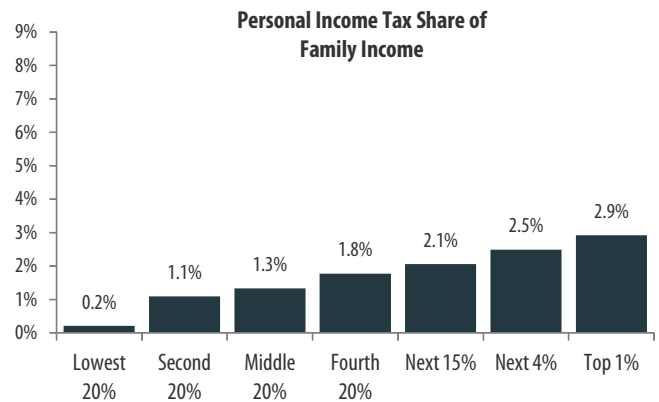
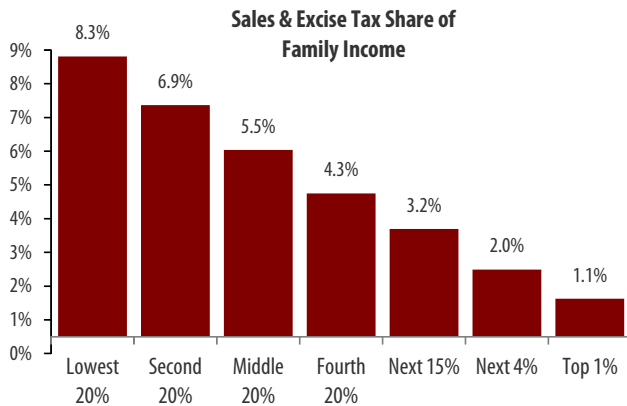
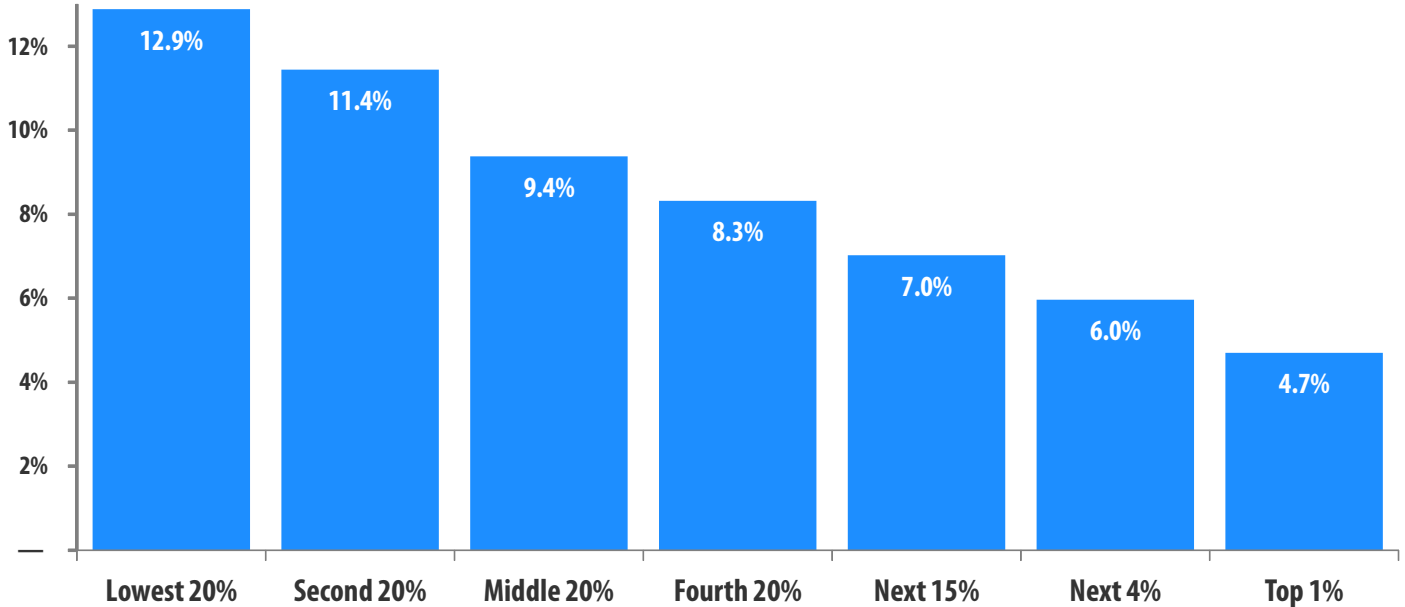
States Without a Personal Income Tax



Arizona State & Local Taxes

#7 of the Terrible 10

Shares of family income for non-elderly taxpayers



Note: Figures show tax law in Arizona enacted through January 2, 2013 at 2010 income levels. The temporary sales tax increase (from 5.6 to 6.6 percent) is not included because it will expire on June 1, 2013. The state's 10 percent exclusion for capital gains income (rising to 25 percent by 2015) on assets acquired in 2012 or later is modeled as it will exist in 2013. As the exclusion phases-in over time, personal income taxes will decline primarily for the state's upper-income taxpayers. Top figure represents total state and local taxes as a share of personal income, post- federal offset.

Arizona State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$21,000	\$21,000 – \$32,000	\$32,000 – \$50,000	\$50,000 – \$82,000	\$82,000 – \$156,000	\$156,000 – \$353,000	\$353,000 or more
Average Income in Group	\$12,200	\$27,000	\$39,800	\$63,800	\$107,400	\$222,800	\$971,500
Sales & Excise Taxes	8.3%	6.9%	5.5%	4.3%	3.2%	2.0%	1.1%
General Sales—Individuals	3.9%	3.5%	2.9%	2.3%	1.8%	1.1%	0.7%
Other Sales & Excise—Ind.	1.2%	0.8%	0.6%	0.4%	0.3%	0.2%	0.0%
Sales & Excise on Business	3.2%	2.6%	2.1%	1.6%	1.1%	0.7%	0.4%
Property Taxes	4.4%	3.5%	2.7%	2.8%	2.6%	2.5%	1.9%
Property Taxes on Families	3.9%	3.0%	2.2%	2.3%	2.1%	1.9%	0.7%
Other Property Taxes	0.5%	0.5%	0.5%	0.5%	0.5%	0.7%	1.2%
Income Taxes	0.2%	1.1%	1.3%	1.8%	2.1%	2.5%	3.0%
Personal Income Tax	0.2%	1.1%	1.3%	1.8%	2.1%	2.5%	2.9%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total Taxes	12.9%	11.5%	9.6%	8.8%	7.8%	7.1%	6.0%
Federal Deduction Offset	0.0%	-0.1%	-0.2%	-0.5%	-0.8%	-1.1%	-1.3%
OVERALL TOTAL	12.9%	11.4%	9.4%	8.3%	7.0%	6.0%	4.7%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides an income tax credit to offset the impact of sales tax
- ✓ Sales tax base excludes groceries

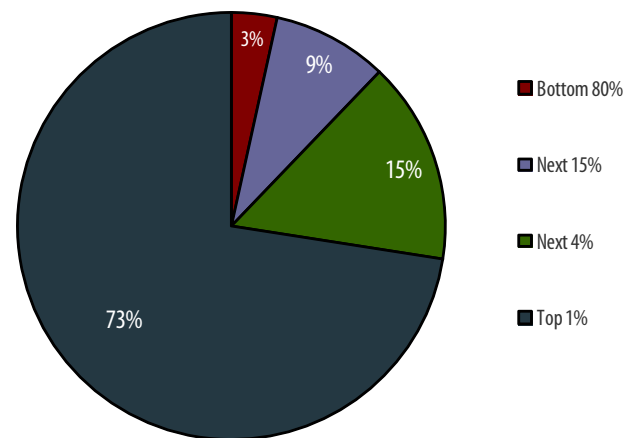
Regressive Features

- ✗ Provides a partial income tax exclusion for capital gains income
- ✗ Comparatively high reliance on sales taxes
- ✗ Comparatively high cigarette tax rate
- ✗ Fails to provide an earned income tax credit (EITC)

Recent Developments

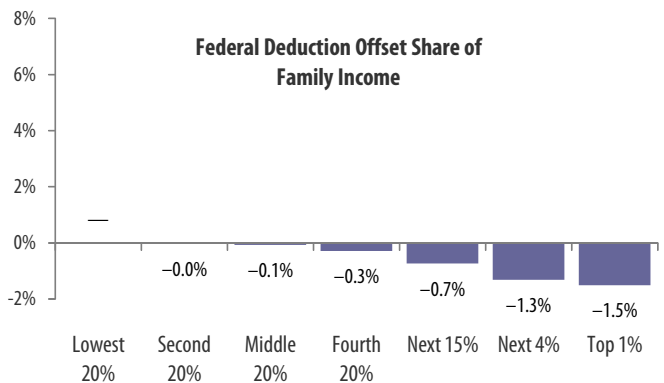
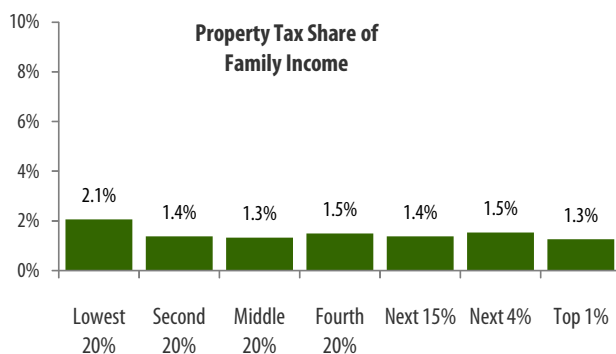
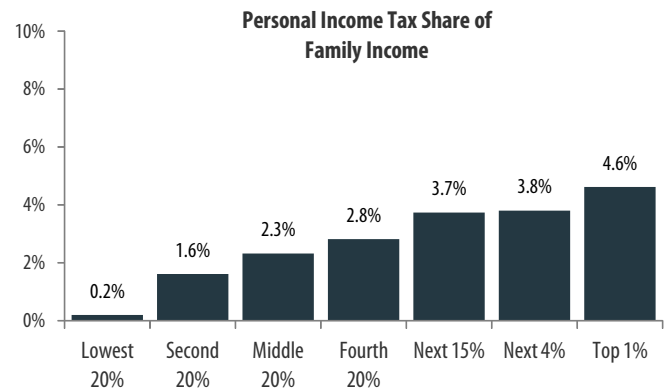
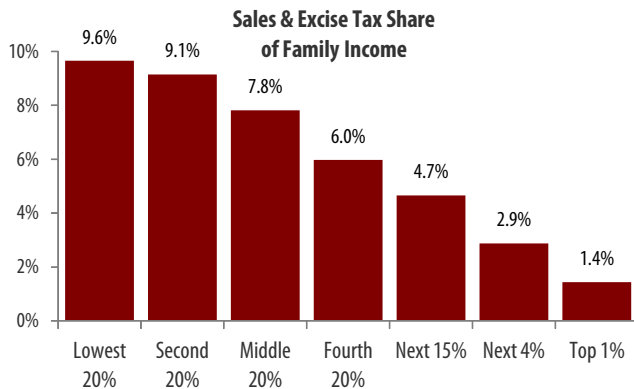
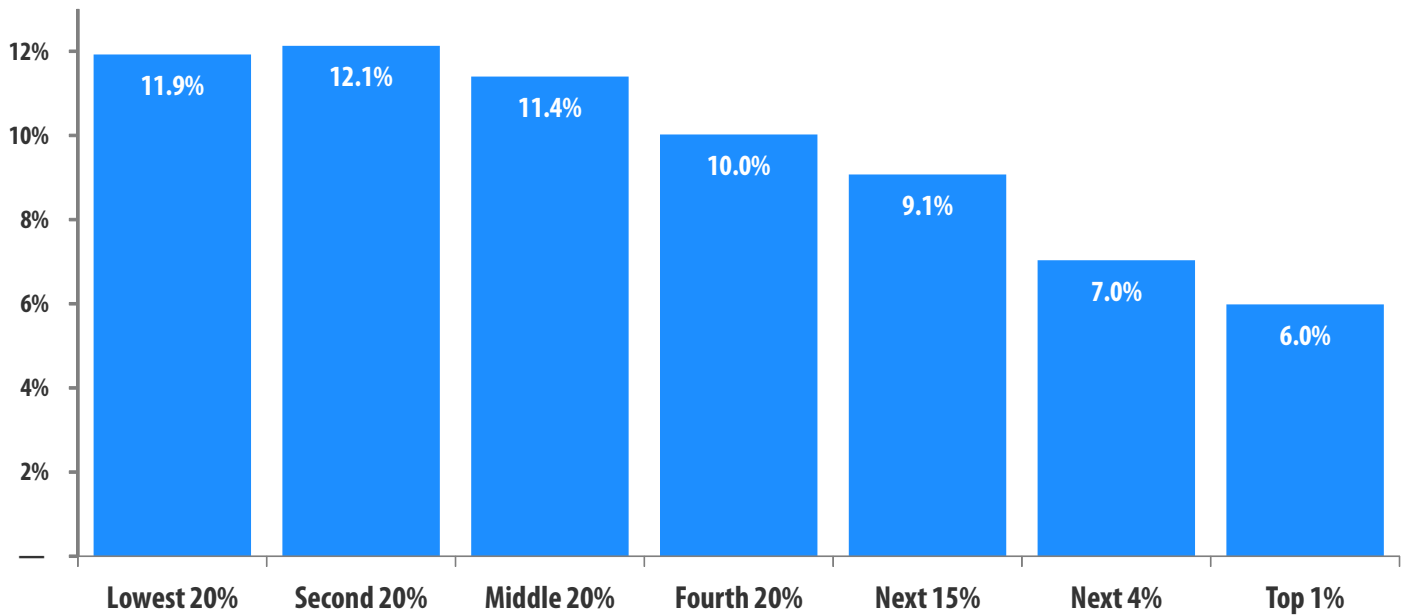
- ▲ Enacted a new capital gains exclusion from the personal income tax (exclusion applies only to assets purchased after 2011, and is equal to 10 percent of gains in 2013, 20 percent in 2014, and 25 percent in 2015 and beyond)
- ▲ Enacted a phased-in reduction in corporate income taxes that will cut the state rate to 4.9 percent
- ▲ Enacted single-sales factor apportionment rules for calculating the Corporate Income Tax (phased-in over 4 years)

Share of Tax Cuts from New Capital Gains Tax Break in Arizona when Fully Phased-in by Income Group



Arkansas State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Arkansas enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Arkansas State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$27,000	\$27,000 – \$44,000	\$44,000 – \$71,000	\$71,000 – \$144,000	\$144,000 – \$311,000	\$311,000 or more
Average Income in Group	\$8,600	\$21,200	\$35,200	\$55,500	\$94,400	\$193,300	\$723,300
Sales & Excise Taxes	9.6%	9.1%	7.8%	6.0%	4.7%	2.9%	1.4%
General Sales—Individuals	5.4%	5.4%	4.8%	3.8%	3.0%	1.9%	1.0%
Other Sales & Excise—Ind.	1.9%	1.5%	1.1%	0.8%	0.5%	0.3%	0.1%
Sales & Excise on Business	2.3%	2.2%	1.9%	1.4%	1.1%	0.7%	0.4%
Property Taxes	2.1%	1.4%	1.3%	1.5%	1.4%	1.5%	1.3%
Property Taxes on Families	2.0%	1.3%	1.3%	1.4%	1.3%	1.2%	0.7%
Other Property Taxes	0.0%	0.1%	0.0%	0.1%	0.1%	0.4%	0.6%
Income Taxes	0.2%	1.6%	2.3%	2.8%	3.8%	3.9%	4.8%
Personal Income Tax	0.2%	1.6%	2.3%	2.8%	3.7%	3.8%	4.6%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	11.9%	12.2%	11.5%	10.3%	9.8%	8.3%	7.5%
Federal Deduction Offset	0.0%	0.0%	-0.1%	-0.3%	-0.7%	-1.3%	-1.5%
OVERALL TOTAL	11.9%	12.1%	11.4%	10.0%	9.1%	7.0%	6.0%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides a low-income tax credit linked to the federal poverty level

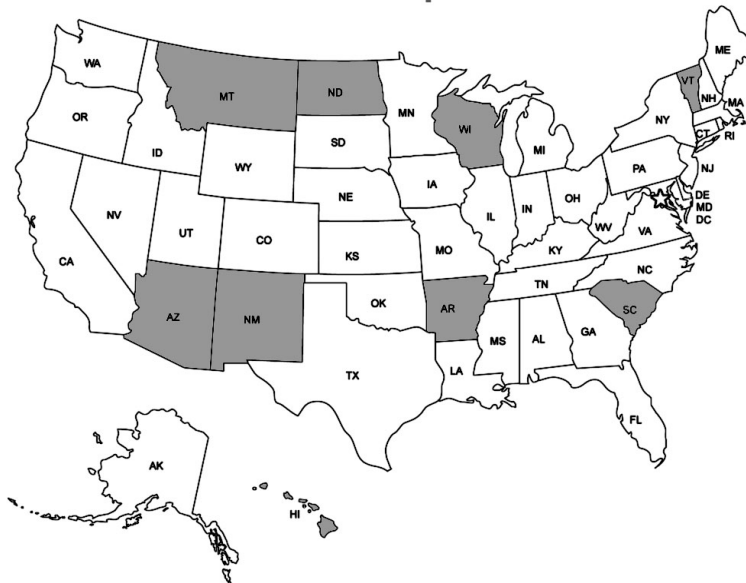
Regressive Features

- ✗ Provides an income tax exclusion equal to 30 percent of capital gains income
- ✗ Fails to use combined reporting as part of its corporate income tax

Recent Developments

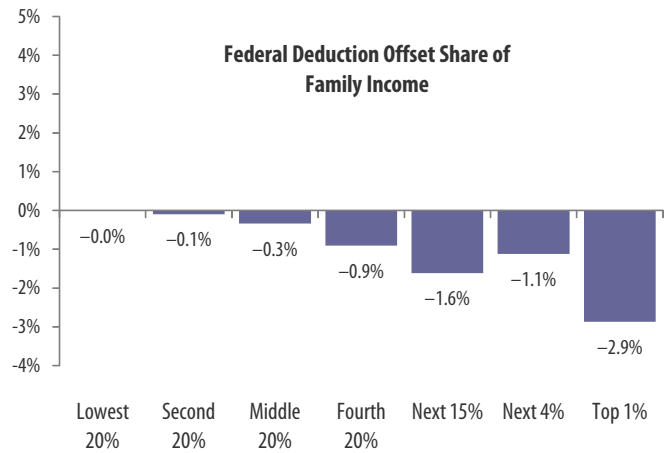
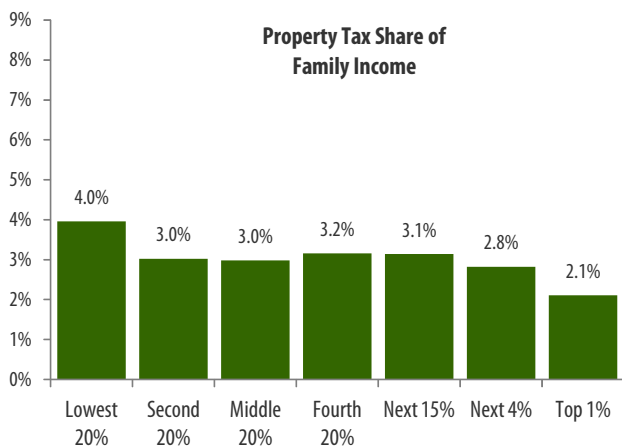
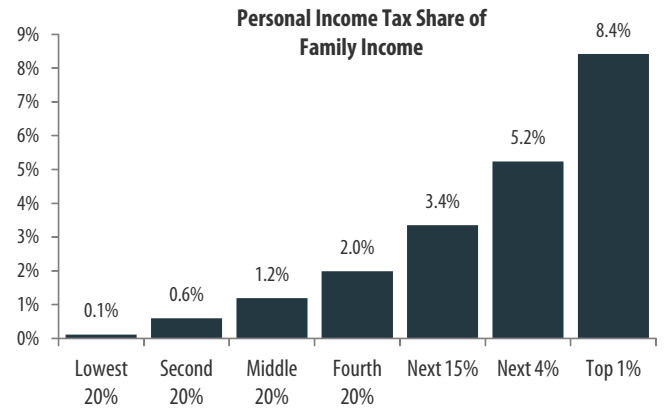
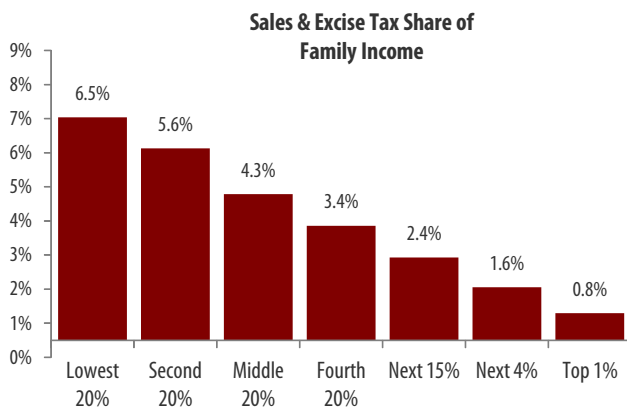
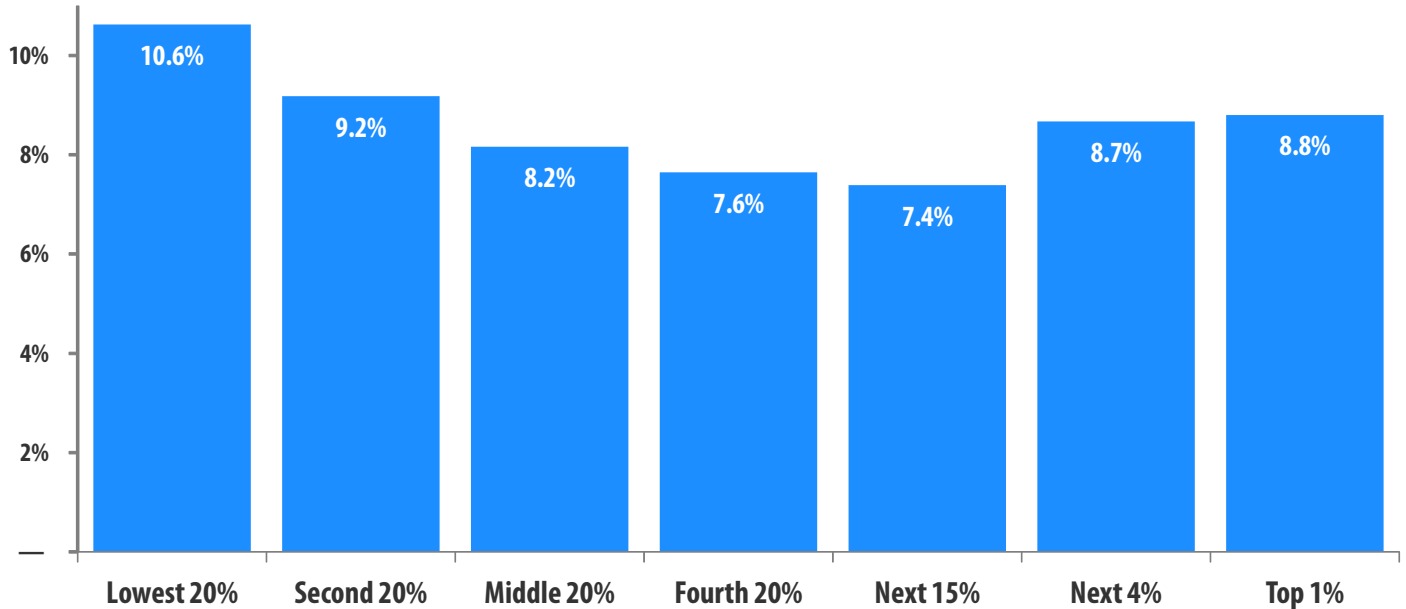
- ▲ Updated low income tax relief mechanism for head of household filers
- ▲ Enacted Amazon Law
- ▲ Increased sales tax temporarily to pay for transportation
- ▲ Reduced sales tax on food

States With Notable Capital Gains Preferences



California State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show temporary California tax law enacted in November 2012 (Proposition 30) at 2010 income levels. Temporary provisions impact the personal income tax (three upper-income brackets) and sales tax (.25 cent increase). Top figure represents total state and local taxes as a share of income, post- federal offset.

California State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$21,000	\$21,000 – \$36,000	\$36,000 – \$57,000	\$57,000 – \$96,000	\$96,000 – \$200,000	\$200,000 – \$466,000	\$466,000 or more
Average Income in Group	\$13,000	\$28,600	\$45,900	\$74,300	\$132,500	\$290,100	\$1,560,800
Sales & Excise Taxes	6.5%	5.6%	4.3%	3.4%	2.4%	1.6%	0.8%
General Sales—Individuals	3.1%	2.8%	2.3%	1.8%	1.4%	0.9%	0.4%
Other Sales & Excise—Ind.	1.0%	0.7%	0.5%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	2.5%	2.1%	1.6%	1.2%	0.8%	0.5%	0.3%
Property Taxes	4.0%	3.0%	3.0%	3.2%	3.1%	2.8%	2.1%
Property Taxes on Families	3.9%	3.0%	2.9%	3.0%	3.0%	2.4%	1.0%
Other Property Taxes	0.0%	0.1%	0.1%	0.1%	0.2%	0.4%	1.1%
Income Taxes	0.1%	0.6%	1.2%	2.0%	3.4%	5.4%	8.8%
Personal Income Tax	0.1%	0.6%	1.2%	2.0%	3.4%	5.2%	8.4%
Corporate Income Tax	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.3%
Total Taxes	10.6%	9.3%	8.5%	8.6%	9.0%	9.8%	11.7%
Federal Deduction Offset	0.0%	-0.1%	-0.3%	-0.9%	-1.6%	-1.1%	-2.9%
OVERALL TOTAL	10.6%	9.2%	8.2%	7.6%	7.4%	8.7%	8.8%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides personal income tax credits in place of personal and dependent exemptions
- ✓ Sales tax base excludes groceries

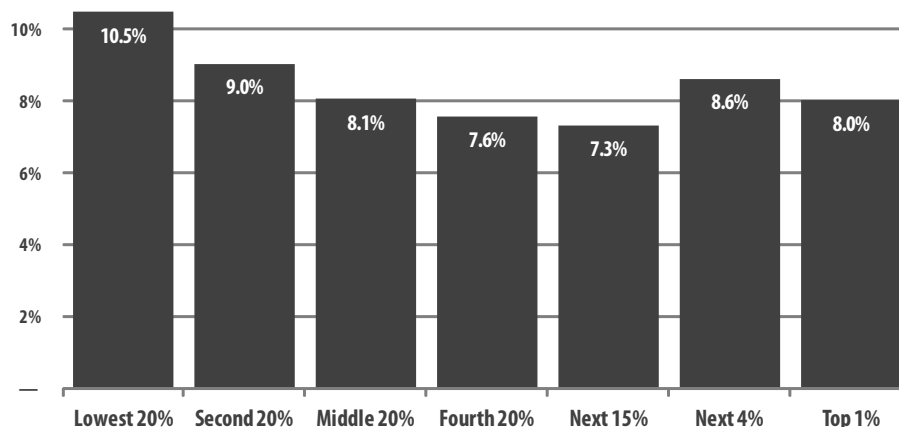
Regressive Features

- ✗ Fails to provide a property tax “circuit breaker” credit to non-elderly taxpayers
- ✗ Comparatively high combined state and local sales tax rate
- ✗ Fails to provide a refundable Earned Income Tax Credit (EITC)

Recent Developments

- ▲ Increased upper- income personal income tax rates and sales tax rate on a temporary basis
- ▲ Enacted mandatory single-sales factor apportionment rules for calculating the corporate income tax
- ▲ Amazon will begin to collect sales tax from online purchases

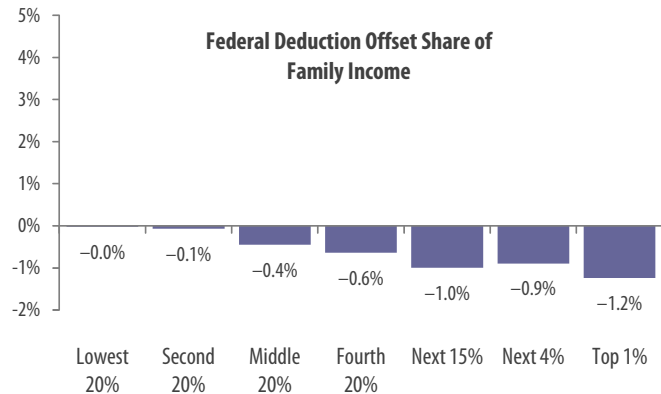
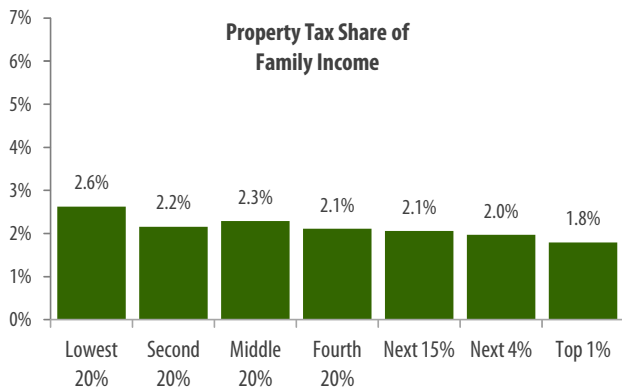
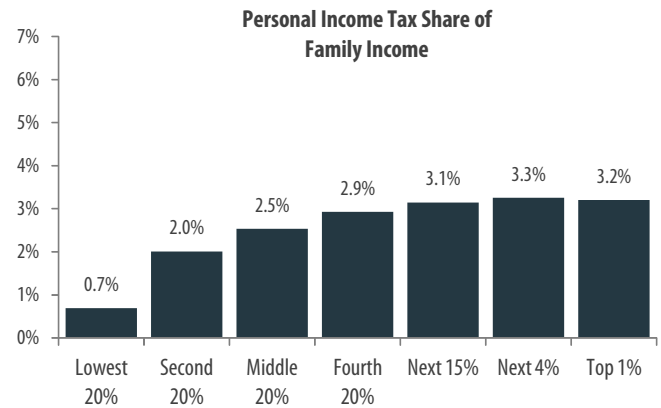
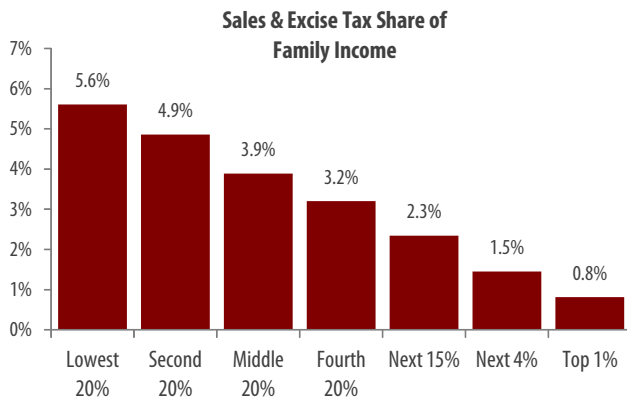
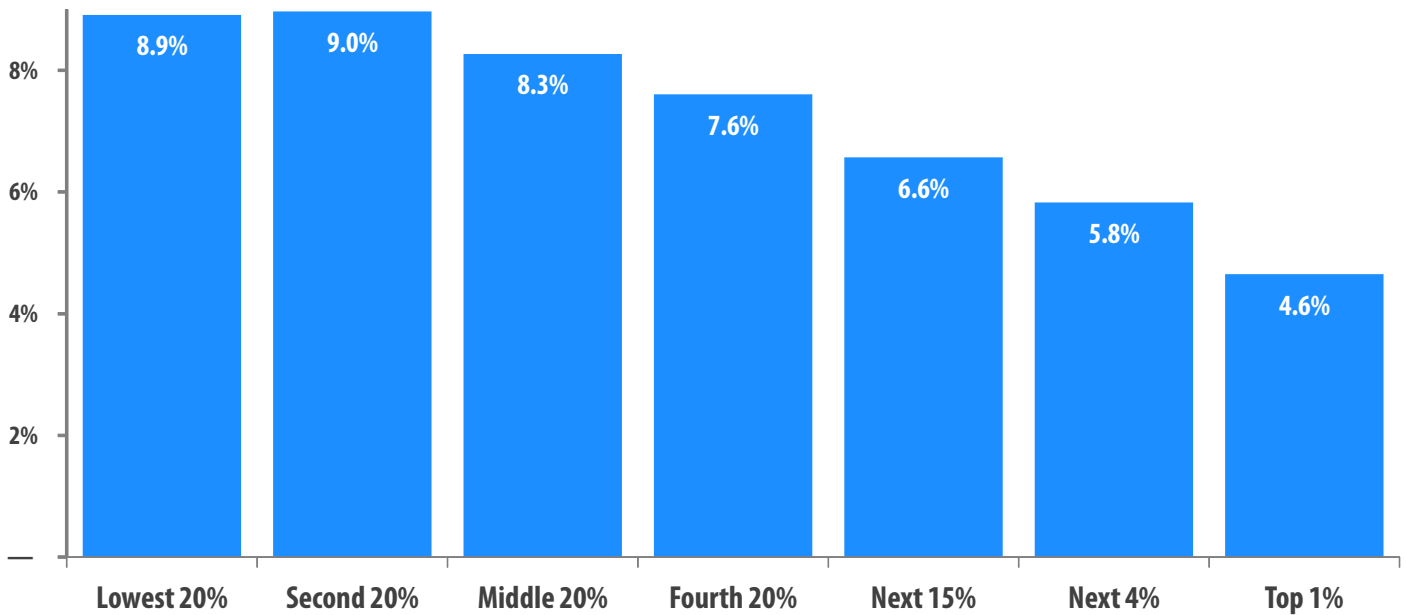
Distribution of Total State & Local California Taxes Under Permanent Law



Note: Total state and local taxes as a share of 2010 income, post- federal offset under permanent law in California. Figure shows distribution of Ca

Colorado State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Colorado enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post- federal offset.

Colorado State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$21,000	\$21,000 – \$39,000	\$39,000 – \$59,000	\$59,000 – \$97,000	\$97,000 – \$186,000	\$186,000 – \$480,000	\$480,000 or more
Average Income in Group	\$11,500	\$28,900	\$48,400	\$74,900	\$128,600	\$272,000	\$1,345,400
Sales & Excise Taxes	5.6%	4.9%	3.9%	3.2%	2.3%	1.5%	0.8%
General Sales—Individuals	2.7%	2.6%	2.1%	1.8%	1.4%	0.9%	0.5%
Other Sales & Excise—Ind.	0.8%	0.6%	0.5%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	2.1%	1.7%	1.3%	1.0%	0.7%	0.5%	0.3%
Property Taxes	2.6%	2.2%	2.3%	2.1%	2.1%	2.0%	1.8%
Property Taxes on Families	2.6%	2.0%	2.2%	2.0%	1.8%	1.4%	0.5%
Other Property Taxes	0.1%	0.1%	0.1%	0.2%	0.2%	0.6%	1.3%
Income Taxes	0.7%	2.0%	2.5%	2.9%	3.2%	3.3%	3.3%
Personal Income Tax	0.7%	2.0%	2.5%	2.9%	3.1%	3.3%	3.2%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total Taxes	8.9%	9.0%	8.7%	8.2%	7.6%	6.7%	5.9%
Federal Deduction Offset	0.0%	-0.1%	-0.4%	-0.6%	-1.0%	-0.9%	-1.2%
OVERALL TOTAL	8.9%	9.0%	8.3%	7.6%	6.6%	5.8%	4.6%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Comparatively large standard deduction and personal exemption
- ✓ Standard deduction and personal exemption indexed to inflation
- ✓ Sales tax base excludes groceries

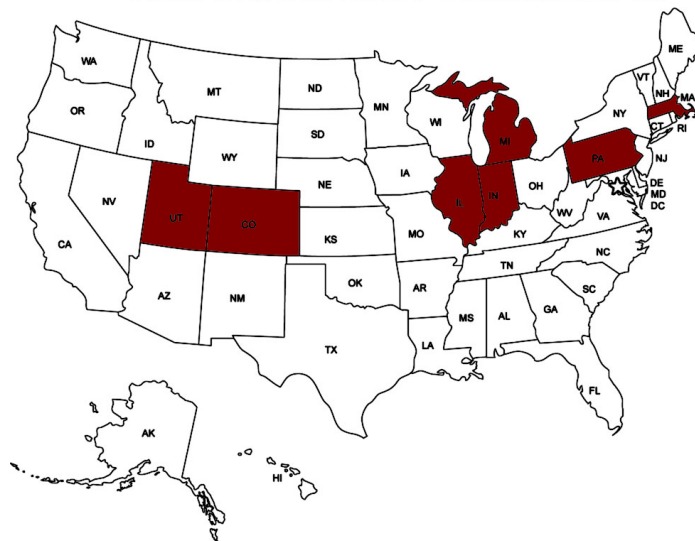
Regressive Features

- ✗ Income tax uses a single rate structure

Recent Developments

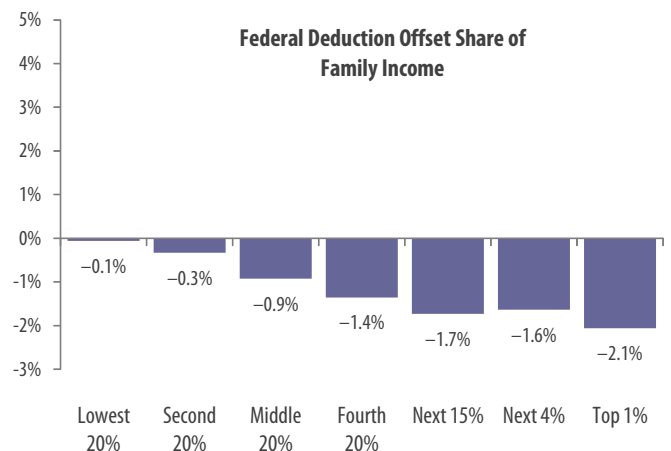
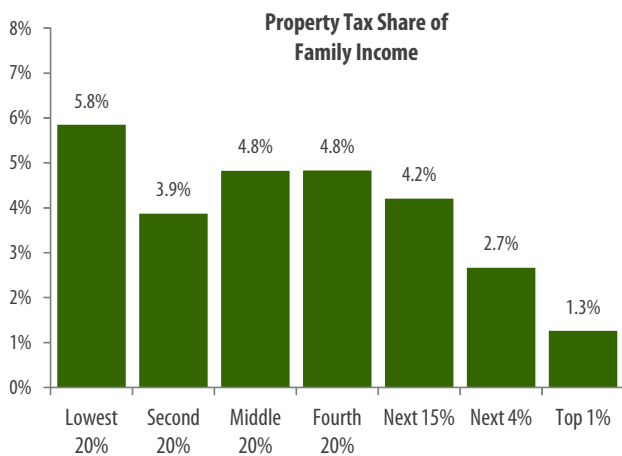
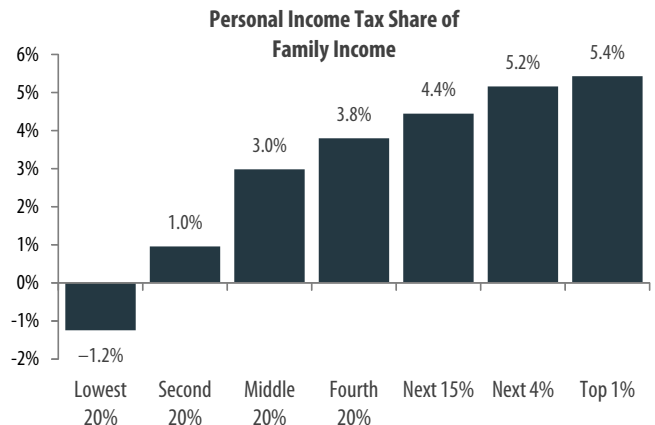
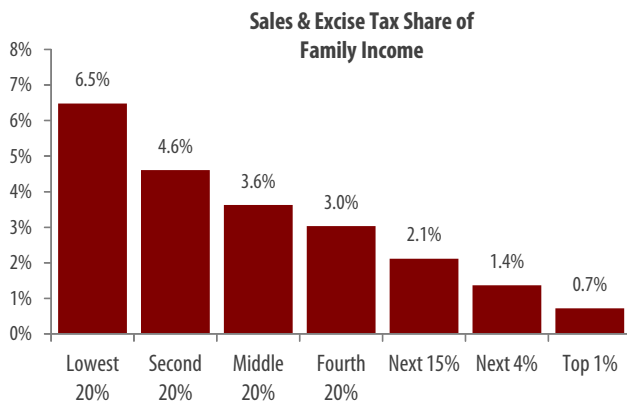
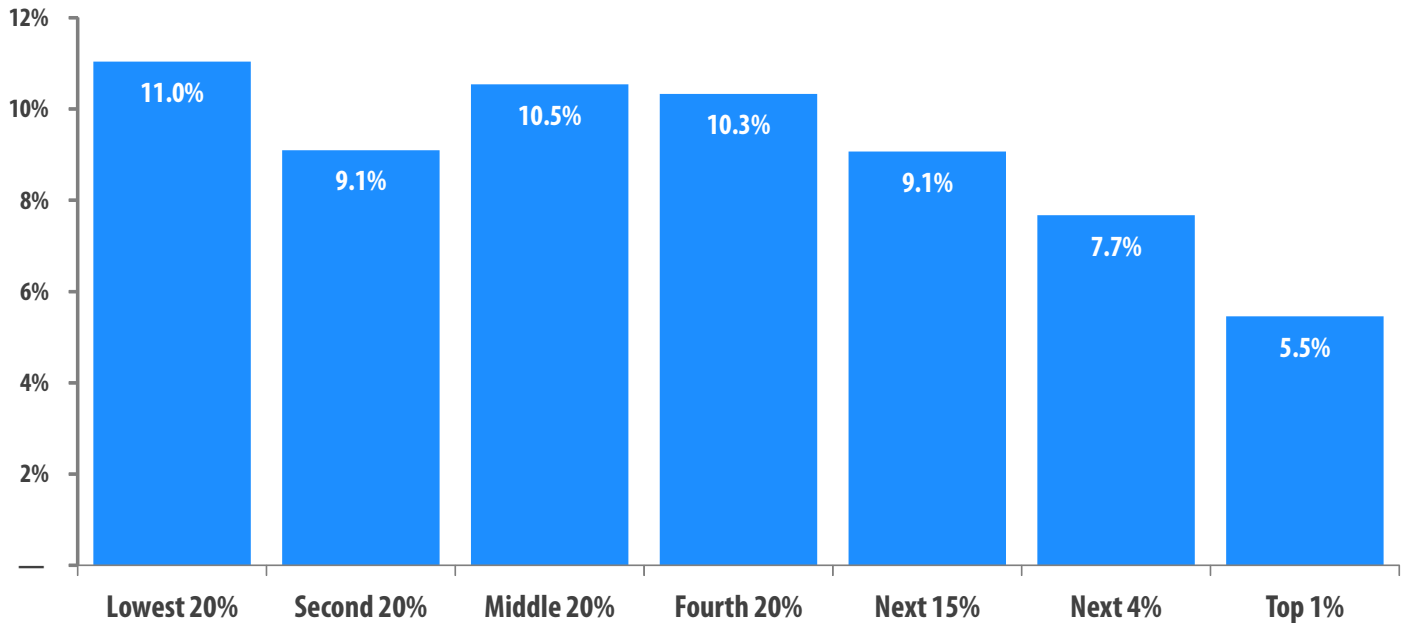
- ▲ Expanded the sales tax base to include, among other things, sugared beverages and candy

States With a Flat Rate Personal Income Tax



Connecticut State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Connecticut enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of income, post-federal offset.

Connecticut State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$24,000	\$24,000 – \$44,000	\$44,000 – \$73,000	\$73,000 – \$116,000	\$116,000 – \$276,000	\$276,000 – \$1,238,000	\$1,238,000 or more
Average Income in Group	\$12,000	\$33,900	\$57,200	\$92,300	\$160,200	\$531,900	\$3,508,400
Sales & Excise Taxes	6.5%	4.6%	3.6%	3.0%	2.1%	1.4%	0.7%
General Sales—Individuals	2.3%	2.0%	1.7%	1.5%	1.1%	0.7%	0.4%
Other Sales & Excise—Ind.	2.0%	1.1%	0.8%	0.6%	0.4%	0.2%	0.0%
Sales & Excise on Business	2.1%	1.5%	1.2%	0.9%	0.7%	0.4%	0.2%
Property Taxes	5.8%	3.9%	4.8%	4.8%	4.2%	2.7%	1.3%
Property Taxes on Families	5.8%	3.9%	4.7%	4.8%	4.0%	2.3%	0.6%
Other Property Taxes	0.1%	0.0%	0.1%	0.1%	0.2%	0.4%	0.6%
Income Taxes	-1.2%	1.0%	3.0%	3.8%	4.5%	5.3%	5.5%
Personal Income Tax	-1.2%	1.0%	3.0%	3.8%	4.4%	5.2%	5.4%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	11.1%	9.4%	11.5%	11.7%	10.8%	9.3%	7.5%
Federal Deduction Offset	-0.1%	-0.3%	-0.9%	-1.4%	-1.7%	-1.6%	-2.1%
OVERALL TOTAL	11.0%	9.1%	10.5%	10.3%	9.1%	7.7%	5.5%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Offers Refundable EITC
- ✓ Provides comparatively large personal exemptions and credits for low- and middle-income taxpayers
- ✓ Provides a property tax credit for low- and middle-income taxpayers
- ✓ Sales tax base excludes groceries

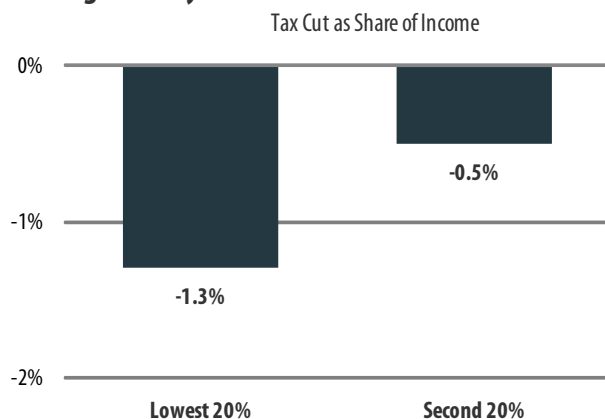
Regressive Features

- ✗ Comparatively high reliance on property taxes
- ✗ Comparatively high cigarette tax rate

Recent Developments

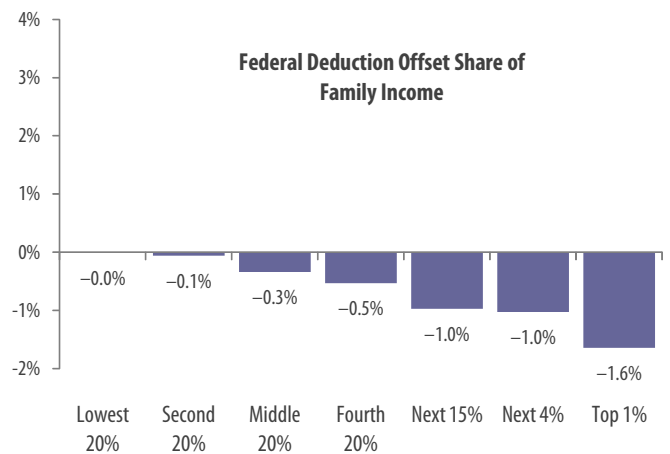
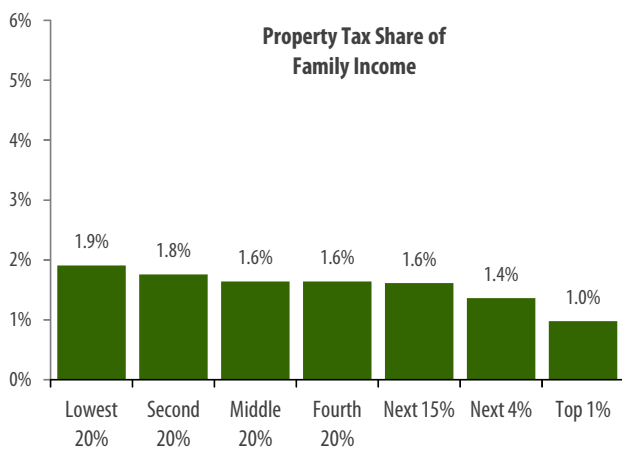
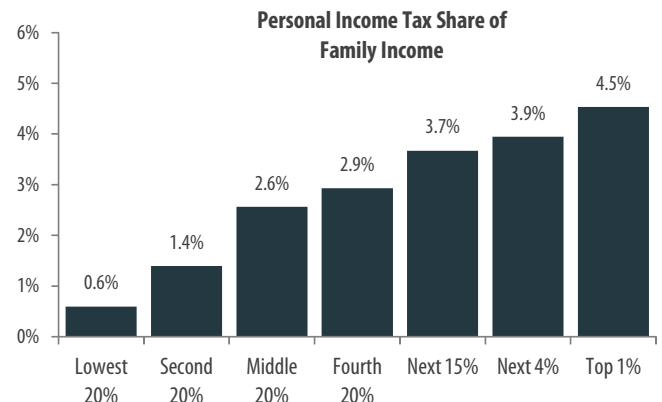
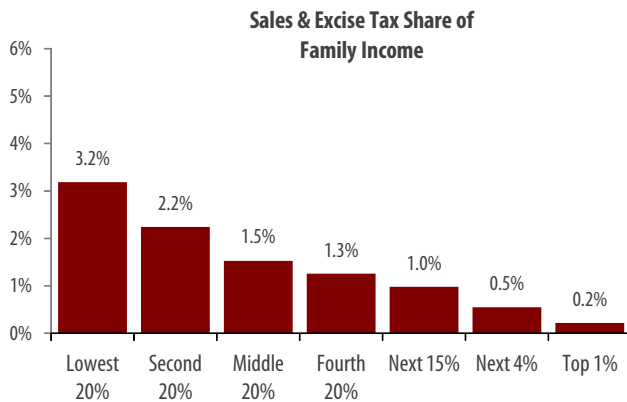
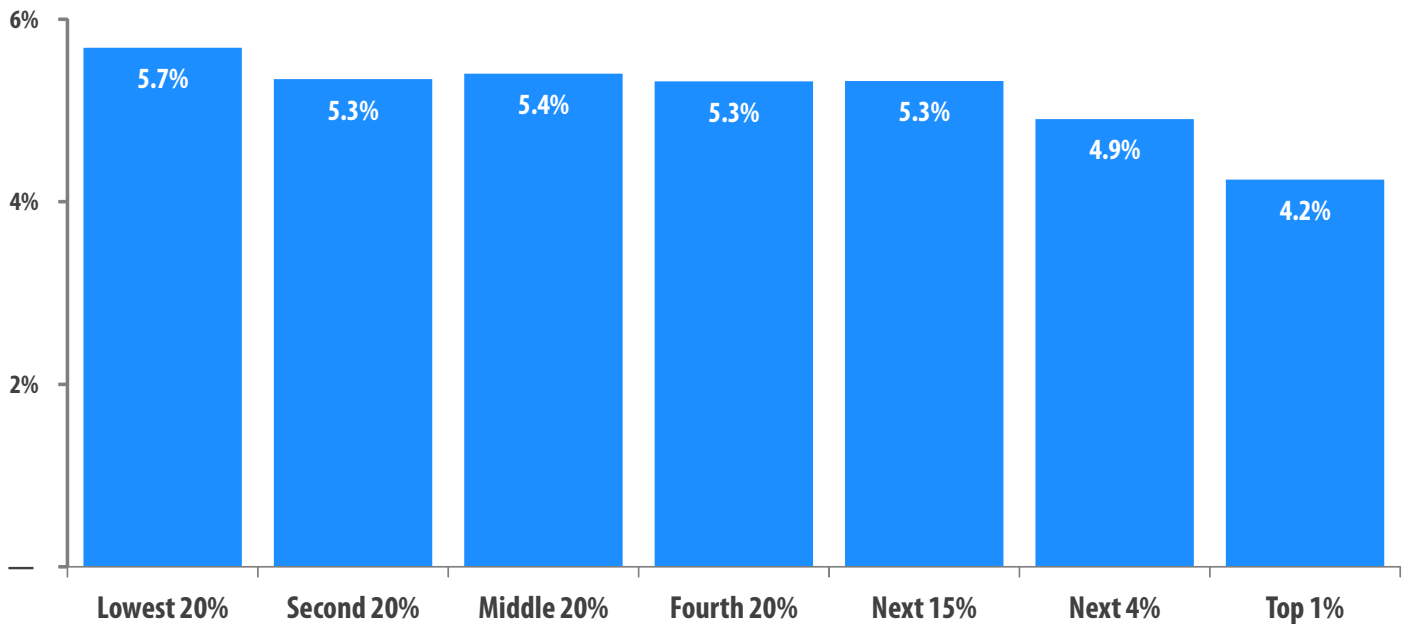
- ▲ Created a refundable EITC equal to 30 percent of the federal credit
- ▲ Restructured personal income tax brackets and rates
- ▲ Added a phaseout of the bottom rate and an additional benefit recapture for high-income taxpayers
- ▲ Property tax credit was scaled back
- ▲ Expanded the sales tax base to several services and removed exemption on clothes
- ▲ Increased the sales tax rate from 6 to 6.35 percent
- ▲ Created a 7 percent luxury sales
- ▲ Increased cigarette and alcohol taxes
- ▲ Enacted an Amazon Law
- ▲ Lowered the estate tax threshold from 3.5 to 2 million

Connecticut's New 30% Refundable EITC Lessened Regressivity for Low- and Moderate-Income Taxpayers



Delaware State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Delaware enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of income, post-federal offset.

Delaware

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$18,000	\$18,000 – \$32,000	\$32,000 – \$54,000	\$54,000 – \$89,000	\$89,000 – \$158,000	\$158,000 – \$354,000	\$354,000 or more
Average Income in Group	\$9,800	\$24,200	\$42,700	\$69,400	\$112,600	\$222,900	\$1,133,300
Sales & Excise Taxes	3.2%	2.2%	1.5%	1.3%	1.0%	0.5%	0.2%
General Sales—Individuals	—	—	—	—	—	—	—
Other Sales & Excise—Ind.	2.3%	1.6%	1.0%	0.8%	0.6%	0.3%	0.1%
Sales & Excise on Business	0.8%	0.7%	0.5%	0.4%	0.3%	0.2%	0.1%
Property Taxes	1.9%	1.8%	1.6%	1.6%	1.6%	1.4%	1.0%
Property Taxes on Families	1.9%	1.7%	1.6%	1.6%	1.6%	1.2%	0.7%
Other Property Taxes	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.3%
Income Taxes	0.6%	1.4%	2.6%	3.0%	3.7%	4.0%	4.7%
Personal Income Tax (State and Local)	0.6%	1.4%	2.6%	2.9%	3.7%	3.9%	4.5%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	5.7%	5.4%	5.7%	5.9%	6.3%	5.9%	5.9%
Federal Deduction Offset	0.0%	-0.1%	-0.3%	-0.5%	-1.0%	-1.0%	-1.6%
OVERALL TOTAL	5.7%	5.3%	5.4%	5.3%	5.3%	4.9%	4.2%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides an exemption credit in place of personal exemption
- ✓ Provides a non-refundable Earned Income Tax Credit (EITC)
- ✓ No statewide sales tax

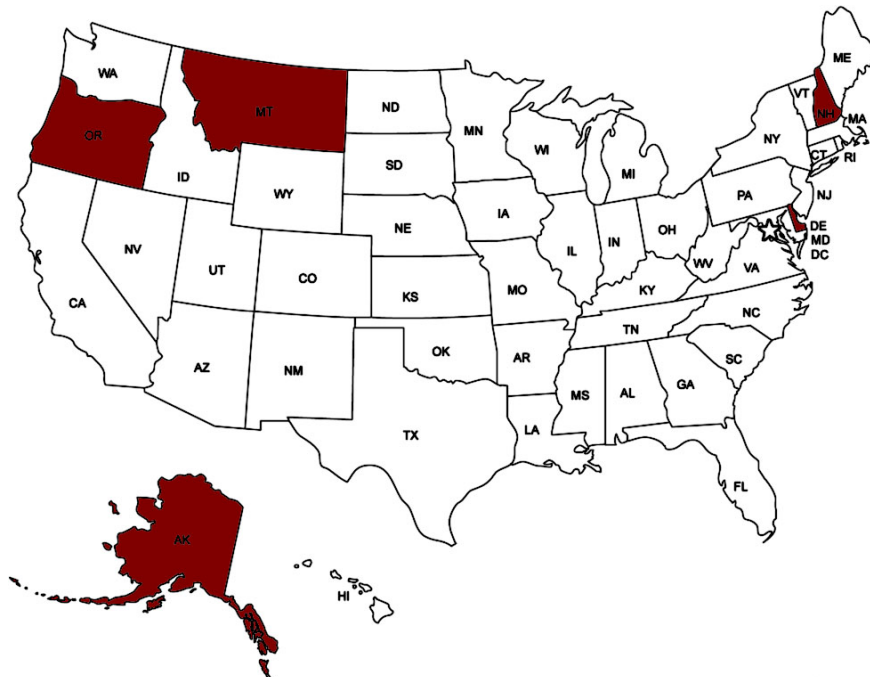
Regressive Features

- ✗ Fails to offer refundable income tax credits to offset the impact of excise and property taxes

Recent Developments

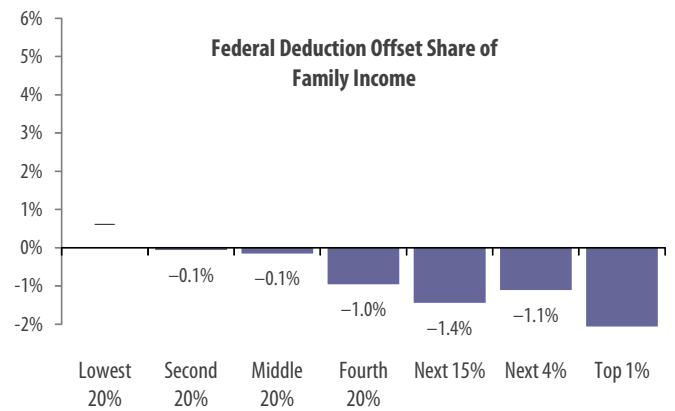
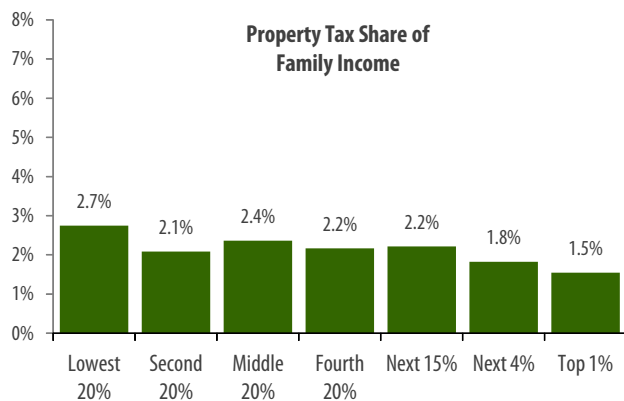
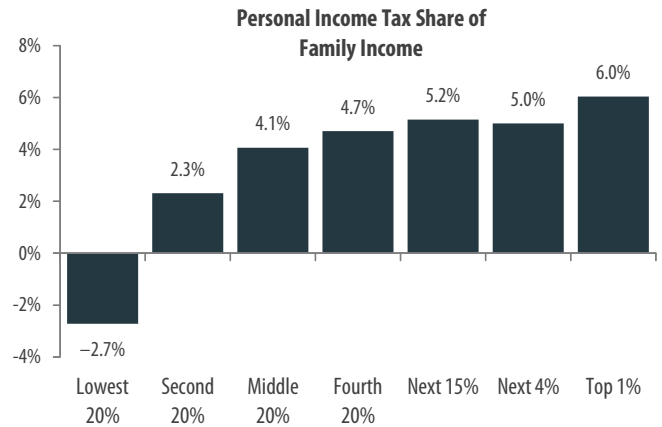
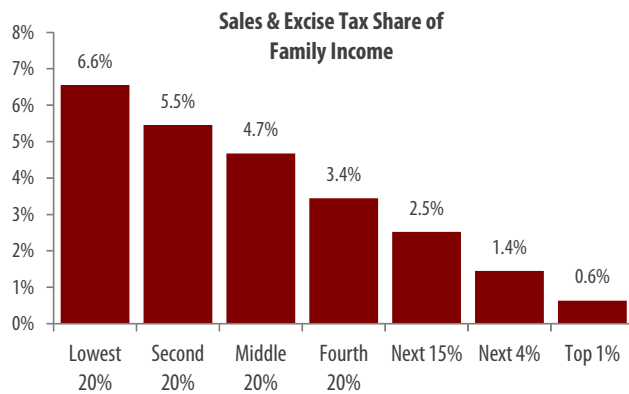
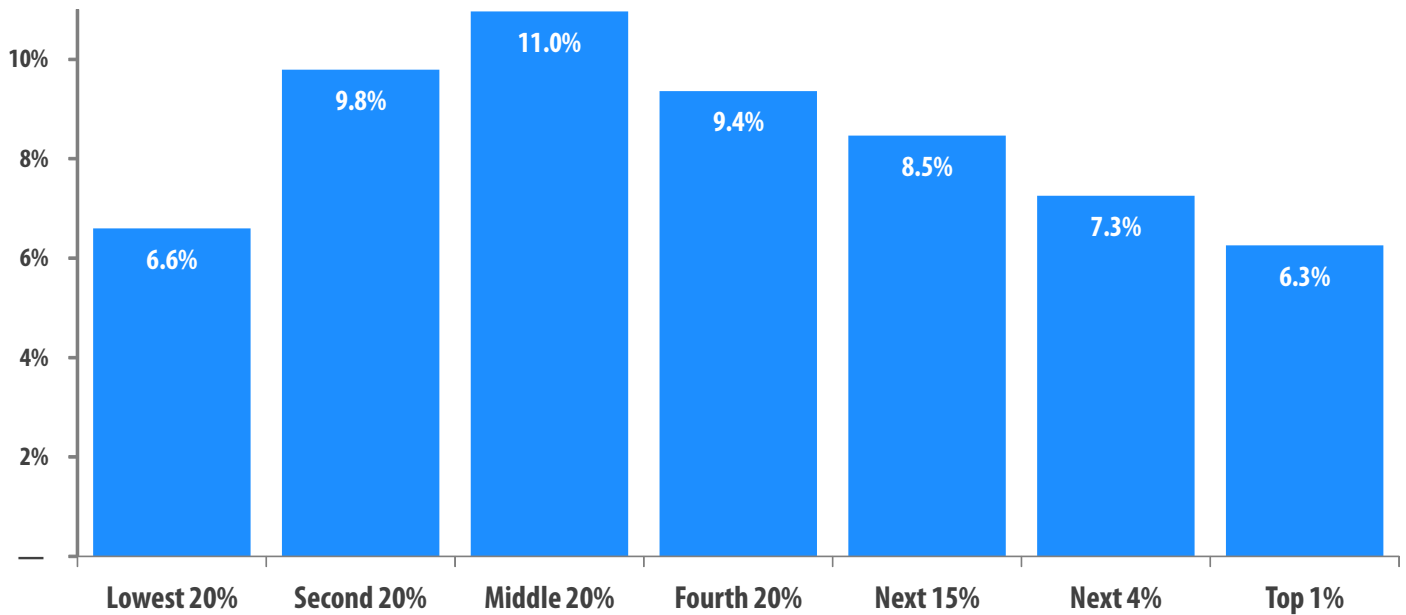
- ▲ No significant developments

States Without a Statewide Sales Tax



District of Columbia Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show tax law in the District of Columbia enacted through January 2, 2013 at 2010 income levels. The temporary 8.95 percent top personal income tax bracket, set to expire at the end of 2015, is included. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

District of Columbia

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$22,000	\$22,000 – \$38,000	\$38,000 – \$62,000	\$62,000 – \$105,000	\$105,000 – \$250,000	\$250,000 – \$1,453,000	\$1,453,000 or more
Average Income in Group	\$12,600	\$28,800	\$50,200	\$80,200	\$150,100	\$460,400	\$2,359,500
Sales & Excise Taxes	6.6%	5.5%	4.7%	3.4%	2.5%	1.4%	0.6%
General Sales—Individuals	2.9%	2.4%	2.2%	1.7%	1.3%	0.8%	0.3%
Other Sales & Excise—Ind.	1.0%	0.8%	0.7%	0.4%	0.3%	0.1%	0.0%
Sales & Excise on Business	2.7%	2.2%	1.8%	1.3%	0.9%	0.5%	0.3%
Property Taxes	2.7%	2.1%	2.4%	2.2%	2.2%	1.8%	1.5%
Property Taxes on Families	1.5%	1.3%	1.6%	1.7%	1.8%	1.2%	0.8%
Other Property Taxes	1.2%	0.8%	0.7%	0.5%	0.4%	0.6%	0.8%
Income Taxes	-2.7%	2.3%	4.1%	4.7%	5.2%	5.1%	6.1%
Personal Income Tax	-2.7%	2.3%	4.1%	4.7%	5.2%	5.0%	6.0%
Corporate Income Tax	0.0%	-0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	6.6%	9.9%	11.1%	10.3%	9.9%	8.4%	8.3%
Federal Deduction Offset	0.0%	-0.1%	-0.1%	-1.0%	-1.4%	-1.1%	-2.1%
OVERALL TOTAL	6.6%	9.8%	11.0%	9.4%	8.5%	7.3%	6.3%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides a refundable earned income tax credit (EITC)
- ✓ Limits itemized deductions for upper-income taxpayers
- ✓ Provides a refundable property tax “circuit breaker” credit for low-income and elderly taxpayers
- ✓ Sales tax base excludes groceries

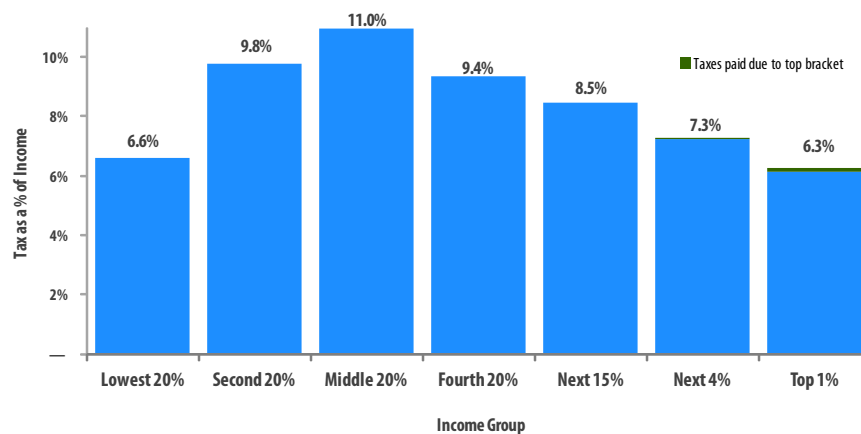
Regressive Features

- ✗ Comparatively high cigarette tax rate

Recent Developments

- ▲ Limited itemized deductions for taxpayers with taxable income above \$200,000
- ▲ Added a new top bracket (8.95% on taxable income above \$350,000) on a temporary basis through 2015
- ▲ Mandated the use of combined reporting
- ▲ Enacted double-weighted sales factor apportionment rules for calculating the Corporate Income Tax
- ▲ Raised sales tax rate to 6% (from 5.75%)

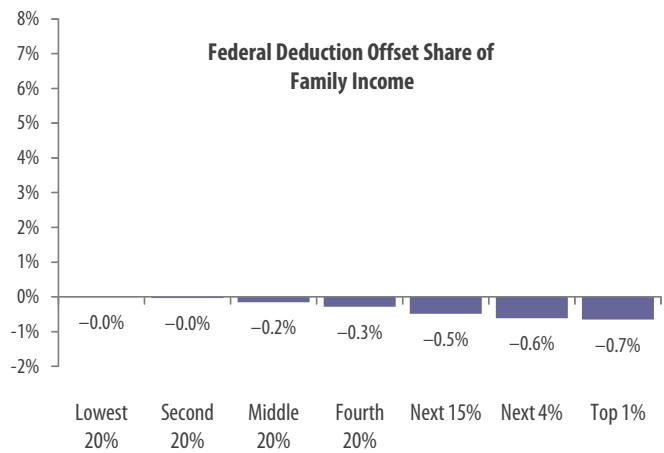
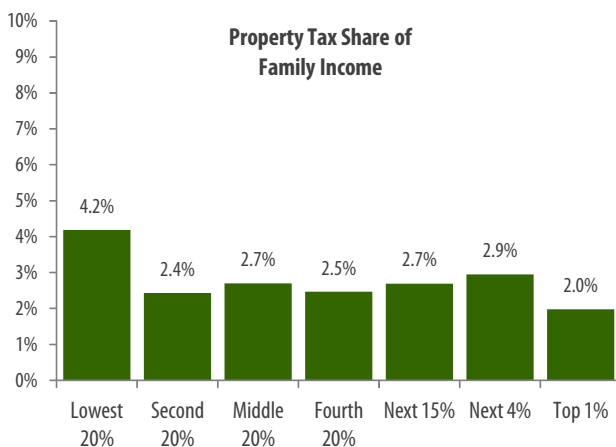
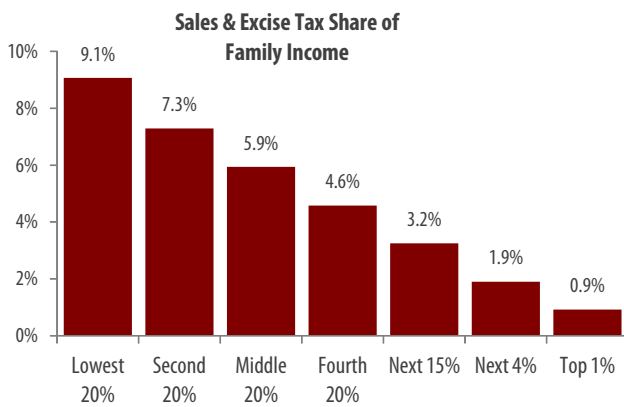
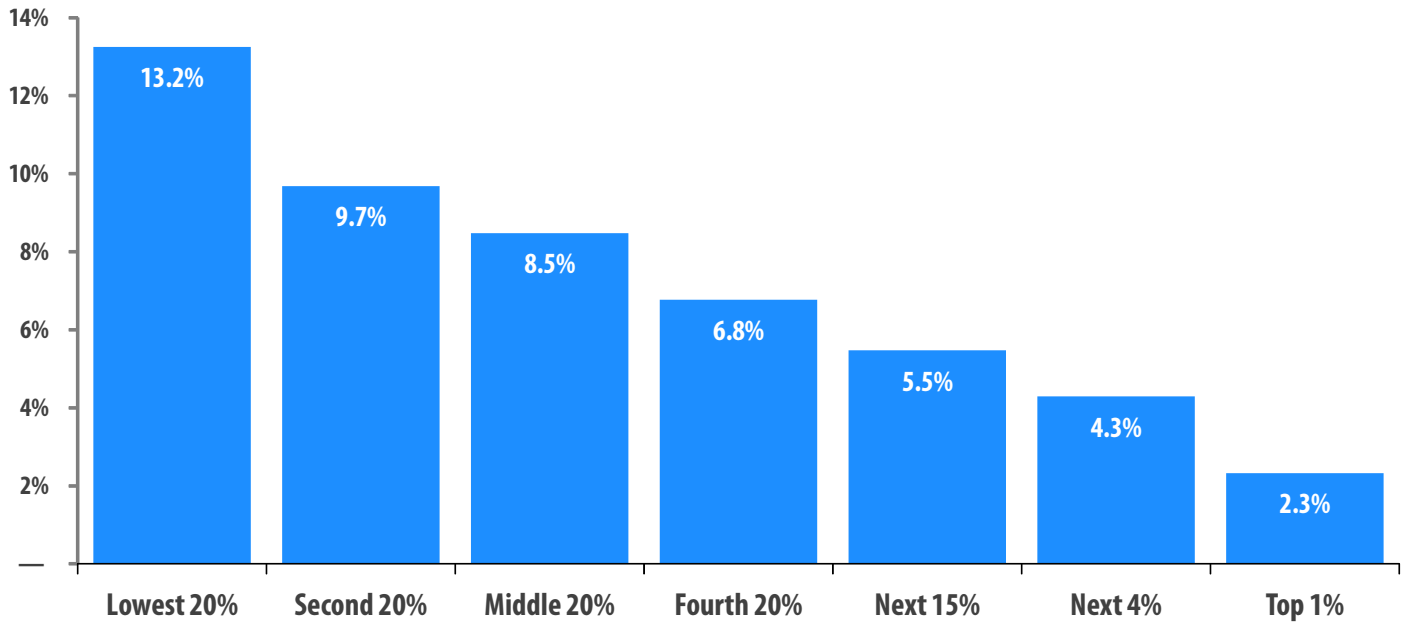
New DC Top Income Tax Bracket is a Modest Step Toward Reduced Tax Regressivity



Florida State & Local Taxes

#2 of the Terrible 10

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Florida enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Florida State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$17,000	\$17,000 – \$29,000	\$29,000 – \$47,000	\$47,000 – \$78,000	\$78,000 – \$164,000	\$164,000 – \$422,000	\$422,000 or more
Average Income in Group	\$10,300	\$23,100	\$37,300	\$60,400	\$107,800	\$248,300	\$1,573,600
Sales & Excise Taxes	9.1%	7.3%	5.9%	4.6%	3.2%	1.9%	0.9%
General Sales—Individuals	3.3%	3.0%	2.5%	2.0%	1.5%	0.9%	0.4%
Other Sales & Excise—Ind.	2.8%	1.9%	1.4%	1.0%	0.7%	0.3%	0.1%
Sales & Excise on Business	2.9%	2.5%	2.0%	1.5%	1.1%	0.7%	0.4%
Property Taxes	4.2%	2.4%	2.7%	2.5%	2.7%	2.9%	2.0%
Property Taxes on Families	3.9%	2.2%	2.4%	2.2%	2.3%	2.3%	0.9%
Other Property Taxes	0.2%	0.2%	0.3%	0.3%	0.3%	0.6%	1.1%
Income Taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	13.3%	9.7%	8.6%	7.1%	6.0%	4.9%	3.0%
Federal Deduction Offset	0.0%	0.0%	-0.2%	-0.3%	-0.5%	-0.6%	-0.7%
OVERALL TOTAL	13.2%	9.7%	8.5%	6.8%	5.5%	4.3%	2.3%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Sales tax base excludes groceries

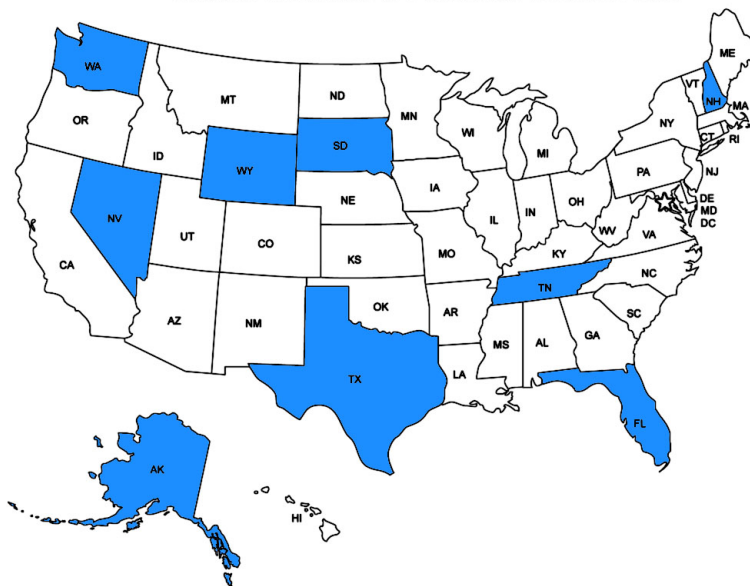
Regressive Features

- ✗ No personal income tax
- ✗ Comparatively high reliance on sales taxes

Recent Developments

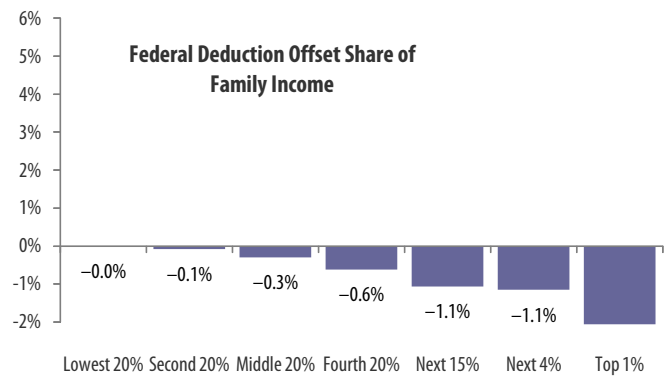
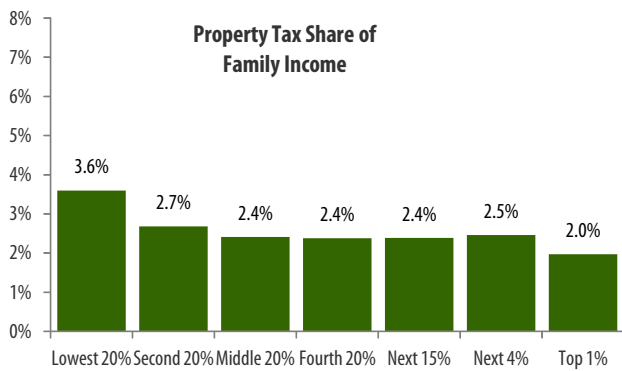
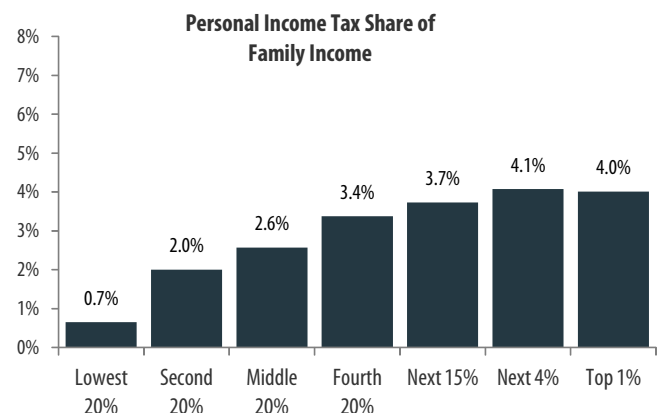
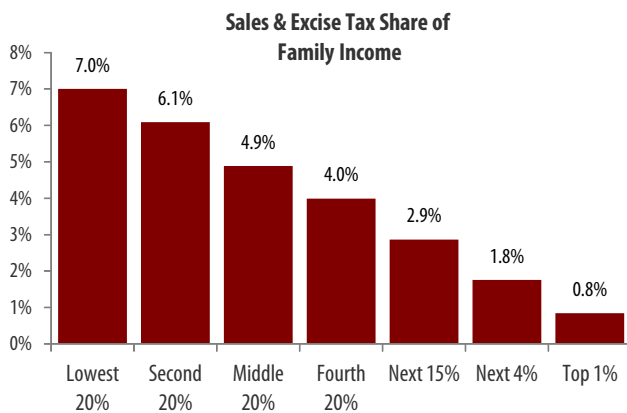
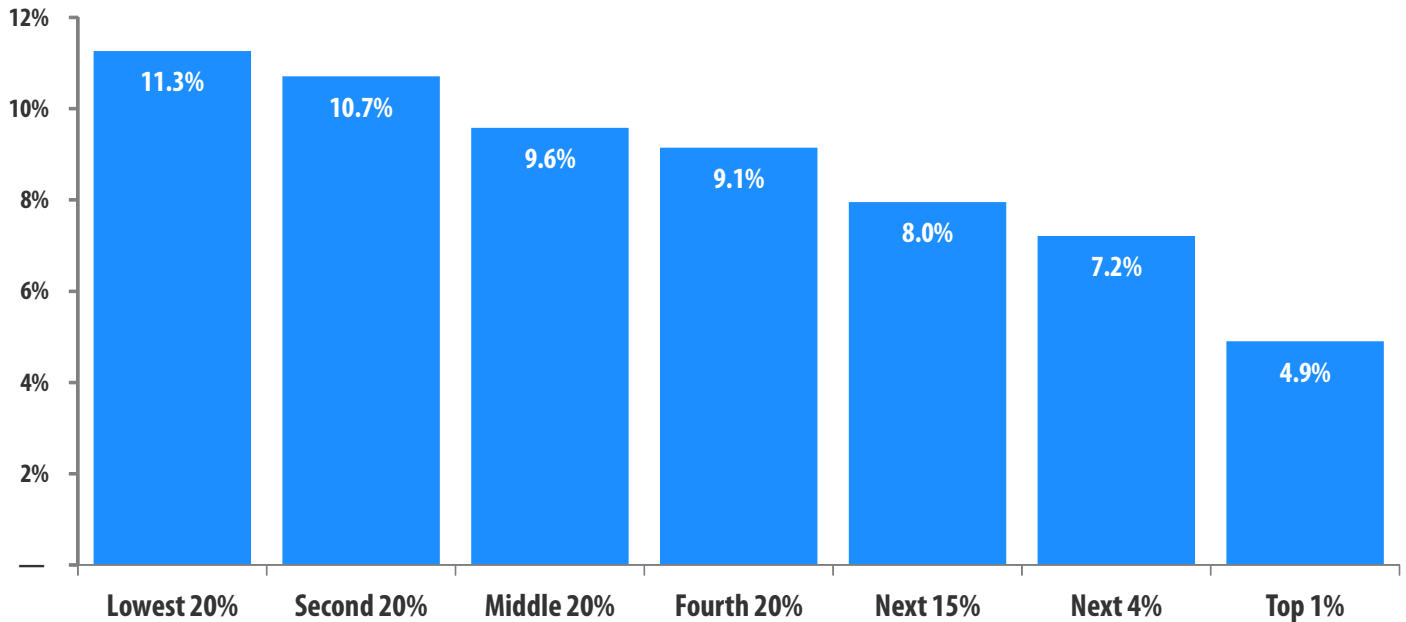
- ▲ Raised exemption from Corporate Income Tax to \$50,000 (from \$5,000)

States Without a Personal Income Tax



Georgia State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Georgia enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post- federal offset.

Georgia State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$29,000	\$29,000 – \$47,000	\$47,000 – \$80,000	\$80,000 – \$162,000	\$162,000 – \$393,000	\$393,000 or more
Average Income in Group	\$9,500	\$21,500	\$37,300	\$61,700	\$109,000	\$231,900	\$983,300
Sales & Excise Taxes	7.0%	6.1%	4.9%	4.0%	2.9%	1.8%	0.8%
General Sales—Individuals	4.1%	3.7%	3.0%	2.5%	1.9%	1.2%	0.5%
Other Sales & Excise—Ind.	0.6%	0.5%	0.4%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	2.3%	1.9%	1.5%	1.2%	0.8%	0.5%	0.3%
Property Taxes	3.6%	2.7%	2.4%	2.4%	2.4%	2.5%	2.0%
Property Taxes on Families	3.5%	2.6%	2.4%	2.3%	2.2%	2.1%	0.9%
Other Property Taxes	0.1%	0.1%	0.0%	0.1%	0.2%	0.4%	1.0%
Income Taxes	0.7%	2.0%	2.6%	3.4%	3.8%	4.1%	4.1%
Personal Income Tax	0.7%	2.0%	2.6%	3.4%	3.7%	4.1%	4.0%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	11.3%	10.8%	9.9%	9.8%	9.0%	8.4%	7.0%
Federal Deduction Offset	0.0%	-0.1%	-0.3%	-0.6%	-1.1%	-1.1%	-2.1%
OVERALL TOTAL	11.3%	10.7%	9.6%	9.1%	8.0%	7.2%	4.9%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ State sales tax base excludes groceries

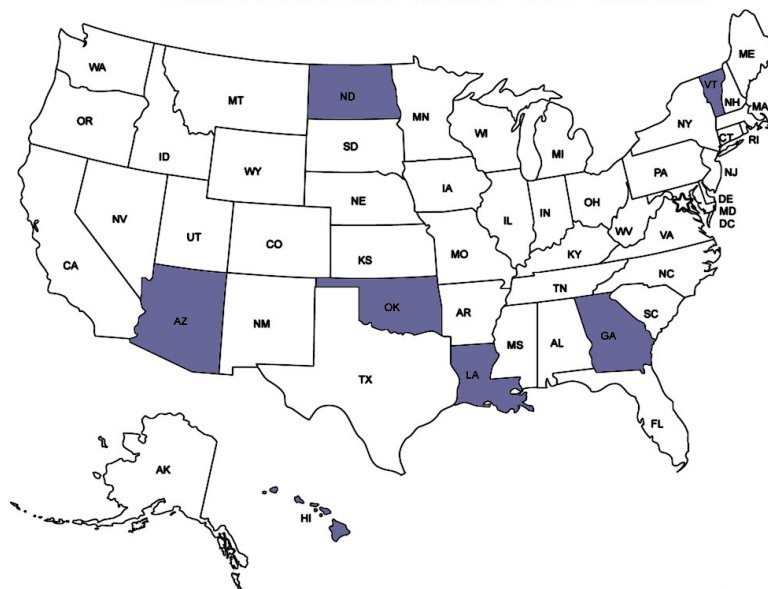
Regressive Features

- ✗ Low-income tax credit is nonrefundable
- ✗ Fails to index income tax provisions to inflation

Recent Developments

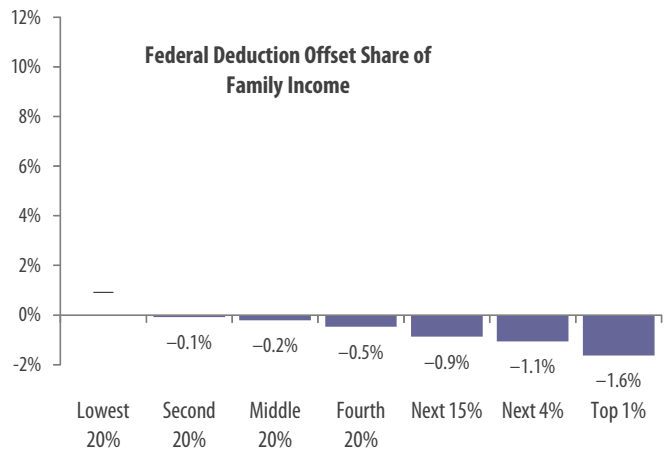
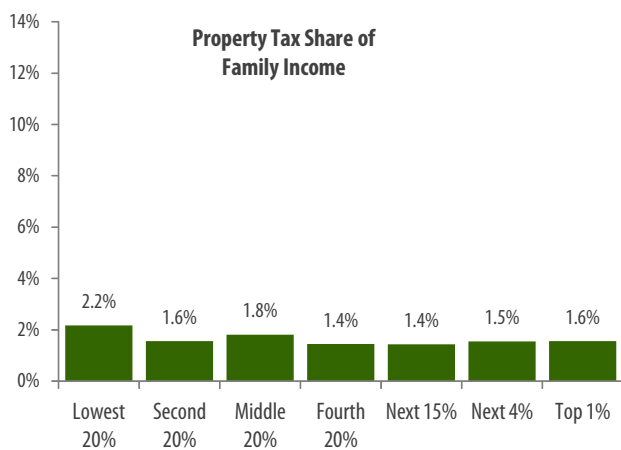
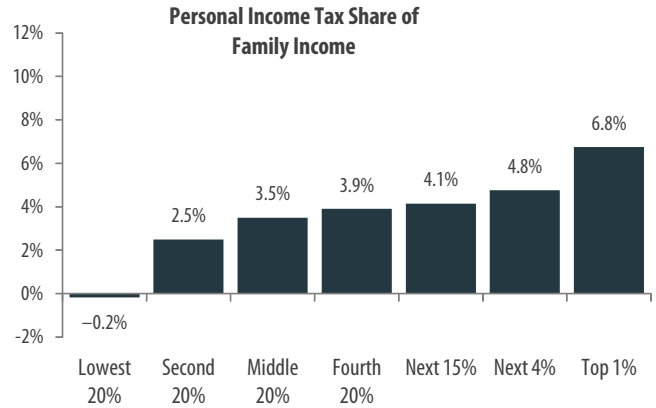
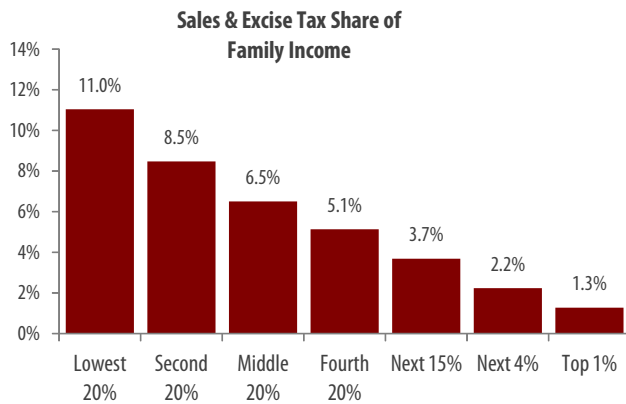
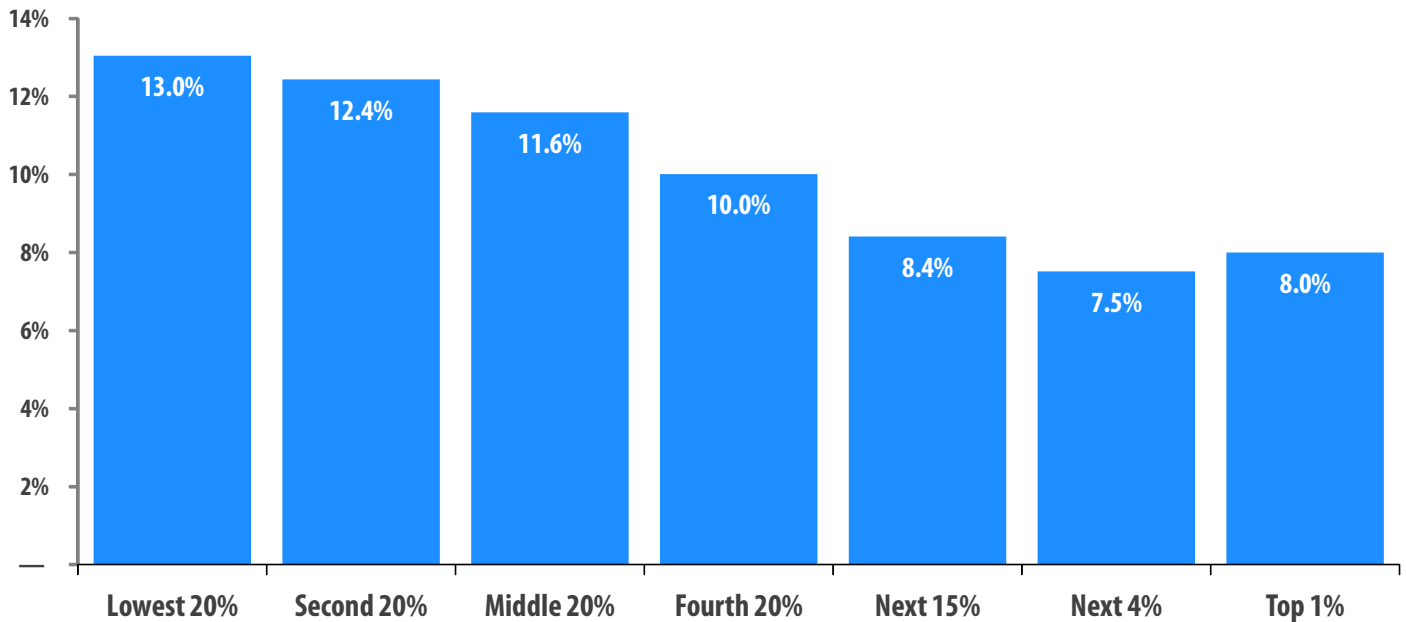
- ▲ Made low income credit nonrefundable
- ▲ Expanded personal exemption for married couples
- ▲ Enacted Amazon Law

States With State Income Tax Deduction



Hawaii State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show tax law in Hawaii enacted through January 2, 2013 at 2010 income levels. The analysis includes the temporary high-income tax brackets, personal exemption phase-out, and itemized deduction limitations that are scheduled to expire at the end of 2015. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Hawaii State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$17,000	\$17,000 – \$32,000	\$32,000 – \$50,000	\$50,000 – \$81,000	\$81,000 – \$159,000	\$159,000 – \$326,000	\$326,000 or more
Average Income in Group	\$9,800	\$23,900	\$40,000	\$63,600	\$110,600	\$217,900	\$698,600
Sales & Excise Taxes	11.0%	8.5%	6.5%	5.1%	3.7%	2.2%	1.3%
General Sales—Individuals	4.9%	3.9%	3.0%	2.3%	1.7%	1.0%	0.6%
Other Sales & Excise—Ind.	2.5%	1.6%	1.2%	0.9%	0.6%	0.3%	0.1%
Sales & Excise on Business	3.6%	3.0%	2.3%	1.9%	1.4%	0.9%	0.6%
Property Taxes	2.2%	1.6%	1.8%	1.4%	1.4%	1.5%	1.6%
Property Taxes on Families	2.1%	1.4%	1.8%	1.4%	1.3%	1.0%	0.7%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.5%	0.9%
Income Taxes	-0.2%	2.5%	3.5%	3.9%	4.2%	4.8%	6.8%
Personal Income Tax	-0.2%	2.5%	3.5%	3.9%	4.1%	4.8%	6.8%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Taxes	13.0%	12.5%	11.8%	10.5%	9.3%	8.6%	9.6%
Federal Deduction Offset	0.0%	-0.1%	-0.2%	-0.5%	-0.9%	-1.1%	-1.6%
OVERALL TOTAL	13.0%	12.4%	11.6%	10.0%	8.4%	7.5%	8.0%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides refundable income tax credits to reduce impact of sales, excise, and property taxes

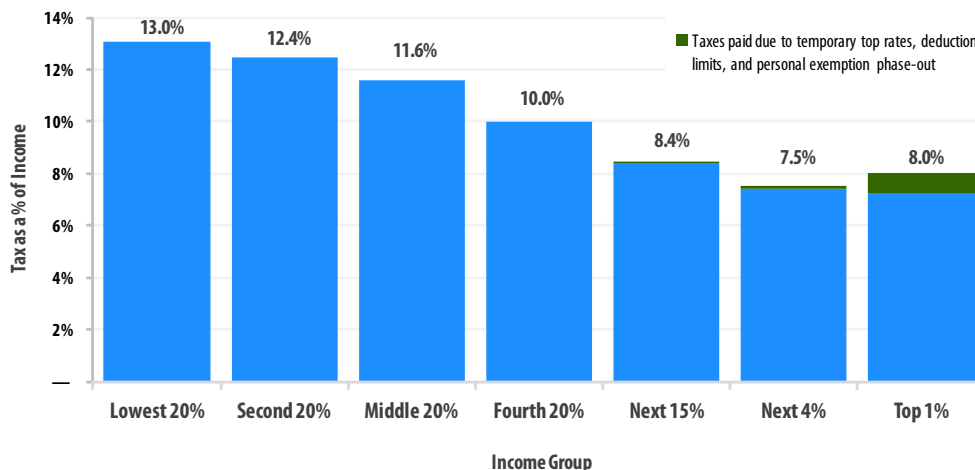
Regressive Features

- ✗ Provides preferential income tax rates for income from capital gains
- ✗ Comparatively high reliance on sales and excise taxes
- ✗ Sales tax base includes groceries

Recent Developments

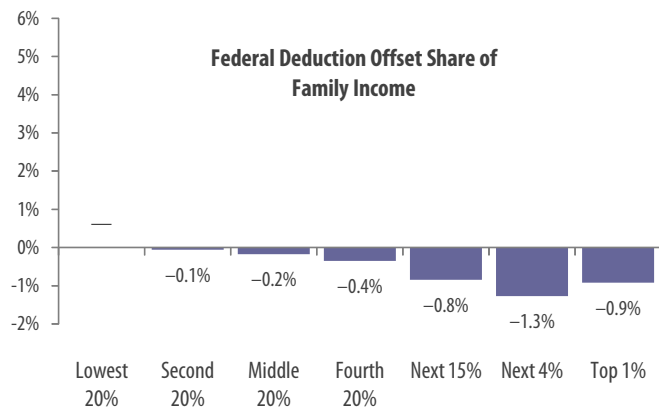
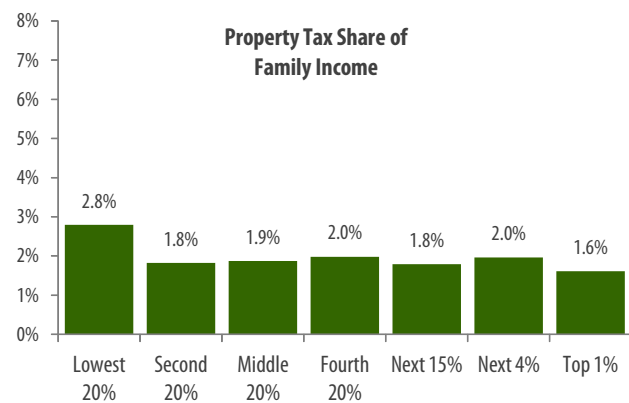
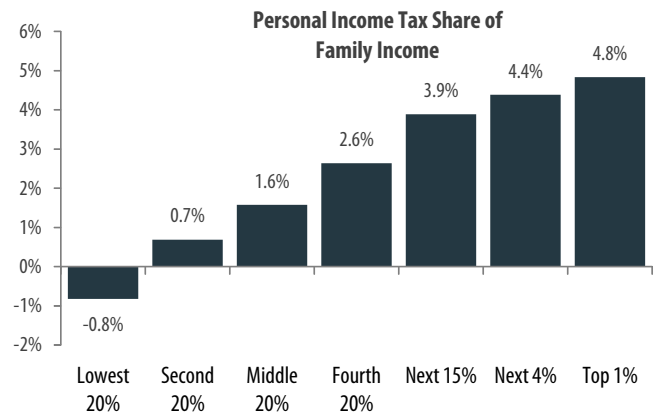
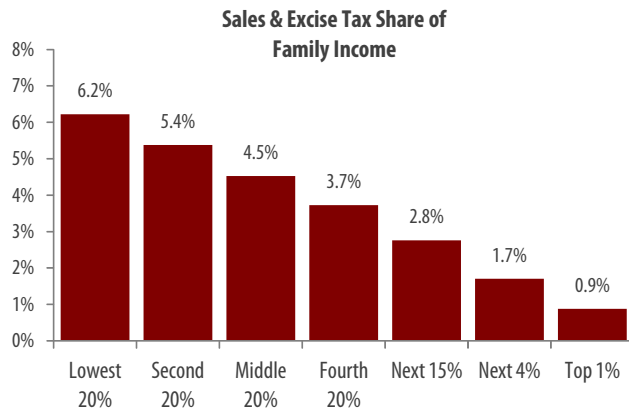
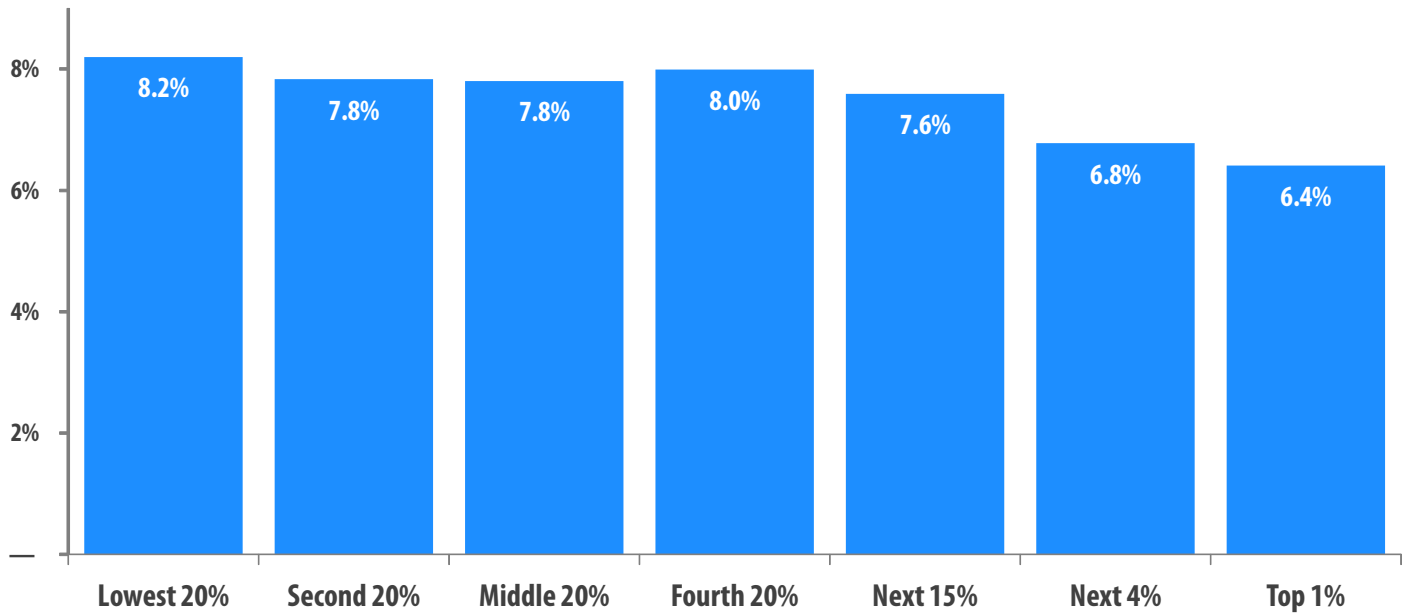
- ▲ Increased the standard deduction and personal exemption
- ▲ Created a phase-out of the state income tax deduction for married taxpayers with

Temporary Income Tax Provisions in Hawaii are a Modest Step Toward Reduced Tax Regressivity



Idaho State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Idaho enacted through January 2, 2013 at 2010 income levels. Grocery tax credit is analyzed as if fully phased-in, which is scheduled to occur in 2015. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Idaho State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$18,000	\$18,000 – \$32,000	\$32,000 – \$50,000	\$50,000 – \$75,000	\$75,000 – \$136,000	\$136,000 – \$316,000	\$316,000 or more
Average Income in Group	\$10,400	\$24,200	\$40,300	\$60,000	\$95,700	\$190,400	\$793,000
Sales & Excise Taxes	6.2%	5.4%	4.5%	3.7%	2.8%	1.7%	0.9%
General Sales—Individuals	3.7%	3.3%	2.8%	2.4%	1.8%	1.1%	0.6%
Other Sales & Excise—Ind.	1.1%	0.9%	0.7%	0.5%	0.3%	0.2%	0.1%
Sales & Excise on Business	1.5%	1.3%	1.0%	0.8%	0.6%	0.4%	0.2%
Property Taxes	2.8%	1.8%	1.9%	2.0%	1.8%	2.0%	1.6%
Property Taxes on Families	2.7%	1.7%	1.8%	1.8%	1.6%	1.5%	0.7%
Other Property Taxes	0.0%	0.1%	0.1%	0.2%	0.1%	0.5%	0.9%
Income Taxes	-0.8%	0.7%	1.6%	2.6%	3.9%	4.4%	4.8%
Personal Income Tax	-0.8%	0.7%	1.6%	2.6%	3.9%	4.3%	4.7%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	8.2%	7.9%	8.0%	8.3%	8.4%	8.0%	7.3%
Federal Deduction Offset	0.0%	-0.1%	-0.2%	-0.4%	-0.8%	-1.3%	-0.9%
OVERALL TOTAL	8.2%	7.8%	7.8%	8.0%	7.6%	6.8%	6.4%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides an income tax credit to offset the impact of its sales tax on groceries
- ✓ Requires the use of combined reporting
- ✓ Provides a property tax homestead exemption

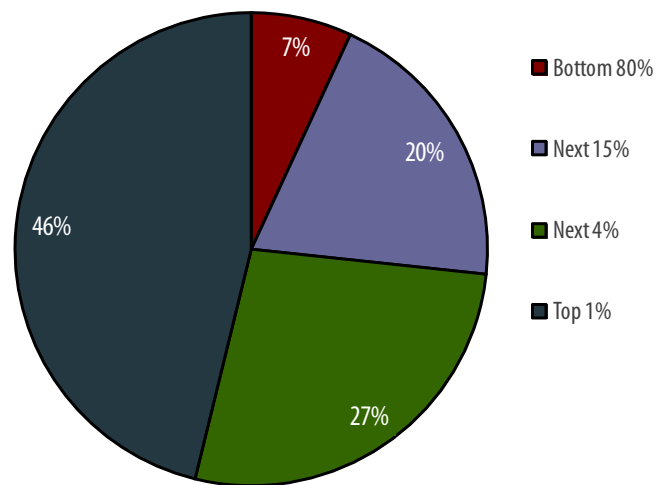
Regressive Features

- ✗ Sales tax base includes groceries

Recent Developments

- ▲ Eliminated the top personal income tax bracket
- ▲ Reduced the corporate income tax rate from 7.6 to 7.4 percent

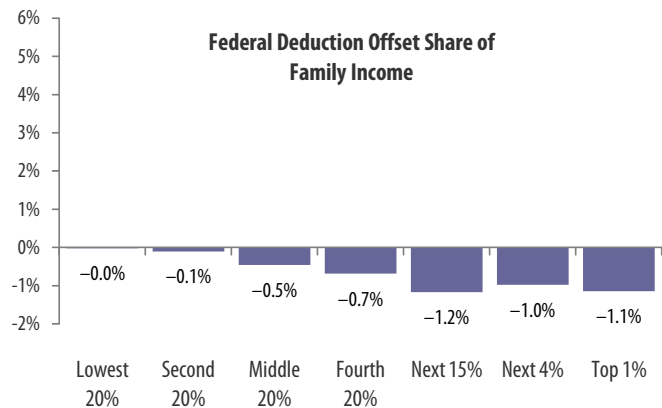
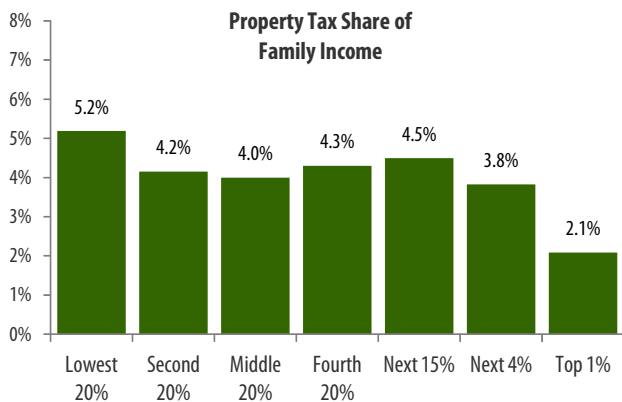
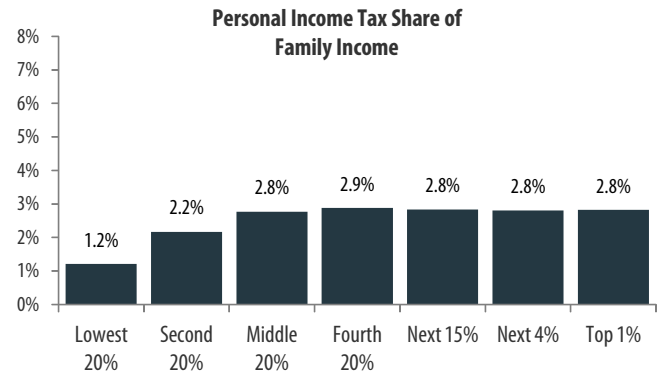
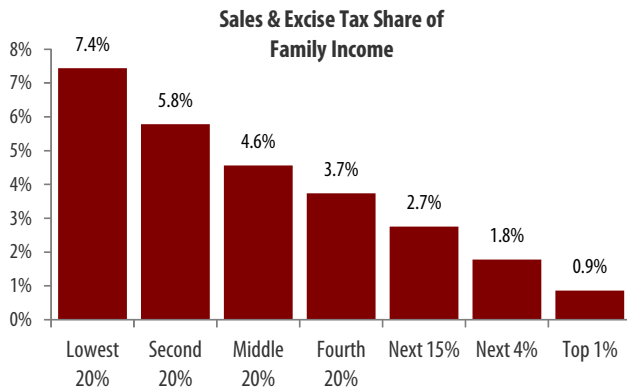
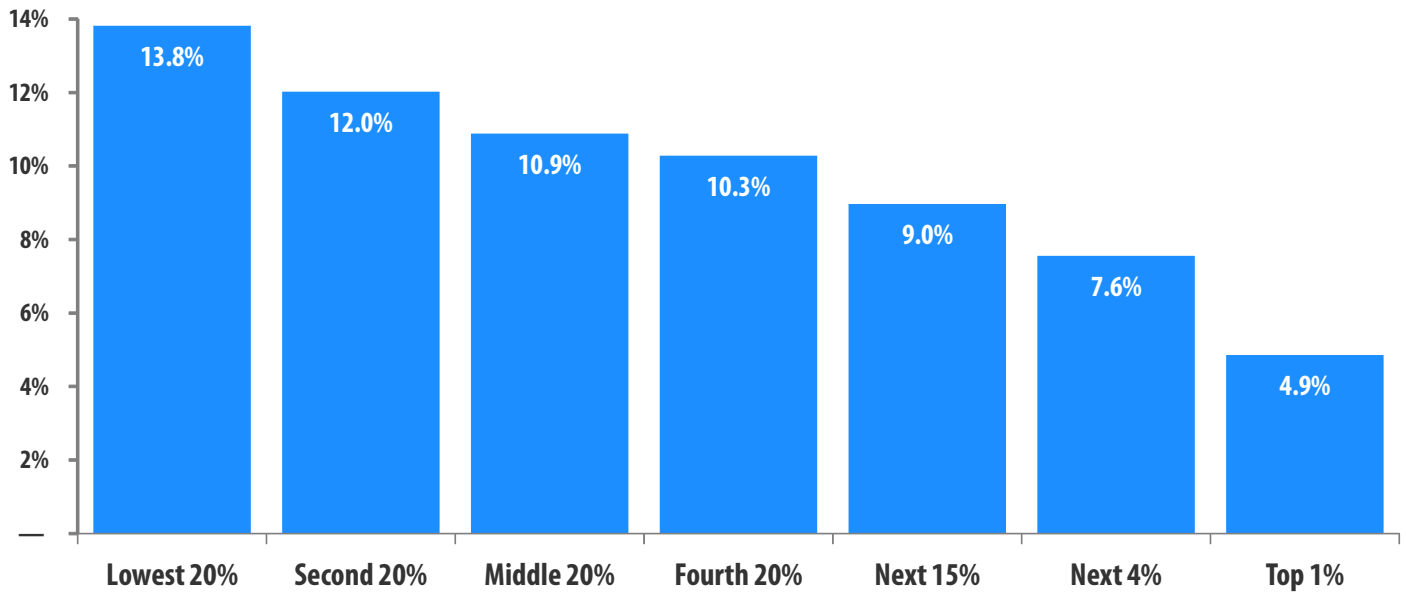
Share of Tax Cuts from Recent Repeal of Top Personal Income Tax Bracket in Idaho
by Income Group



Illinois State & Local Taxes

#4 of the Terrible 10

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Illinois enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post-federal offset. Personal income tax rate used is 3.75% the 2015 tax rate.

Illinois State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$18,000	\$18,000 – \$36,000	\$36,000 – \$57,000	\$57,000 – \$93,000	\$93,000 – \$182,000	\$182,000 – \$445,000	\$445,000 or more
Average Income in Group	\$10,100	\$26,900	\$46,800	\$73,500	\$124,100	\$273,800	\$1,489,200
Sales & Excise Taxes	7.4%	5.8%	4.6%	3.7%	2.7%	1.8%	0.9%
General Sales—Individuals	3.5%	3.0%	2.5%	2.2%	1.6%	1.1%	0.5%
Other Sales & Excise—Ind.	2.2%	1.3%	0.9%	0.7%	0.5%	0.3%	0.1%
Sales & Excise on Business	1.8%	1.4%	1.1%	0.9%	0.6%	0.4%	0.3%
Property Taxes	5.2%	4.2%	4.0%	4.3%	4.5%	3.8%	2.1%
Property Taxes on Families	5.0%	4.0%	3.8%	4.0%	4.2%	3.3%	1.0%
Other Property Taxes	0.2%	0.2%	0.2%	0.3%	0.3%	0.5%	1.1%
Income Taxes	1.2%	2.2%	2.8%	2.9%	2.9%	2.9%	3.1%
Personal Income Tax	1.2%	2.2%	2.8%	2.9%	2.8%	2.8%	2.8%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%
Total Taxes	13.8%	12.1%	11.3%	11.0%	10.1%	8.5%	6.0%
Federal Deduction Offset	0.0%	-0.1%	-0.5%	-0.7%	-1.2%	-1.0%	-1.1%
OVERALL TOTAL	13.8%	12.0%	10.9%	10.3%	9.0%	7.6%	4.9%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Provides a refundable earned income tax credit (EITC)
- ✓ Provides a non-refundable property tax credit

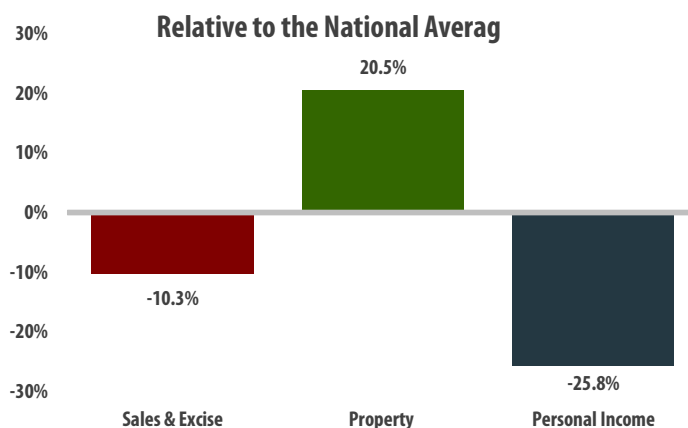
Regressive Features

- ✗ Income tax uses a single rate structure
- ✗ Comparatively low income tax exemptions
- ✗ All business income is exempted through the personal income tax

Recent Developments

- ▲ Temporarily increased personal and corporate income tax rates
- ▲ Increased and indexed the personal exemption
- ▲ Doubled refundable earned income tax credit
- ▲ Enacted Amazon Law

Select State and Local Taxes in Illinois

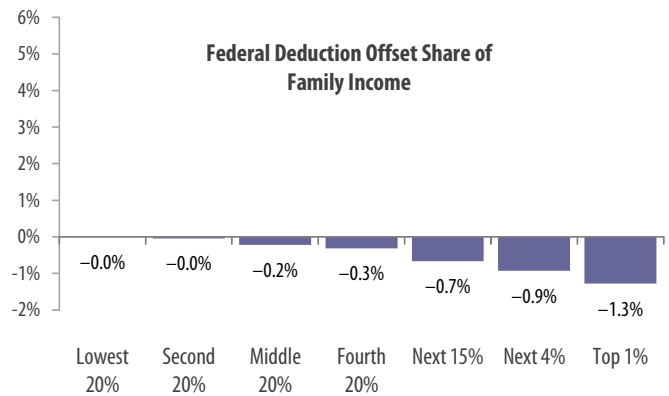
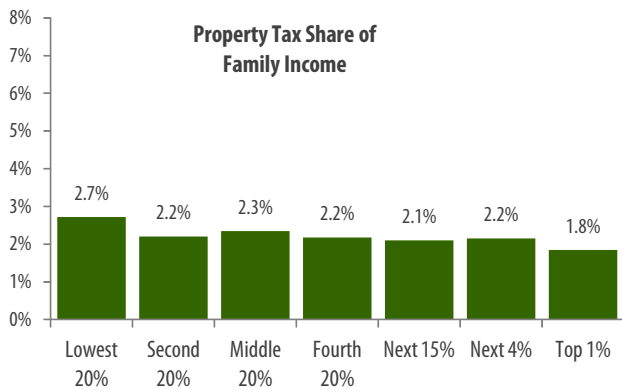
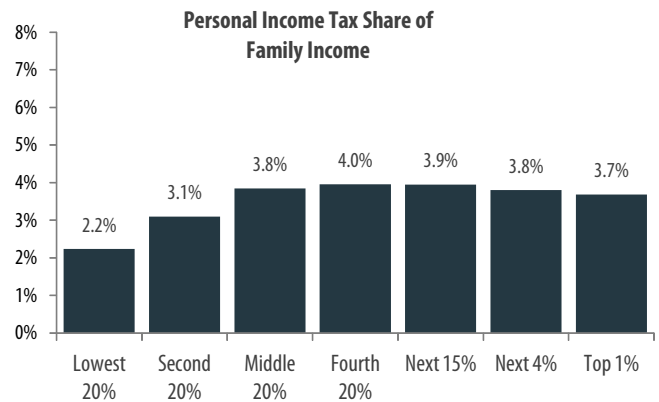
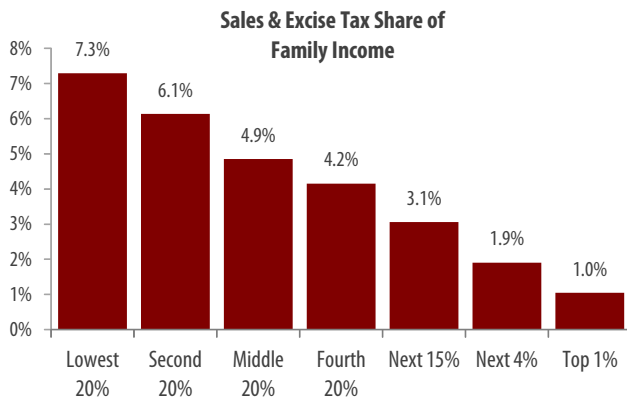
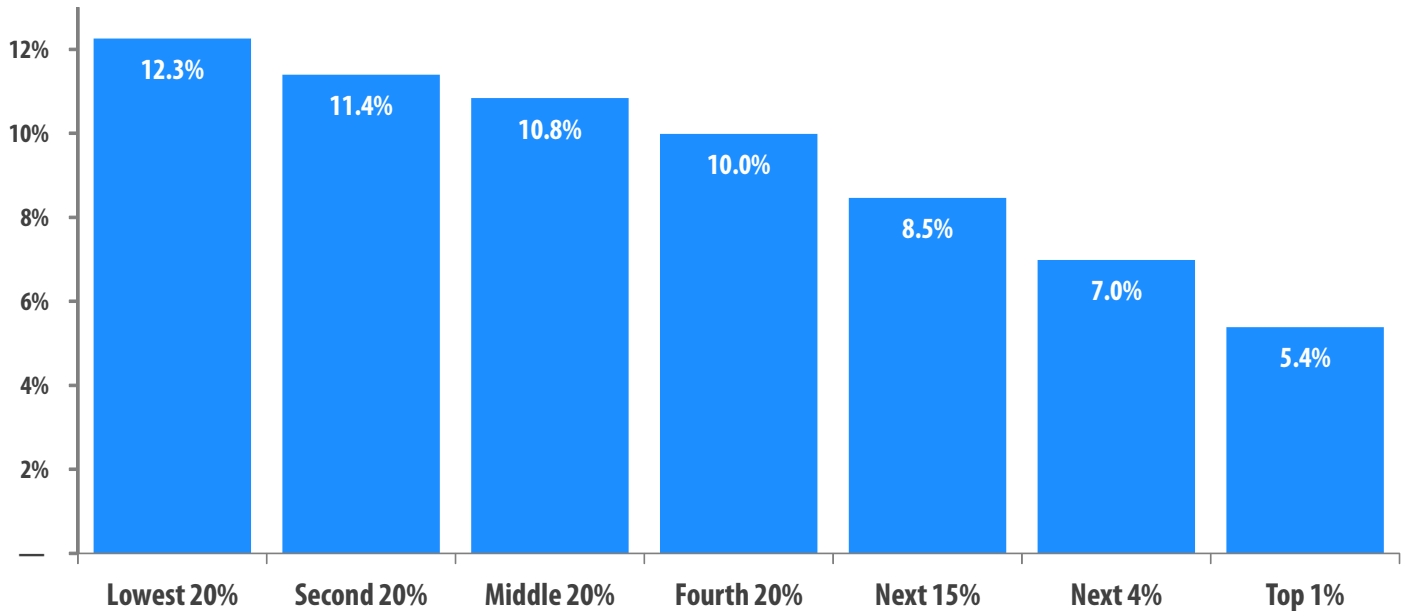


Source: Government Finances, US Department of Census

Indiana State & Local Taxes

#9 of the Terrible 10

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Indiana enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post- federal offset.

Indiana State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$18,000	\$18,000 – \$32,000	\$32,000 – \$53,000	\$53,000 – \$80,000	\$80,000 – \$143,000	\$143,000 – \$331,000	\$331,000 or more
Average Income in Group	\$10,300	\$25,300	\$42,800	\$65,000	\$101,700	\$196,000	\$800,300
Sales & Excise Taxes	7.3%	6.1%	4.9%	4.2%	3.1%	1.9%	1.0%
General Sales—Individuals	4.2%	3.8%	3.1%	2.7%	2.0%	1.2%	0.7%
Other Sales & Excise—Ind.	1.6%	1.1%	0.8%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	1.5%	1.3%	1.0%	0.9%	0.7%	0.4%	0.3%
Property Taxes	2.7%	2.2%	2.3%	2.2%	2.1%	2.2%	1.8%
Property Taxes on Families	2.4%	2.0%	2.0%	1.9%	1.8%	1.5%	0.7%
Other Property Taxes	0.3%	0.2%	0.3%	0.3%	0.3%	0.6%	1.1%
Income Taxes	2.3%	3.1%	3.9%	4.0%	4.0%	3.9%	3.8%
Personal Income Tax (State and Local)	2.2%	3.1%	3.8%	4.0%	3.9%	3.8%	3.7%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	12.3%	11.4%	11.1%	10.3%	9.1%	7.9%	6.7%
Federal Deduction Offset	0.0%	0.0%	-0.2%	-0.3%	-0.7%	-0.9%	-1.3%
OVERALL TOTAL	12.3%	11.4%	10.8%	10.0%	8.5%	7.0%	5.4%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Provides a refundable earned income tax credit (EITC)
- ✓ Sales tax base excludes groceries

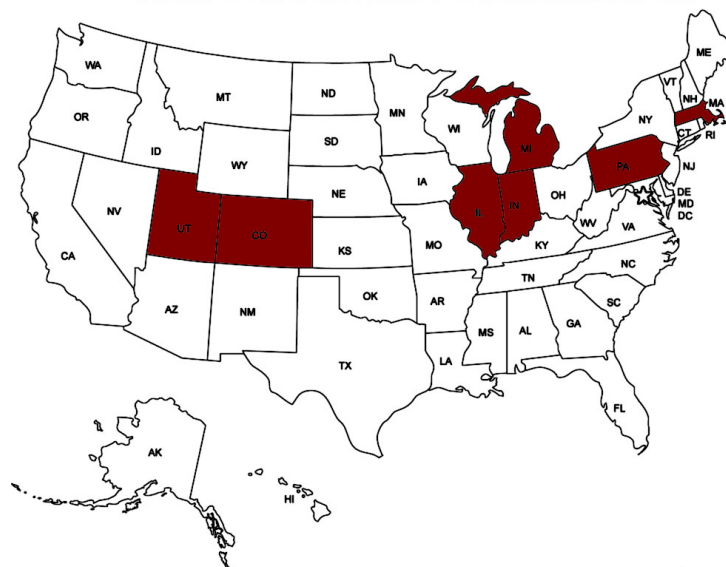
Regressive Features

- ✗ Income tax uses a single rate structure
- ✗ Comparatively low income tax exemptions

Recent Developments

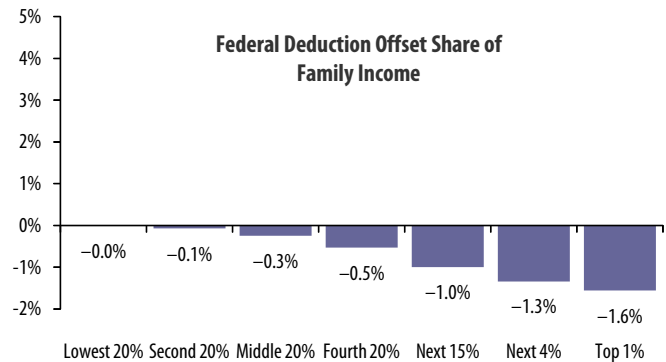
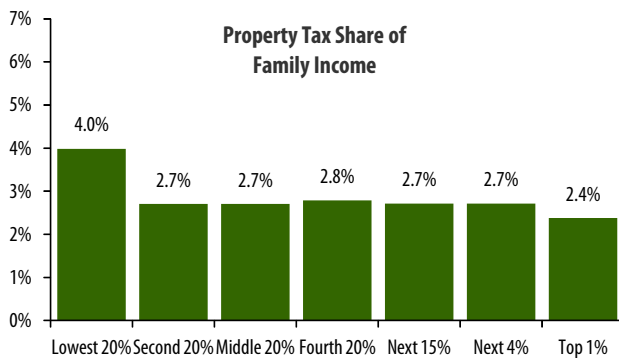
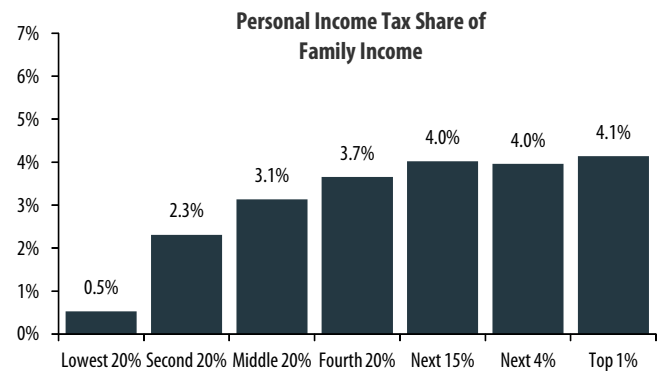
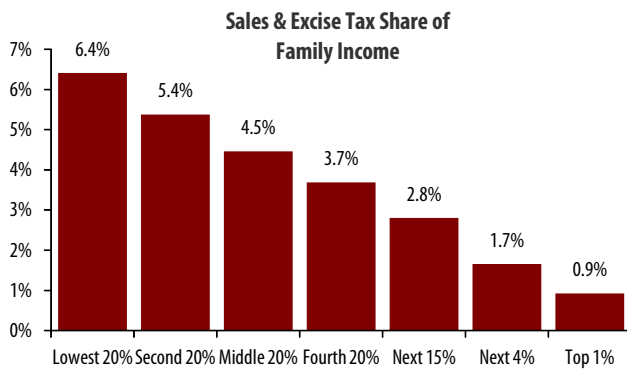
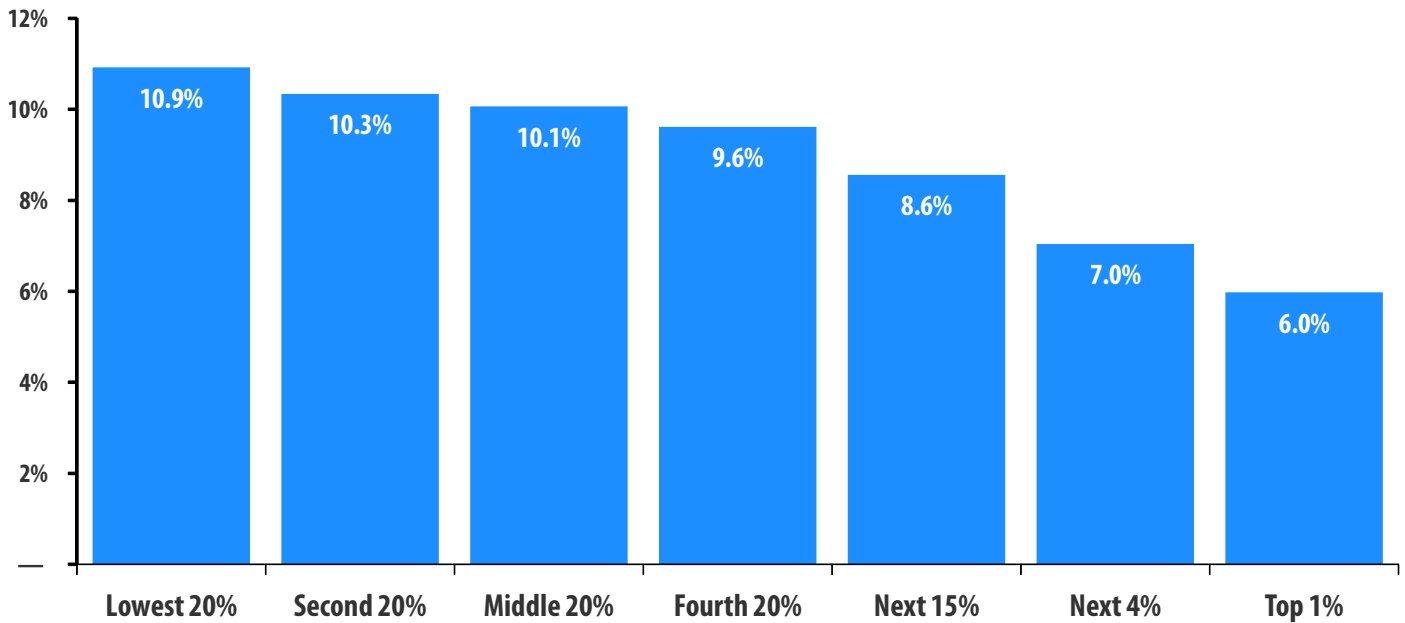
- ▲ Enacted a gradual phase-out of the state's inheritance tax
- ▲ Enacted a gradual reduction in the corporate income tax rate from 8.5 to 6.5 percent
- ▲ Amazon will begin to collect sales tax from online purchases

States With a Flat Rate Personal Income Tax



Iowa State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Iowa enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post- federal deduction offset.

Iowa State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$21,000	\$21,000 – \$38,000	\$38,000 – \$57,000	\$57,000 – \$87,000	\$87,000 – \$144,000	\$144,000 – \$312,000	\$312,000 or more
Average Income in Group	\$10,700	\$30,100	\$47,200	\$70,600	\$108,200	\$195,600	\$759,100
Sales & Excise Taxes	6.4%	5.4%	4.5%	3.7%	2.8%	1.7%	0.9%
General Sales—Individuals	3.5%	3.2%	2.7%	2.3%	1.8%	1.1%	0.6%
Other Sales & Excise—Ind.	1.3%	0.9%	0.7%	0.5%	0.4%	0.2%	0.1%
Sales & Excise on Business	1.6%	1.3%	1.1%	0.8%	0.6%	0.4%	0.2%
Property Taxes	4.0%	2.7%	2.7%	2.8%	2.7%	2.7%	2.4%
Property Taxes on Families	3.9%	2.5%	2.5%	2.5%	2.4%	2.1%	1.0%
Other Property Taxes	0.1%	0.2%	0.2%	0.3%	0.3%	0.7%	1.4%
Income Taxes	0.5%	2.3%	3.1%	3.7%	4.0%	4.0%	4.2%
Personal Income Tax (State and Local)	0.5%	2.3%	3.1%	3.7%	4.0%	4.0%	4.1%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	10.9%	10.4%	10.3%	10.1%	9.6%	8.4%	7.5%
Federal Deduction Offset	0.0%	-0.1%	-0.3%	-0.5%	-1.0%	-1.3%	-1.6%
OVERALL TOTAL	10.9%	10.3%	10.1%	9.6%	8.6%	7.0%	6.0%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides a refundable earned income tax credit (EITC)
- ✓ Sales tax base excludes groceries

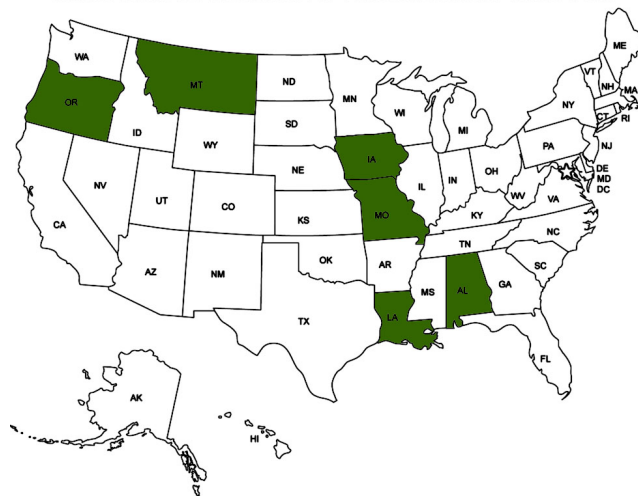
Regressive Features

- ✗ Offers an income tax deduction for federal income taxes paid
- ✗ Completely excludes certain types of capital gains income from taxation

Recent Developments

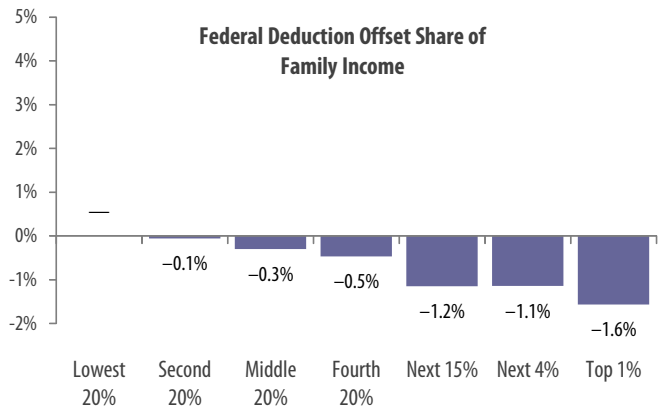
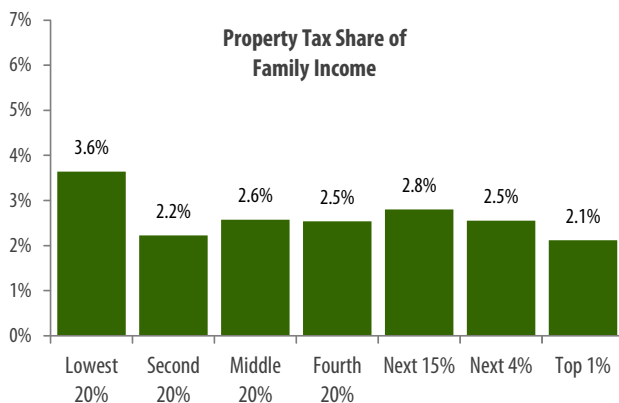
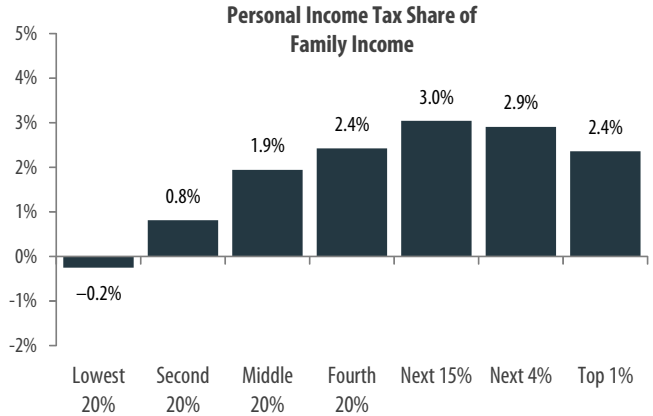
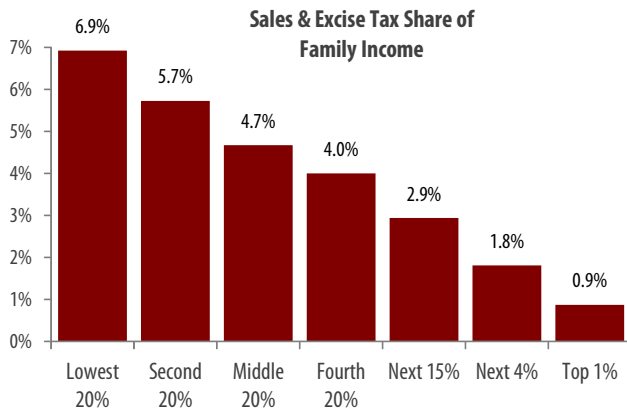
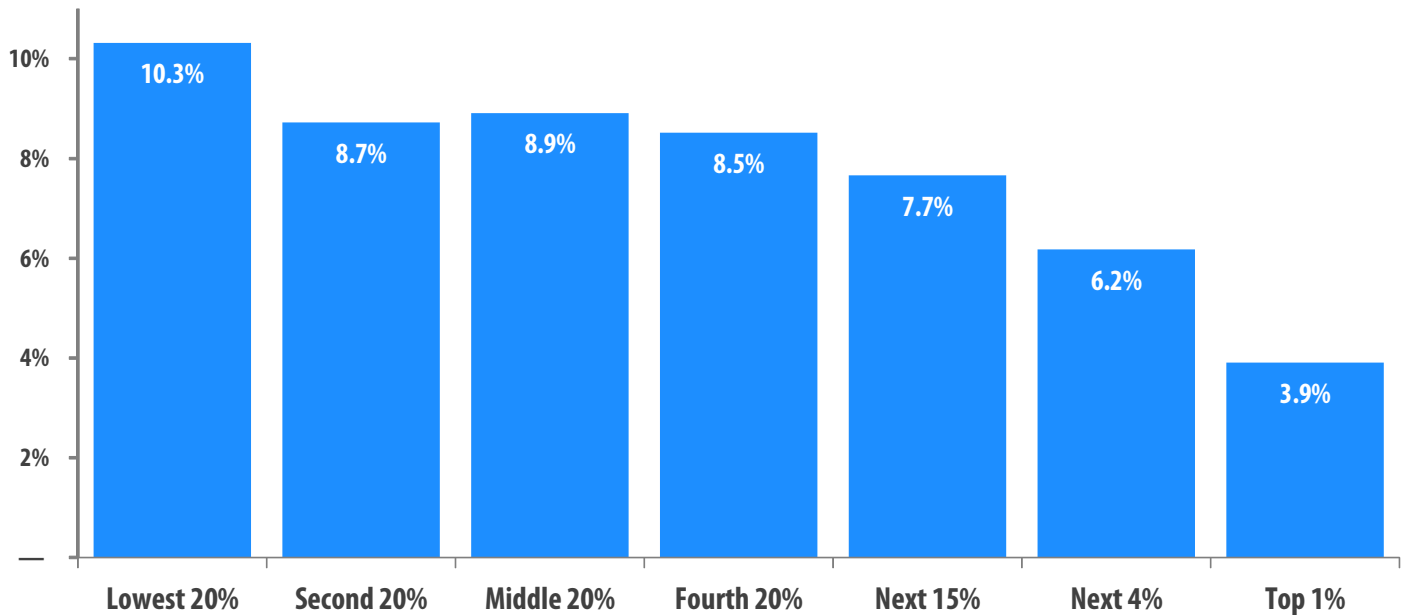
- ▲ No significant developments

States With a Deduction for Federal Income Taxes Paid



Kansas State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Kansas enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Kansas State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$19,000	\$19,000 – \$36,000	\$36,000 – \$55,000	\$55,000 – \$88,000	\$88,000 – \$165,000	\$165,000 – \$400,000	\$400,000 or more
Average Income in Group	\$10,300	\$28,000	\$45,500	\$71,200	\$115,100	\$233,300	\$1,025,300
Sales & Excise Taxes	6.9%	5.7%	4.7%	4.0%	2.9%	1.8%	0.9%
General Sales—Individuals	3.9%	3.4%	2.8%	2.5%	1.9%	1.2%	0.6%
Other Sales & Excise—Ind.	1.1%	0.8%	0.6%	0.5%	0.3%	0.2%	0.0%
Sales & Excise on Business	1.9%	1.5%	1.2%	1.0%	0.7%	0.4%	0.2%
Property Taxes	3.6%	2.2%	2.6%	2.5%	2.8%	2.5%	2.1%
Property Taxes on Families	3.6%	2.1%	2.4%	2.4%	2.5%	2.1%	0.8%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.3%	0.5%	1.3%
Income Taxes	-0.2%	0.8%	2.0%	2.4%	3.1%	3.0%	2.5%
Personal Income Tax	-0.2%	0.8%	1.9%	2.4%	3.0%	2.9%	2.4%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	10.3%	8.8%	9.2%	9.0%	8.8%	7.3%	5.5%
Federal Deduction Offset	0.0%	-0.1%	-0.3%	-0.5%	-1.2%	-1.1%	-1.6%
OVERALL TOTAL	10.3%	8.7%	8.9%	8.5%	7.7%	6.2%	3.9%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides a refundable earned income tax credit (EITC)

Regressive Features

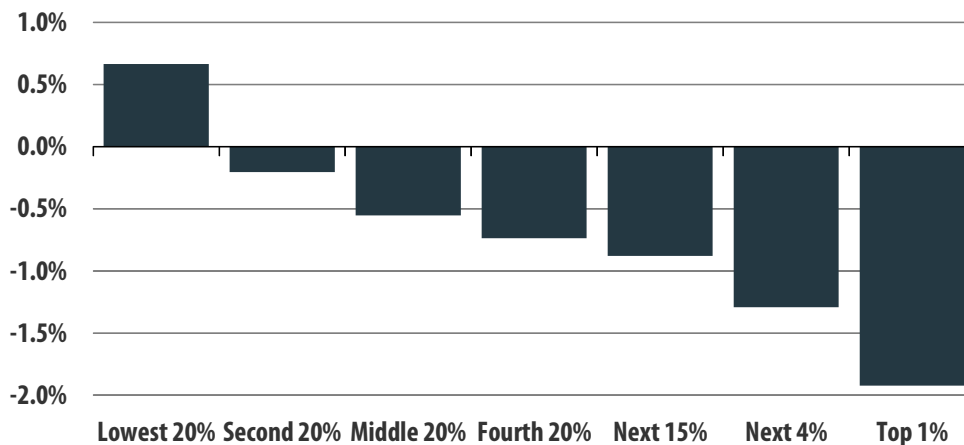
- ✗ Sales tax base includes groceries
- ✗ Fails to provide a credit designed to offset sales tax on groceries
- ✗ All business income is exempted through the personal income tax

Recent Developments

- ▲ Income tax rates were reduced
- ▲ All business income exempted from the personal income tax
- ▲ Eliminated food sales tax credit
- ▲ Eliminated child and dependent care credit and homestead refund for renters
- ▲ Sales tax rate was temporarily increased

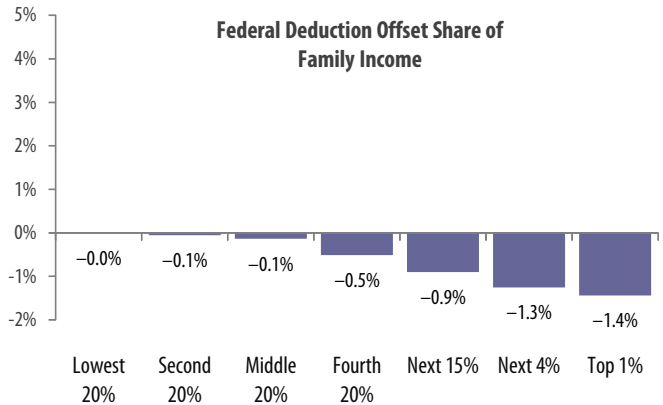
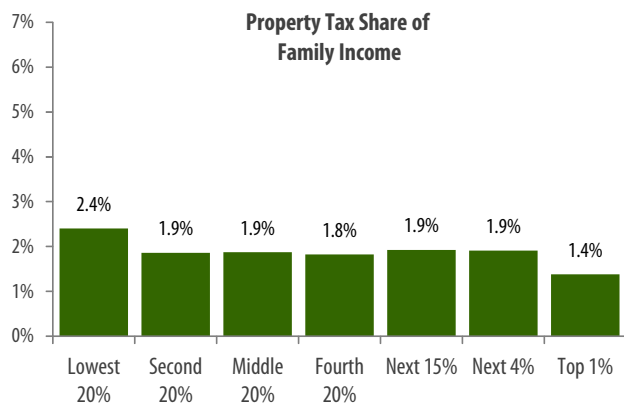
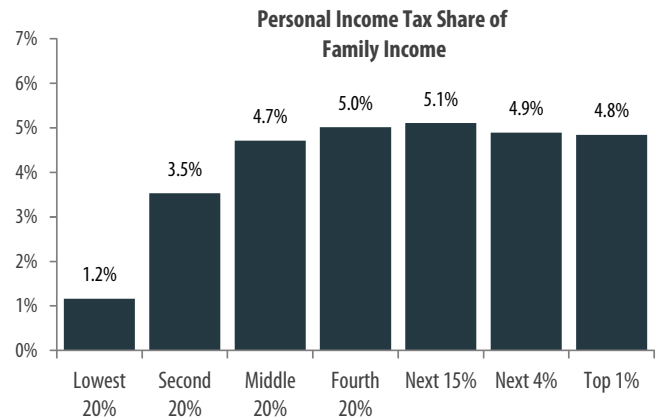
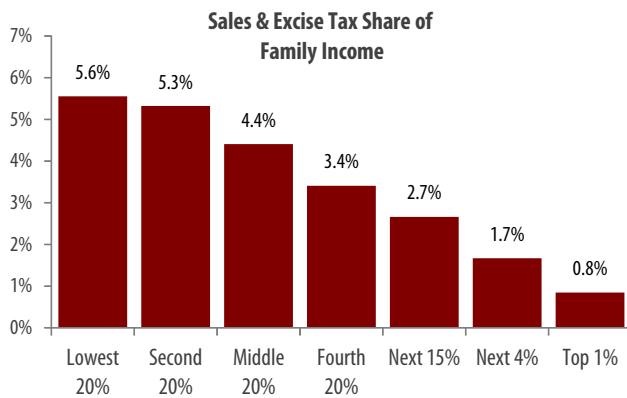
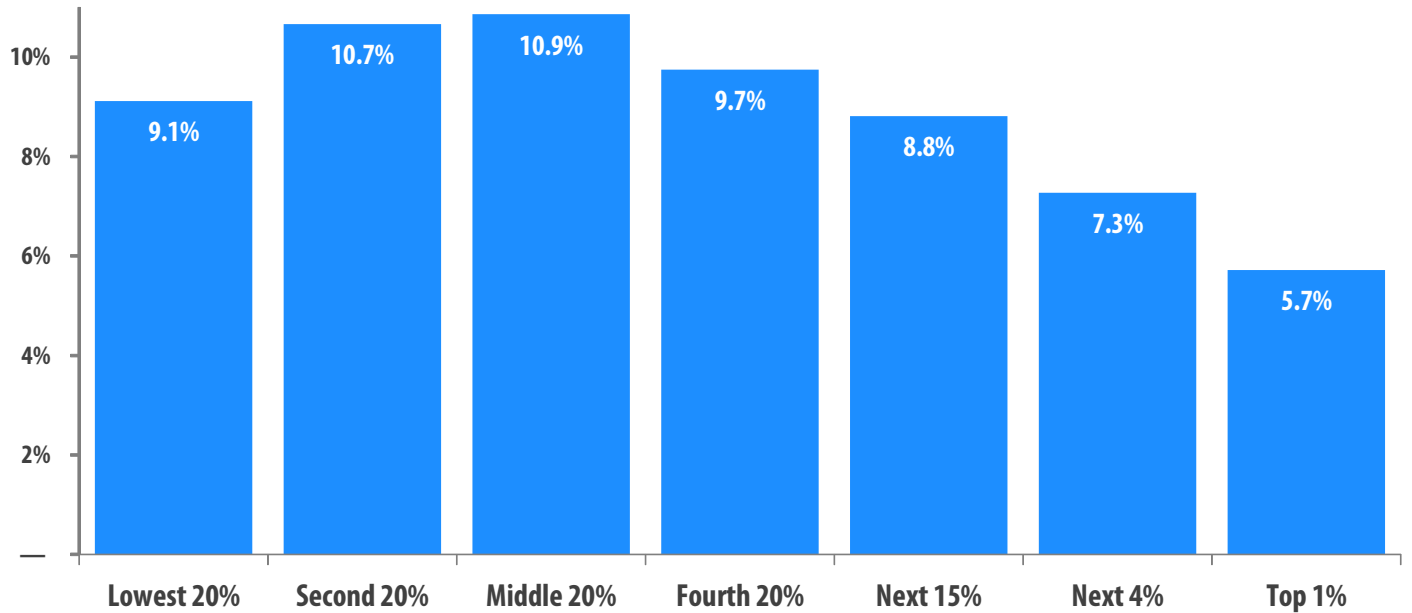
Impact of 2012 Kansas Personal Income Tax Changes

Tax Change as a Share of Income



Kentucky State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Kentucky enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Kentucky State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$29,000	\$29,000 – \$47,000	\$47,000 – \$77,000	\$77,000 – \$137,000	\$137,000 – \$309,000	\$309,000 or more
Average Income in Group	\$8,500	\$21,800	\$36,400	\$60,300	\$97,500	\$190,300	\$759,000
Sales & Excise Taxes	5.6%	5.3%	4.4%	3.4%	2.7%	1.7%	0.8%
General Sales—Individuals	2.5%	2.6%	2.3%	1.8%	1.5%	1.0%	0.5%
Other Sales & Excise—Ind.	1.3%	1.0%	0.8%	0.5%	0.4%	0.2%	0.1%
Sales & Excise on Business	1.8%	1.7%	1.3%	1.0%	0.8%	0.5%	0.3%
Property Taxes	2.4%	1.9%	1.9%	1.8%	1.9%	1.9%	1.4%
Property Taxes on Families	2.4%	1.8%	1.8%	1.8%	1.8%	1.6%	0.8%
Other Property Taxes	0.0%	0.0%	0.0%	0.1%	0.1%	0.3%	0.6%
Income Taxes	1.2%	3.5%	4.7%	5.0%	5.1%	4.9%	4.9%
Personal Income Tax (State and Local)	1.2%	3.5%	4.7%	5.0%	5.1%	4.9%	4.8%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	9.1%	10.7%	11.0%	10.3%	9.7%	8.5%	7.2%
Federal Deduction Offset	0.0%	-0.1%	-0.1%	-0.5%	-0.9%	-1.3%	-1.4%
OVERALL TOTAL	9.1%	10.7%	10.9%	9.7%	8.8%	7.3%	5.7%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Offers an income tax credit for child and dependent care expenses
- ✓ Provides a low-income tax credit linked to the federal poverty level
- ✓ Sales tax base excludes groceries

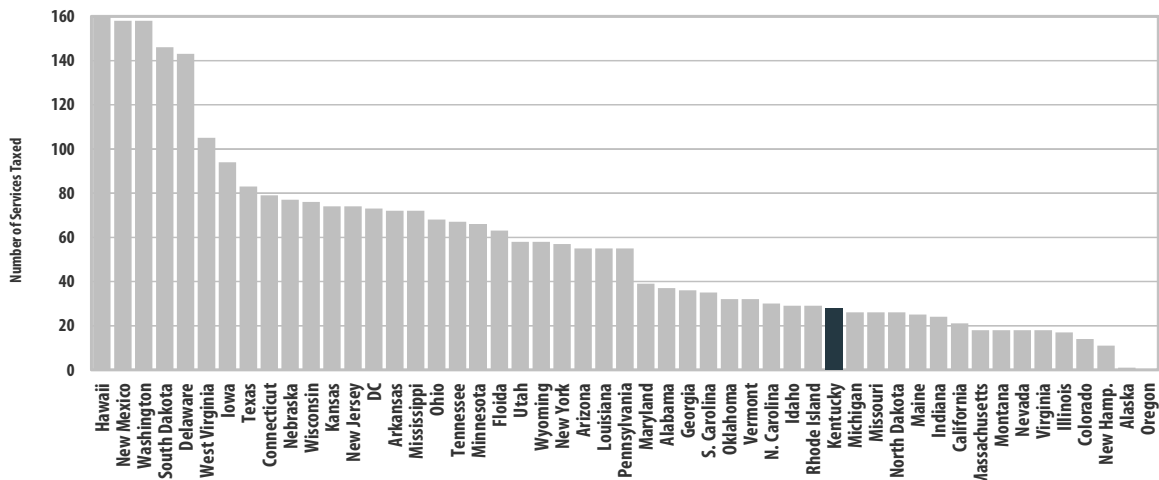
Regressive Features

- ✗ Fails to provide refundable income tax credits to offset impact of sales and property taxes

Recent Developments

- ▲ Increased cigarette taxes

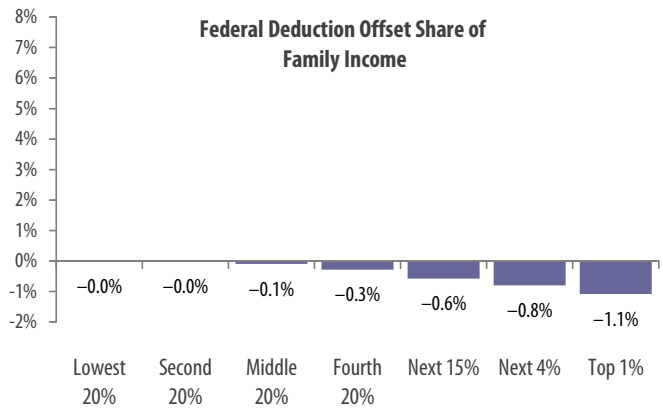
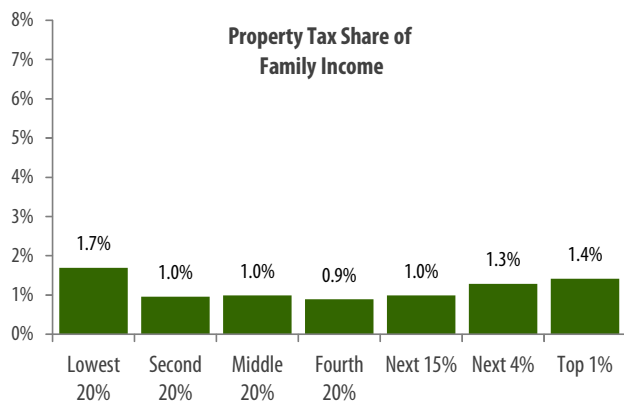
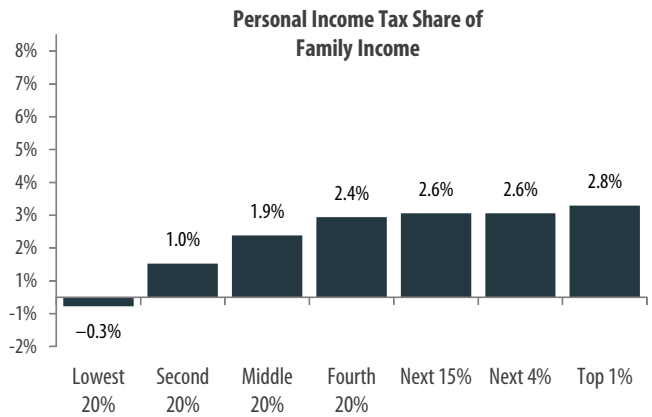
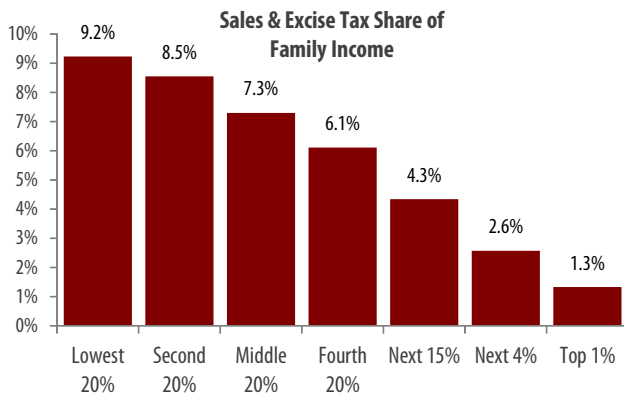
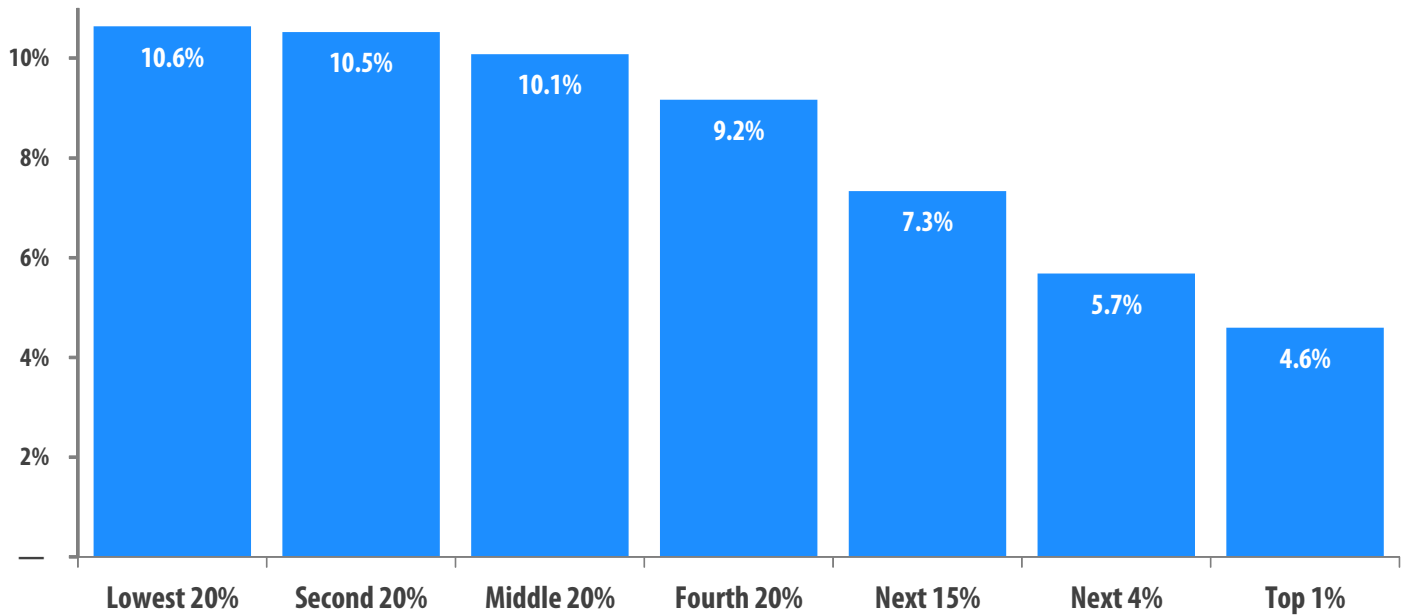
Sales Taxation of Services



Source: Federation of Tax Administrators Taxation of Services Survey, 2007.

Louisiana State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Louisiana enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Louisiana State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$30,000	\$30,000 – \$47,000	\$47,000 – \$85,000	\$85,000 – \$169,000	\$169,000 – \$418,000	\$418,000 or more
Average Income in Group	\$10,000	\$22,100	\$38,200	\$63,000	\$114,600	\$232,500	\$979,700
Sales & Excise Taxes	9.2%	8.5%	7.3%	6.1%	4.3%	2.6%	1.3%
General Sales—Individuals	6.3%	5.9%	5.3%	4.5%	3.2%	1.9%	1.0%
Other Sales & Excise—Ind.	0.9%	0.7%	0.5%	0.4%	0.2%	0.1%	0.0%
Sales & Excise on Business	2.1%	1.9%	1.5%	1.2%	0.9%	0.5%	0.3%
Property Taxes	1.7%	1.0%	1.0%	0.9%	1.0%	1.3%	1.4%
Property Taxes on Families	1.7%	0.9%	1.0%	0.8%	0.8%	0.8%	0.5%
Other Property Taxes	0.0%	0.0%	0.0%	0.1%	0.2%	0.5%	1.0%
Income Taxes	-0.3%	1.0%	1.9%	2.5%	2.6%	2.6%	2.9%
Personal Income Tax	-0.3%	1.0%	1.9%	2.4%	2.6%	2.6%	2.8%
Corporate Income Tax	-0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	10.6%	10.5%	10.2%	9.5%	7.9%	6.5%	5.7%
Federal Deduction Offset	0.0%	0.0%	-0.1%	-0.3%	-0.6%	-0.8%	-1.1%
OVERALL TOTAL	10.6%	10.5%	10.1%	9.2%	7.3%	5.7%	4.6%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Provides refundable income tax credits to reduce impact of sales & property taxes
- ✓ Sales tax base excludes groceries and utilities

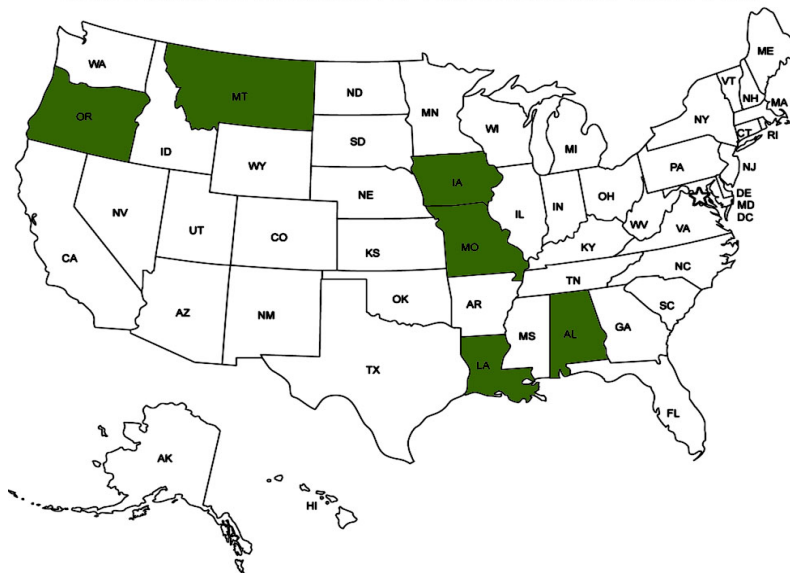
Regressive Features

- ✗ Comparatively high reliance on sales and excise taxes
- ✗ Offers an income tax deduction for federal income taxes paid

Recent Developments

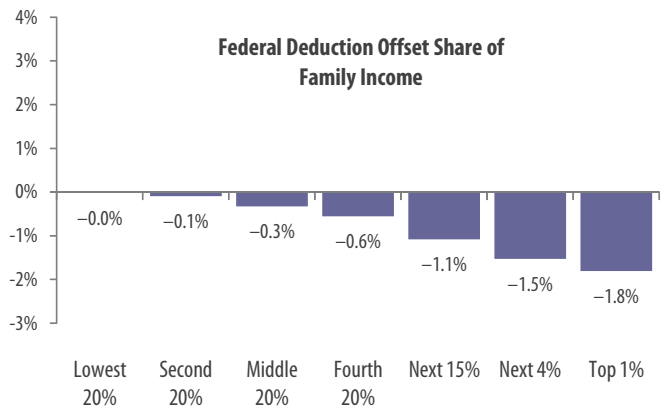
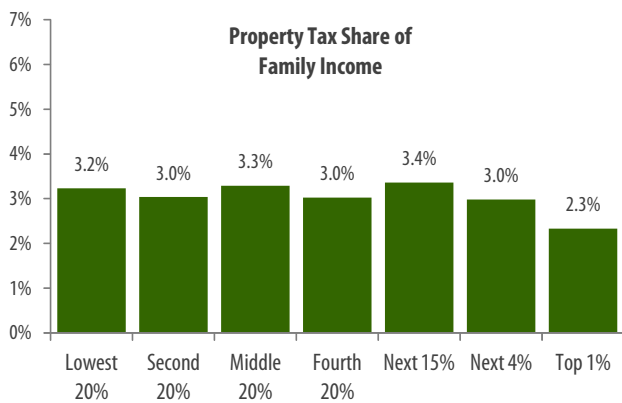
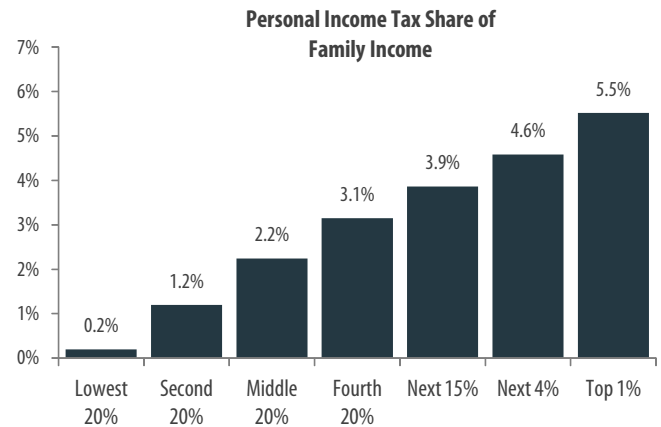
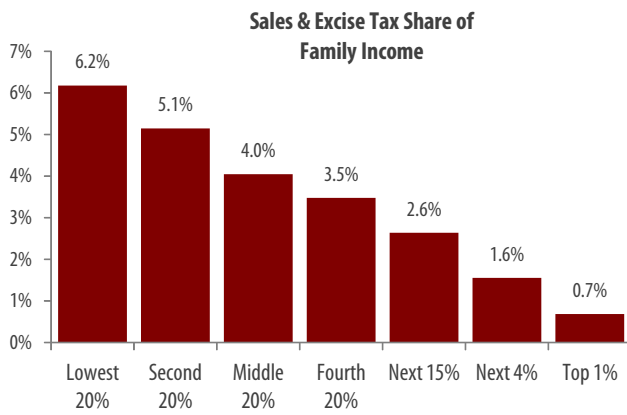
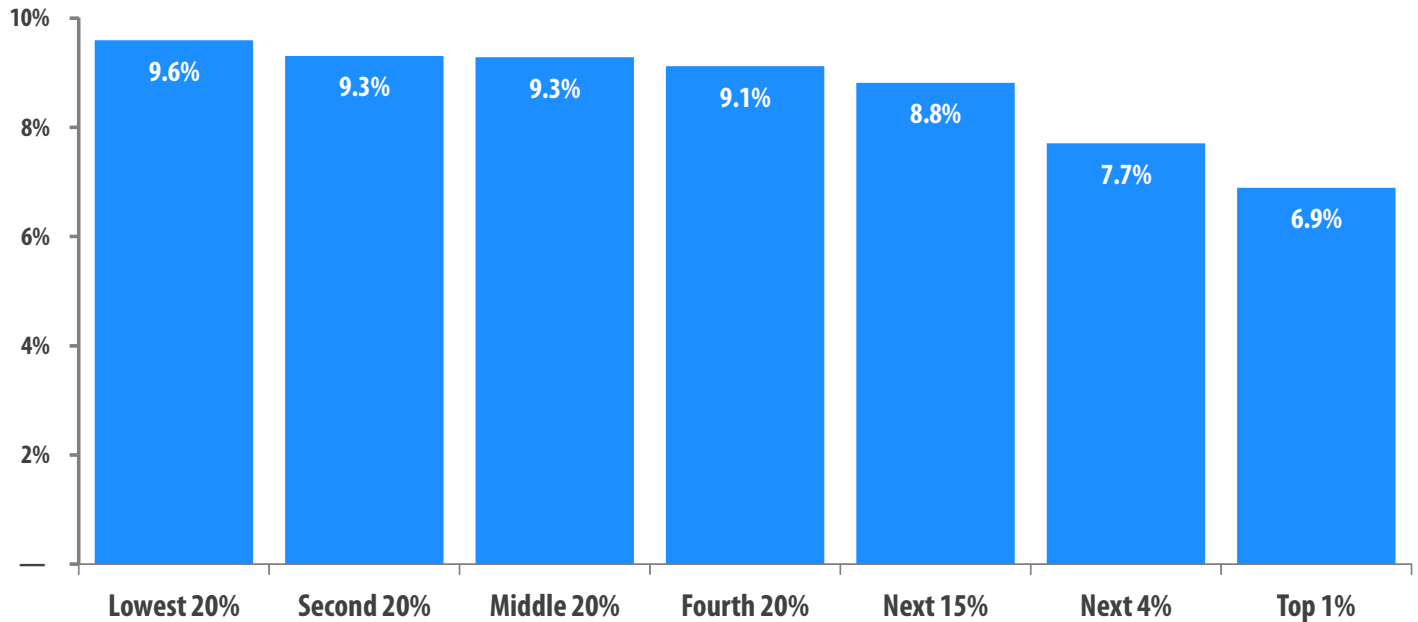
- ▲ No significant developments

States With a Deduction for Federal Income Taxes Paid



Maine State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Maine enacted through January 2, 2013 at 2010 income levels (does not assume reduction of top rate to 4%). Top figure represents total state and local taxes as a share of income, post-federal offset.

Maine State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$19,000	\$19,000 – \$32,000	\$32,000 – \$49,000	\$49,000 – \$79,000	\$79,000 – \$146,000	\$146,000 – \$328,000	\$328,000 or more
Average Income in Group	\$11,800	\$25,100	\$40,400	\$62,000	\$100,900	\$197,900	\$703,200
Sales & Excise Taxes	6.2%	5.1%	4.0%	3.5%	2.6%	1.6%	0.7%
General Sales—Individuals	2.4%	2.3%	2.0%	1.7%	1.4%	0.9%	0.4%
Other Sales & Excise—Ind.	2.1%	1.4%	1.0%	0.8%	0.6%	0.3%	0.1%
Sales & Excise on Business	1.6%	1.4%	1.1%	0.9%	0.7%	0.4%	0.2%
Property Taxes	3.2%	3.0%	3.3%	3.0%	3.4%	3.0%	2.3%
Property Taxes on Families	3.0%	2.8%	3.0%	2.7%	3.0%	2.2%	1.1%
Other Property Taxes	0.2%	0.3%	0.3%	0.3%	0.4%	0.8%	1.2%
Income Taxes	0.2%	1.2%	2.3%	3.2%	3.9%	4.7%	5.7%
Personal Income Tax	0.2%	1.2%	2.2%	3.1%	3.9%	4.6%	5.5%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	9.6%	9.4%	9.6%	9.7%	9.9%	9.2%	8.7%
Federal Deduction Offset	0.0%	-0.1%	-0.3%	-0.6%	-1.1%	-1.5%	-1.8%
OVERALL TOTAL	9.6%	9.3%	9.3%	9.1%	8.8%	7.7%	6.9%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Provides an earned income tax credit, a property tax “circuit breaker”, and other low-income credits
- ✓ Requires the use of combined reporting

Regressive Features

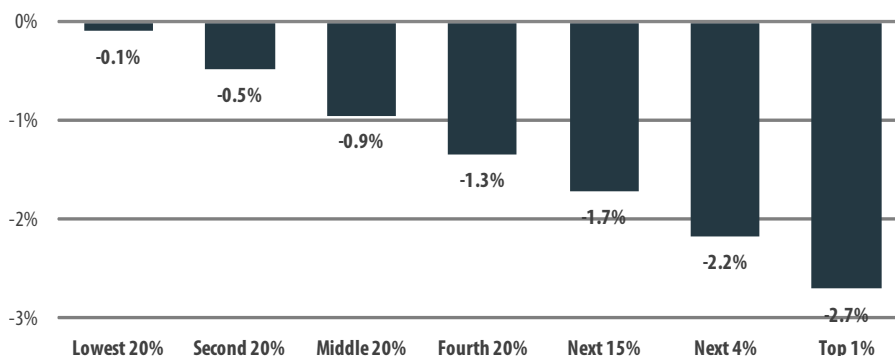
- ✗ Comparatively high cigarette tax rate

Recent Developments

- ▲ Income and Sales tax base broadening reform enacted in 2009 was overturned by voters
- ▲ Restructured personal income tax brackets and rates and created a 0 percent bottom bracket
- ▲ Increased the standard deduction and personal exemption to equal the federal amounts
- ▲ 20% of any annual surplus revenues will be used to reduce the top income tax rate to 4% over time
- ▲ Eliminated the Alternative Minimum Tax (AMT)
- ▲ Reduced the property tax circuit breaker benefit
- ▲ Increased the estate tax exemption from \$1 to \$2 million

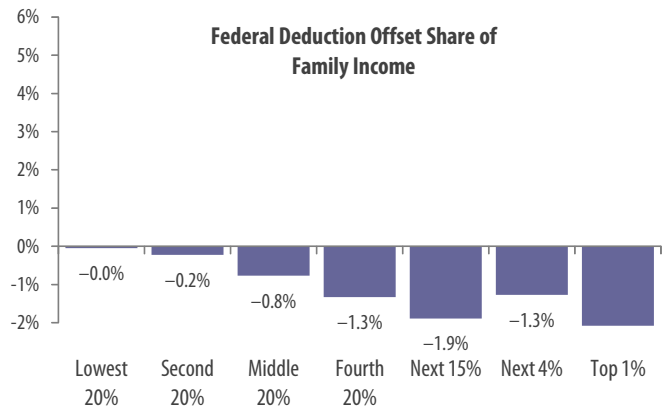
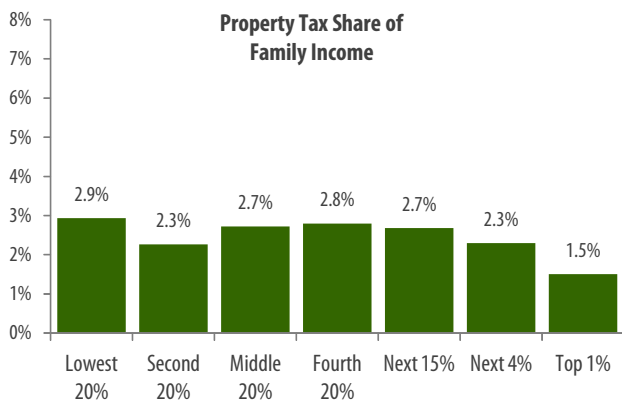
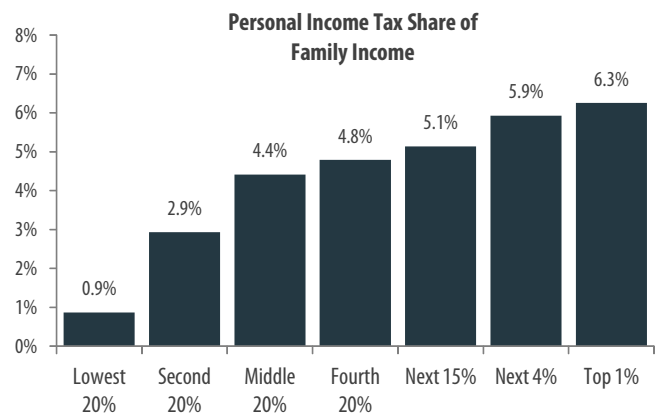
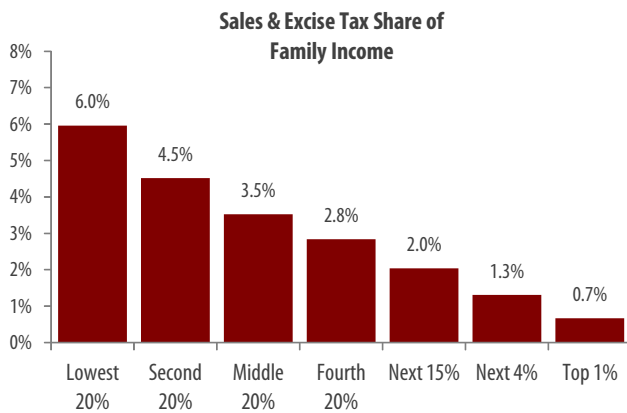
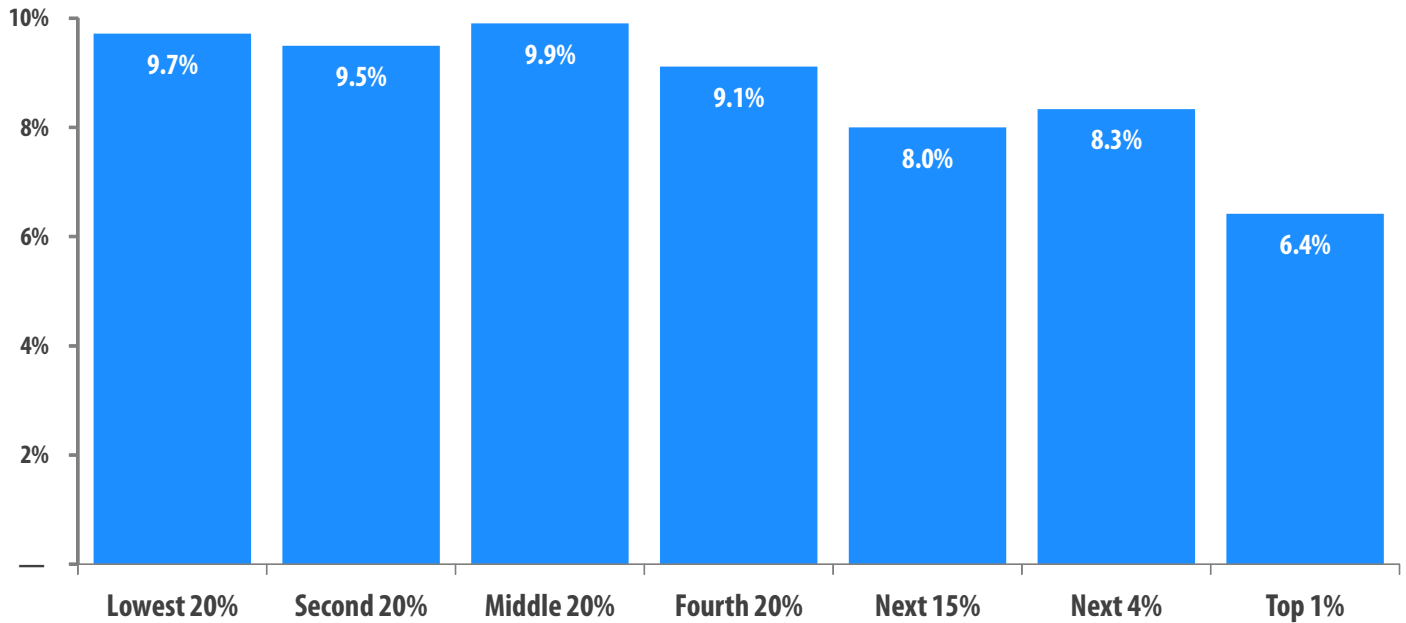
Impact of Cutting Maine's Top Rate to 4%

(Assumes full implementation on top of other fully-phased in personal income tax cuts)
Tax Cut as Share of Inc



Maryland State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Maryland enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post- federal offset.

Maryland State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$23,000	\$23,000 – \$42,000	\$42,000 – \$65,000	\$65,000 – \$108,000	\$108,000 – \$202,000	\$202,000 – \$444,000	\$444,000 or more
Average Income in Group	\$12,600	\$32,400	\$52,500	\$83,800	\$142,600	\$292,300	\$1,437,300
Sales & Excise Taxes	6.0%	4.5%	3.5%	2.8%	2.0%	1.3%	0.7%
General Sales—Individuals	2.4%	2.0%	1.7%	1.5%	1.1%	0.7%	0.4%
Other Sales & Excise—Ind.	1.7%	1.1%	0.8%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	1.8%	1.4%	1.0%	0.8%	0.6%	0.4%	0.2%
Property Taxes	2.9%	2.3%	2.7%	2.8%	2.7%	2.3%	1.5%
Property Taxes on Families	2.9%	2.2%	2.7%	2.7%	2.5%	2.0%	0.8%
Other Property Taxes	0.0%	0.1%	0.0%	0.1%	0.1%	0.3%	0.7%
Income Taxes	0.9%	2.9%	4.4%	4.8%	5.2%	6.0%	6.4%
Personal Income Tax (State and Local)	0.9%	2.9%	4.4%	4.8%	5.1%	5.9%	6.3%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	9.8%	9.7%	10.7%	10.4%	9.9%	9.6%	8.6%
Federal Deduction Offset	0.0%	-0.2%	-0.8%	-1.3%	-1.9%	-1.3%	-2.2%
OVERALL TOTAL	9.7%	9.5%	9.9%	9.1%	8.0%	8.3%	6.4%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides a partially refundable earned income tax credit (EITC)
- ✓ Sales tax base excludes groceries

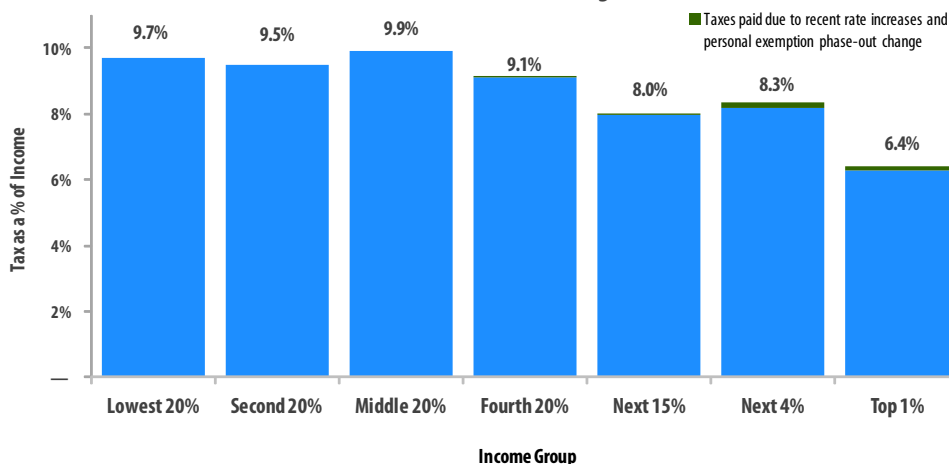
Regressive Features

- ✗ Fails to index income tax provisions to inflation
- ✗ Fails to use combined reporting as part of its corporate income tax

Recent Developments

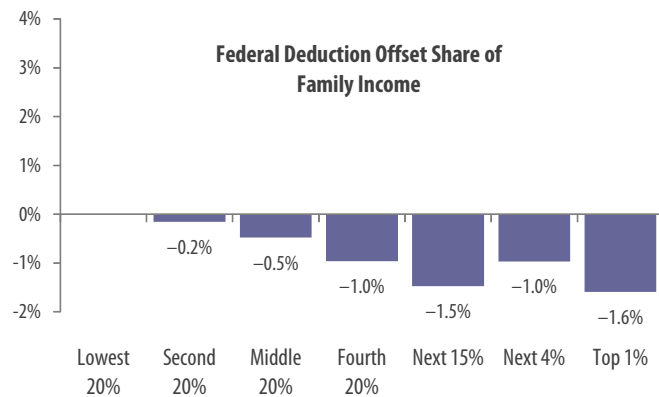
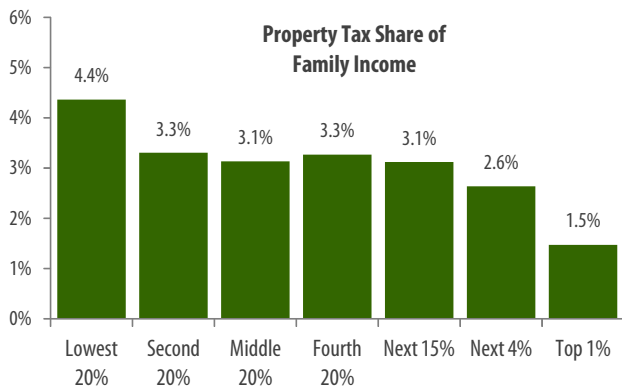
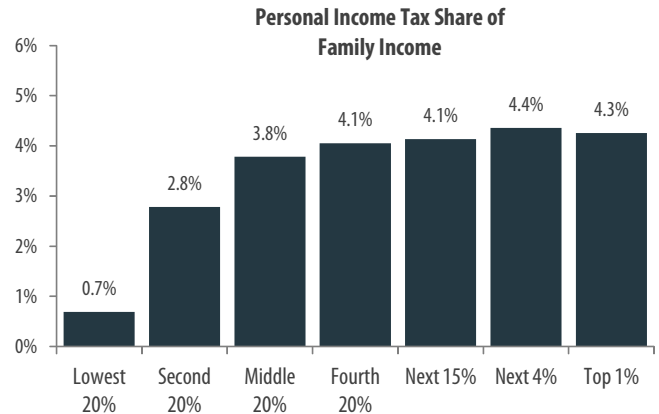
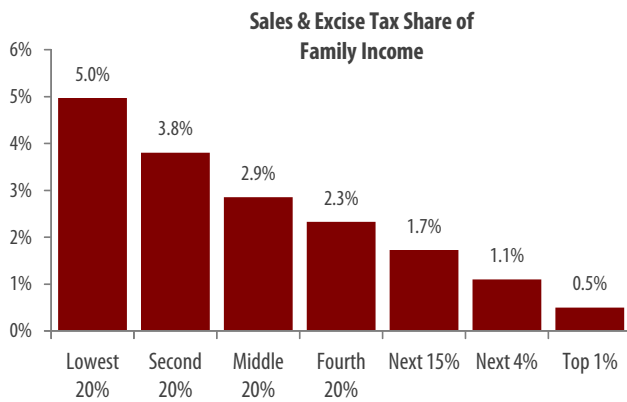
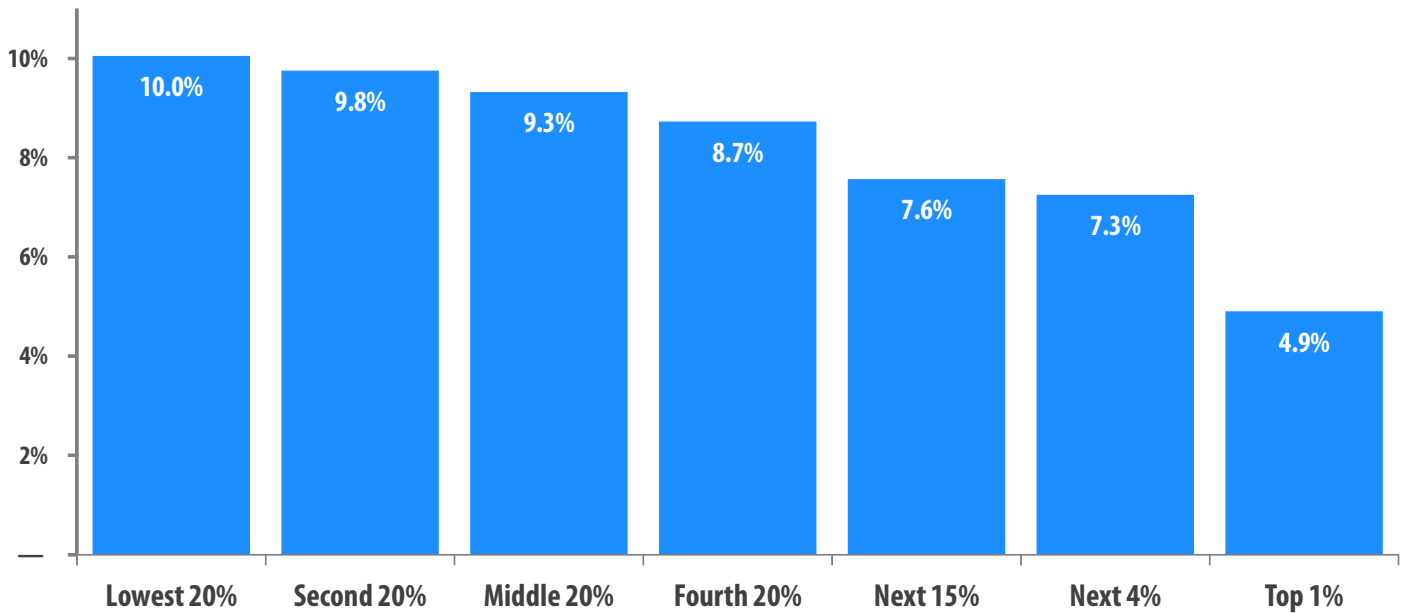
- ▲ Increased personal income tax rates starting at taxable income of \$100,000 (Single) and \$150,000 (Married). New top rate is 5.75 percent
- ▲ Enacted a phase-out of the personal exemption between taxable income of \$150,000 and \$200,000
- ▲ Increased the sales tax on alcohol from 6 to 9 percent
- ▲ Increased tax on tobacco products

High-End Income Tax Increases in Maryland Enacted in 2012 are a Modest Step Toward Reduced Tax Regressivity



Massachusetts State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Massachusetts enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of income, post-federal offset.

Massachusetts State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$21,000	\$21,000 – \$42,000	\$42,000 – \$68,000	\$68,000 – \$111,000	\$111,000 – \$229,000	\$229,000 – \$780,000	\$780,000 or more
Average Income in Group	\$11,700	\$31,600	\$54,000	\$87,100	\$149,700	\$346,700	\$2,168,000
Sales & Excise Taxes	5.0%	3.8%	2.9%	2.3%	1.7%	1.1%	0.5%
General Sales—Individuals	2.1%	1.8%	1.5%	1.3%	1.0%	0.7%	0.3%
Other Sales & Excise—Ind.	1.4%	0.9%	0.6%	0.4%	0.3%	0.1%	0.0%
Sales & Excise on Business	1.5%	1.1%	0.8%	0.7%	0.5%	0.3%	0.2%
Property Taxes	4.4%	3.3%	3.1%	3.3%	3.1%	2.6%	1.5%
Property Taxes on Families	4.3%	3.3%	3.1%	3.2%	3.0%	2.3%	0.7%
Other Property Taxes	0.1%	0.0%	0.1%	0.1%	0.1%	0.3%	0.8%
Income Taxes	0.7%	2.8%	3.8%	4.1%	4.2%	4.5%	4.5%
Personal Income Tax	0.7%	2.8%	3.8%	4.1%	4.1%	4.4%	4.3%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.3%
Total Taxes	10.1%	9.9%	9.8%	9.7%	9.0%	8.2%	6.5%
Federal Deduction Offset	0.0%	-0.2%	-0.5%	-1.0%	-1.5%	-1.0%	-1.6%
OVERALL TOTAL	10.0%	9.8%	9.3%	8.7%	7.6%	7.3%	4.9%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Provides a refundable earned income tax credit (EITC)
- ✓ “No-tax” threshold and low-income credit eliminate income tax liability for poorest taxpayers
- ✓ Sales tax base excludes groceries and clothing under \$175
- ✓ Requires the use of combined reporting

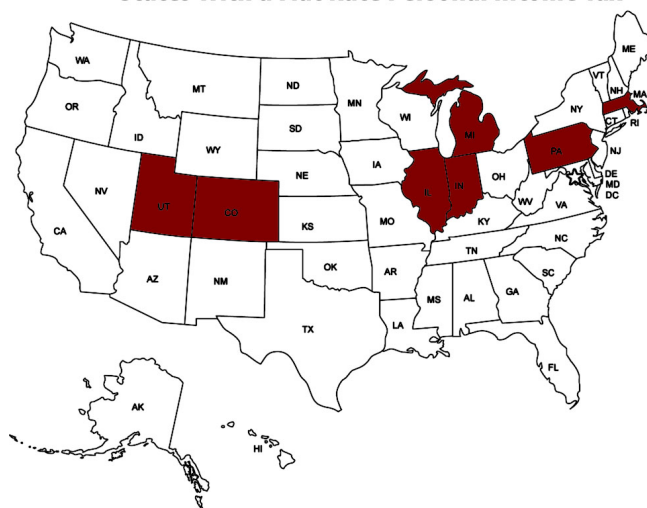
Regressive Features

- ✗ Income tax uses a single rate structure
- ✗ Fails to provide a property tax “circuit breaker” credit to non-elderly taxpayers

Recent Developments

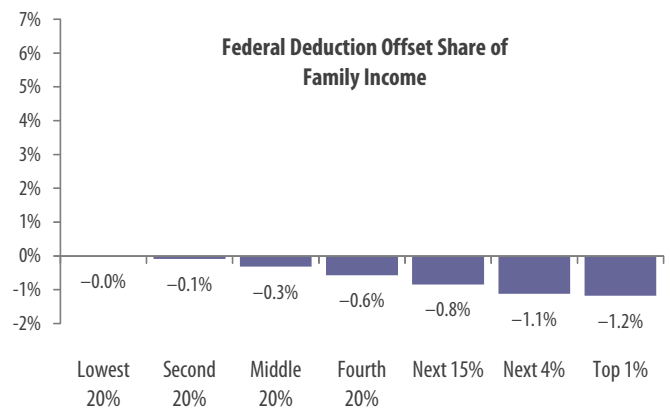
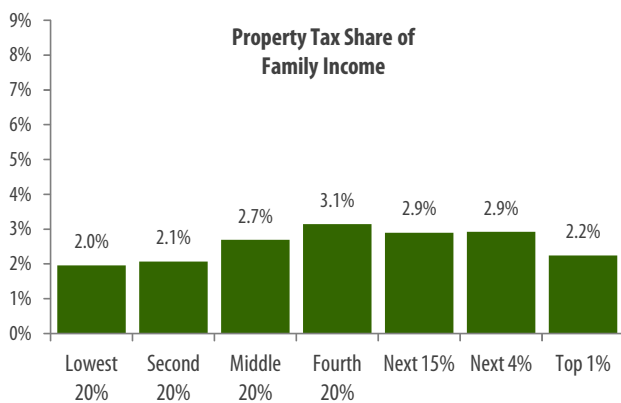
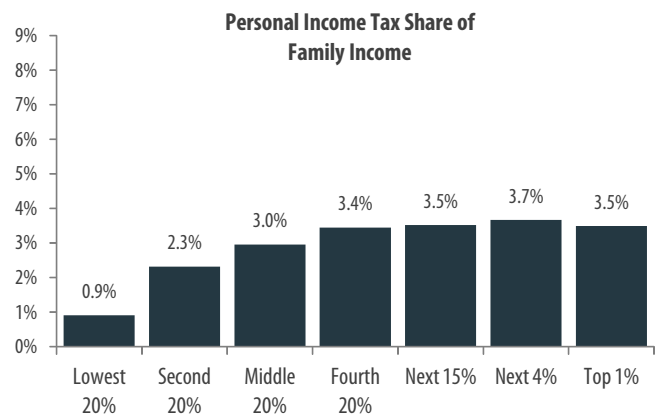
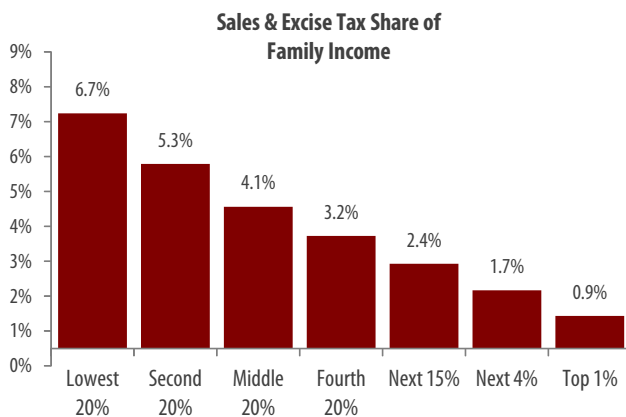
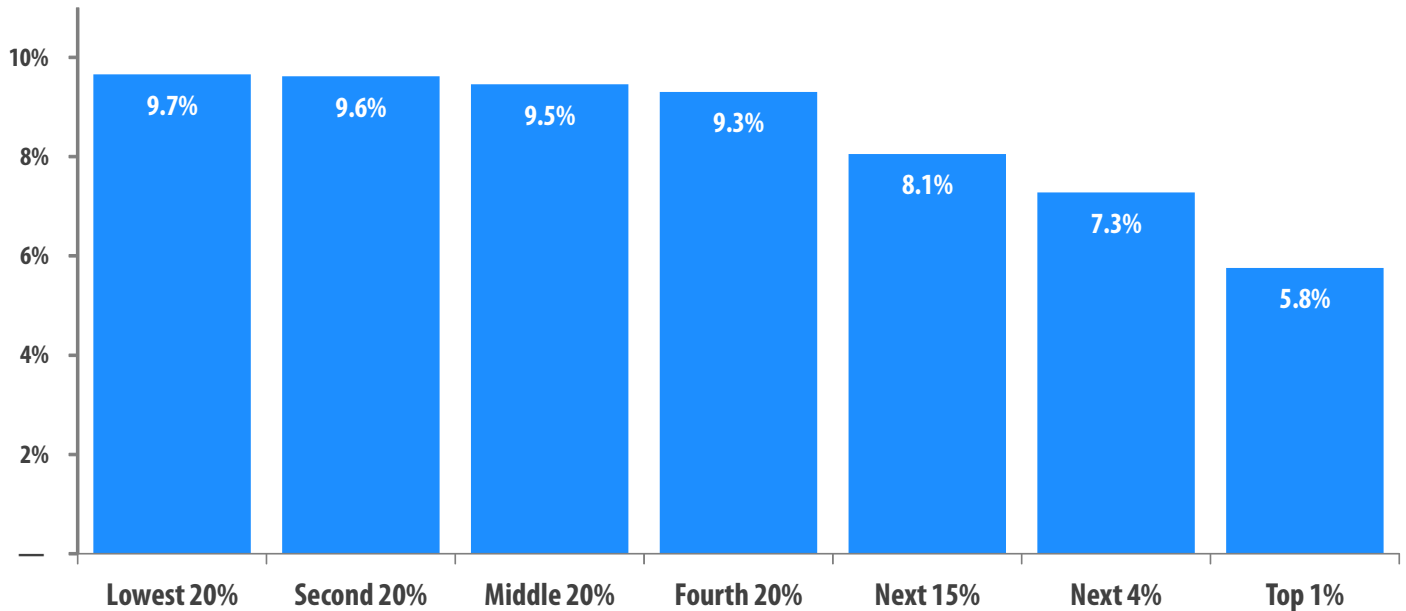
- ▲ Introduced a new, small capital gains break on investments held at least 3 years in certain MA companies
- ▲ Personal income tax rate decreased from 5.3 to 5.25 percent
- ▲ Amazon will begin to collect sales tax from online purchases

States With a Flat Rate Personal Income Tax



Michigan State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Michigan enacted through January 2, 2013 at 2010 income levels. The analysis includes the impact of recent retirement tax changes when fully phased-in, to the limited extent that such changes affect the non-elderly population included in the analysis. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Michigan State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$32,000	\$32,000 – \$52,000	\$52,000 – \$83,000	\$83,000 – \$152,000	\$152,000 – \$331,000	\$331,000 or more
Average Income in Group	\$8,700	\$23,700	\$41,400	\$66,200	\$107,500	\$208,600	\$846,500
Sales & Excise Taxes	6.7%	5.3%	4.1%	3.2%	2.4%	1.7%	0.9%
General Sales—Individuals	3.0%	2.7%	2.2%	1.8%	1.4%	0.9%	0.5%
Other Sales & Excise—Ind.	2.3%	1.3%	0.9%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	1.4%	1.2%	1.0%	0.8%	0.6%	0.5%	0.4%
Property Taxes	2.0%	2.1%	2.7%	3.1%	2.9%	2.9%	2.2%
Property Taxes on Families	1.8%	1.9%	2.5%	3.0%	2.7%	2.4%	1.1%
Other Property Taxes	0.2%	0.1%	0.2%	0.2%	0.2%	0.5%	1.1%
Income Taxes	1.0%	2.4%	3.0%	3.5%	3.6%	3.8%	3.8%
Personal Income Tax (State and Local)	0.9%	2.3%	3.0%	3.4%	3.5%	3.7%	3.5%
Corporate Income Tax	0.1%	0.0%	0.1%	0.1%	0.1%	0.2%	0.3%
Total Taxes	9.7%	9.7%	9.8%	9.9%	8.9%	8.4%	6.9%
Federal Deduction Offset	0.0%	-0.1%	-0.3%	-0.6%	-0.8%	-1.1%	-1.2%
OVERALL TOTAL	9.7%	9.6%	9.5%	9.3%	8.1%	7.3%	5.8%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Provides a refundable property tax “circuit breaker” credit to low-income and elderly taxpayers
- ✓ Provides a refundable earned income tax credit (EITC)

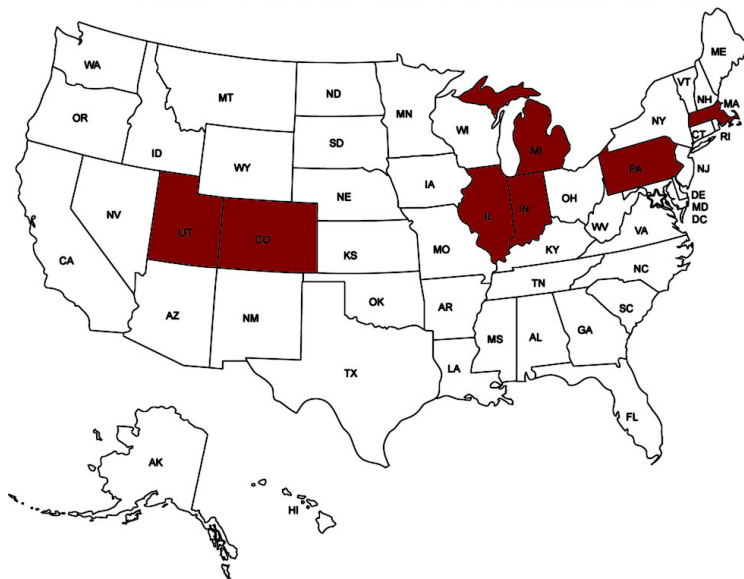
Regressive Features

- ✗ Income tax uses a single rate structure

Recent Developments

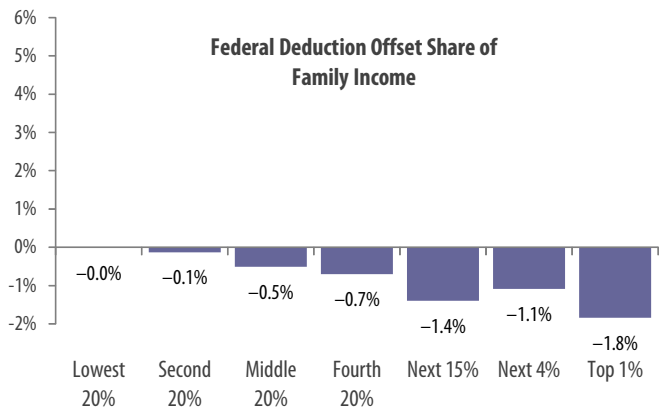
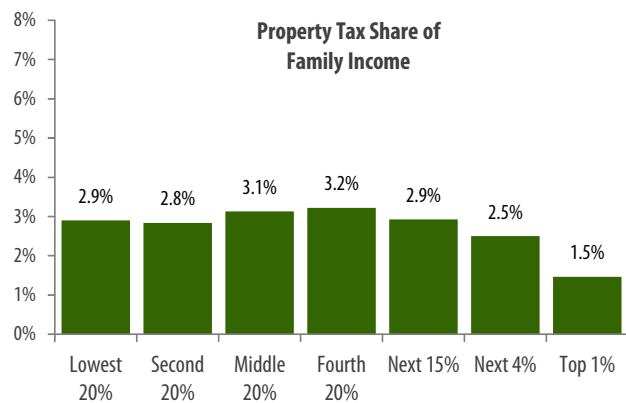
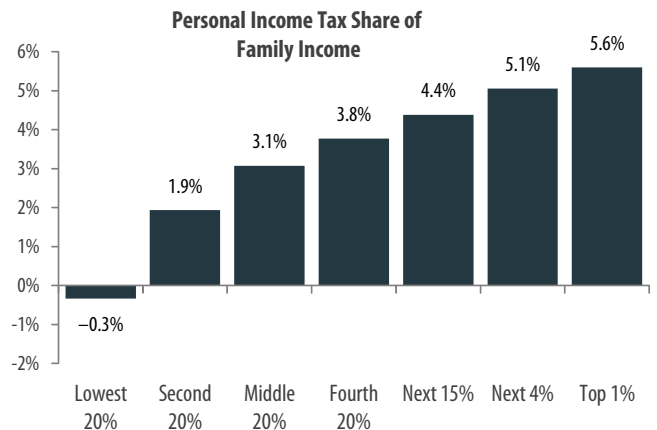
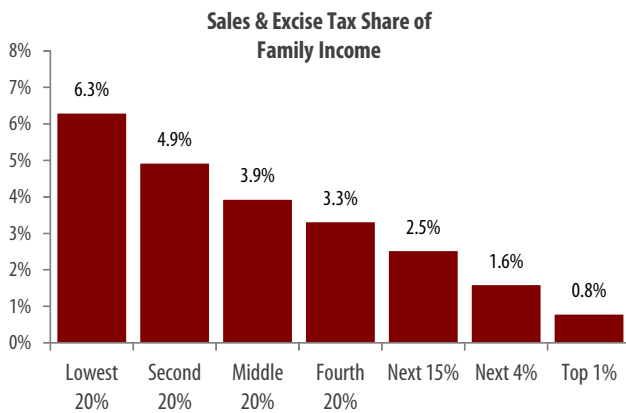
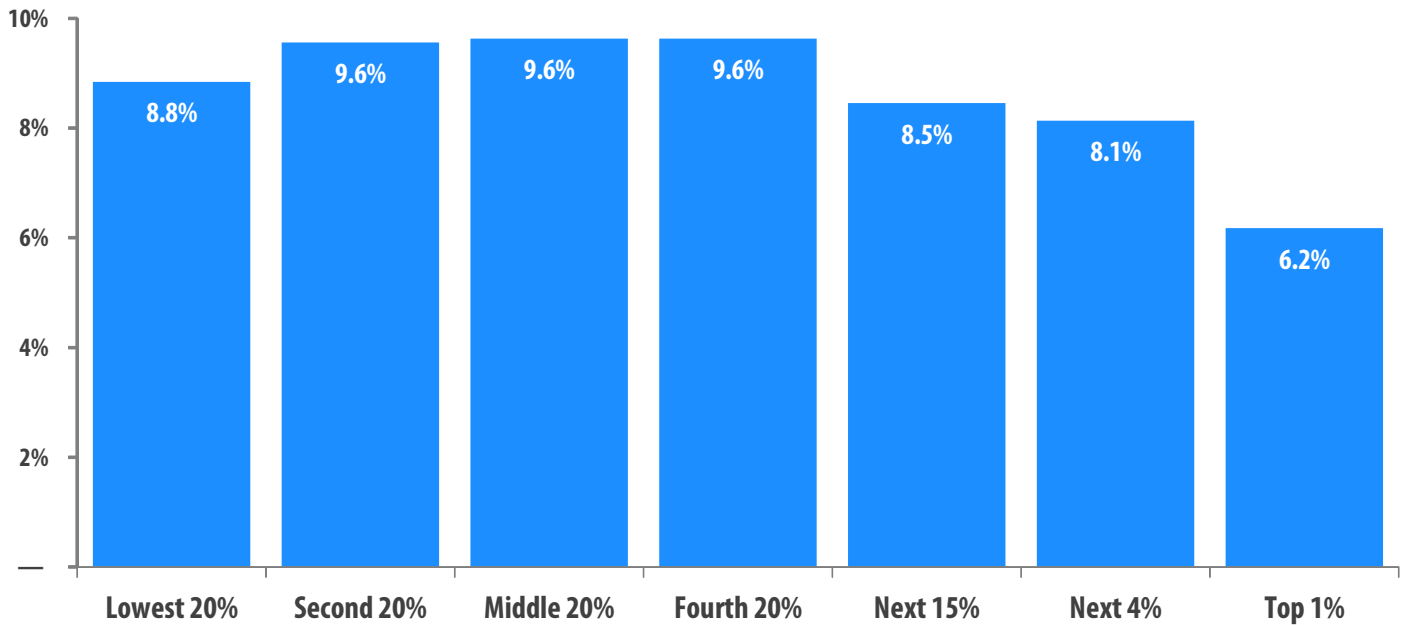
- ▲ Eliminated the Michigan Business Tax and created a new 6 percent corporate income tax
- ▲ Expanded the personal income tax to include more retirement income. Taxpayers now face different rules depending on their year of birth
- ▲ Reduced the EITC from 20 percent to 6 percent of the federal credit
- ▲ Eliminated the child deduction, credit for city income taxes, and various other personal income tax breaks

States With a Flat Rate Personal Income Tax



Minnesota State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Minnesota enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Minnesota State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$23,000	\$23,000 – \$41,000	\$41,000 – \$62,000	\$62,000 – \$96,000	\$96,000 – \$182,000	\$182,000 – \$433,000	\$433,000 or more
Average Income in Group	\$12,500	\$31,900	\$52,200	\$77,700	\$123,900	\$268,800	\$1,308,300
Sales & Excise Taxes	6.3%	4.9%	3.9%	3.3%	2.5%	1.6%	0.8%
General Sales—Individuals	2.6%	2.3%	1.9%	1.7%	1.3%	0.9%	0.4%
Other Sales & Excise—Ind.	1.5%	1.0%	0.7%	0.5%	0.4%	0.2%	0.1%
Sales & Excise on Business	2.1%	1.7%	1.3%	1.1%	0.8%	0.5%	0.3%
Property Taxes	2.9%	2.8%	3.1%	3.2%	2.9%	2.5%	1.5%
Property Taxes on Families	2.6%	2.5%	2.8%	2.9%	2.5%	2.0%	0.5%
Other Property Taxes	0.3%	0.3%	0.3%	0.4%	0.4%	0.5%	1.0%
Income Taxes	-0.3%	1.9%	3.1%	3.8%	4.4%	5.1%	5.8%
Personal Income Tax	-0.3%	1.9%	3.1%	3.8%	4.4%	5.1%	5.6%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	8.9%	9.7%	10.1%	10.3%	9.9%	9.2%	8.0%
Federal Deduction Offset	0.0%	-0.1%	-0.5%	-0.7%	-1.4%	-1.1%	-1.8%
OVERALL TOTAL	8.8%	9.6%	9.6%	9.6%	8.5%	8.1%	6.2%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Income tax brackets, standard deduction, and exemptions are indexed to inflation
- ✓ Provides a refundable property tax credit and a refundable working families tax credit
- ✓ Provides a property tax “circuit breaker” credit for low-income taxpayers
- ✓ Requires the use of combined reporting

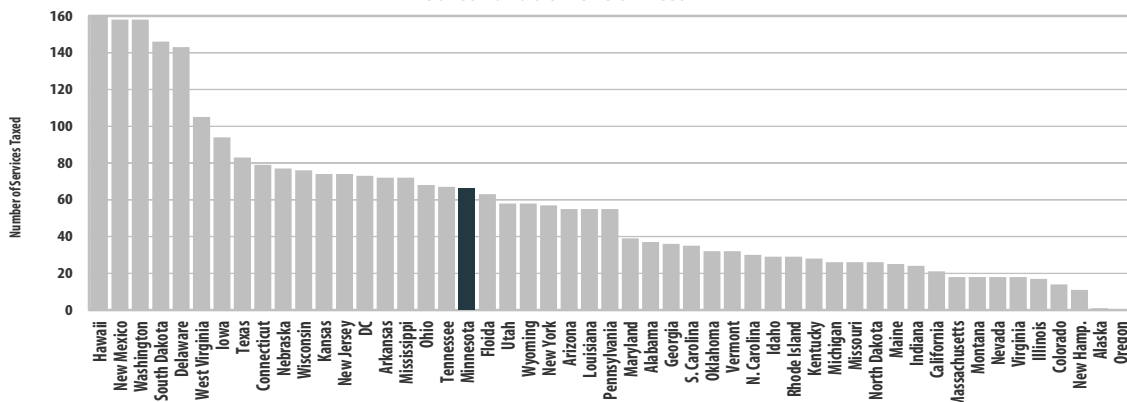
Regressive Features

- ✗ Comparatively high state sales tax rate
- ✗ Comparatively narrow sales tax base

Recent Developments

- ▲ Reduced the state property tax refund for renters

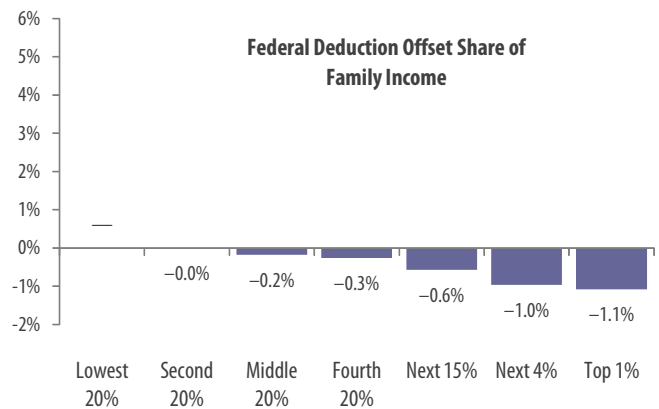
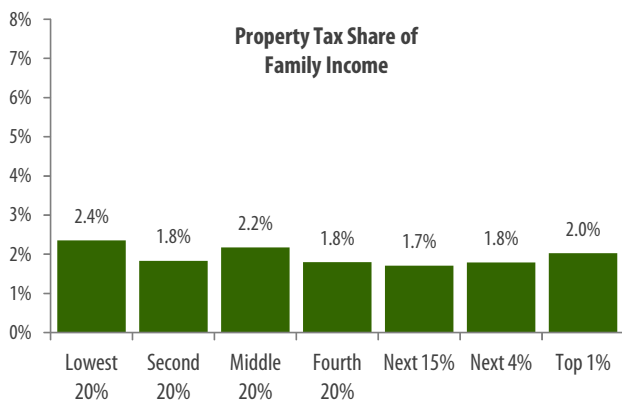
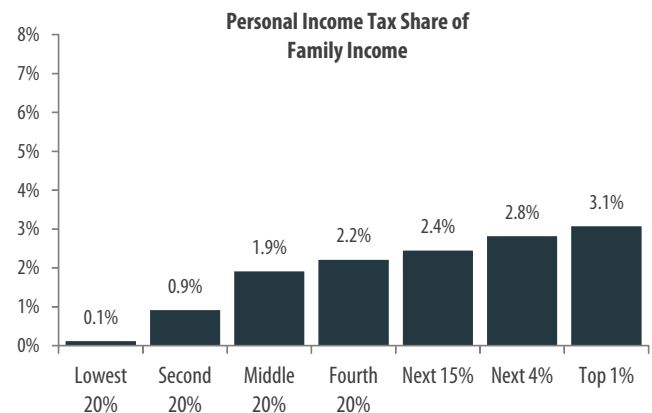
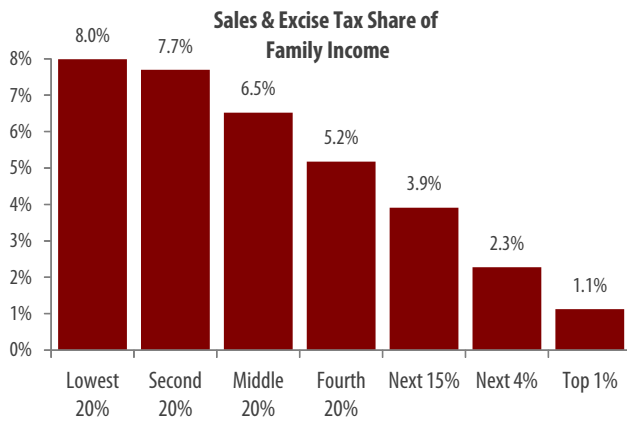
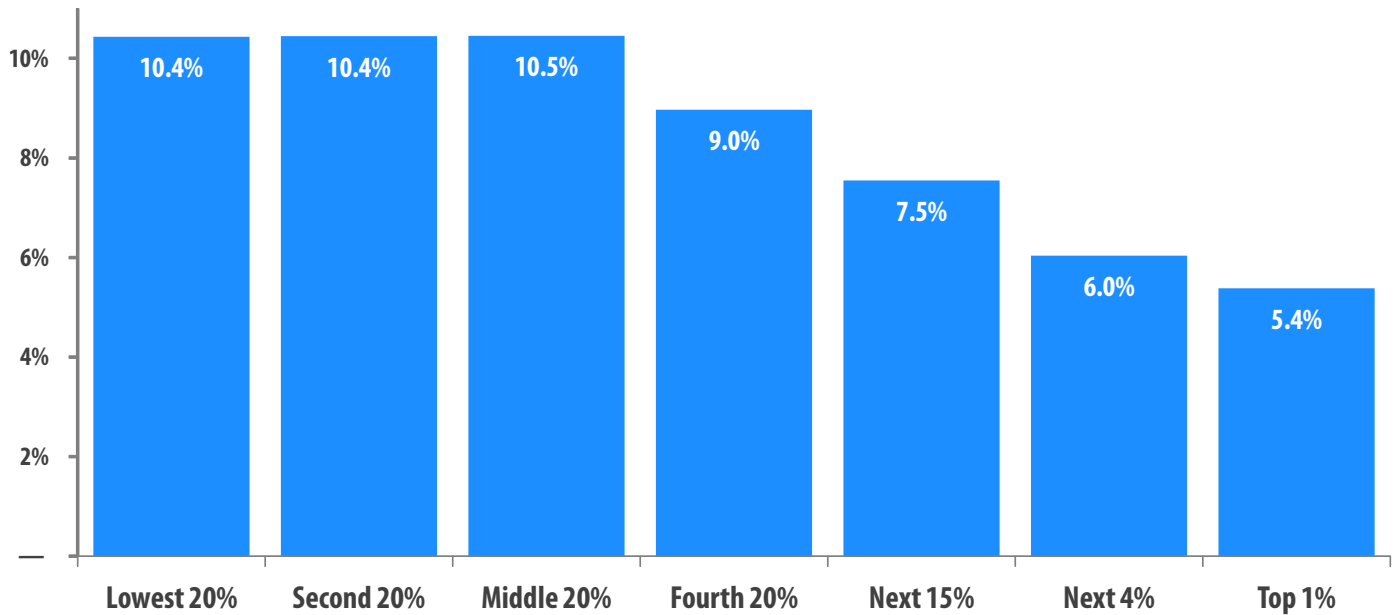
Sales Taxation of Services



Source: Federation of Tax Administrators Taxation of Services Survey, 2007.

Mississippi State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Mississippi enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Mississippi State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$14,000	\$14,000 – \$25,000	\$25,000 – \$39,000	\$39,000 – \$70,000	\$70,000 – \$134,000	\$134,000 – \$290,000	\$290,000 or more
Average Income in Group	\$8,800	\$19,300	\$31,600	\$54,300	\$94,000	\$172,800	\$616,100
Sales & Excise Taxes	8.0%	7.7%	6.5%	5.2%	3.9%	2.3%	1.1%
General Sales—Individuals	4.7%	4.7%	4.1%	3.3%	2.6%	1.5%	0.7%
Other Sales & Excise—Ind.	1.5%	1.1%	0.8%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	1.8%	1.9%	1.6%	1.2%	0.9%	0.5%	0.3%
Property Taxes	2.4%	1.8%	2.2%	1.8%	1.7%	1.8%	2.0%
Property Taxes on Families	2.4%	1.8%	2.0%	1.6%	1.5%	1.3%	0.9%
Other Property Taxes	0.0%	0.0%	0.1%	0.2%	0.2%	0.5%	1.2%
Income Taxes	0.1%	0.9%	1.9%	2.3%	2.5%	2.9%	3.3%
Personal Income Tax	0.1%	0.9%	1.9%	2.2%	2.4%	2.8%	3.1%
Corporate Income Tax	-0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%
Total Taxes	10.4%	10.5%	10.6%	9.2%	8.1%	7.0%	6.5%
Federal Deduction Offset	0.0%	0.0%	-0.2%	-0.3%	-0.6%	-1.0%	-1.1%
OVERALL TOTAL	10.4%	10.4%	10.5%	9.0%	7.5%	6.0%	5.4%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure

Regressive Features

- ✗ Fails to provide refundable income tax credits to offset impact of sales, excise, and property taxes
- ✗ Comparatively high reliance on sales taxes
- ✗ Sales tax base includes groceries

Recent Developments

- ▲ No significant developments

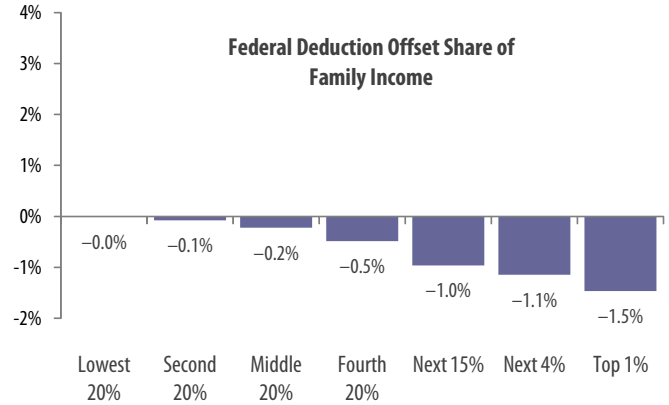
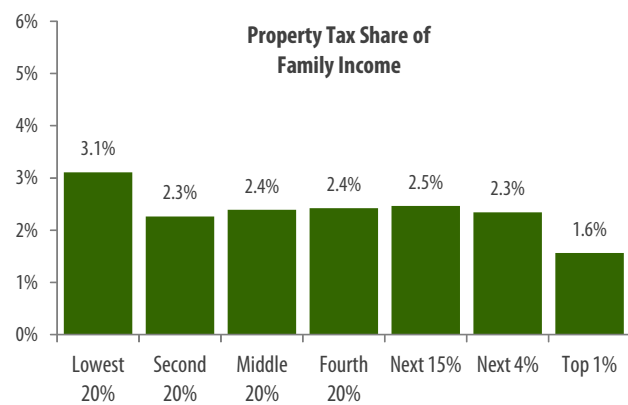
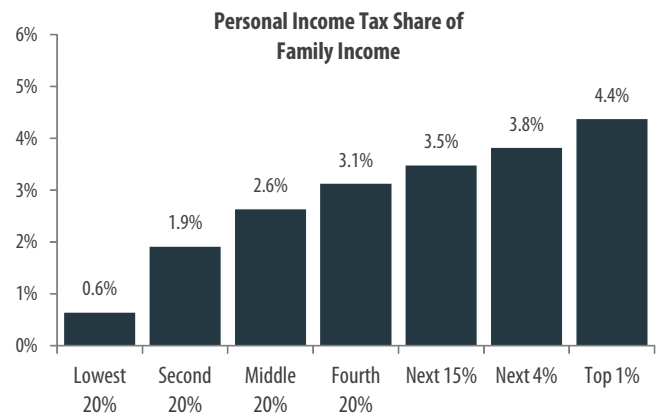
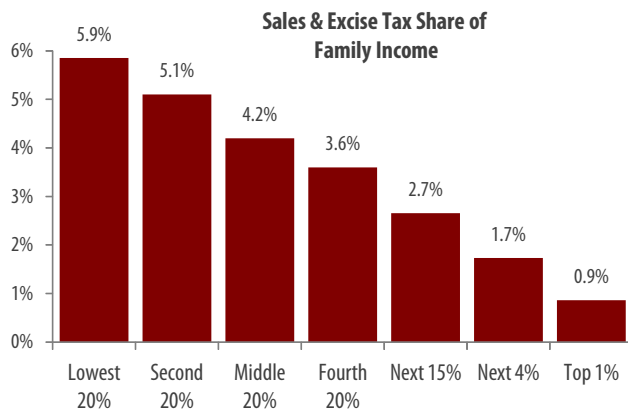
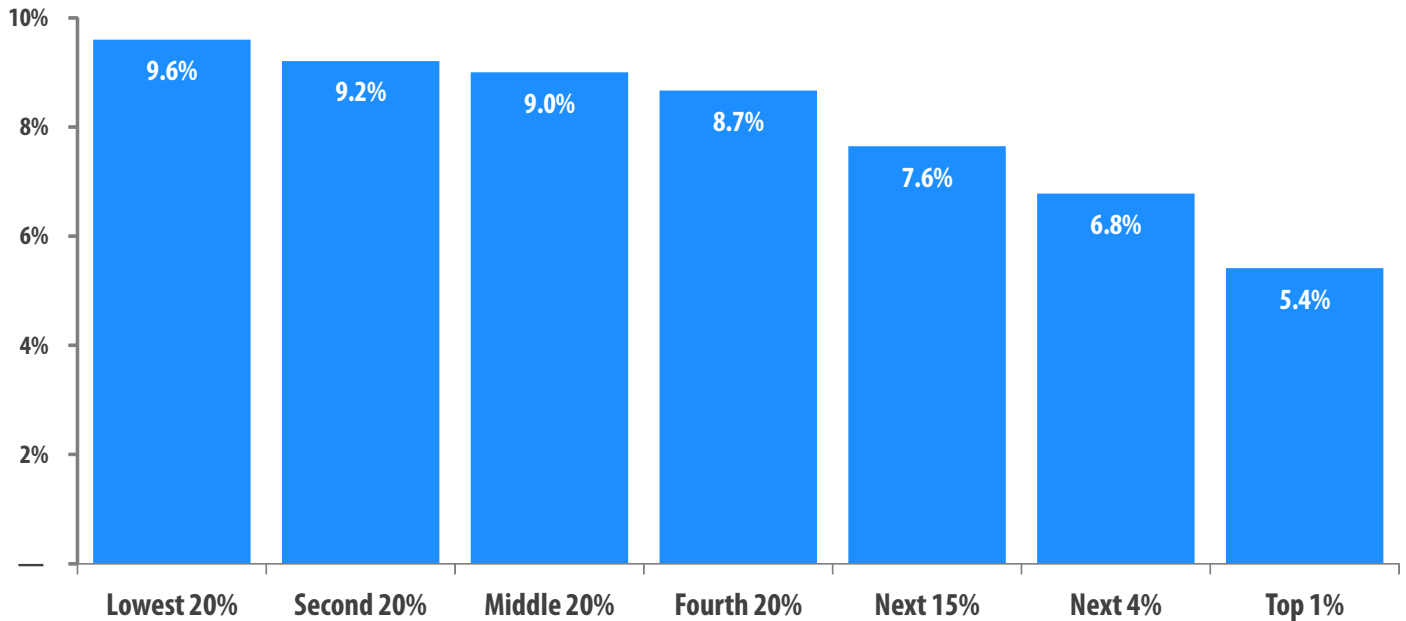
Select State and Local Taxes in Mississippi Relative to the National Average



Source: Government Finances, US Department of Census

Missouri State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Missouri enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Missouri State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$17,000	\$17,000 – \$31,000	\$31,000 – \$50,000	\$50,000 – \$81,000	\$81,000 – \$148,000	\$148,000 – \$366,000	\$366,000 or more
Average Income in Group	\$10,100	\$24,300	\$40,000	\$63,500	\$103,600	\$210,100	\$941,100
Sales & Excise Taxes	5.9%	5.1%	4.2%	3.6%	2.7%	1.7%	0.9%
General Sales—Individuals	3.5%	3.2%	2.7%	2.4%	1.8%	1.2%	0.6%
Other Sales & Excise—Ind.	0.7%	0.5%	0.4%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	1.6%	1.4%	1.1%	0.9%	0.7%	0.4%	0.2%
Property Taxes	3.1%	2.3%	2.4%	2.4%	2.5%	2.3%	1.6%
Property Taxes on Families	3.0%	2.2%	2.3%	2.3%	2.3%	2.0%	0.8%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%	0.7%
Income Taxes	0.6%	1.9%	2.6%	3.1%	3.5%	3.9%	4.5%
Personal Income Tax (State and Local)	0.6%	1.9%	2.6%	3.1%	3.5%	3.8%	4.4%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total Taxes	9.6%	9.3%	9.2%	9.2%	8.6%	7.9%	6.9%
Federal Deduction Offset	0.0%	-0.1%	-0.2%	-0.5%	-1.0%	-1.1%	-1.5%
OVERALL TOTAL	9.6%	9.2%	9.0%	8.7%	7.6%	6.8%	5.4%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ State sales tax base excludes groceries

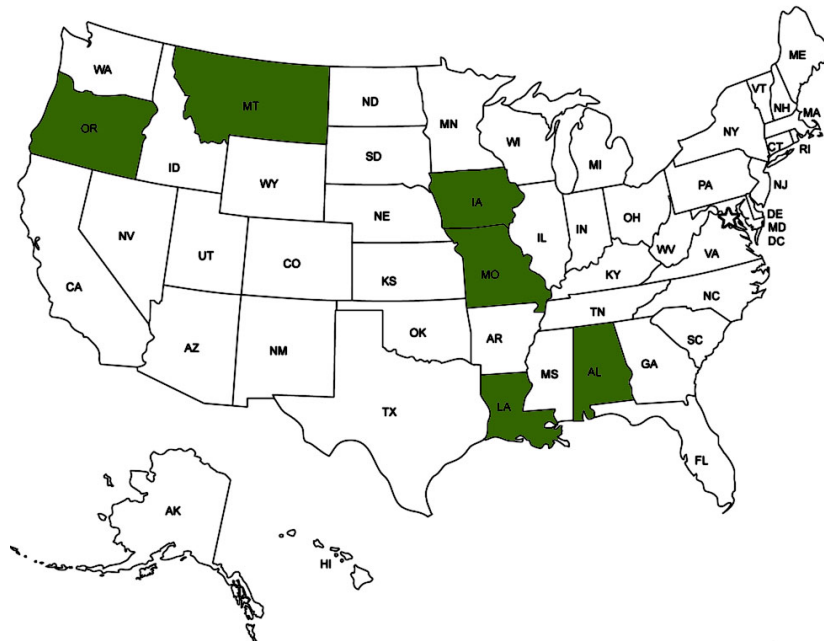
Regressive Features

- ✗ Provides an income tax deduction for federal income taxes paid
- ✗ Fails to offer refundable income tax credits to non-elderly taxpayers

Recent Developments

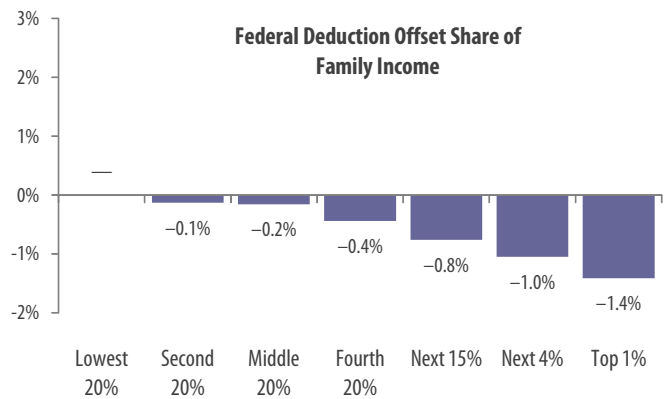
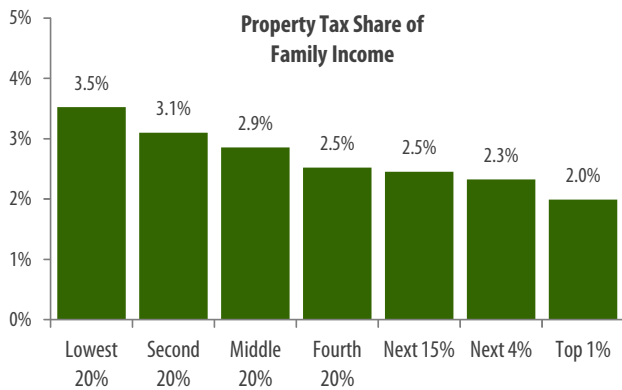
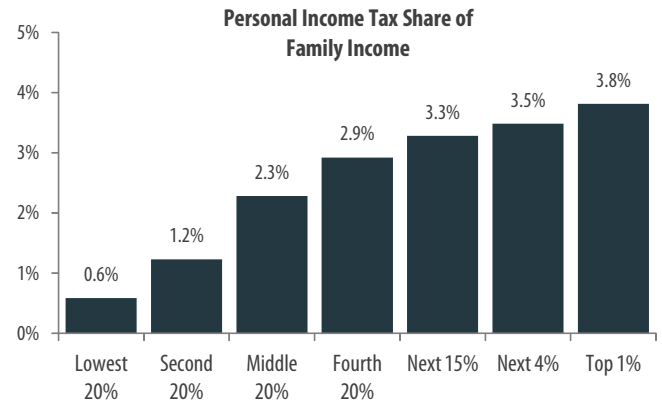
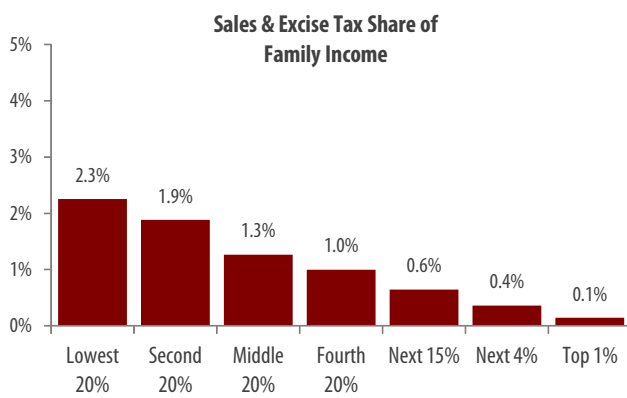
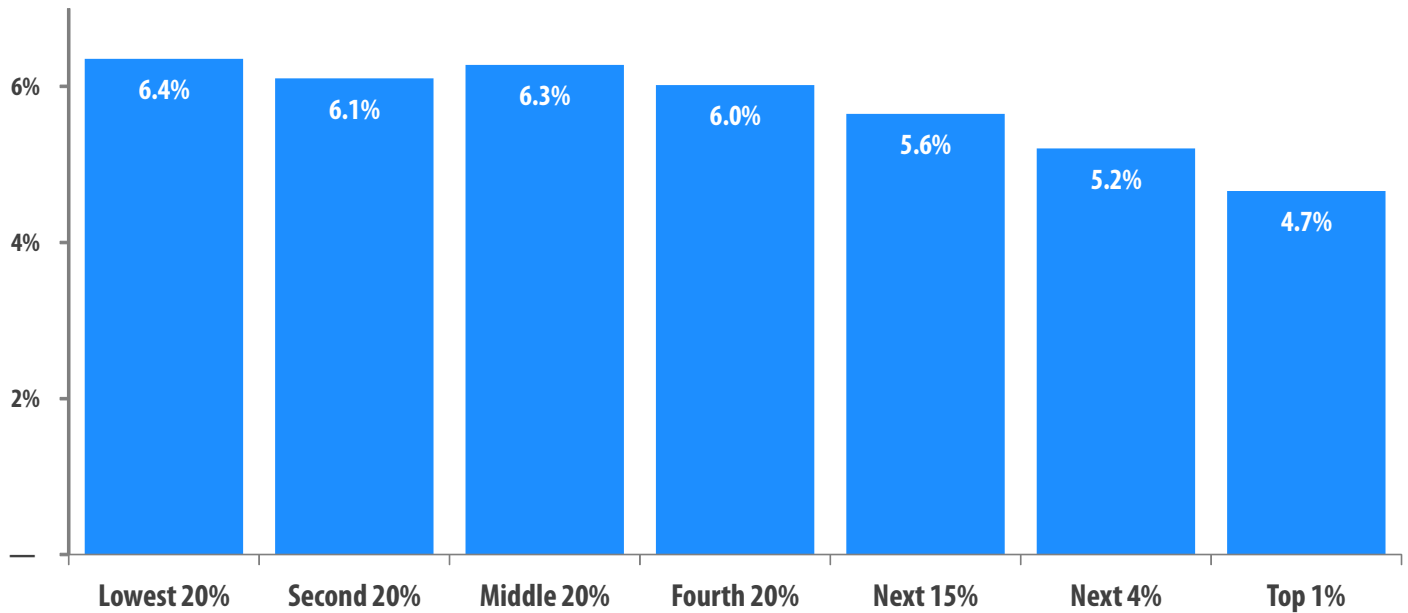
- ▲ Repealed corporate franchise tax

States With a Deduction for Federal Income Taxes Paid



Montana State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Montana enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post- federal offset.

Montana State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$17,000	\$17,000 – \$31,000	\$31,000 – \$50,000	\$50,000 – \$79,000	\$79,000 – \$140,000	\$140,000 – \$377,000	\$377,000 or more
Average Income in Group	\$9,600	\$23,900	\$39,000	\$61,500	\$100,700	\$200,700	\$803,500
Sales & Excise Taxes	2.3%	1.9%	1.3%	1.0%	0.6%	0.4%	0.1%
General Sales—Individuals	—	—	—	—	—	—	—
Other Sales & Excise—Ind.	1.9%	1.6%	1.0%	0.8%	0.5%	0.3%	0.1%
Sales & Excise on Business	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%	0.0%
Property Taxes	3.6%	3.1%	2.9%	2.5%	2.5%	2.3%	2.0%
Property Taxes on Families	3.1%	2.5%	2.3%	2.0%	1.9%	1.4%	0.7%
Other Property Taxes	0.5%	0.6%	0.6%	0.5%	0.5%	0.9%	1.3%
Income Taxes	0.6%	1.2%	2.3%	2.9%	3.3%	3.6%	3.9%
Personal Income Tax	0.6%	1.2%	2.3%	2.9%	3.3%	3.5%	3.8%
Corporate Income Tax	-0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	6.4%	6.2%	6.4%	6.5%	6.4%	6.3%	6.1%
Federal Deduction Offset	0.0%	-0.1%	-0.2%	-0.4%	-0.8%	-1.0%	-1.4%
OVERALL TOTAL	6.4%	6.1%	6.3%	6.0%	5.6%	5.2%	4.7%

Note: Table shows detailed breakout of data on previous page.

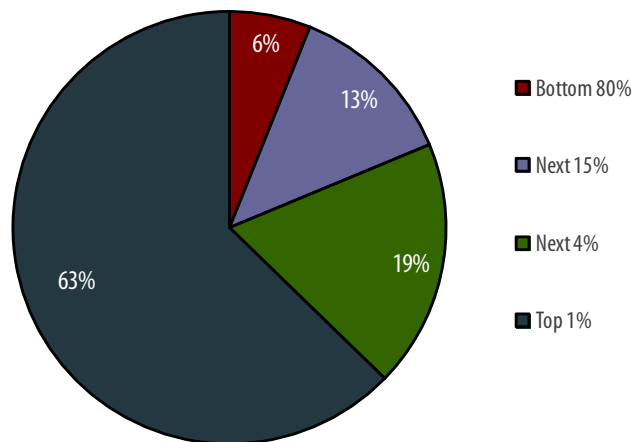
Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ No statewide sales tax

Regressive Features

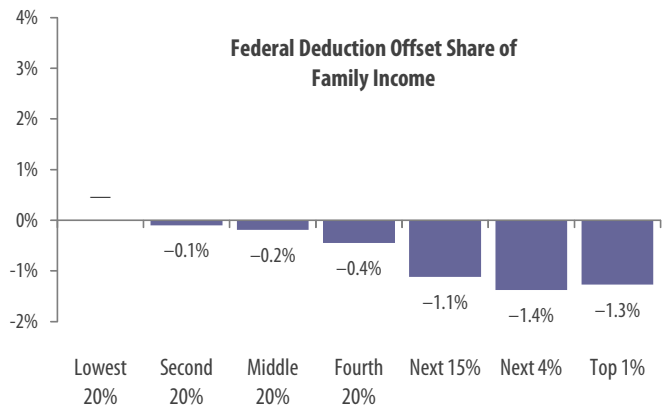
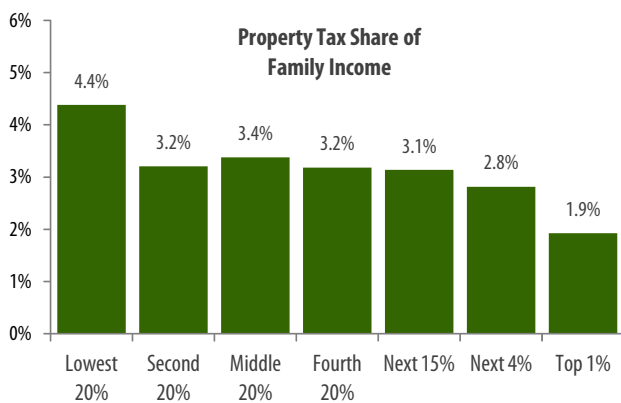
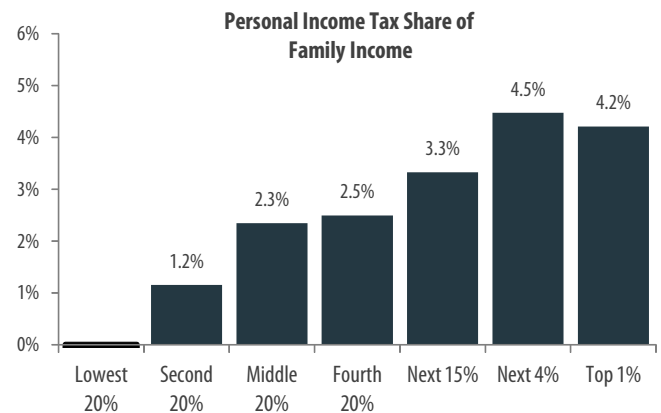
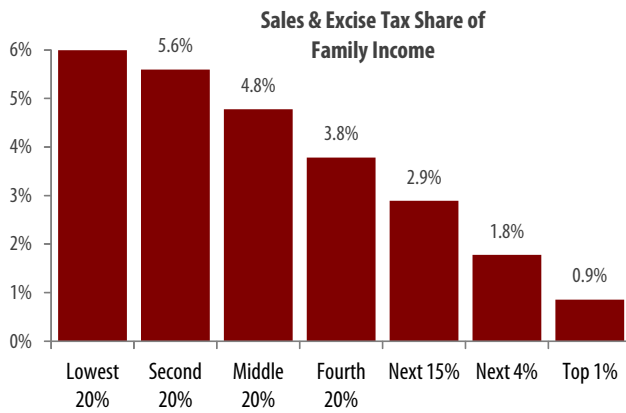
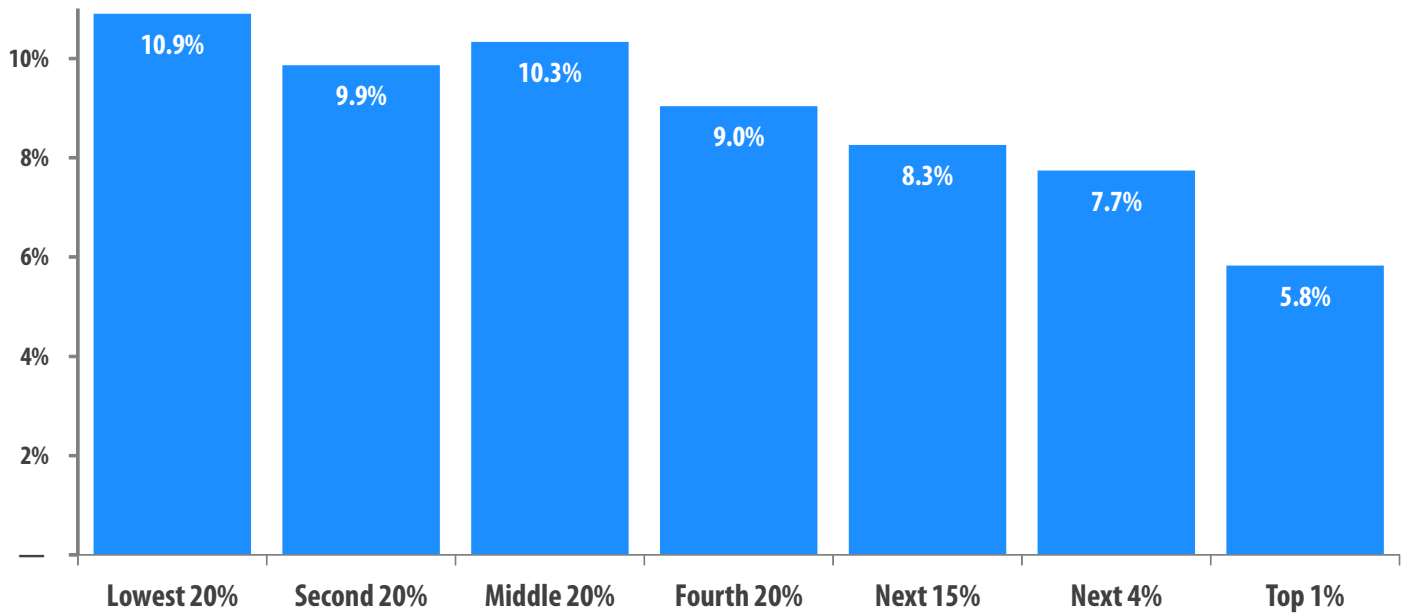
- ✗ Offers a deduction for federal income taxes paid
- ✗ Provides an income tax credit based on capital gains income
- ✗ Property tax lacks adequate relief mechanisms for low- and middle-income taxpayers
- ✗ Fails to levy an Earned Income Tax Credit (EITC)

Share of Tax Cuts from Capital Gains Tax Break in Montana by Income Group



Nebraska State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Nebraska enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Nebraska State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$20,000	\$20,000 – \$34,000	\$34,000 – \$57,000	\$57,000 – \$87,000	\$87,000 – \$156,000	\$156,000 – \$348,000	\$348,000 or more
Average Income in Group	\$11,100	\$27,900	\$45,600	\$70,300	\$113,900	\$220,900	\$1,102,800
Sales & Excise Taxes	6.6%	5.6%	4.8%	3.8%	2.9%	1.8%	0.9%
General Sales—Individuals	3.6%	3.2%	2.8%	2.3%	1.8%	1.1%	0.6%
Other Sales & Excise—Ind.	1.0%	0.7%	0.6%	0.4%	0.3%	0.2%	0.0%
Sales & Excise on Business	2.0%	1.7%	1.4%	1.0%	0.8%	0.5%	0.3%
Property Taxes	4.4%	3.2%	3.4%	3.2%	3.1%	2.8%	1.9%
Property Taxes on Families	4.4%	3.2%	3.2%	3.0%	3.0%	2.4%	0.8%
Other Property Taxes	0.0%	0.1%	0.1%	0.2%	0.2%	0.5%	1.1%
Income Taxes	-0.1%	1.2%	2.4%	2.5%	3.4%	4.5%	4.3%
Personal Income Tax	-0.1%	1.2%	2.3%	2.5%	3.3%	4.5%	4.2%
Corporate Income Tax	-0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	10.9%	10.0%	10.5%	9.5%	9.4%	9.1%	7.1%
Federal Deduction Offset	0.0%	-0.1%	-0.2%	-0.4%	-1.1%	-1.4%	-1.3%
OVERALL TOTAL	10.9%	9.9%	10.3%	9.0%	8.3%	7.7%	5.8%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides a refundable earned income tax credit (EITC)
- ✓ Offers an income tax credit for child and dependent care expenses
- ✓ Requires the use of combined reporting

Regressive Features

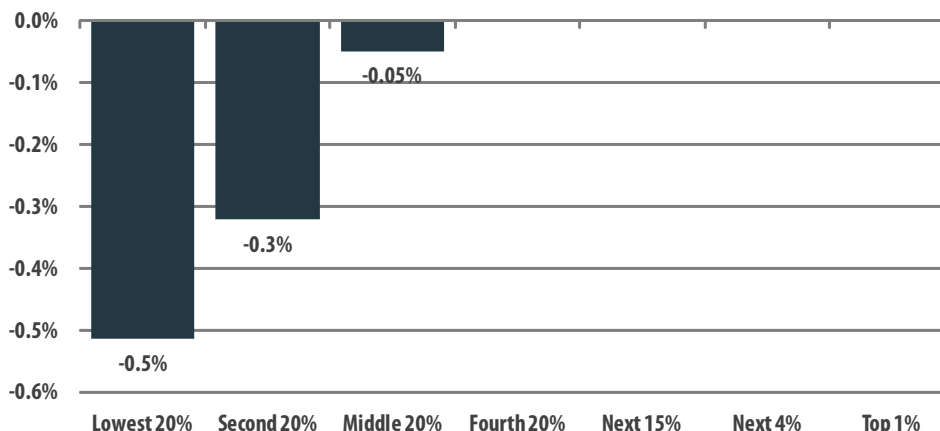
- ✗ Comparatively high reliance on property taxes

Recent Developments

- ▲ Restructured income tax rates and brackets

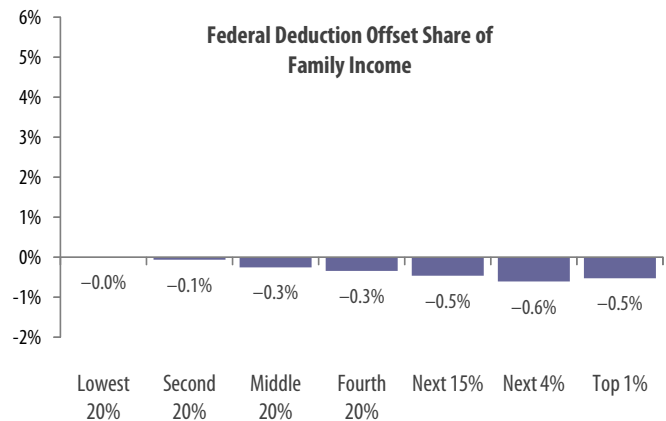
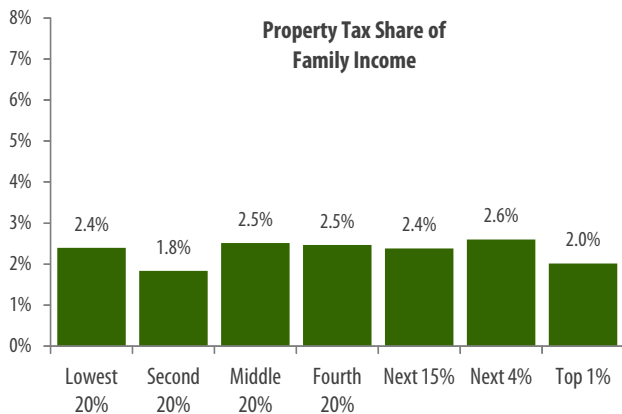
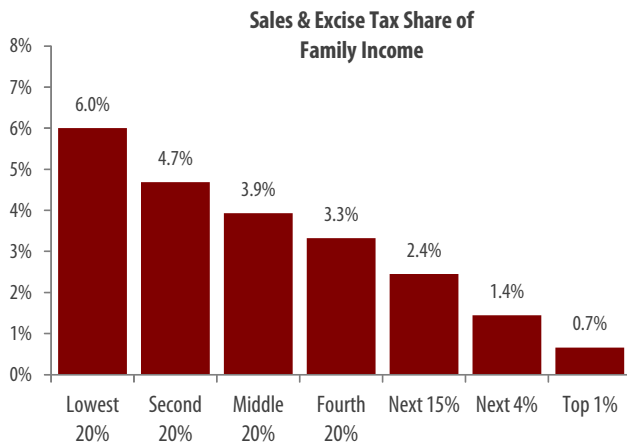
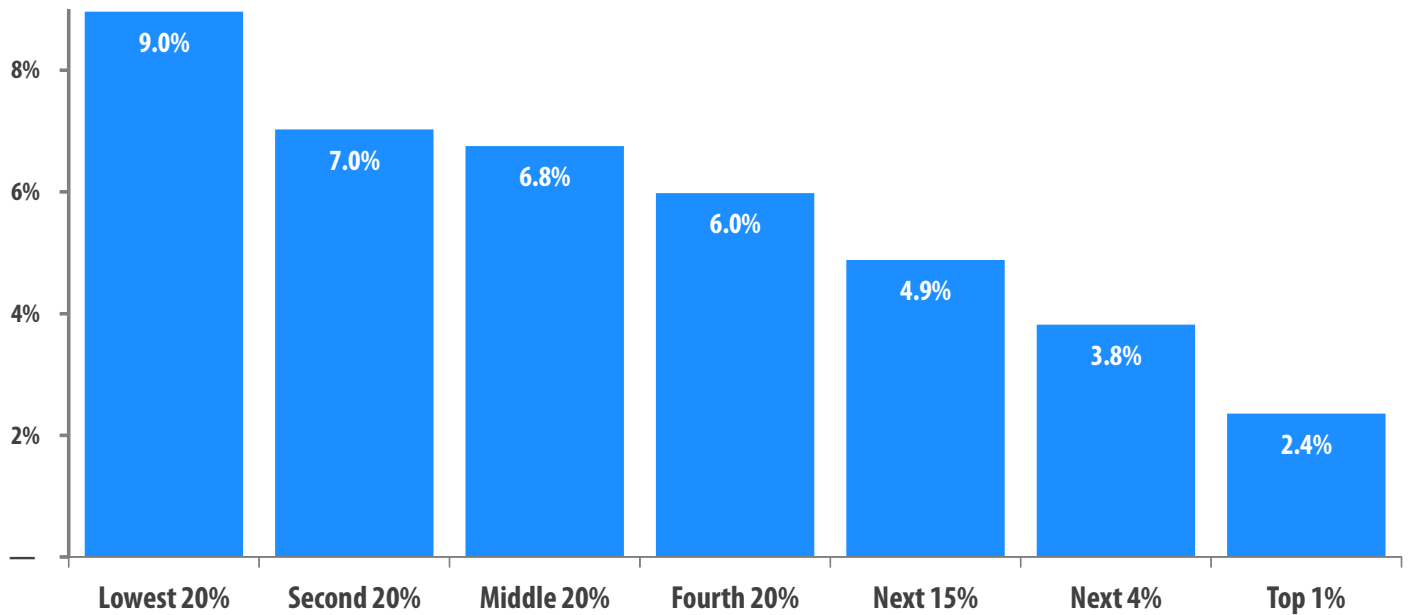
Impact of Nebraska's EITC

Tax Cut as Share of Income



Nevada State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Nevada enacted through January 2, 2013 at 2010 income levels. Temporary tax changes are not included in totals. Top figure represents total state and local taxes as a share of income, post-federal offset.

Nevada State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$19,000	\$19,000 – \$31,000	\$31,000 – \$47,000	\$47,000 – \$77,000	\$77,000 – \$143,000	\$143,000 – \$323,000	\$323,000 or more
Average Income in Group	\$12,100	\$24,100	\$38,700	\$61,000	\$101,000	\$201,600	\$1,239,800
Sales & Excise Taxes	6.0%	4.7%	3.9%	3.3%	2.4%	1.4%	0.7%
General Sales—Individuals	3.3%	2.8%	2.4%	2.1%	1.6%	1.0%	0.5%
Other Sales & Excise—Ind.	1.2%	0.8%	0.6%	0.5%	0.3%	0.2%	0.0%
Sales & Excise on Business	1.5%	1.2%	0.9%	0.7%	0.5%	0.3%	0.2%
Property Taxes	2.4%	1.8%	2.5%	2.5%	2.4%	2.6%	2.0%
Property Taxes on Families	2.3%	1.8%	2.4%	2.3%	2.2%	2.1%	0.8%
Other Property Taxes	0.1%	0.0%	0.1%	0.1%	0.2%	0.5%	1.2%
Income Taxes	0.6%	0.6%	0.6%	0.5%	0.5%	0.4%	0.2%
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax (Modified Business Tax)	0.6%	0.6%	0.6%	0.5%	0.5%	0.4%	0.2%
Total Taxes	9.0%	7.1%	7.0%	6.3%	5.3%	4.4%	2.9%
Federal Deduction Offset	0.0%	-0.1%	-0.3%	-0.3%	-0.5%	-0.6%	-0.5%
OVERALL TOTAL	9.0%	7.0%	6.8%	6.0%	4.9%	3.8%	2.4%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Sales tax base excludes groceries

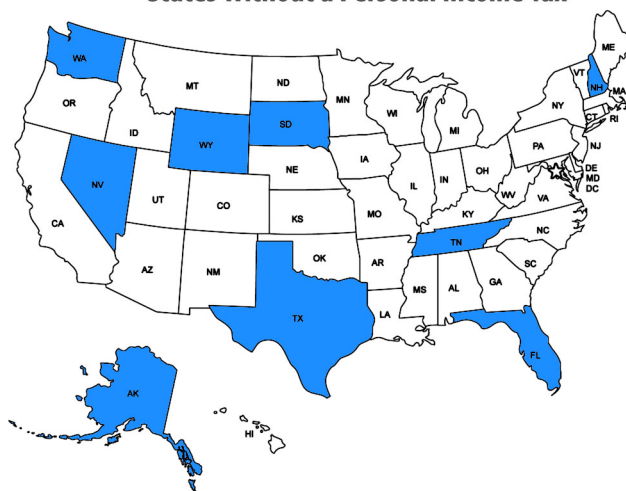
Regressive Features

- ✗ No personal income tax
- ✗ Comparatively high reliance on sales and excise taxes
- ✗ Imposes a business payroll tax in lieu of a corporate profits tax

Recent Developments

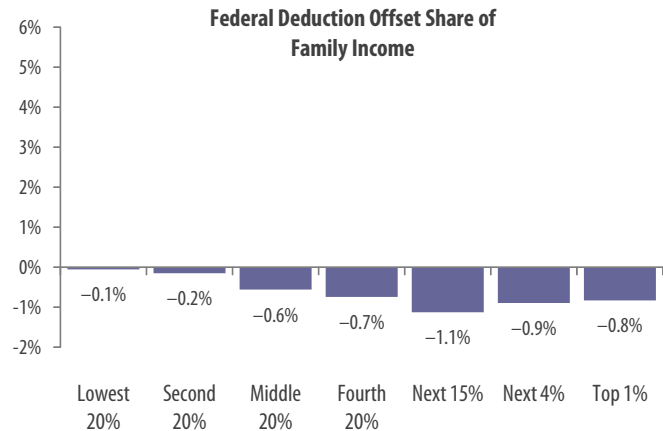
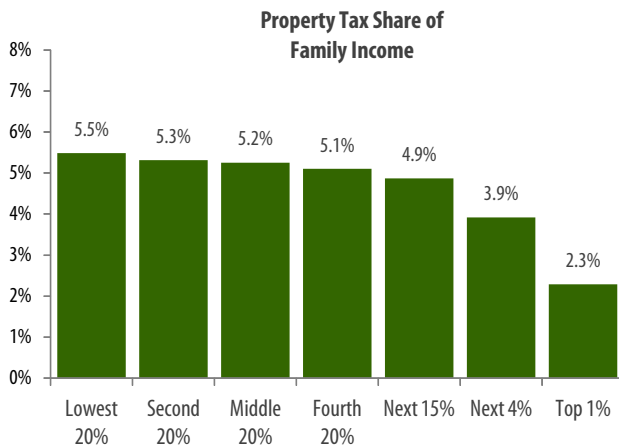
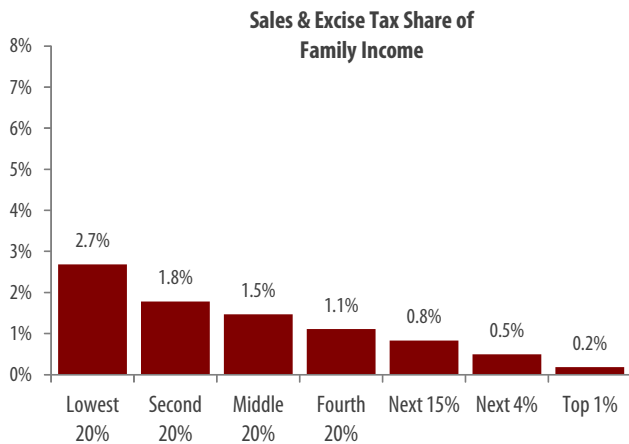
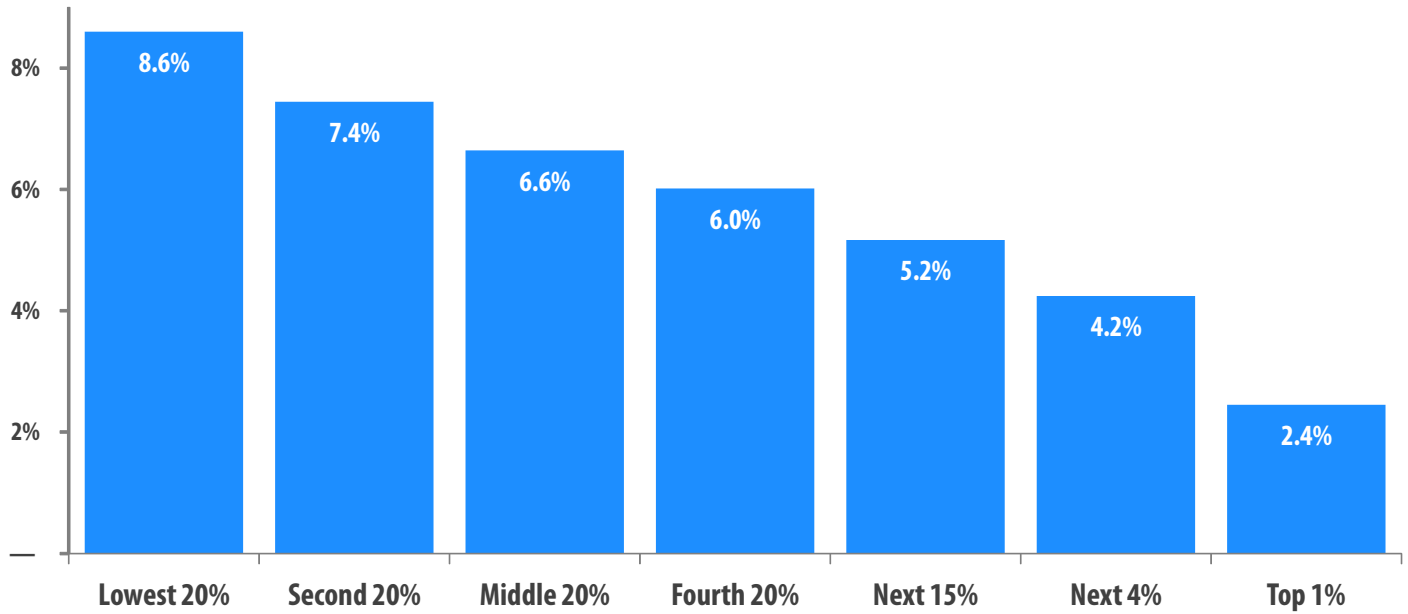
- ▲ Extended temporary sales, payroll, and car tax increases
- ▲ Amazon will begin to collect sales tax from online purchases

States Without a Personal Income Tax



New Hampshire State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in New Hampshire enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of income, post-federal offset.

New Hampshire State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$26,000	\$26,000 – \$41,000	\$41,000 – \$67,000	\$67,000 – \$102,000	\$102,000 – \$198,000	\$198,000 – \$430,000	\$430,000 or more
Average Income in Group	\$14,100	\$33,100	\$53,100	\$83,900	\$134,200	\$268,400	\$1,200,500
Sales & Excise Taxes	2.7%	1.8%	1.5%	1.1%	0.8%	0.5%	0.2%
General Sales—Individuals	—	—	—	—	—	—	—
Other Sales & Excise—Ind.	2.3%	1.4%	1.2%	0.9%	0.7%	0.4%	0.1%
Sales & Excise on Business	0.4%	0.3%	0.3%	0.2%	0.2%	0.1%	0.0%
Property Taxes	5.5%	5.3%	5.2%	5.1%	4.9%	3.9%	2.3%
Property Taxes on Families	5.4%	5.1%	5.1%	4.9%	4.6%	3.3%	1.3%
Other Property Taxes	0.1%	0.2%	0.1%	0.2%	0.2%	0.6%	1.0%
Income Taxes	0.5%	0.5%	0.5%	0.5%	0.6%	0.7%	0.8%
Personal Income Tax	0.1%	0.1%	0.0%	0.0%	0.1%	0.2%	0.4%
Corporate Income Tax (BET & BPT)	0.4%	0.4%	0.5%	0.5%	0.5%	0.6%	0.4%
Total Taxes	8.6%	7.6%	7.2%	6.8%	6.3%	5.1%	3.3%
Federal Deduction Offset	-0.1%	-0.2%	-0.6%	-0.7%	-1.1%	-0.9%	-0.8%
OVERALL TOTAL	8.6%	7.4%	6.6%	6.0%	5.2%	4.2%	2.4%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ No statewide sales tax

Regressive Features

- ✗ No broad-based personal income tax
- ✗ Comparatively high reliance on property taxes

Recent Developments

- ▲ Cigarette tax temporarily lowered 10 cents from 1.78 to 1.68 per pack
- ▲ Repealed tax on gambling winnings
- ▲ Changes to Business Profits Tax (BPT) and Business Enterprise Tax (BET)

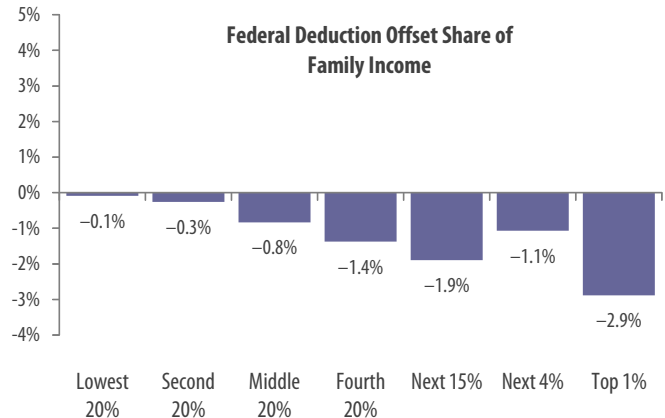
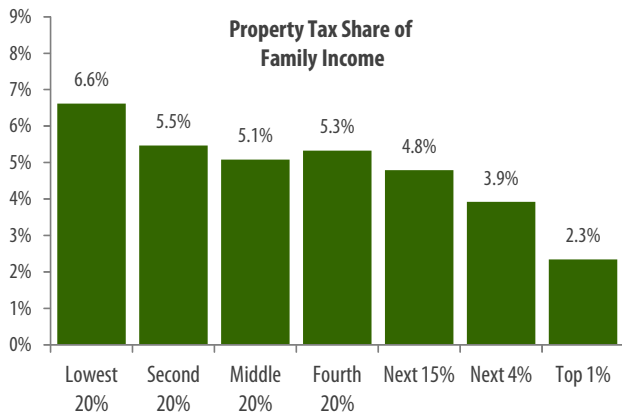
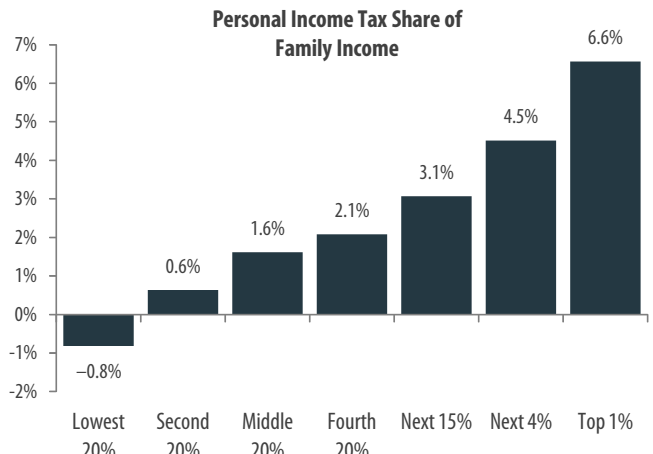
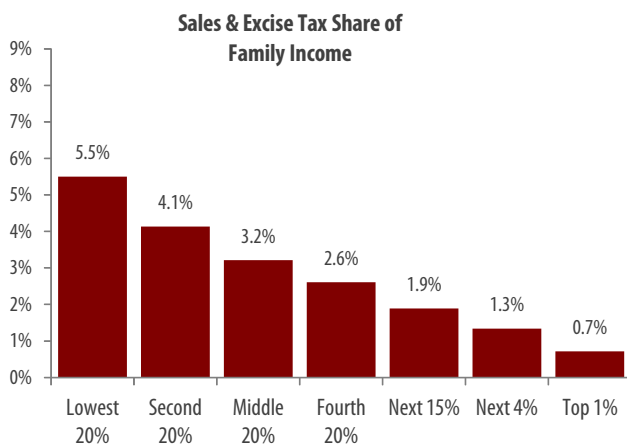
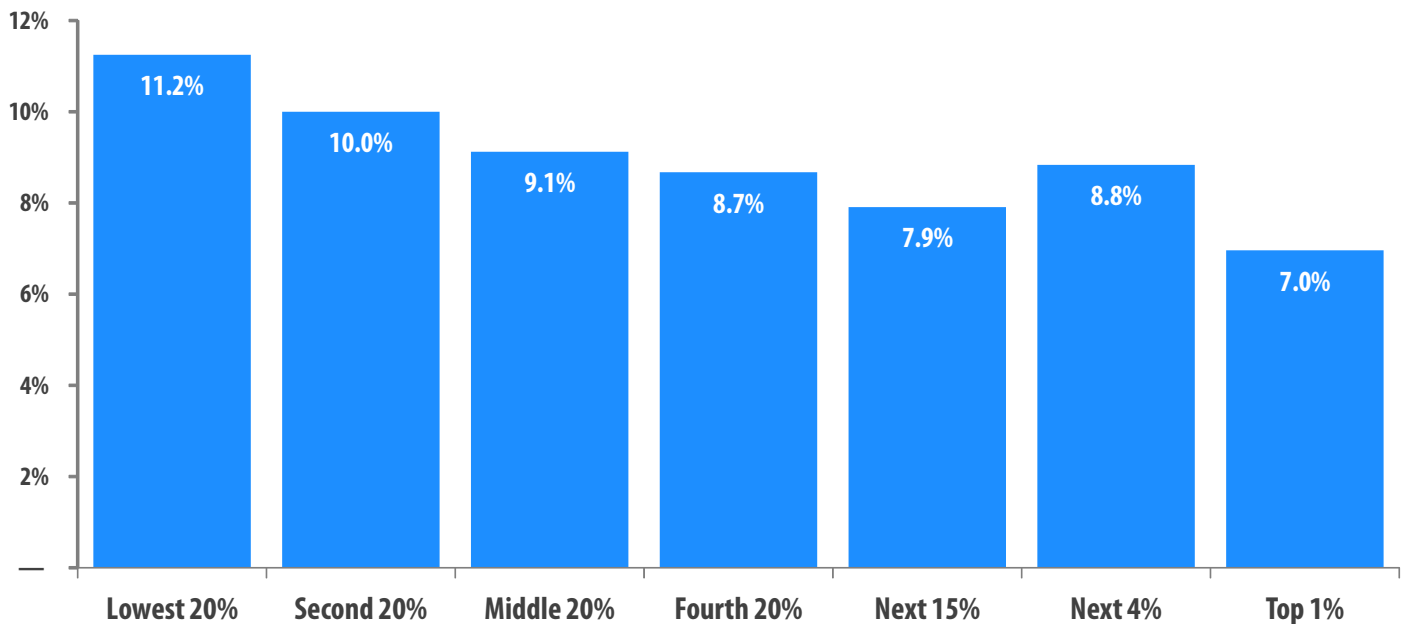
Select State and Local Taxes in New Hampshire Relative to the National Average



Source: Government Finances, US Department of Census

New Jersey State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in New Jersey enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of income, post-federal offset.

New Jersey State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$21,000	\$21,000 – \$42,000	\$42,000 – \$69,000	\$69,000 – \$115,000	\$115,000 – \$241,000	\$241,000 – \$679,000	\$679,000 or more
Average Income in Group	\$12,500	\$31,400	\$54,400	\$89,000	\$156,600	\$355,600	\$1,823,800
Sales & Excise Taxes	5.5%	4.1%	3.2%	2.6%	1.9%	1.3%	0.7%
General Sales—Individuals	2.7%	2.2%	1.9%	1.6%	1.2%	0.9%	0.5%
Other Sales & Excise—Ind.	1.4%	0.8%	0.5%	0.4%	0.2%	0.1%	0.0%
Sales & Excise on Business	1.5%	1.1%	0.8%	0.7%	0.5%	0.3%	0.2%
Property Taxes	6.6%	5.5%	5.1%	5.3%	4.8%	3.9%	2.3%
Property Taxes on Families	6.5%	5.4%	4.9%	5.2%	4.6%	3.3%	1.1%
Other Property Taxes	0.1%	0.1%	0.2%	0.2%	0.2%	0.6%	1.3%
Income Taxes	-0.8%	0.7%	1.7%	2.1%	3.1%	4.6%	6.8%
Personal Income Tax	-0.8%	0.6%	1.6%	2.1%	3.1%	4.5%	6.6%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%
Total Taxes	11.3%	10.3%	10.0%	10.0%	9.8%	9.9%	9.8%
Federal Deduction Offset	-0.1%	-0.3%	-0.8%	-1.4%	-1.9%	-1.1%	-2.9%
OVERALL TOTAL	11.2%	10.0%	9.1%	8.7%	7.9%	8.8%	7.0%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides a refundable earned income tax credit (EITC)

Regressive Features

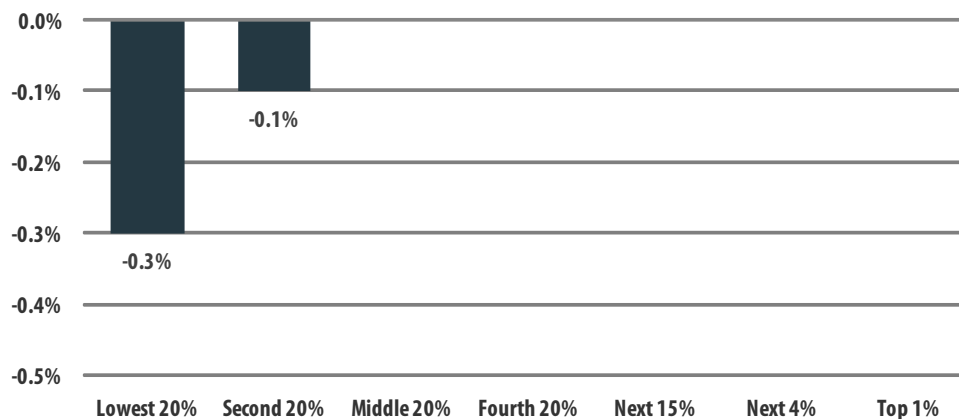
- ✗ Comparatively high reliance on property taxes
- ✗ Comparatively high cigarette tax rate

Recent Developments

- ▲ Decreased value of its EITC from 25 to 20 percent of the federal credit
- ▲ Capped property taxes
- ▲ Enacted mandatory single-sales factor apportionment rules for calculating corporate income taxes

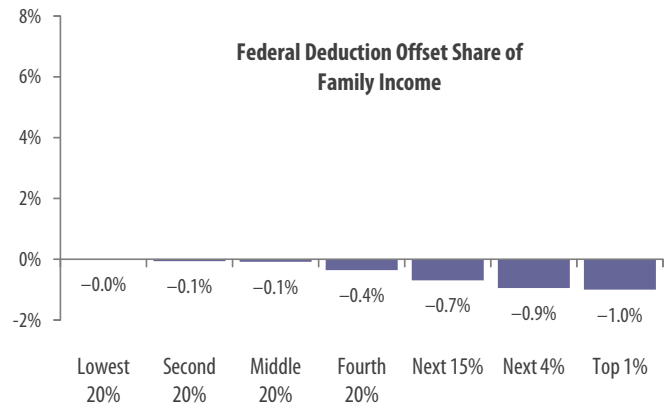
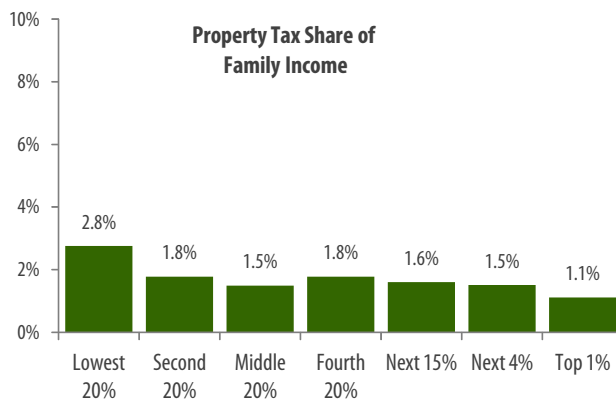
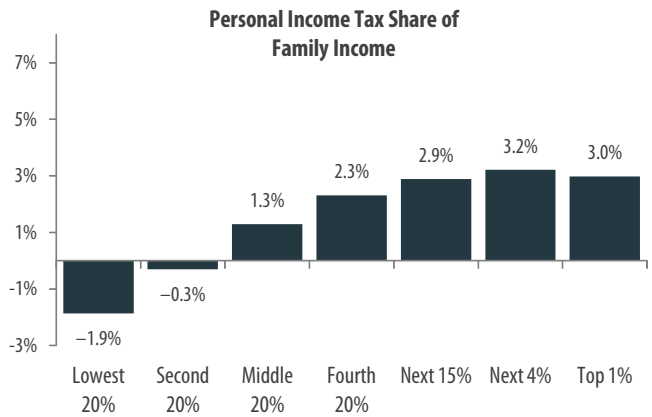
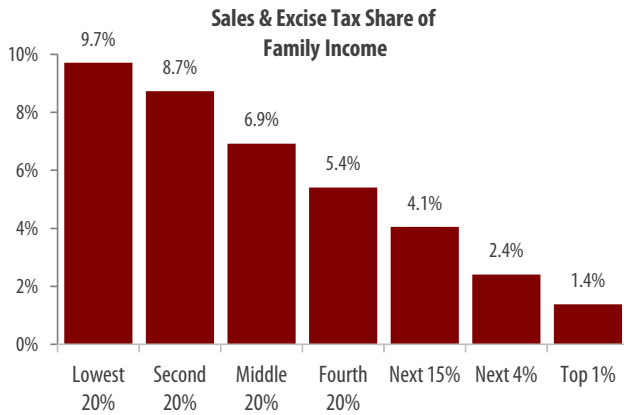
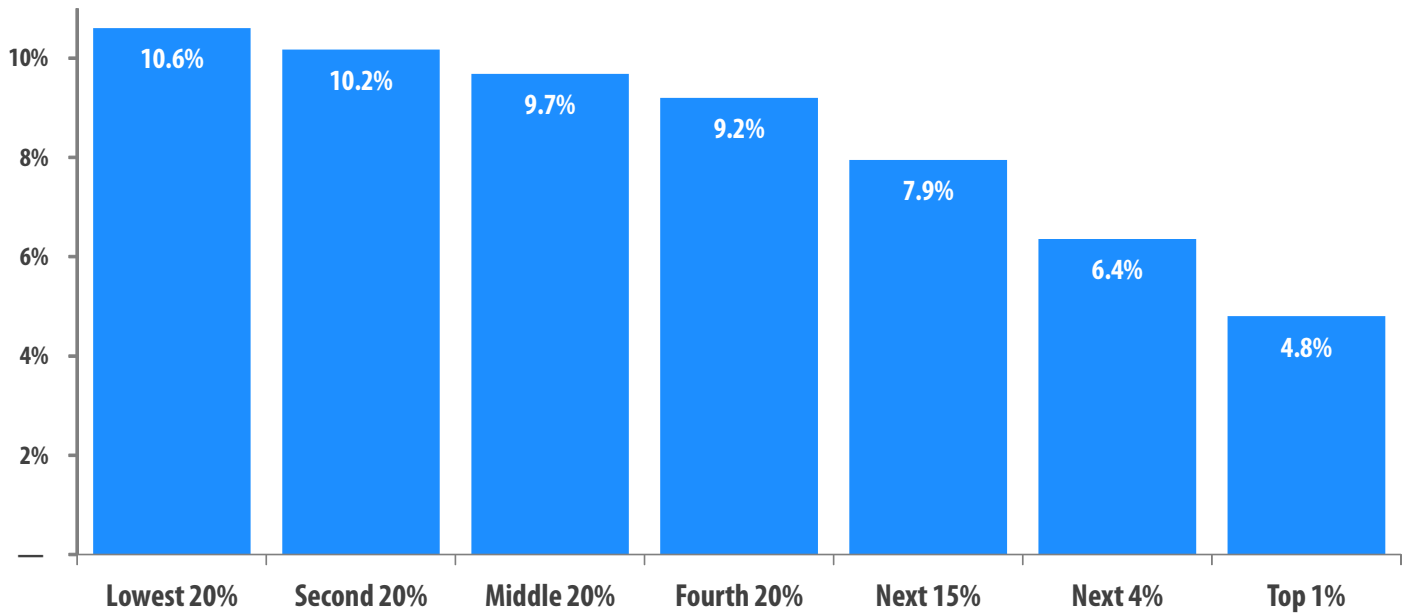
Impact of Restoring New Jersey's EITC to 25%

Tax Cut as Share of Income



New Mexico State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in New Mexico enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post- federal offset.

New Mexico State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$17,000	\$17,000 – \$29,000	\$29,000 – \$48,000	\$48,000 – \$79,000	\$79,000 – \$144,000	\$144,000 – \$323,000	\$323,000 or more
Average Income in Group	\$10,200	\$23,400	\$37,300	\$59,700	\$102,500	\$197,000	\$732,400
Sales & Excise Taxes	9.7%	8.7%	6.9%	5.4%	4.1%	2.4%	1.4%
General Sales—Individuals	5.4%	5.1%	4.2%	3.3%	2.5%	1.5%	0.9%
Other Sales & Excise—Ind.	1.2%	0.8%	0.5%	0.4%	0.3%	0.1%	0.0%
Sales & Excise on Business	3.1%	2.9%	2.2%	1.7%	1.3%	0.8%	0.4%
Property Taxes	2.8%	1.8%	1.5%	1.8%	1.6%	1.5%	1.1%
Property Taxes on Families	2.8%	1.7%	1.4%	1.7%	1.5%	1.3%	0.6%
Other Property Taxes	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.5%
Income Taxes	-1.9%	-0.3%	1.4%	2.4%	3.0%	3.4%	3.3%
Personal Income Tax	-1.9%	-0.3%	1.3%	2.3%	2.9%	3.2%	3.0%
Corporate Income Tax	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.3%
Total Taxes	10.6%	10.2%	9.8%	9.6%	8.6%	7.3%	5.8%
Federal Deduction Offset	0.0%	-0.1%	-0.1%	-0.4%	-0.7%	-0.9%	-1.0%
OVERALL TOTAL	10.6%	10.2%	9.7%	9.2%	7.9%	6.4%	4.8%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides a refundable earned income tax credit (EITC)
- ✓ Provides a refundable low-income tax credit

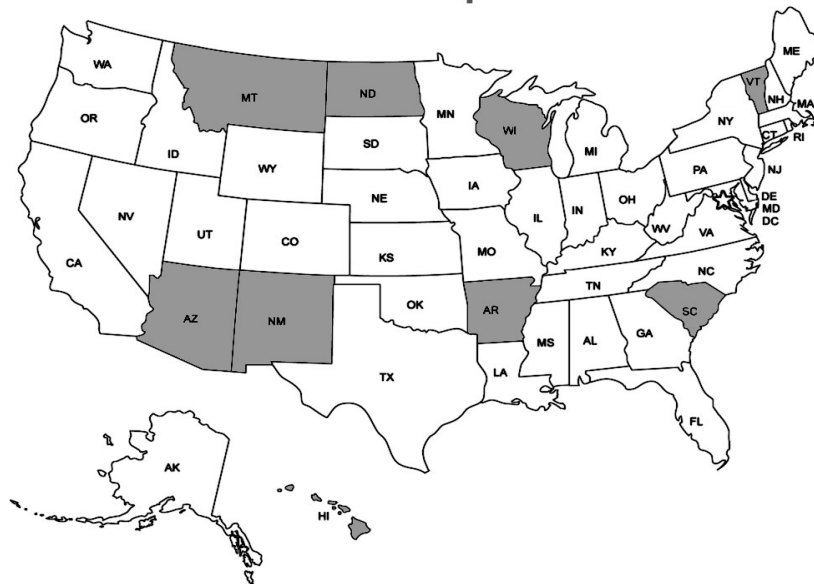
Regressive Features

- ✗ Provides an income tax exclusion equal to at least half of capital gains income
- ✗ Comparatively high reliance on gross receipts taxes

Recent Developments

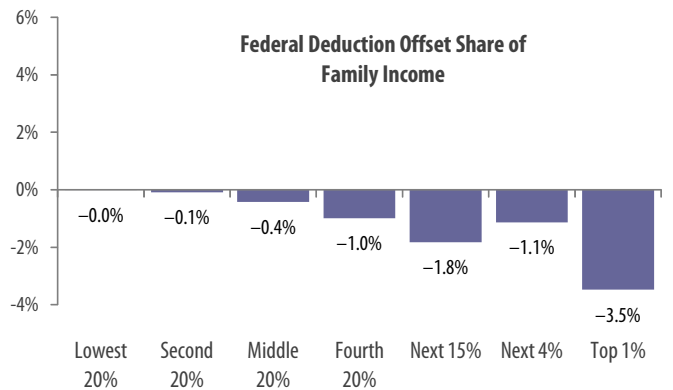
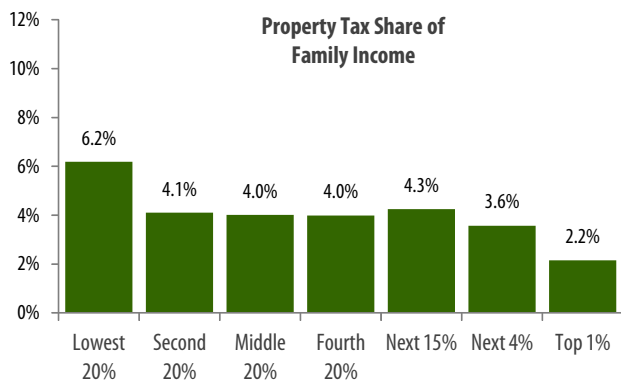
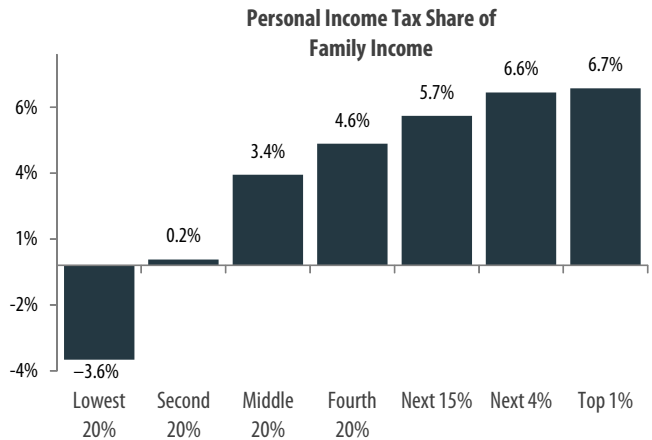
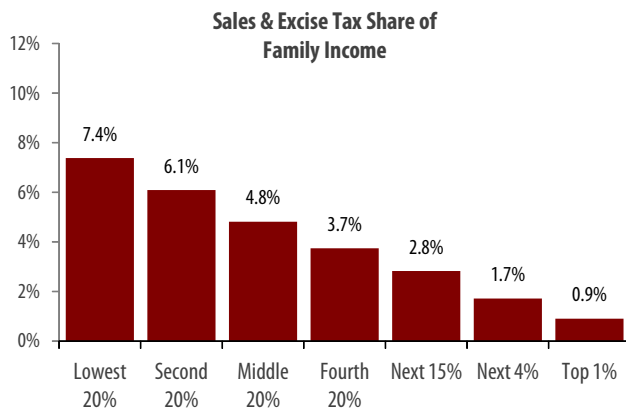
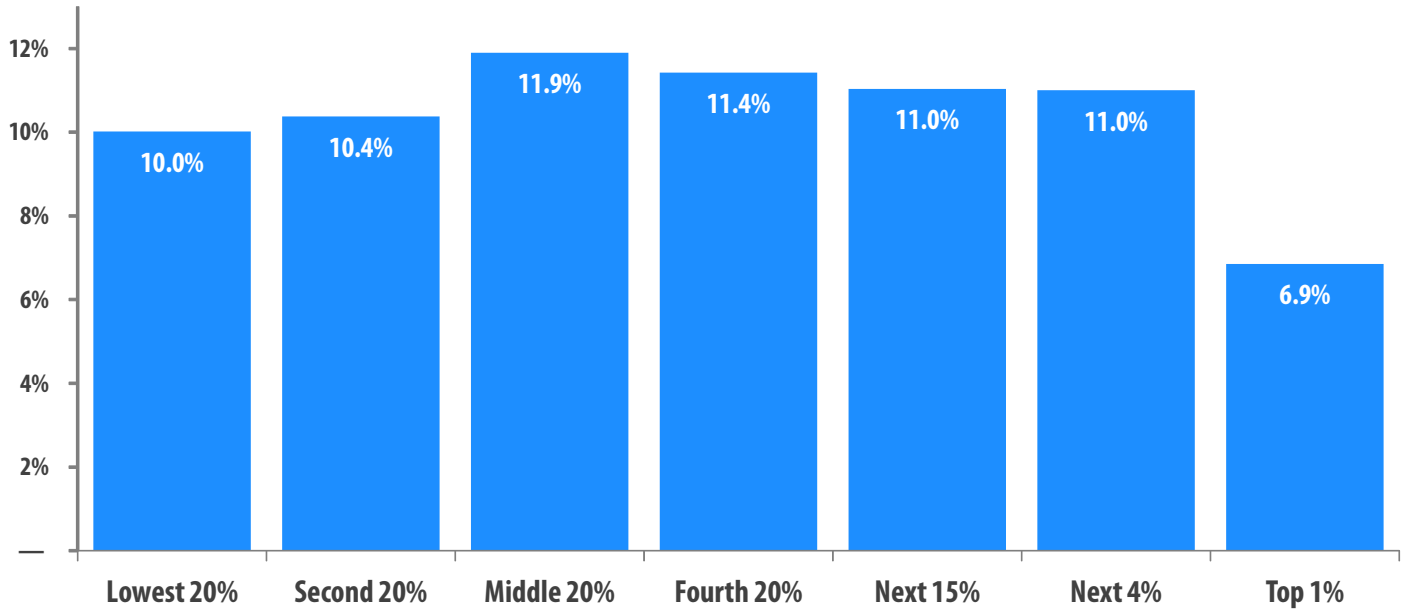
- ▲ Increased gross receipts tax
- ▲ Increased cigarette tax
- ▲ Repealed deduction for state and local income taxes

States With Notable Capital Gains Preferences



New York State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in New York enacted through January 2, 2013 at 2010 income levels. Temporary changes to the personal income tax in place through 2014 are not reflected in this data. Local income taxes are included in totals. Top figure represents total state and local taxes as a share of income, post-federal offset.

New York State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$17,000	\$17,000 – \$34,000	\$34,000 – \$56,000	\$56,000 – \$95,000	\$95,000 – \$201,000	\$201,000 – \$547,000	\$547,000 or more
Average Income in Group	\$10,000	\$25,400	\$44,700	\$73,300	\$130,800	\$311,900	\$2,235,300
Sales & Excise Taxes	7.4%	6.1%	4.8%	3.7%	2.8%	1.7%	0.9%
General Sales—Individuals	3.7%	3.4%	2.8%	2.3%	1.8%	1.1%	0.6%
Other Sales & Excise—Ind.	1.5%	0.9%	0.6%	0.4%	0.3%	0.1%	0.0%
Sales & Excise on Business	2.2%	1.8%	1.4%	1.0%	0.7%	0.4%	0.3%
Property Taxes	6.2%	4.1%	4.0%	4.0%	4.3%	3.6%	2.2%
Property Taxes on Families	5.6%	3.6%	3.5%	3.5%	3.7%	2.8%	0.8%
Other Property Taxes	0.5%	0.5%	0.5%	0.5%	0.5%	0.8%	1.3%
Income Taxes	-3.5%	0.3%	3.5%	4.7%	5.8%	6.9%	7.3%
Personal Income Tax (State and Local)	-3.6%	0.2%	3.4%	4.6%	5.7%	6.6%	6.7%
Corporate Income Tax	0.0%	0.0%	0.1%	0.1%	0.1%	0.3%	0.6%
Total Taxes	10.0%	10.5%	12.3%	12.4%	12.9%	12.1%	10.3%
Federal Deduction Offset	0.0%	-0.1%	-0.4%	-1.0%	-1.8%	-1.1%	-3.5%
OVERALL TOTAL	10.0%	10.4%	11.9%	11.4%	11.0%	11.0%	6.9%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

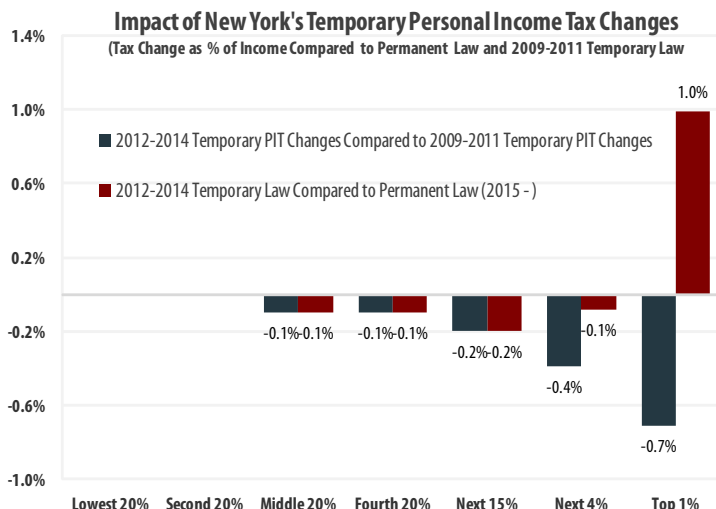
- ✓ Income tax uses a graduated rate structure
- ✓ Provides a refundable earned income tax credit (EITC)
- ✓ Provides a child tax credit

Regressive Features

- ✗ Comparatively high combined state and local sales tax rates

Recent Developments

- ▲ Added new top income tax brackets on a temporary basis for 2009-2011 and 2012-2014
- ▲ Income tax brackets adjusted for inflation for 2013 and 2014
- ▲ Limited charitable contribution deductions for upper-income taxpayers on a temporary basis
- ▲ Growth in real property tax levies capped at lesser of 2 percent or rate of inflation

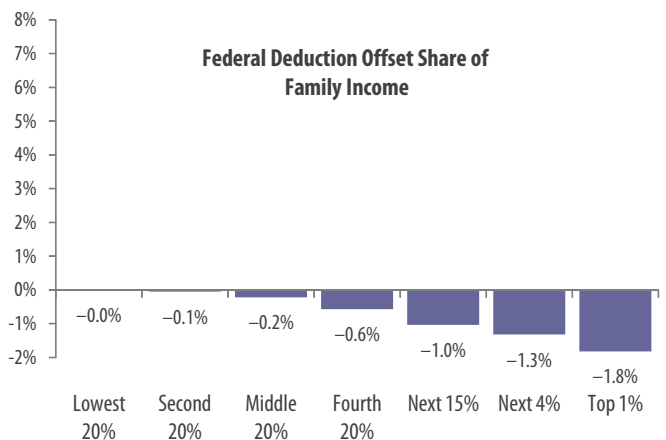
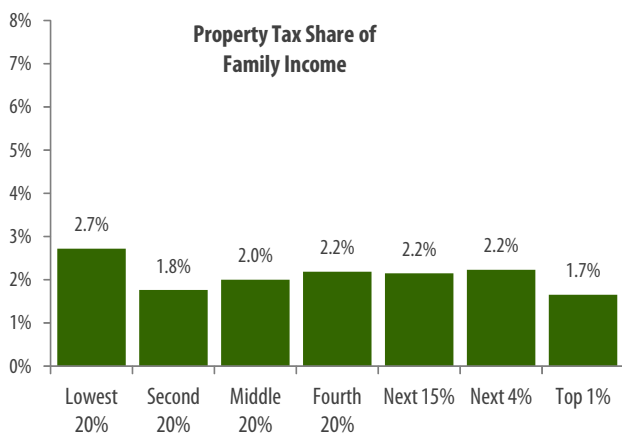
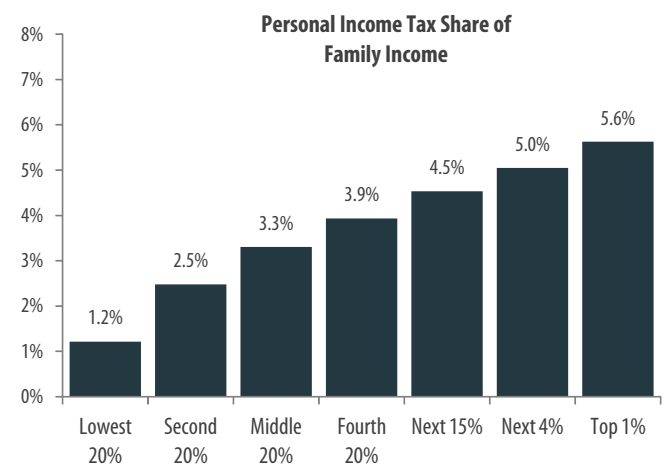
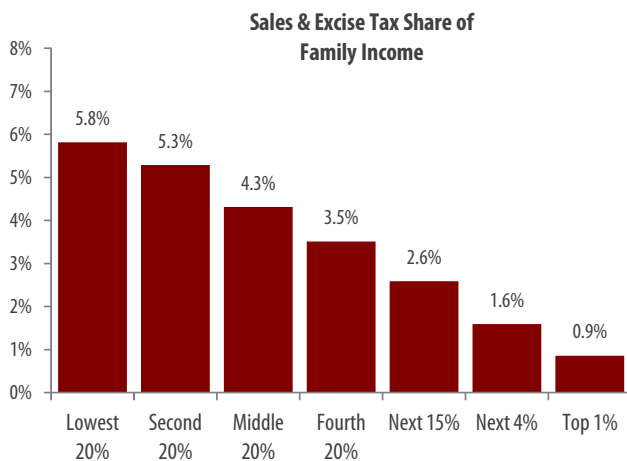
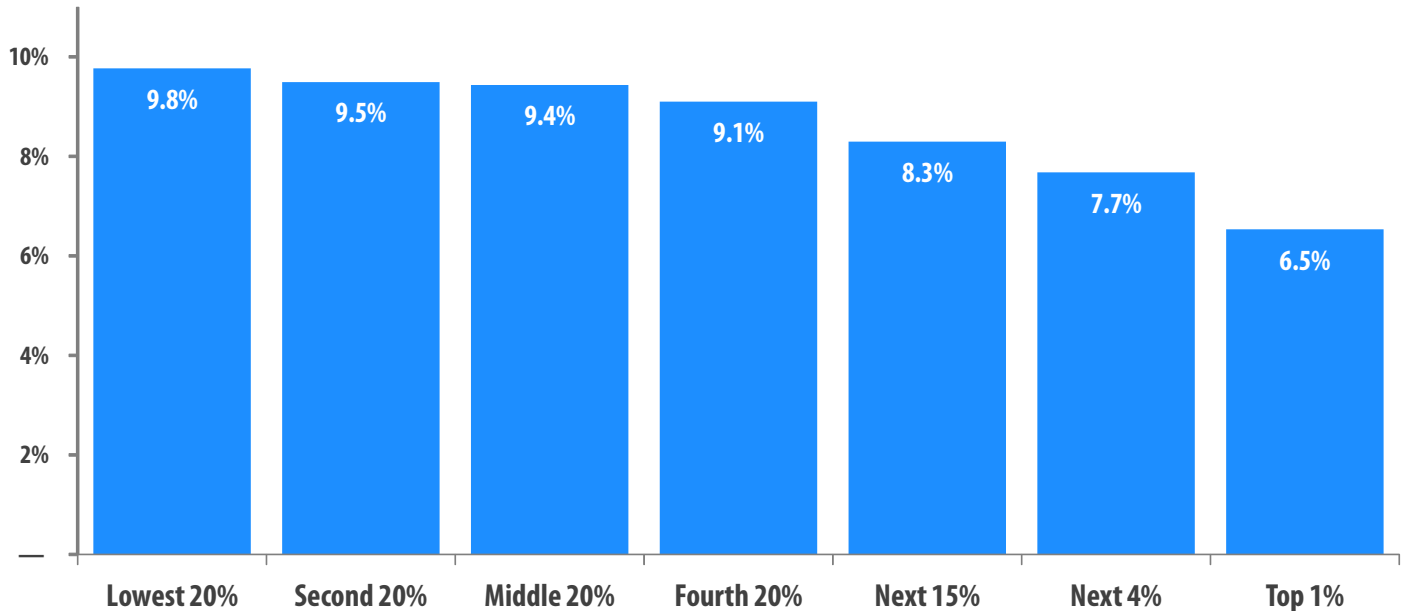


New York State Personal Income Tax Rate Details				
(For Married Couples Filing Joint Returns)				
Taxable Income Range		2006-2008 & 2015- Law (Permanent)	2009-2011 Law	2012-2014 Law *
Up to	\$16,000	4.00%	4.00%	4.00%
\$16,000	to \$22,000	4.50%	4.50%	4.50%
\$22,000	to \$26,000	5.25%	5.25%	5.25%
\$26,000	to \$40,000	5.90%	5.90%	5.90%
\$40,000	to \$150,000	6.85%	6.85%	6.45%
\$150,000	to \$300,000	6.85%	6.85%	6.65%
\$300,000	to \$500,000	6.85%	7.85%	6.85%
\$500,000	to \$2,000,000	6.85%	8.97%	6.85%
\$2,000,000	and above	6.85%	8.97%	8.82%

* In 2013 and 2014, these brackets will be adjusted based on changes in the Consumer Price Index

North Carolina State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in North Carolina enacted through January 2, 2013 at 2010 income levels. The temporary \$50,000 business deduction is not included. The 5% refundable EITC is also not included as it is scheduled to sunset in 2013. Top figure represents total state and local taxes as a share of income, post-federal offset.

North Carolina State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$17,000	\$17,000 – \$29,000	\$29,000 – \$47,000	\$47,000 – \$76,000	\$76,000 – \$151,000	\$151,000 – \$345,000	\$345,000 or more
Average Income in Group	\$10,100	\$22,300	\$36,800	\$60,200	\$102,400	\$211,100	\$818,100
Sales & Excise Taxes	5.8%	5.3%	4.3%	3.5%	2.6%	1.6%	0.9%
General Sales—Individuals	2.9%	2.7%	2.3%	2.0%	1.5%	1.0%	0.6%
Other Sales & Excise—Ind.	1.3%	1.2%	0.9%	0.7%	0.4%	0.2%	0.1%
Sales & Excise on Business	1.6%	1.4%	1.1%	0.9%	0.6%	0.4%	0.2%
Property Taxes	2.7%	1.8%	2.0%	2.2%	2.2%	2.2%	1.7%
Property Taxes on Families	2.7%	1.7%	1.9%	2.1%	2.0%	1.9%	1.0%
Other Property Taxes	0.1%	0.0%	0.1%	0.1%	0.1%	0.3%	0.7%
Income Taxes	1.2%	2.5%	3.3%	4.0%	4.6%	5.2%	5.8%
Personal Income Tax	1.2%	2.5%	3.3%	3.9%	4.5%	5.0%	5.6%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%
Total Taxes	9.8%	9.6%	9.7%	9.7%	9.3%	9.0%	8.4%
Federal Deduction Offset	0.0%	-0.1%	-0.2%	-0.6%	-1.0%	-1.3%	-1.8%
OVERALL TOTAL	9.8%	9.5%	9.4%	9.1%	8.3%	7.7%	6.5%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ State sales tax base excludes groceries

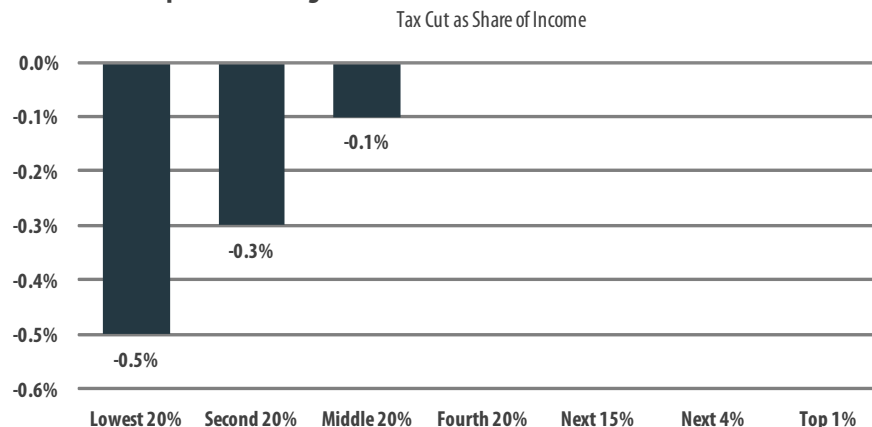
Regressive Features

- ✗ Refundable earned income tax credit (EITC) expires in 2013
- ✗ Comparatively high state and local sales tax rates
- ✗ Fails to require combined reporting to calculate corporate income taxes

Recent Developments

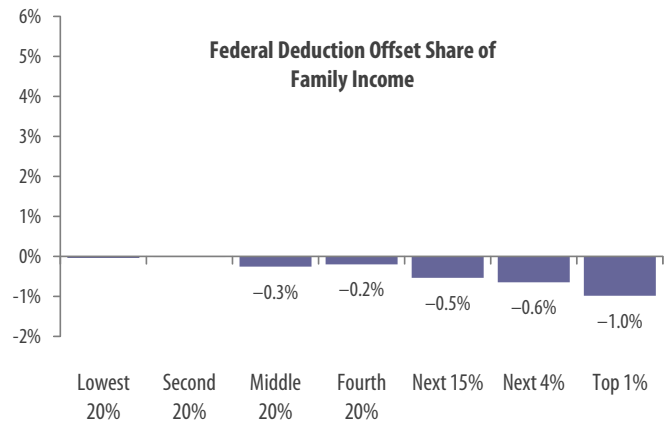
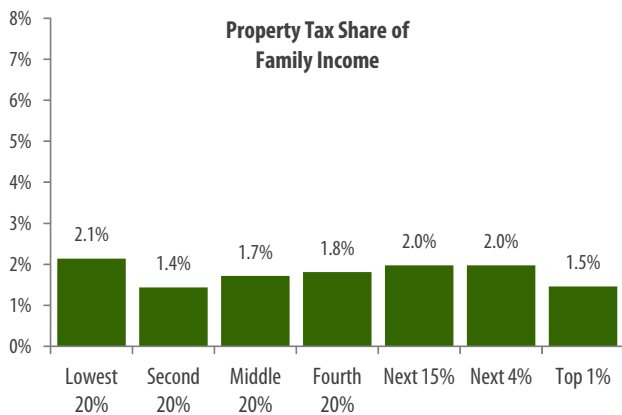
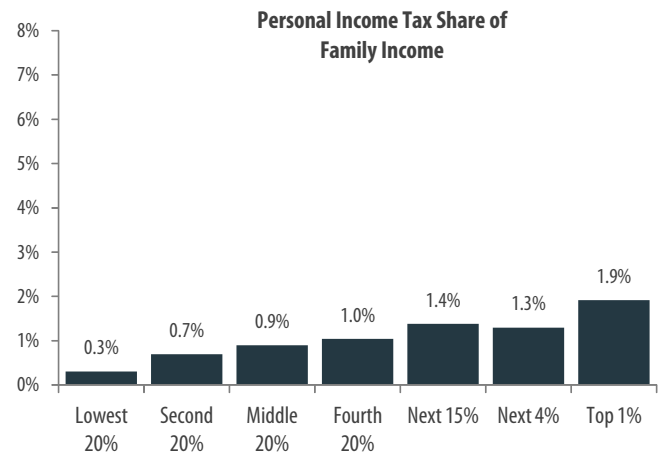
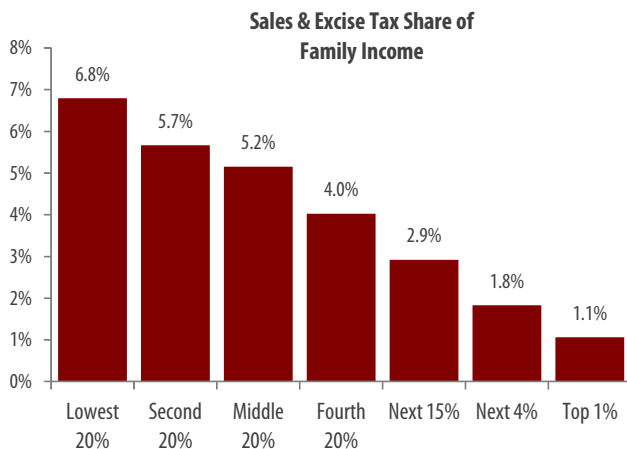
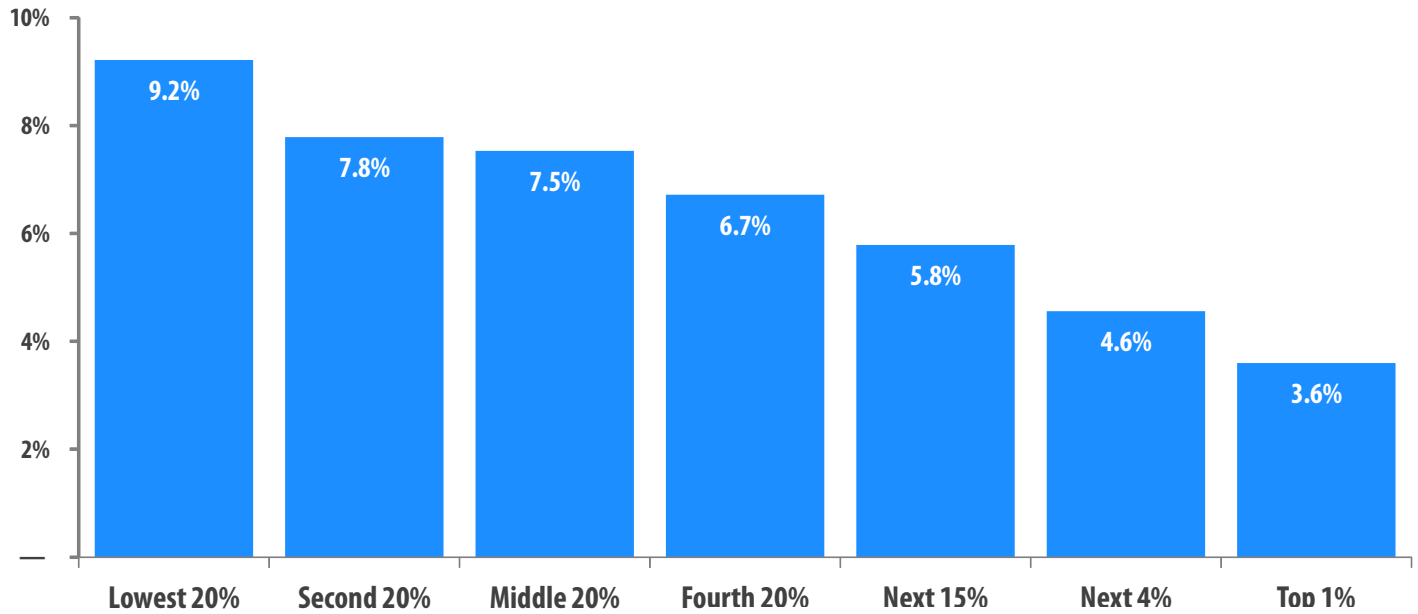
- ▲ Enacted a temporary \$50,000 business income tax deduction

Impact of Making Refundable 5% EITC Permanent in North Carolina



North Dakota State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in North Dakota enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of income, post-federal offset.

North Dakota State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$23,000	\$23,000 – \$39,000	\$39,000 – \$67,000	\$67,000 – \$95,000	\$95,000 – \$180,000	\$180,000 – \$400,000	\$400,000 or more
Average Income in Group	\$15,000	\$32,000	\$52,100	\$79,900	\$123,000	\$242,600	\$989,000
Sales & Excise Taxes	6.8%	5.7%	5.2%	4.0%	2.9%	1.8%	1.1%
General Sales—Individuals	3.1%	2.7%	2.6%	2.0%	1.5%	1.0%	0.6%
Other Sales & Excise—Ind.	0.8%	0.6%	0.5%	0.4%	0.3%	0.2%	0.1%
Sales & Excise on Business	2.9%	2.3%	2.1%	1.6%	1.1%	0.7%	0.4%
Property Taxes	2.1%	1.4%	1.7%	1.8%	2.0%	2.0%	1.5%
Property Taxes on Families	2.1%	1.4%	1.6%	1.6%	1.8%	1.4%	0.7%
Other Property Taxes	0.1%	0.0%	0.1%	0.2%	0.2%	0.5%	0.8%
Income Taxes	0.3%	0.7%	0.9%	1.1%	1.4%	1.4%	2.1%
Personal Income Tax	0.3%	0.7%	0.9%	1.0%	1.4%	1.3%	1.9%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	9.3%	7.8%	7.8%	6.9%	6.3%	5.2%	4.6%
Federal Deduction Offset	0.0%	0.0%	-0.3%	-0.2%	-0.5%	-0.6%	-1.0%
OVERALL TOTAL	9.2%	7.8%	7.5%	6.7%	5.8%	4.6%	3.6%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Sales tax base excludes groceries

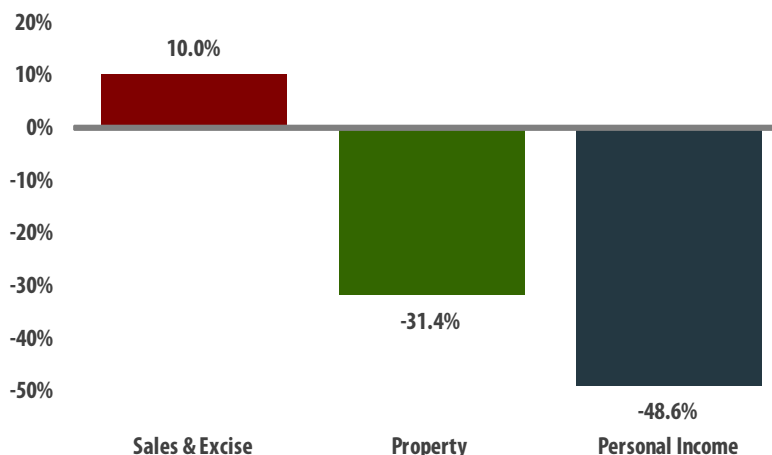
Regressive Features

- ✗ Fails to provide refundable income tax credits to offset impact of sales and excise taxes
- ✗ Provides a deduction for state income taxes paid

Recent Developments

- ▲ Reduced personal and corporate income tax rates

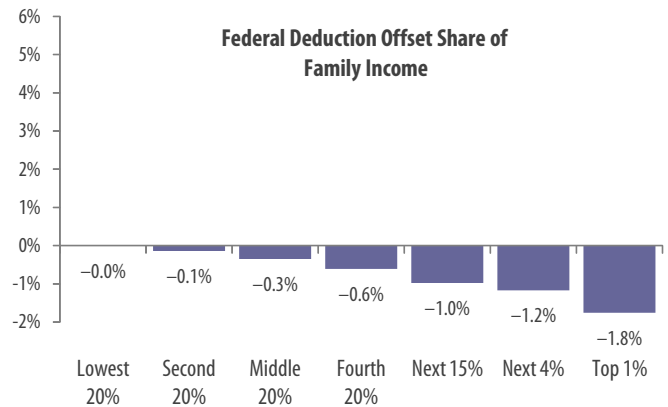
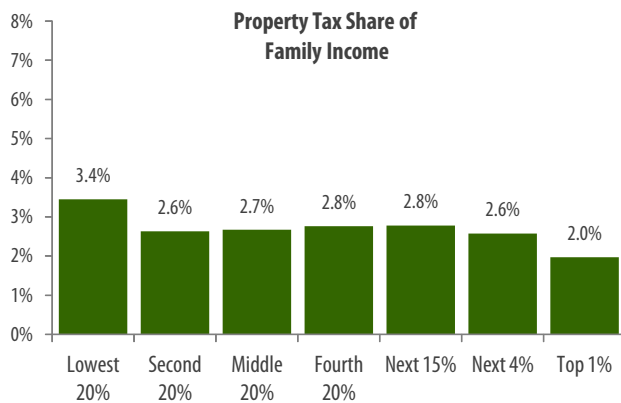
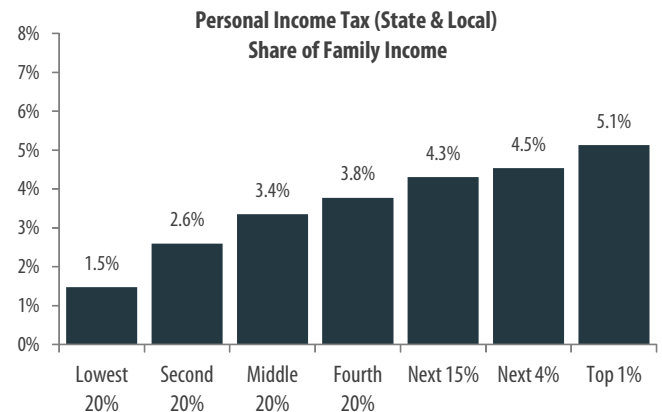
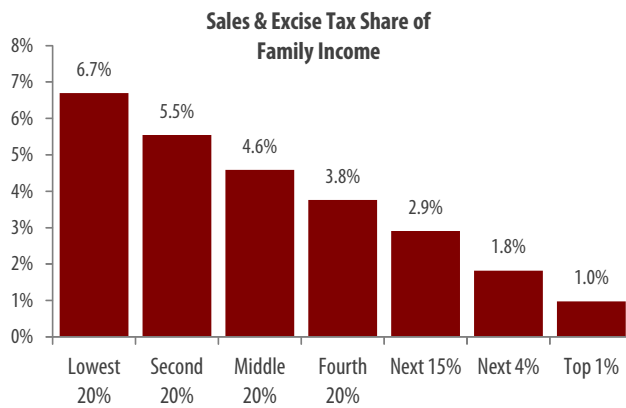
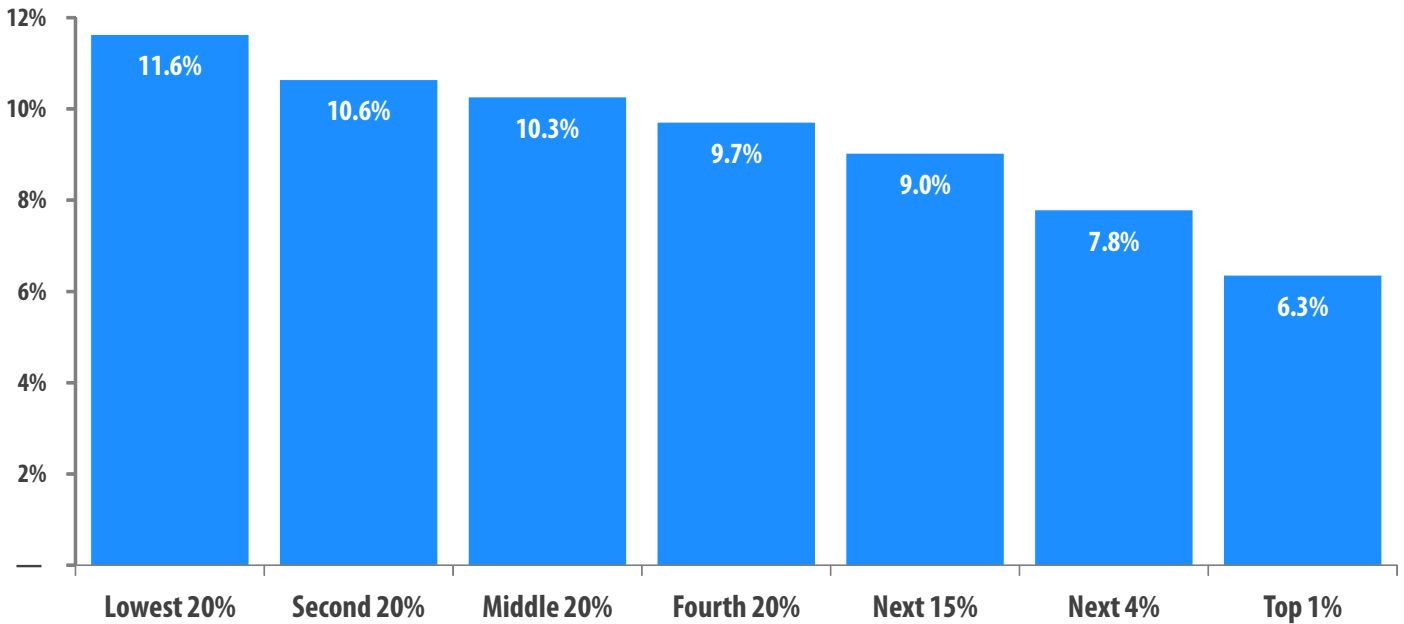
Select State and Local Taxes in North Dakota Relative to the National Average



Source: Government Finances, US Department of Census

Ohio State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Ohio enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post- federal offset.

Ohio State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$17,000	\$17,000 – \$31,000	\$31,000 – \$49,000	\$49,000 – \$76,000	\$76,000 – \$138,000	\$138,000 – \$324,000	\$324,000 or more
Average Income in Group	\$9,700	\$23,700	\$39,900	\$61,500	\$98,100	\$197,300	\$827,600
Sales & Excise Taxes	6.7%	5.5%	4.6%	3.8%	2.9%	1.8%	1.0%
General Sales—Individuals	2.7%	2.5%	2.2%	1.9%	1.5%	1.0%	0.5%
Other Sales & Excise—Ind.	2.2%	1.5%	1.1%	0.9%	0.6%	0.4%	0.1%
Sales & Excise on Business	1.8%	1.5%	1.2%	1.0%	0.7%	0.5%	0.3%
Property Taxes	3.4%	2.6%	2.7%	2.8%	2.8%	2.6%	2.0%
Property Taxes on Families	3.4%	2.6%	2.6%	2.6%	2.6%	2.2%	1.1%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.1%	0.4%	0.8%
Income Taxes	1.5%	2.6%	3.4%	3.8%	4.3%	4.6%	5.2%
Personal Income Tax (State and Local)	1.5%	2.6%	3.4%	3.8%	4.3%	4.5%	5.1%
Corporate Income Tax (Local)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Taxes	11.6%	10.8%	10.6%	10.3%	10.0%	9.0%	8.1%
Federal Deduction Offset	0.0%	-0.1%	-0.3%	-0.6%	-1.0%	-1.2%	-1.8%
OVERALL TOTAL	11.6%	10.6%	10.3%	9.7%	9.0%	7.8%	6.3%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Offers an income tax credit for child and dependent care expenses

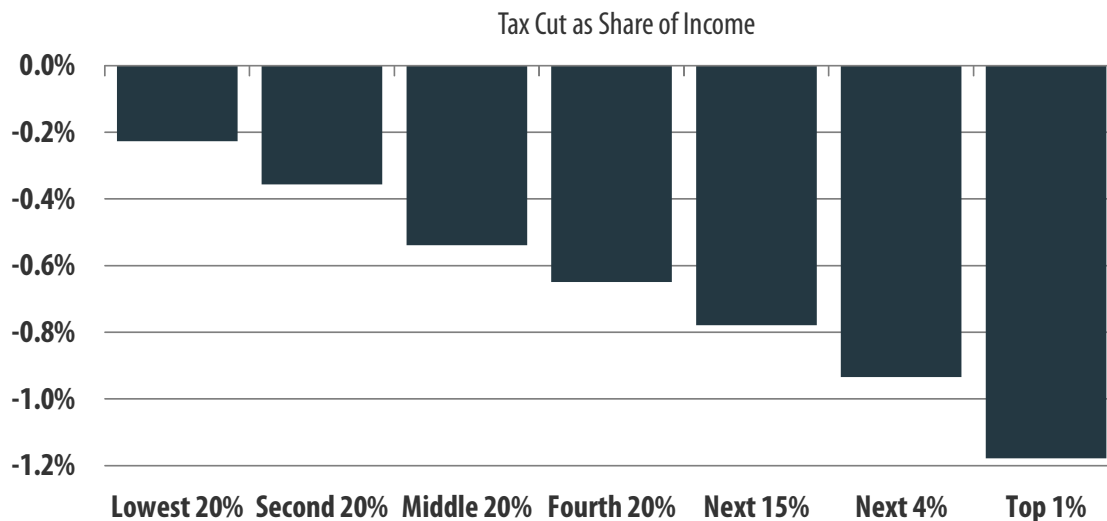
Regressive Features

- ✗ Fails to provide refundable tax credits to offset the impact of sales, excise, and property taxes

Recent Developments

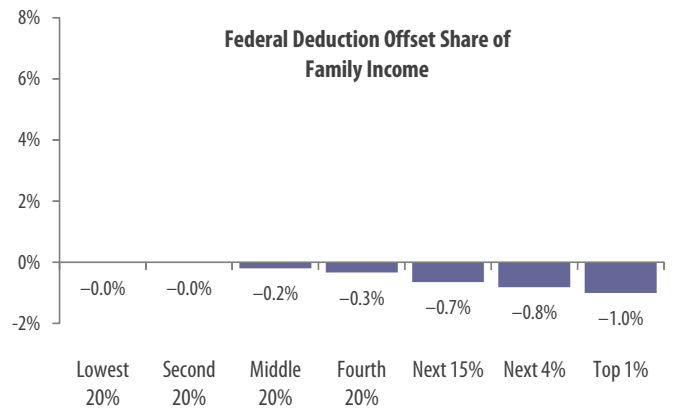
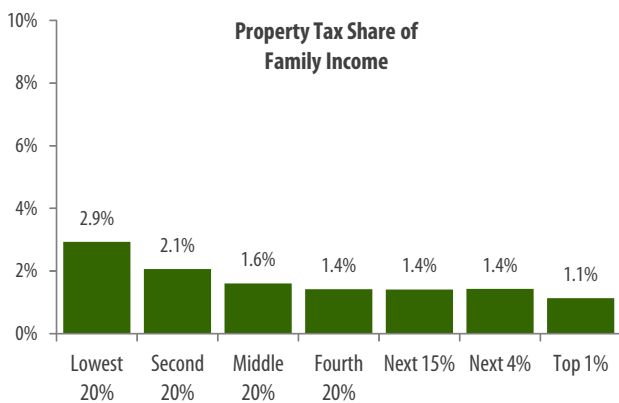
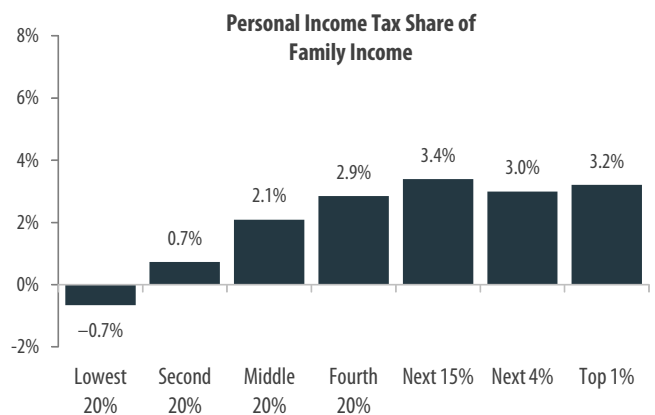
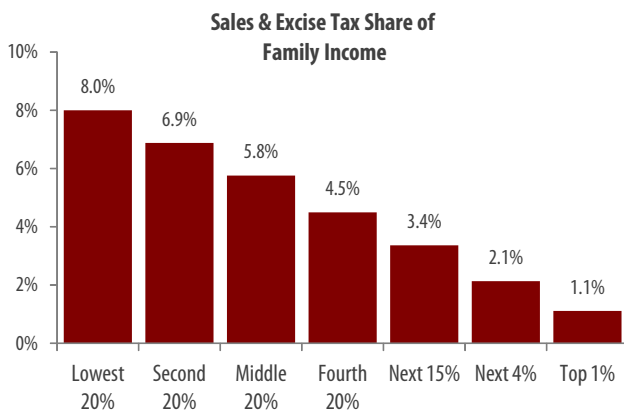
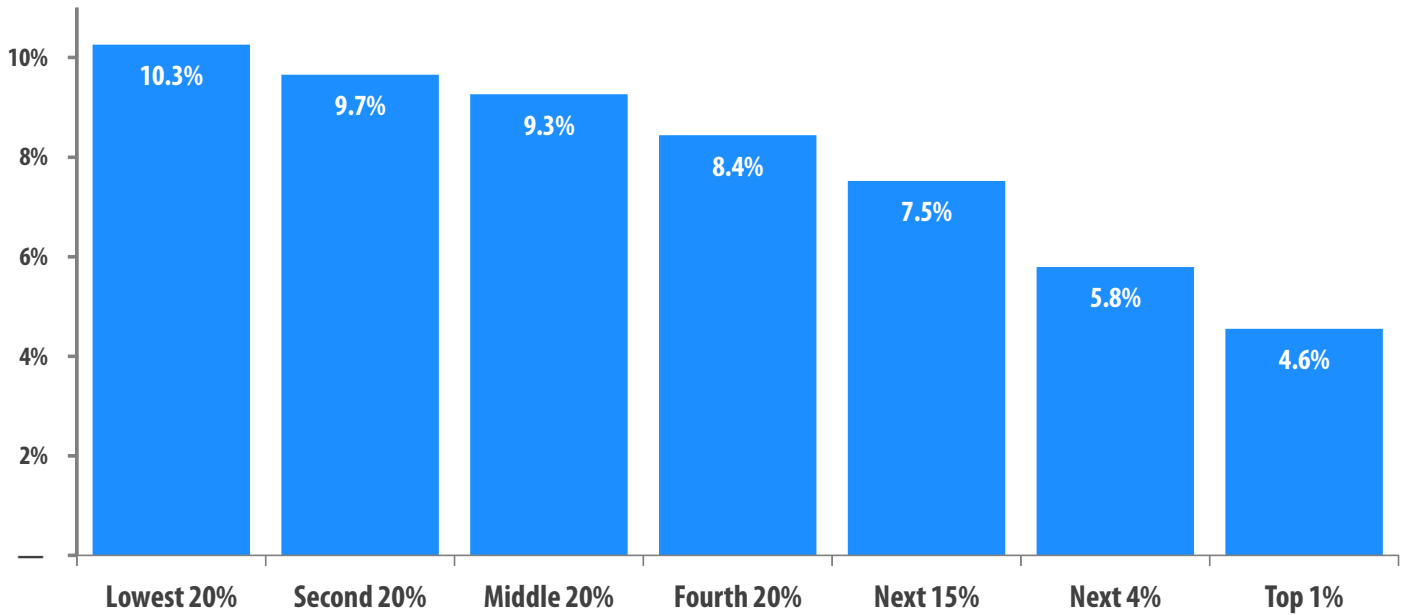
- ▲ Last installment of 2005, 21 percent across the board income tax rate cuts went into effect
- ▲ Eliminated Estate Tax

Incidence of Recent Personal Income Tax Rate Reductions in Ohio



Oklahoma State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Oklahoma enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post- federal offset.

Oklahoma State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$30,000	\$30,000 – \$49,000	\$49,000 – \$81,000	\$81,000 – \$160,000	\$160,000 – \$358,000	\$358,000 or more
Average Income in Group	\$9,600	\$22,000	\$39,000	\$63,300	\$107,100	\$215,800	\$1,060,100
Sales & Excise Taxes	8.0%	6.9%	5.8%	4.5%	3.4%	2.1%	1.1%
General Sales—Individuals	4.9%	4.4%	3.7%	3.0%	2.3%	1.5%	0.8%
Other Sales & Excise—Ind.	1.1%	0.7%	0.5%	0.4%	0.2%	0.1%	0.0%
Sales & Excise on Business	1.9%	1.8%	1.5%	1.1%	0.8%	0.5%	0.3%
Property Taxes	2.9%	2.1%	1.6%	1.4%	1.4%	1.4%	1.1%
Property Taxes on Families	2.9%	2.1%	1.5%	1.3%	1.3%	1.1%	0.5%
Other Property Taxes	0.1%	0.0%	0.1%	0.1%	0.1%	0.3%	0.6%
Income Taxes	-0.7%	0.7%	2.1%	2.9%	3.4%	3.0%	3.3%
Personal Income Tax	-0.7%	0.7%	2.1%	2.9%	3.4%	3.0%	3.2%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	10.3%	9.7%	9.5%	8.8%	8.2%	6.6%	5.5%
Federal Deduction Offset	0.0%	0.0%	-0.2%	-0.3%	-0.7%	-0.8%	-1.0%
OVERALL TOTAL	10.3%	9.7%	9.3%	8.4%	7.5%	5.8%	4.6%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Provides a refundable earned income tax credit (EITC)
- ✓ Provides a refundable tax credit to reduce the impact of its sales tax on groceries

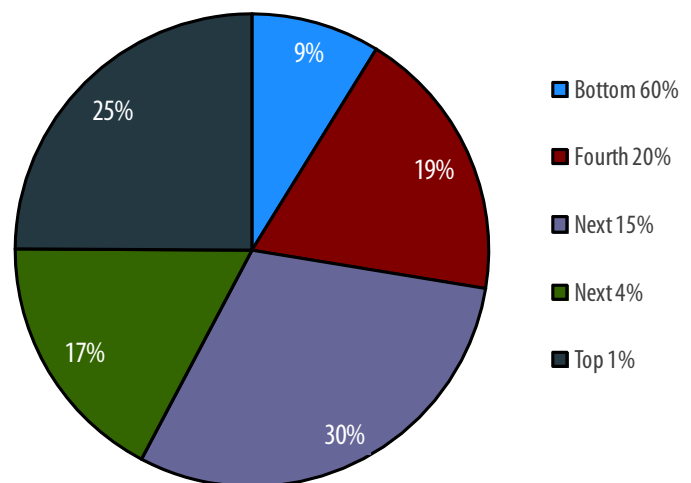
Regressive Features

- ✗ Fails to index income tax brackets to inflation
- ✗ Sales tax base includes groceries
- ✗ Comparatively high combined state and local sales tax rate

Recent Developments

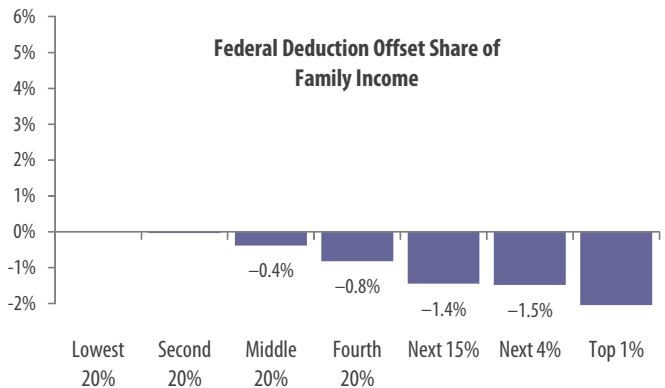
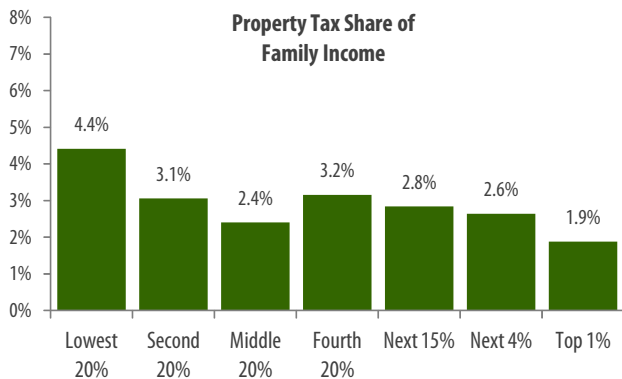
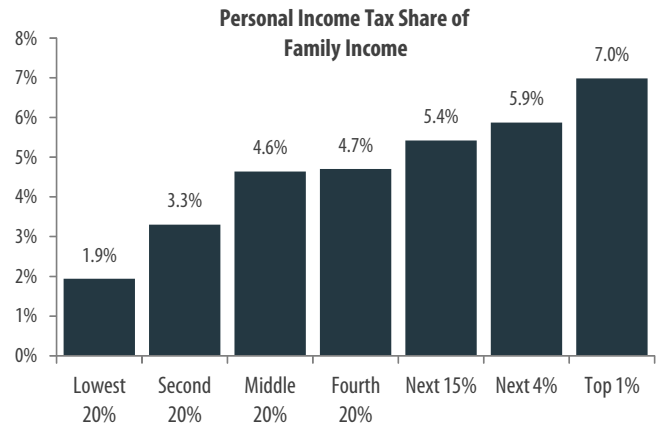
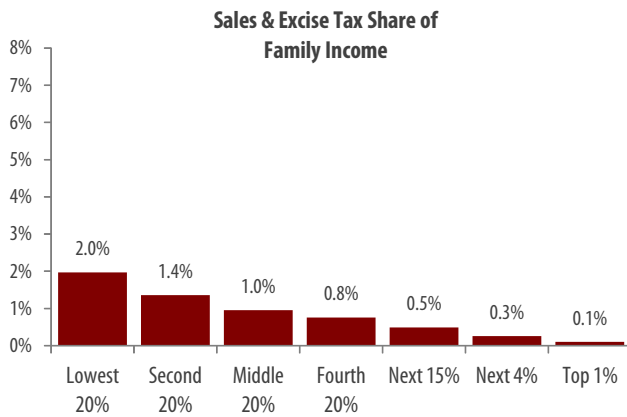
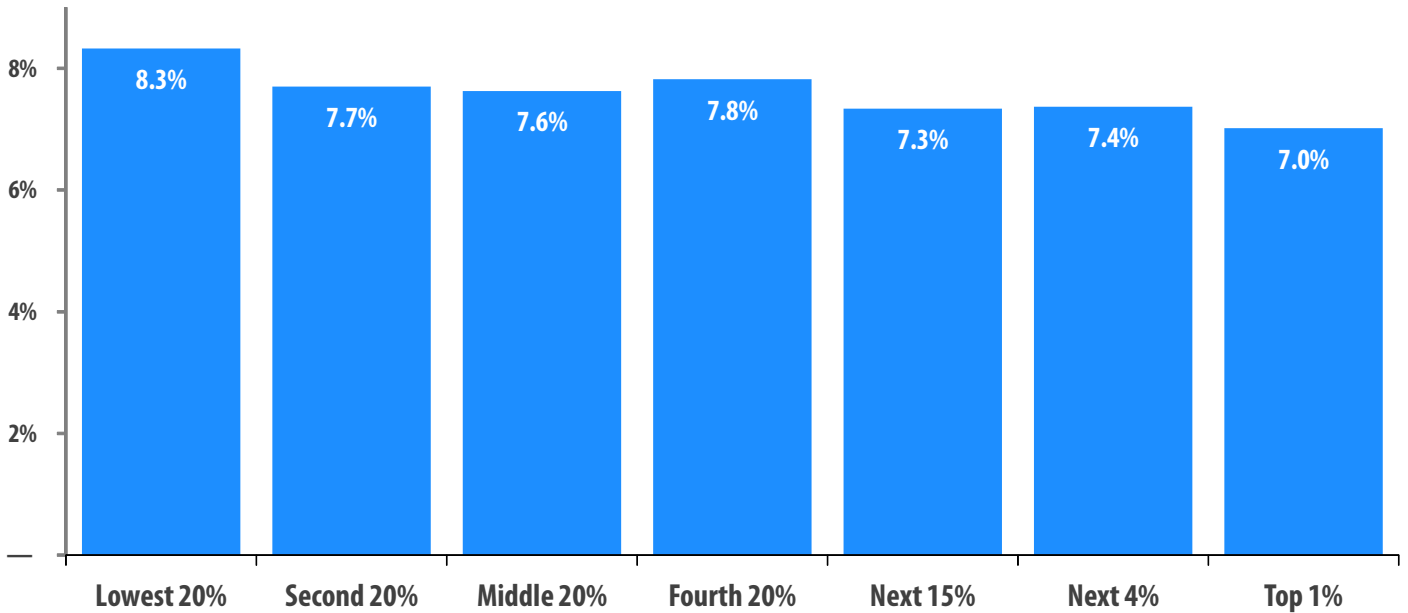
- ▲ Lowered top personal income tax rate to 5.25 percent
- ▲ Standard deduction increased to equal federal levels
- ▲ Expanded property tax cap
- ▲ Expanded retirement tax breaks

Share of Tax Cuts from Recent Reduction in Top Personal Income Tax Rate in Oklahoma by Income Group



Oregon State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Oregon enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Oregon State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$19,000	\$19,000 – \$31,000	\$31,000 – \$53,000	\$53,000 – \$84,000	\$84,000 – \$158,000	\$158,000 – \$330,000	\$330,000 or more
Average Income in Group	\$10,600	\$25,500	\$41,100	\$66,100	\$109,400	\$212,900	\$772,900
Sales & Excise Taxes	2.0%	1.4%	1.0%	0.8%	0.5%	0.3%	0.1%
General Sales—Individuals	—	—	—	—	—	—	—
Other Sales & Excise—Ind.	1.7%	1.2%	0.8%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	0.2%	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%
Property Taxes	4.4%	3.1%	2.4%	3.2%	2.8%	2.6%	1.9%
Property Taxes on Families	4.3%	2.9%	2.2%	2.9%	2.6%	2.1%	1.0%
Other Property Taxes	0.1%	0.2%	0.2%	0.2%	0.3%	0.6%	0.9%
Income Taxes	1.9%	3.3%	4.6%	4.7%	5.4%	5.9%	7.1%
Personal Income Tax	1.9%	3.3%	4.6%	4.7%	5.4%	5.9%	7.0%
Corporate Income Tax	-0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	8.3%	7.7%	8.0%	8.6%	8.8%	8.8%	9.1%
Federal Deduction Offset	0.0%	0.0%	-0.4%	-0.8%	-1.4%	-1.5%	-2.0%
OVERALL TOTAL	8.3%	7.7%	7.6%	7.8%	7.3%	7.4%	7.0%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Income tax brackets, standard deduction, and “exemption” credit indexed to inflation
- ✓ Provides a refundable earned income tax credit (EITC)
- ✓ No statewide sales tax

Regressive Features

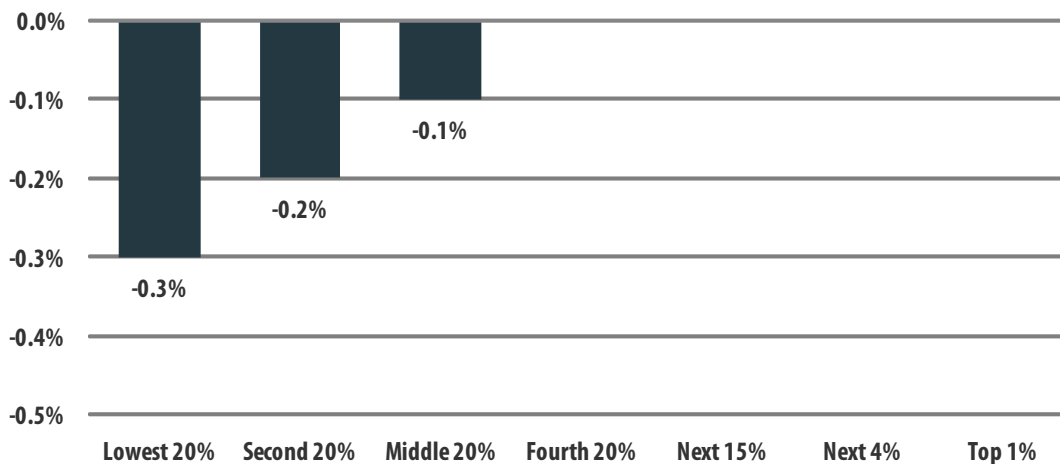
- ✗ Offers a limited income tax deduction for federal income taxes paid
- ✗ Fails to provide a property tax “circuit breaker” credit for non-elderly taxpayers

Recent Developments

- ▲ Temporary top rates of 10.8 and 11 percent were reduced to 9.9 percent in 2012

Oregon's Refundable 6% EITC Lessens Regressivity

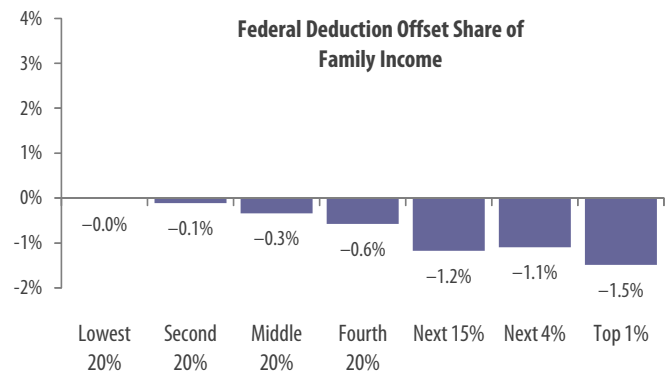
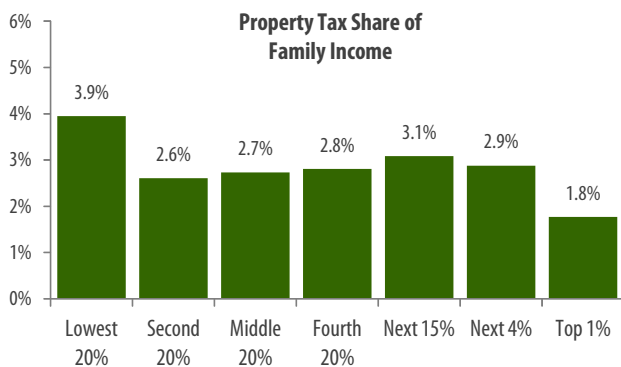
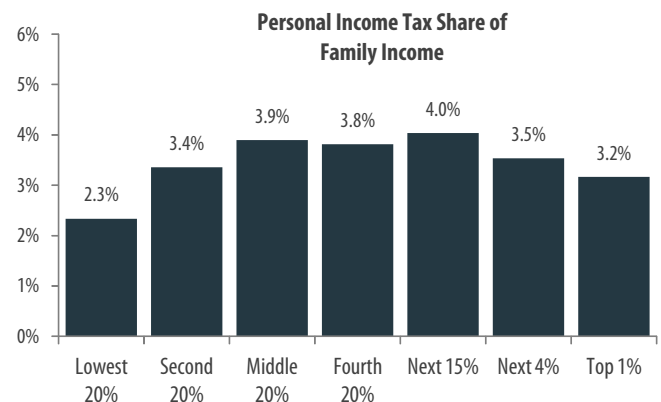
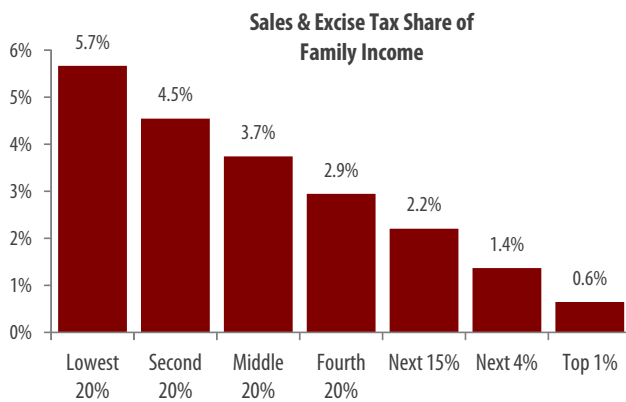
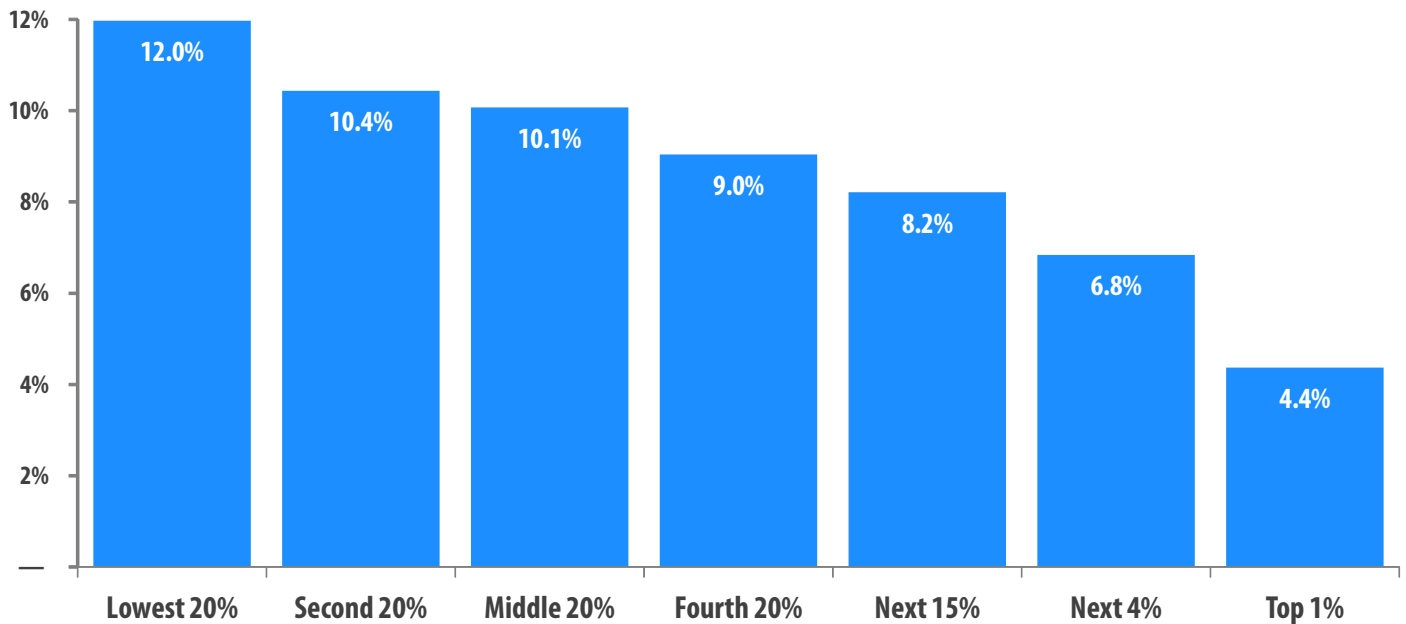
Tax Cut as Share of Income



Pennsylvania State & Local Taxes

#8 of the Terrible 10

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Pennsylvania enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of income, post-federal offset.

Pennsylvania State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$19,000	\$19,000 – \$36,000	\$36,000 – \$58,000	\$58,000 – \$90,000	\$90,000 – \$173,000	\$173,000 – \$391,000	\$391,000 or more
Average Income in Group	\$10,900	\$27,800	\$46,700	\$72,100	\$119,000	\$245,400	\$1,067,100
Sales & Excise Taxes	5.7%	4.5%	3.7%	2.9%	2.2%	1.4%	0.6%
General Sales—Individuals	2.1%	2.0%	1.8%	1.5%	1.2%	0.8%	0.4%
Other Sales & Excise—Ind.	1.9%	1.2%	0.9%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	1.6%	1.3%	1.1%	0.8%	0.6%	0.4%	0.2%
Property Taxes	3.9%	2.6%	2.7%	2.8%	3.1%	2.9%	1.8%
Property Taxes on Families	3.9%	2.5%	2.6%	2.7%	3.0%	2.6%	1.1%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%	0.7%
Income Taxes	2.4%	3.4%	3.9%	3.9%	4.1%	3.7%	3.4%
Personal Income Tax	2.3%	3.4%	3.9%	3.8%	4.0%	3.5%	3.2%
Corporate Income Tax	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.3%
Total Taxes	12.0%	10.5%	10.4%	9.6%	9.4%	7.9%	5.9%
Federal Deduction Offset	0.0%	-0.1%	-0.3%	-0.6%	-1.2%	-1.1%	-1.5%
OVERALL TOTAL	12.0%	10.4%	10.1%	9.0%	8.2%	6.8%	4.4%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

✓ Provides a non-refundable “tax forgiveness” credit to low-income taxpayers

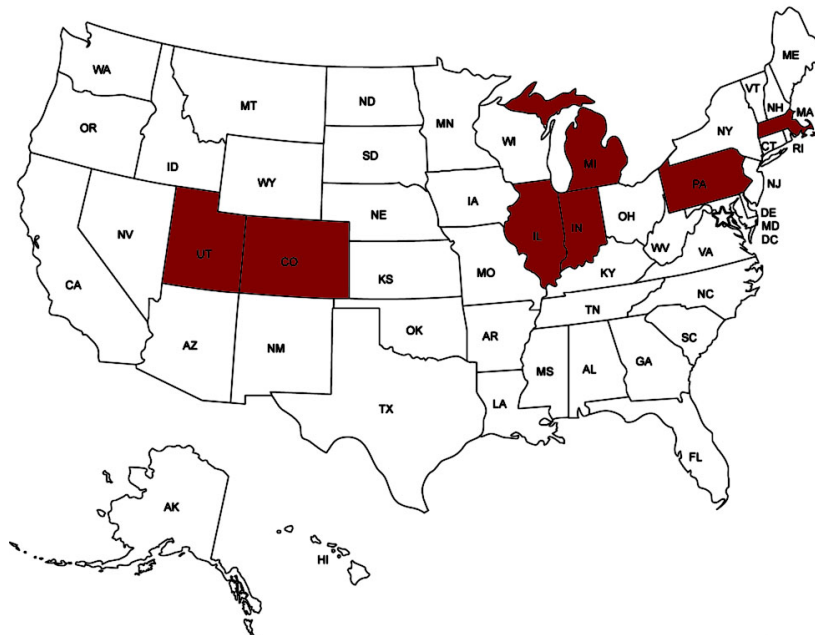
Regressive Features

✗ Income tax uses a single rate structure
 ✗ Fails to use combined reporting as part of its corporate income tax

Recent Developments

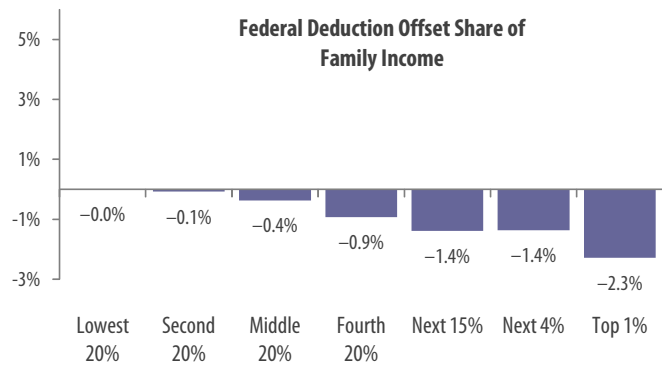
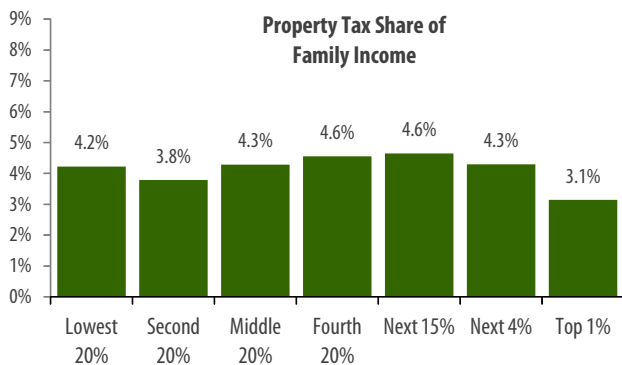
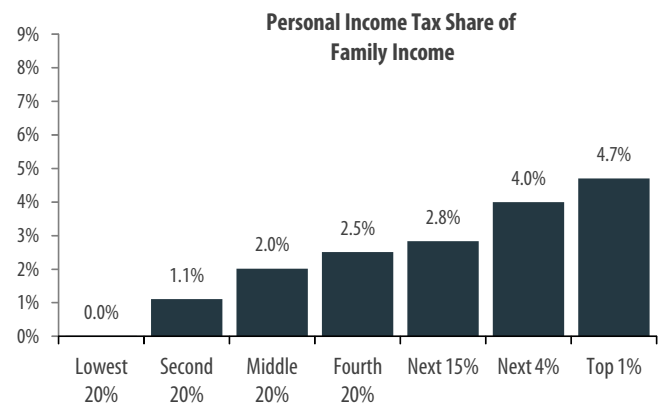
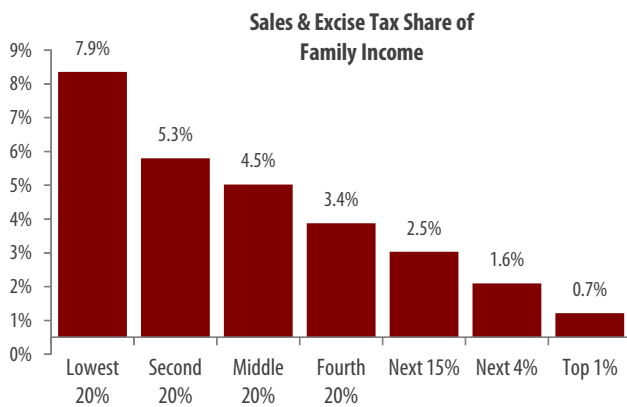
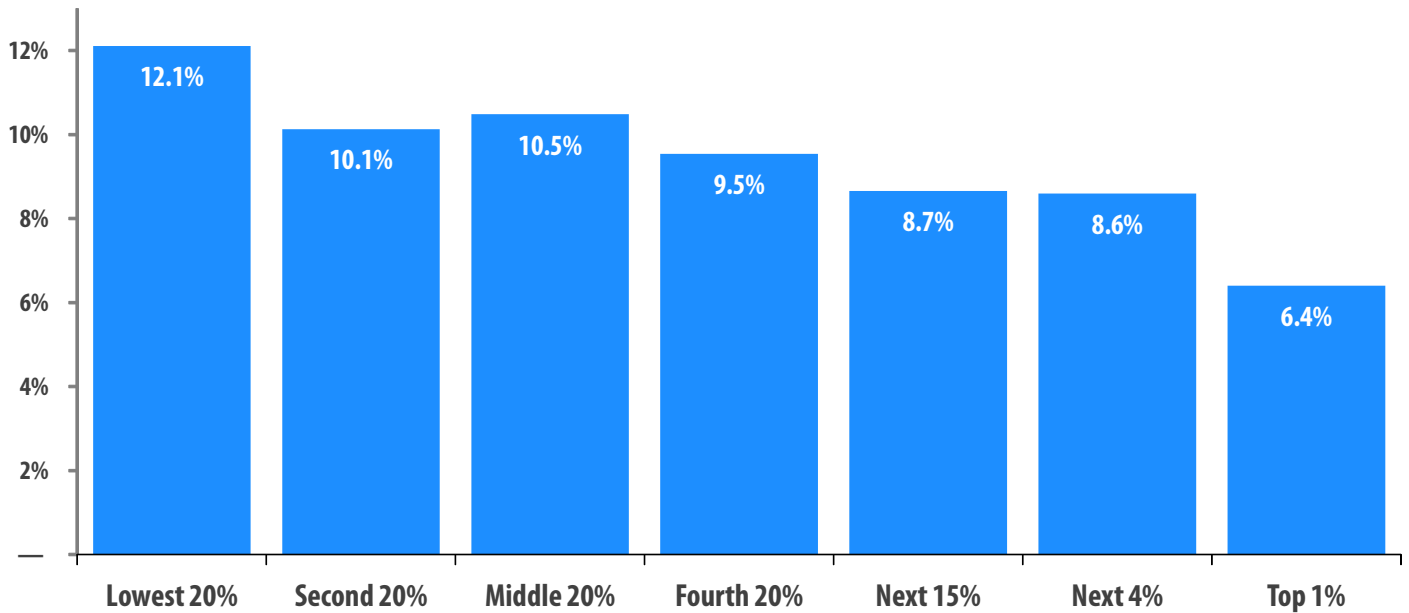
▲ Single-sales factor apportionment rules for calculating corporate income taxes fully phased-in

States With a Flat Rate Personal Income Tax



Rhode Island State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Rhode Island enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of income, post-federal offset.

Rhode Island State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$18,000	\$18,000 – \$33,000	\$33,000 – \$57,000	\$57,000 – \$92,000	\$92,000 – \$170,000	\$170,000 – \$378,000	\$378,000 or more
Average Income in Group	\$9,700	\$25,700	\$45,800	\$72,000	\$119,500	\$236,800	\$912,400
Sales & Excise Taxes	7.9%	5.3%	4.5%	3.4%	2.5%	1.6%	0.7%
General Sales—Individuals	3.3%	2.5%	2.3%	1.8%	1.4%	0.9%	0.4%
Other Sales & Excise—Ind.	2.8%	1.5%	1.2%	0.8%	0.6%	0.3%	0.1%
Sales & Excise on Business	1.8%	1.3%	1.0%	0.8%	0.6%	0.4%	0.2%
Property Taxes	4.2%	3.8%	4.3%	4.6%	4.6%	4.3%	3.1%
Property Taxes on Families	3.9%	3.6%	3.9%	4.2%	4.2%	3.4%	1.6%
Other Property Taxes	0.3%	0.2%	0.4%	0.4%	0.4%	0.9%	1.6%
Income Taxes	0.0%	1.1%	2.1%	2.5%	2.9%	4.1%	4.8%
Personal Income Tax	0.0%	1.1%	2.0%	2.5%	2.8%	4.0%	4.7%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	12.1%	10.2%	10.9%	10.5%	10.0%	10.0%	8.7%
Federal Deduction Offset	0.0%	-0.1%	-0.4%	-0.9%	-1.4%	-1.4%	-2.3%
OVERALL TOTAL	12.1%	10.1%	10.5%	9.5%	8.7%	8.6%	6.4%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Comparatively high standard deduction, personal exemption, and dependent exemption
- ✓ Standard deduction and personal exemption phase-out for upper-income taxpayers
- ✓ Provides a partially refundable earned income tax credit (EITC)
- ✓ Sales tax excludes groceries

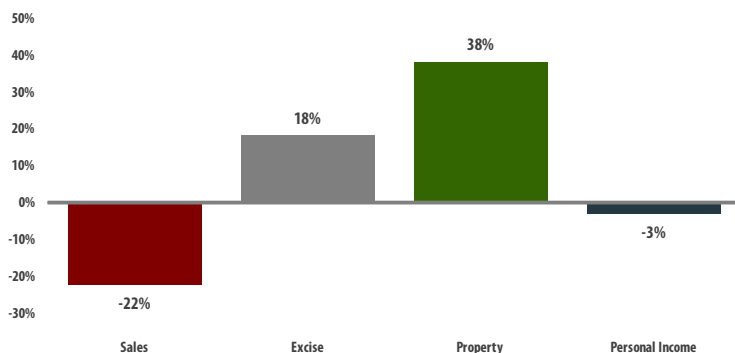
Regressive Features

- ✗ Comparatively high cigarette tax rate
- ✗ Fails to require combined reporting to calculate the corporate income tax

Recent Developments

- ▲ Eliminated itemized deductions, deduction for state income taxes paid, and other miscellaneous credits
- ▲ Eliminated the alternative flat tax and restructured personal income tax brackets and rates
- ▲ Increased the standard deduction and personal exemption and phased both out for upper-income taxpayers
- ▲ Minor broadening of sales tax base to some services and non-prescription drugs
- ▲ Car tax exemption can be lowered from \$6,000 to \$500
- ▲ Corporate minimum tax expanded

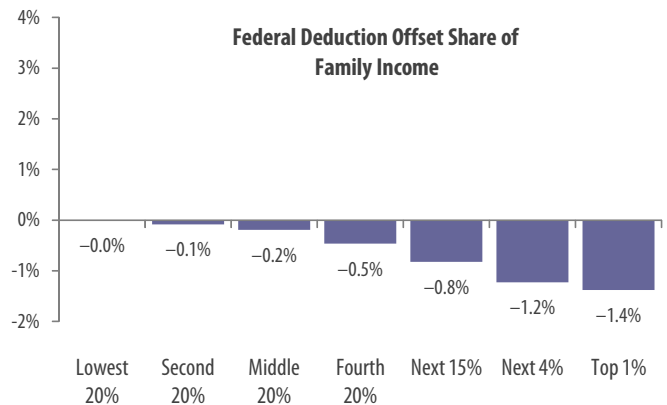
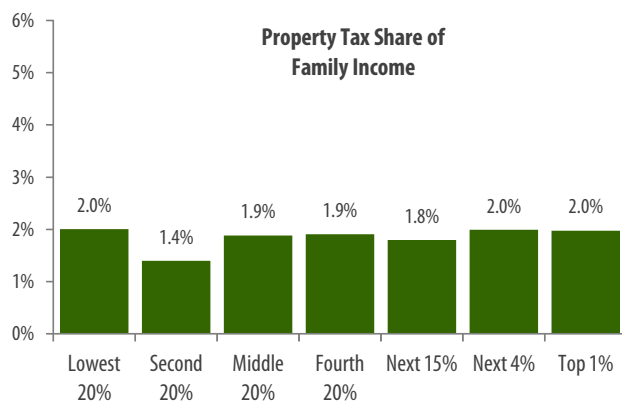
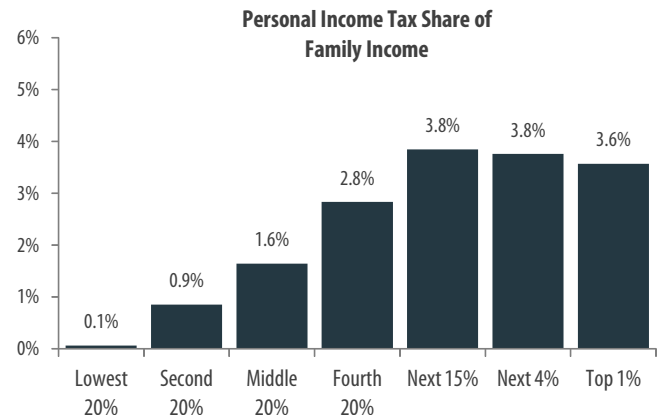
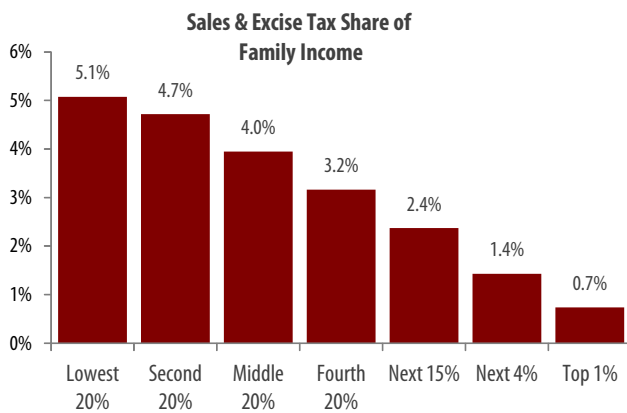
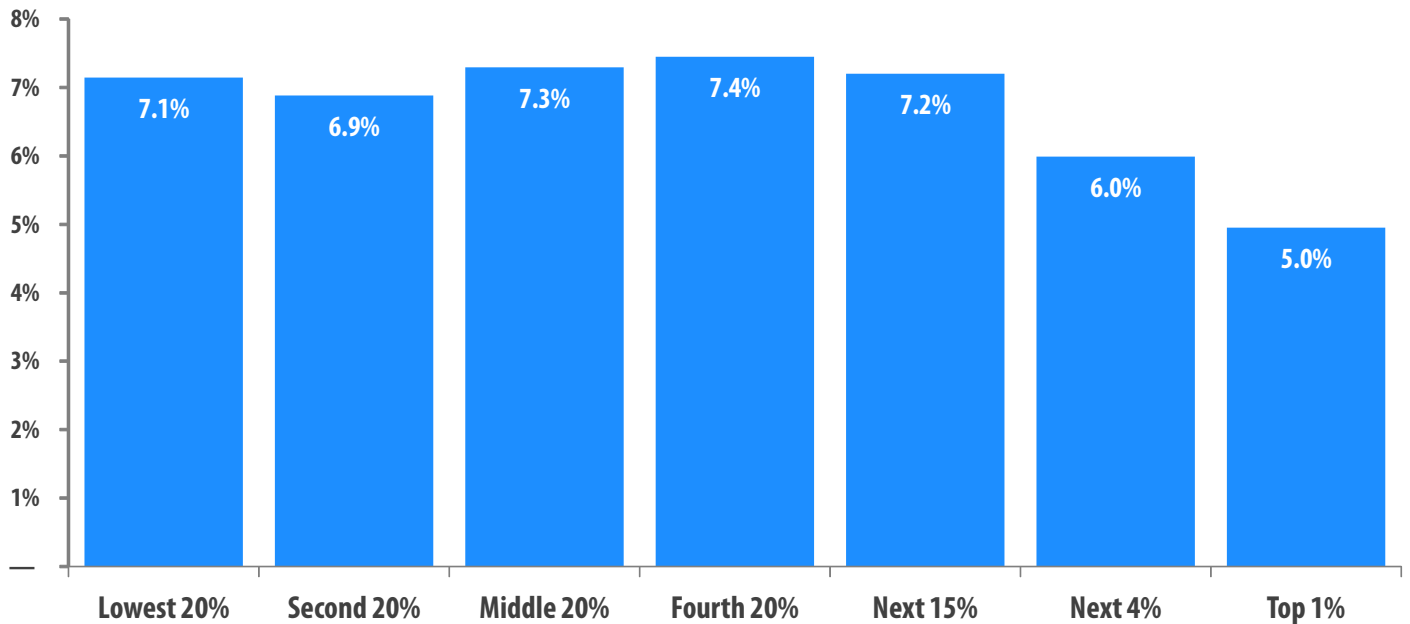
Select State and Local Taxes in Rhode Island Relative to the National Average



Source: Government Finances, US Department of Census

South Carolina State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in South Carolina enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post-federal deduction offset.

South Carolina State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$27,000	\$27,000 – \$42,000	\$42,000 – \$72,000	\$72,000 – \$141,000	\$141,000 – \$328,000	\$328,000 or more
Average Income in Group	\$9,500	\$21,600	\$34,000	\$55,600	\$96,900	\$196,300	\$775,700
Sales & Excise Taxes	5.1%	4.7%	4.0%	3.2%	2.4%	1.4%	0.7%
General Sales—Individuals	2.8%	2.7%	2.3%	1.9%	1.5%	0.9%	0.5%
Other Sales & Excise—Ind.	1.0%	0.8%	0.7%	0.5%	0.3%	0.2%	0.1%
Sales & Excise on Business	1.3%	1.2%	0.9%	0.7%	0.5%	0.3%	0.2%
Property Taxes	2.0%	1.4%	1.9%	1.9%	1.8%	2.0%	2.0%
Property Taxes on Families	1.9%	1.4%	1.7%	1.8%	1.6%	1.4%	0.8%
Other Property Taxes	0.1%	0.0%	0.2%	0.2%	0.2%	0.6%	1.2%
Income Taxes	0.1%	0.9%	1.7%	2.8%	3.9%	3.8%	3.6%
Personal Income Tax	0.1%	0.9%	1.6%	2.8%	3.8%	3.8%	3.6%
Corporate Income Tax	0.0%	-0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Taxes	7.1%	7.0%	7.5%	7.9%	8.0%	7.2%	6.3%
Federal Deduction Offset	0.0%	-0.1%	-0.2%	-0.5%	-0.8%	-1.2%	-1.4%
OVERALL TOTAL	7.1%	6.9%	7.3%	7.4%	7.2%	6.0%	5.0%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Offers an income tax credit for child and dependent care expenses

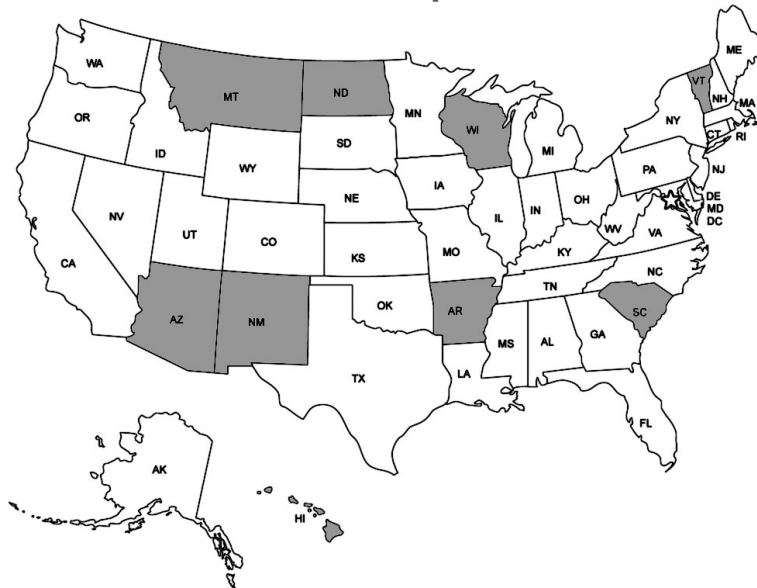
Regressive Features

- ✗ Provides an income tax deduction equal to 44 percent of capital gains income

Recent Developments

- ▲ Created a lower income tax rate for pass through entities
- ▲ Increased the cigarette tax

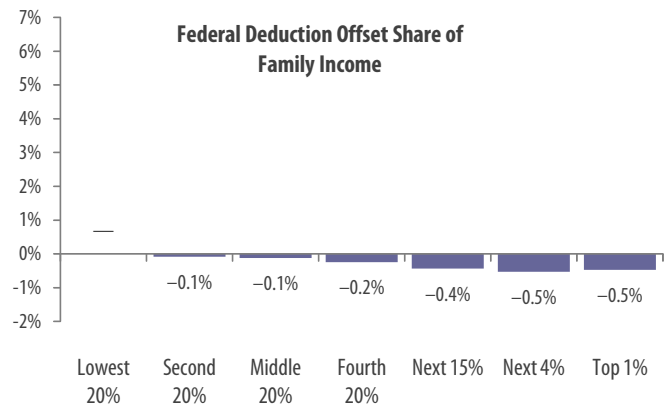
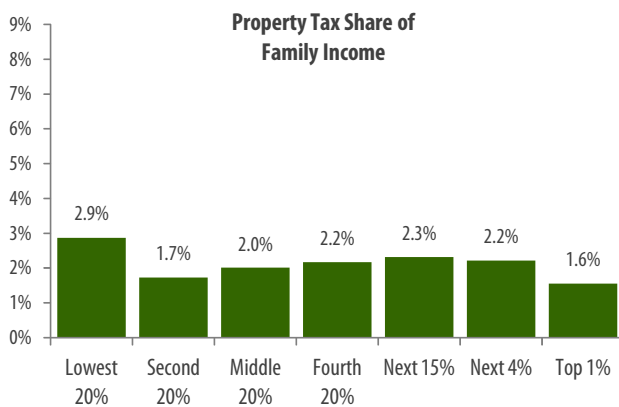
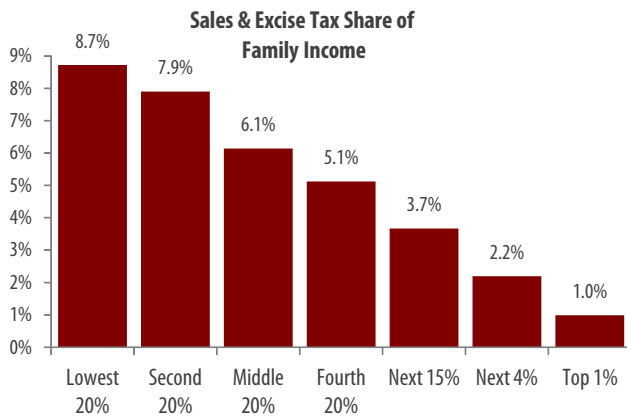
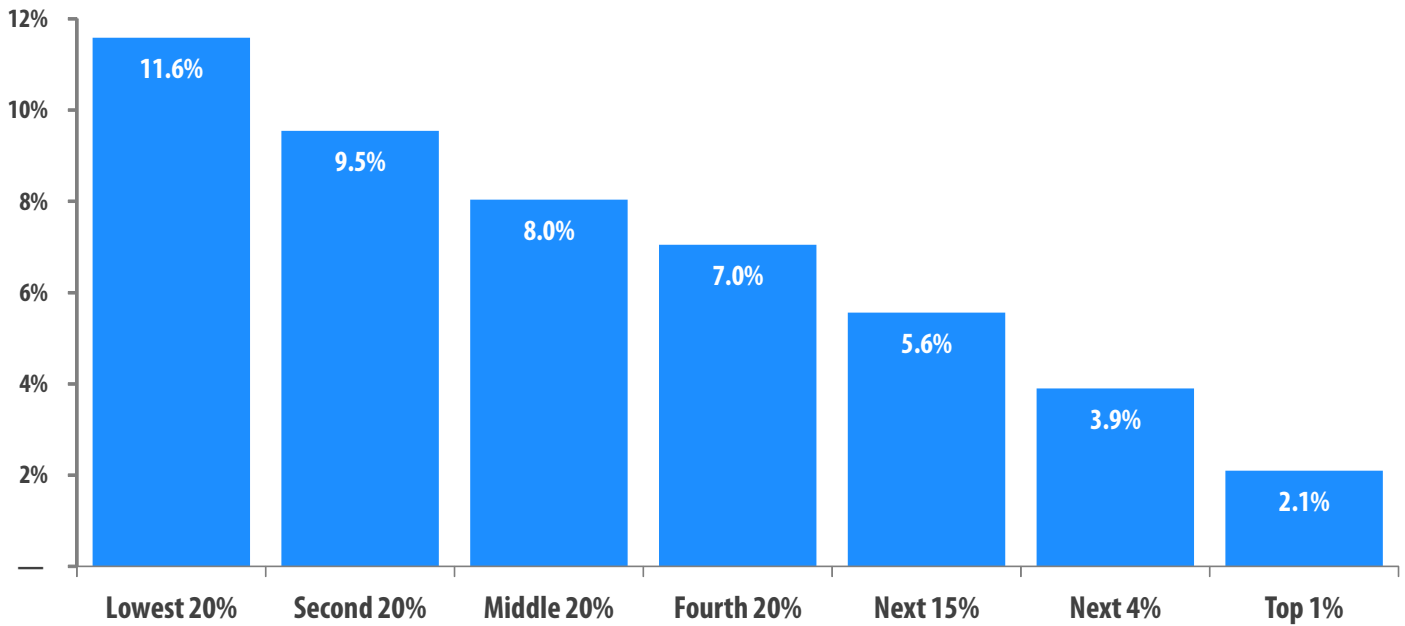
States With Notable Capital Gains Preferences



South Dakota State & Local Taxes

#3 of the Terrible 10

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in South Dakota enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post- federal offset.

South Dakota State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$19,000	\$19,000 – \$36,000	\$36,000 – \$56,000	\$56,000 – \$87,000	\$87,000 – \$155,000	\$155,000 – \$396,000	\$396,000 or more
Average Income in Group	\$11,200	\$27,000	\$45,200	\$68,700	\$108,800	\$222,300	\$1,093,200
Sales & Excise Taxes	8.7%	7.9%	6.1%	5.1%	3.7%	2.2%	1.0%
General Sales—Individuals	4.4%	4.0%	3.3%	2.8%	2.1%	1.3%	0.6%
Other Sales & Excise—Ind.	1.5%	1.2%	0.8%	0.7%	0.4%	0.2%	0.1%
Sales & Excise on Business	2.9%	2.6%	2.0%	1.7%	1.2%	0.7%	0.3%
Property Taxes	2.9%	1.7%	2.0%	2.2%	2.3%	2.2%	1.6%
Property Taxes on Families	2.9%	1.7%	1.9%	2.0%	2.1%	1.7%	0.5%
Other Property Taxes	0.0%	0.0%	0.1%	0.1%	0.2%	0.5%	1.0%
Income Taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	-0.0%	-0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Taxes	11.6%	9.6%	8.2%	7.3%	6.0%	4.4%	2.6%
Federal Deduction Offset	0.0%	-0.1%	-0.1%	-0.2%	-0.4%	-0.5%	-0.5%
OVERALL TOTAL	11.6%	9.5%	8.0%	7.0%	5.6%	3.9%	2.1%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

✓ No Significant Progressive Features

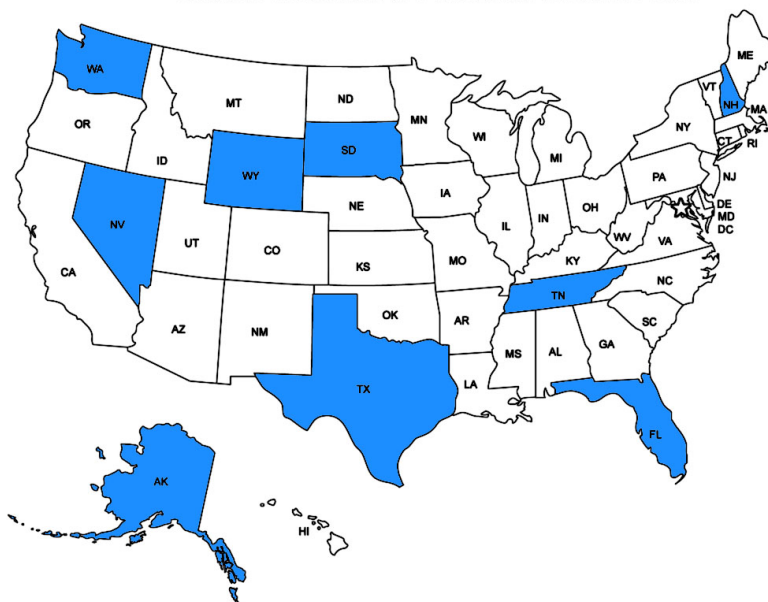
Regressive Features

- ✗ No personal income tax
- ✗ Sales tax base includes groceries
- ✗ No corporate income tax

Recent Developments

▲ Eliminated refund for low-income taxpayers to offset impact of sales tax on food

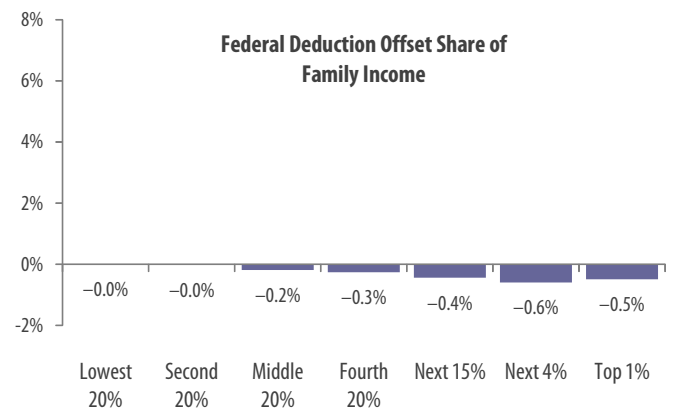
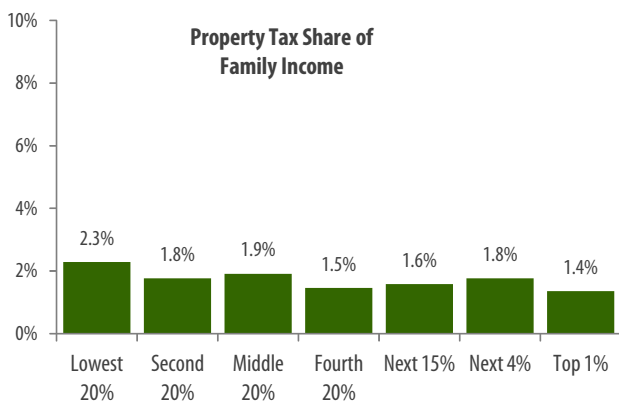
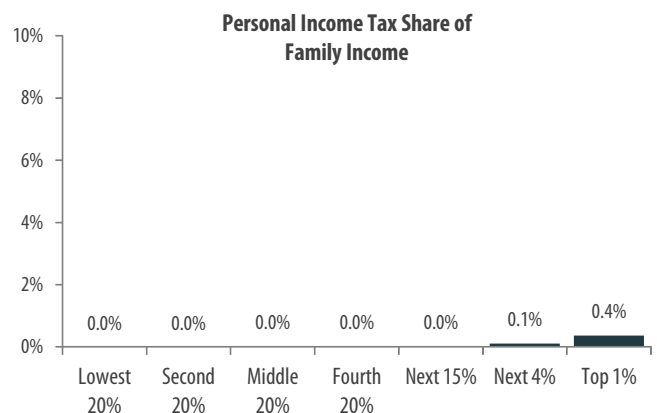
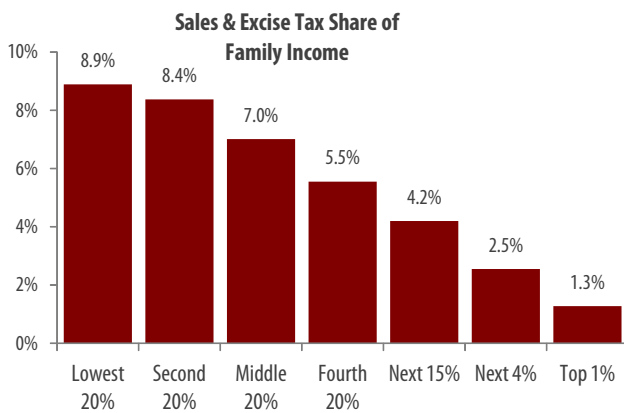
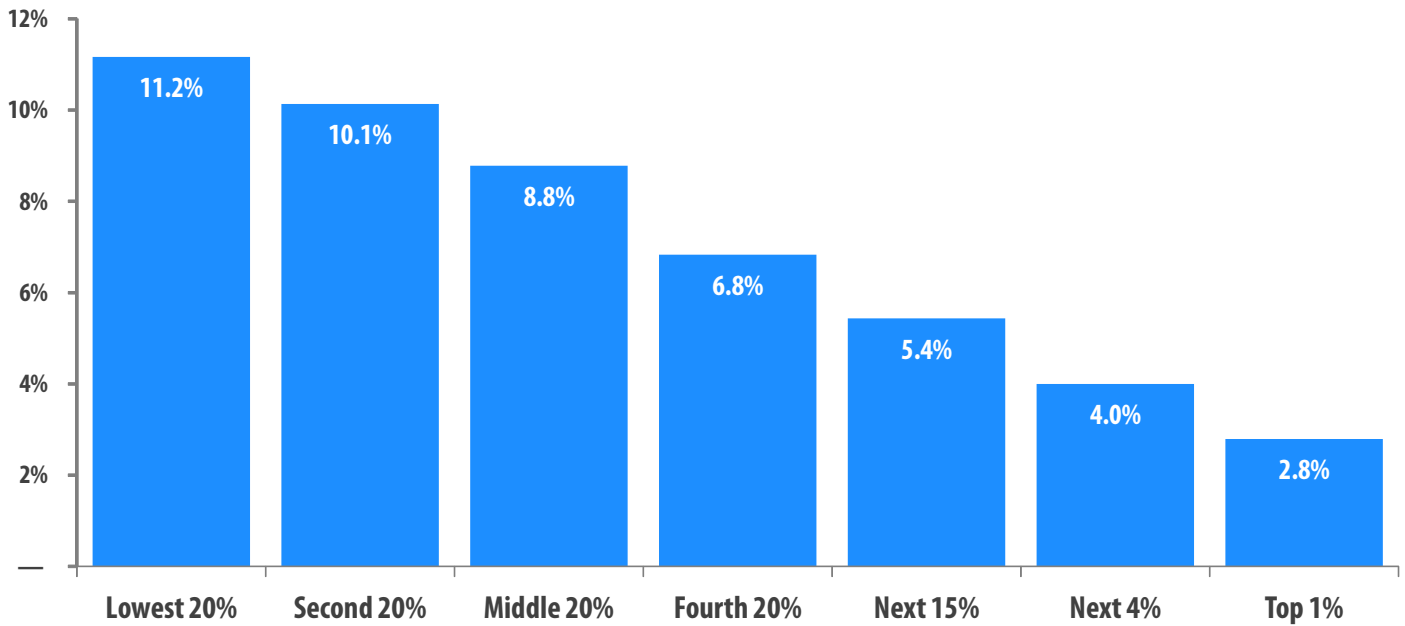
States Without a Personal Income Tax



Tennessee State & Local Taxes

#6 of the Terrible 10

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Tennessee enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Tennessee State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$17,000	\$17,000 – \$29,000	\$29,000 – \$46,000	\$46,000 – \$74,000	\$74,000 – \$146,000	\$146,000 – \$372,000	\$372,000 or more
Average Income in Group	\$10,000	\$23,200	\$37,300	\$57,900	\$98,700	\$209,200	\$945,900
Sales & Excise Taxes	8.9%	8.4%	7.0%	5.5%	4.2%	2.5%	1.3%
General Sales—Individuals	5.4%	5.2%	4.5%	3.7%	2.8%	1.7%	0.8%
Other Sales & Excise—Ind.	1.2%	1.0%	0.7%	0.5%	0.3%	0.2%	0.0%
Sales & Excise on Business	2.3%	2.2%	1.8%	1.4%	1.1%	0.7%	0.4%
Property Taxes	2.3%	1.8%	1.9%	1.5%	1.6%	1.8%	1.4%
Property Taxes on Families	2.3%	1.7%	1.8%	1.3%	1.5%	1.4%	0.6%
Other Property Taxes	0.0%	0.0%	0.1%	0.1%	0.1%	0.4%	0.8%
Income Taxes	0.0%	0.0%	0.0%	0.1%	0.1%	0.3%	0.7%
Personal Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.4%
Corporate Income Tax	-0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.3%
Total Taxes	11.2%	10.2%	9.0%	7.1%	5.9%	4.6%	3.3%
Federal Deduction Offset	0.0%	0.0%	-0.2%	-0.3%	-0.4%	-0.6%	-0.5%
OVERALL TOTAL	11.2%	10.1%	8.8%	6.8%	5.4%	4.0%	2.8%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Taxes interest and dividend income

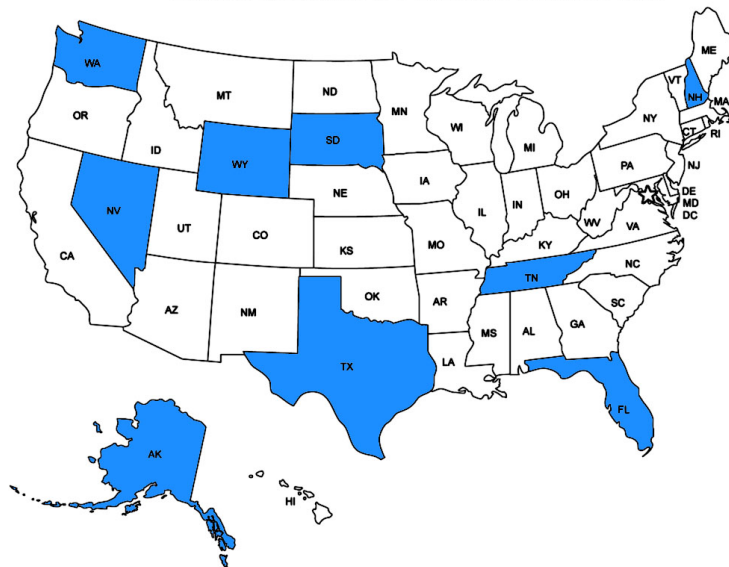
Regressive Features

- ✗ No broad-based personal income tax
- ✗ Comparatively high reliance on sales taxes
- ✗ Groceries included in sales tax base, but taxed at a lower rate than other items

Recent Developments

- ▲ Sales tax rate on groceries lowered from 5.5 to 5.25 percent
- ▲ Amazon will begin to collect sales tax from online purchases in 2014
- ▲ Gradual elimination of inheritance tax

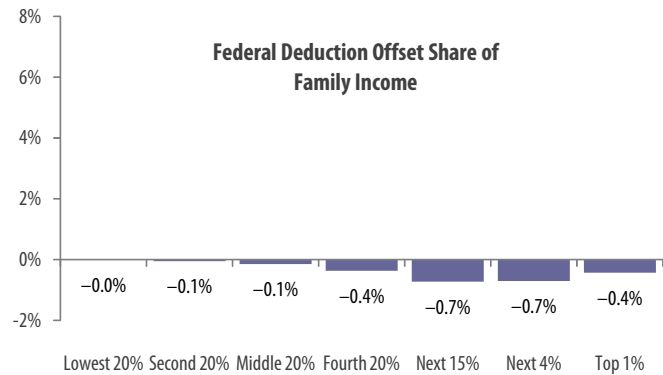
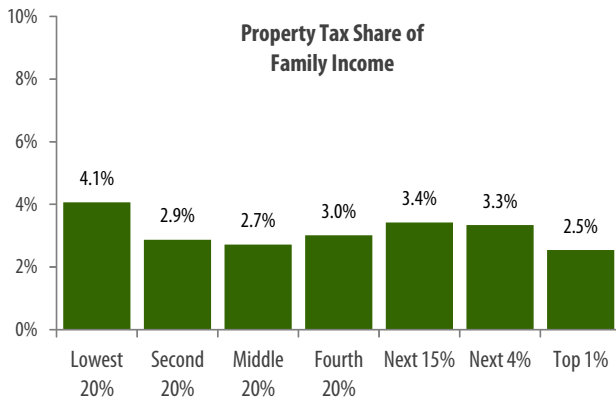
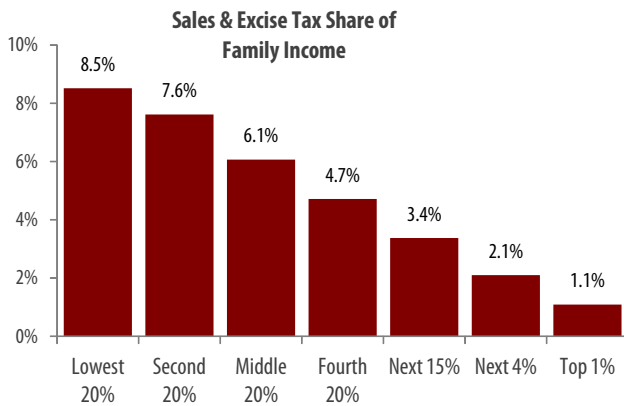
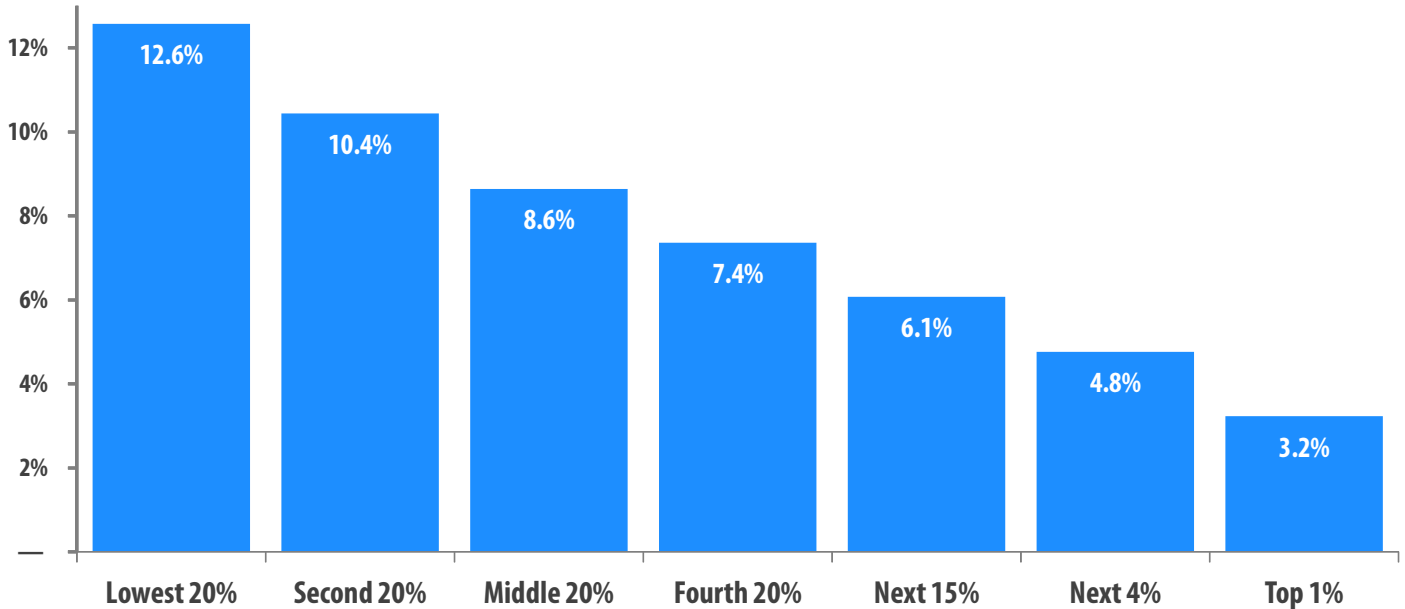
States Without a Personal Income Tax



Texas State & Local Taxes

#5 of the Terrible 10

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Texas enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post- federal offset.

Texas State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$19,000	\$19,000 – \$32,000	\$32,000 – \$52,000	\$52,000 – \$90,000	\$90,000 – \$182,000	\$182,000 – \$437,000	\$437,000 or more
Average Income in Group	\$11,400	\$25,300	\$41,300	\$67,800	\$121,700	\$265,000	\$1,365,600
Sales & Excise Taxes	8.5%	7.6%	6.1%	4.7%	3.4%	2.1%	1.1%
General Sales—Individuals	3.5%	3.4%	2.8%	2.3%	1.7%	1.1%	0.6%
Other Sales & Excise—Ind.	2.1%	1.7%	1.2%	0.9%	0.6%	0.4%	0.1%
Sales & Excise on Business	2.9%	2.6%	2.0%	1.5%	1.1%	0.7%	0.4%
Property Taxes	4.1%	2.9%	2.7%	3.0%	3.4%	3.3%	2.5%
Property Taxes on Families	3.9%	2.7%	2.5%	2.8%	3.1%	2.6%	1.0%
Other Property Taxes	0.1%	0.2%	0.2%	0.3%	0.3%	0.7%	1.6%
Income Taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Taxes	12.6%	10.5%	8.8%	7.7%	6.8%	5.5%	3.7%
Federal Deduction Offset	0.0%	-0.1%	-0.1%	-0.4%	-0.7%	-0.7%	-0.4%
OVERALL TOTAL	12.6%	10.4%	8.6%	7.4%	6.1%	4.8%	3.2%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Sales tax base excludes groceries
- ✓ Requires the use of combined reporting

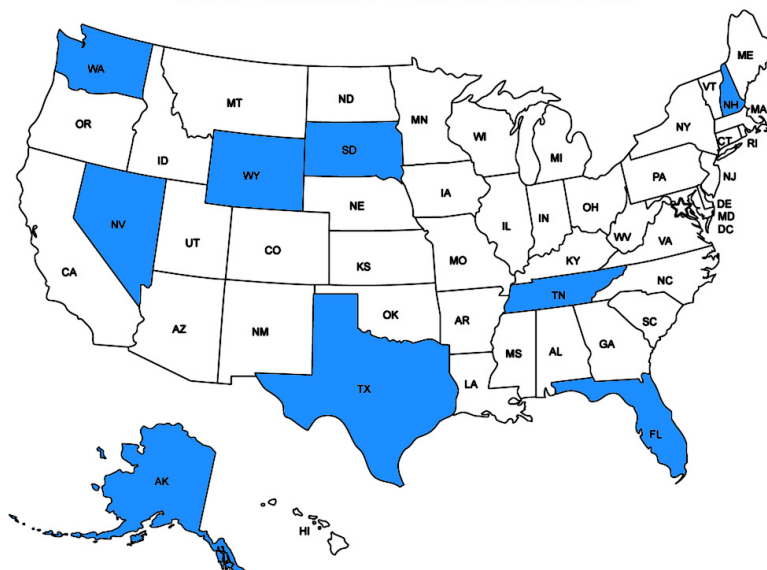
Regressive Features

- ✗ No personal income tax
- ✗ Fails to provide a property tax “circuit breaker” credit for non-elderly taxpayers

Recent Developments

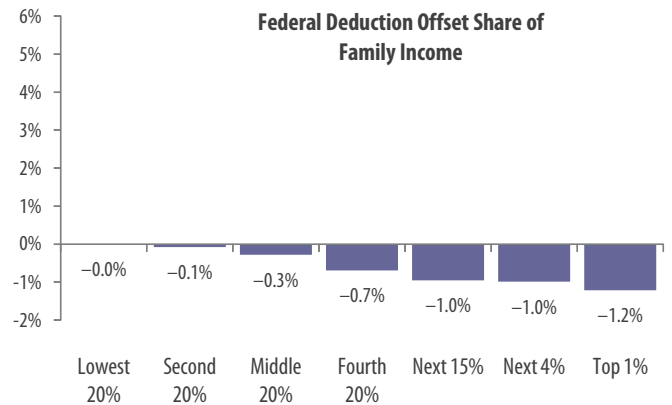
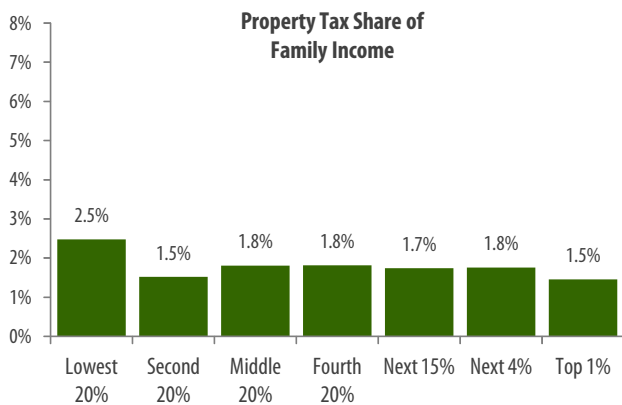
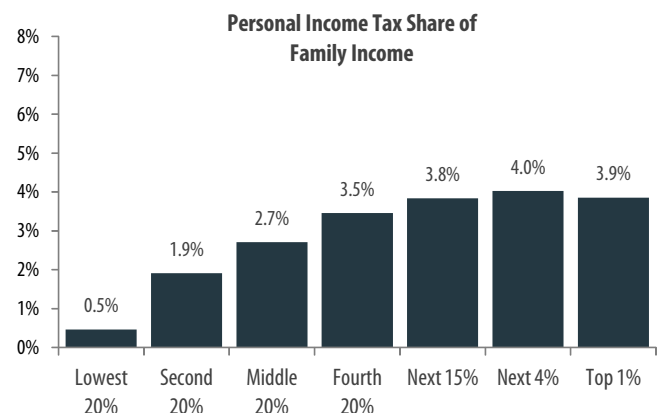
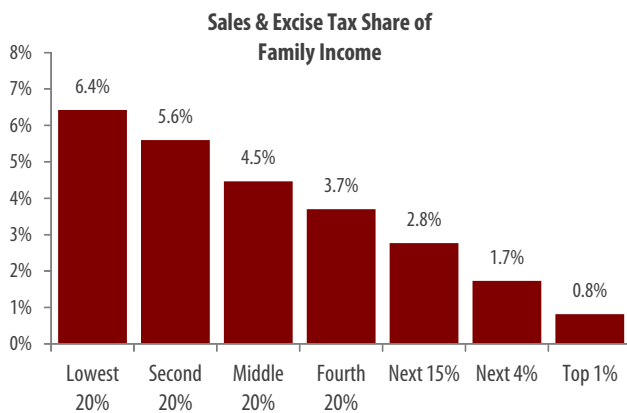
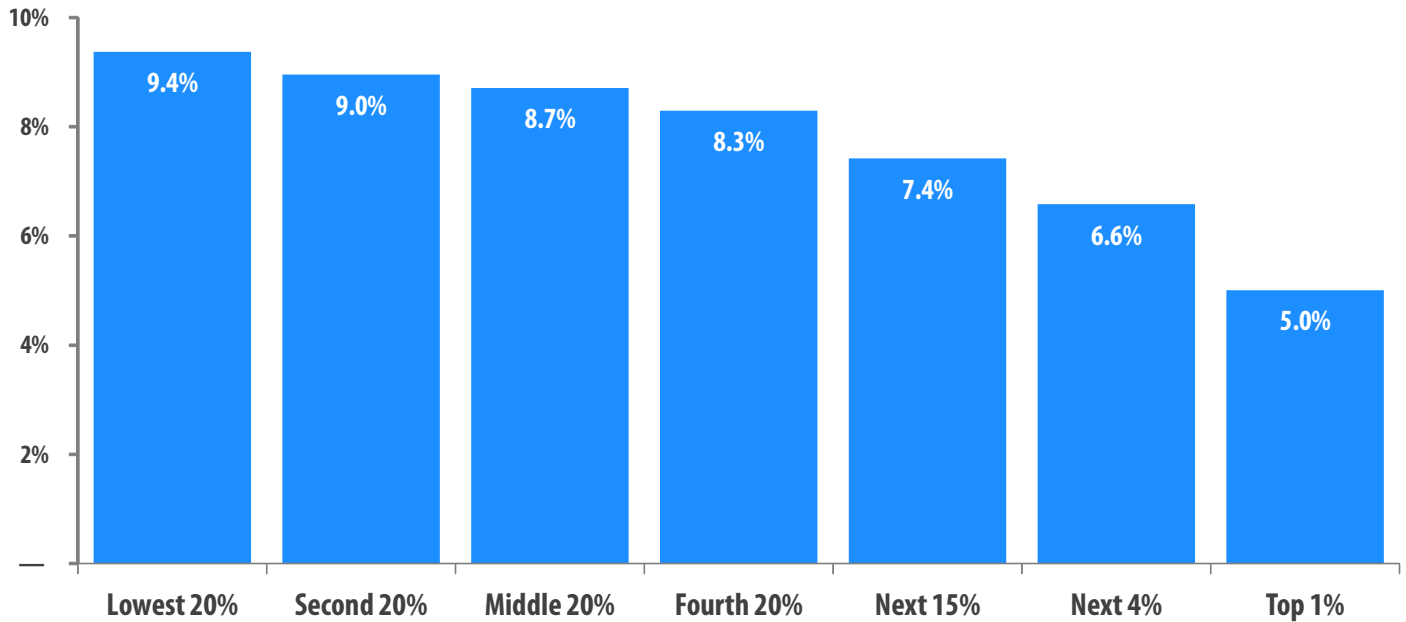
- ▲ Amazon will begin to collect sales tax from online purchases

States Without a Personal Income Tax



Utah State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Utah enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Utah State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$20,000	\$20,000 – \$33,000	\$33,000 – \$53,000	\$53,000 – \$84,000	\$84,000 – \$161,000	\$161,000 – \$359,000	\$359,000 or more
Average Income in Group	\$11,500	\$26,700	\$43,000	\$67,500	\$109,900	\$221,900	\$1,059,600
Sales & Excise Taxes	6.4%	5.6%	4.5%	3.7%	2.8%	1.7%	0.8%
General Sales—Individuals	3.6%	3.3%	2.7%	2.3%	1.8%	1.1%	0.5%
Other Sales & Excise—Ind.	1.1%	0.8%	0.6%	0.4%	0.3%	0.2%	0.0%
Sales & Excise on Business	1.7%	1.5%	1.2%	0.9%	0.7%	0.4%	0.2%
Property Taxes	2.5%	1.5%	1.8%	1.8%	1.7%	1.8%	1.5%
Property Taxes on Families	2.4%	1.5%	1.7%	1.7%	1.6%	1.4%	0.5%
Other Property Taxes	0.0%	0.0%	0.1%	0.1%	0.2%	0.4%	0.9%
Income Taxes	0.5%	1.9%	2.7%	3.5%	3.9%	4.1%	4.0%
Personal Income Tax	0.5%	1.9%	2.7%	3.5%	3.8%	4.0%	3.9%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	9.4%	9.0%	9.0%	9.0%	8.4%	7.6%	6.2%
Federal Deduction Offset	0.0%	-0.1%	-0.3%	-0.7%	-1.0%	-1.0%	-1.2%
OVERALL TOTAL	9.4%	9.0%	8.7%	8.3%	7.4%	6.6%	5.0%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Requires the use of combined reporting

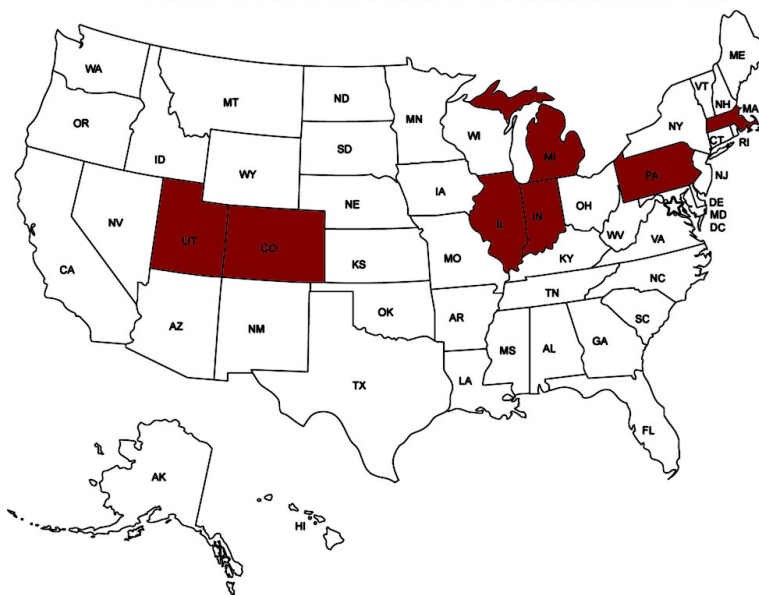
Regressive Features

- ✗ Income tax uses a single rate structure
- ✗ Fails to provide refundable income tax credits to offset impact of sales, excise, and property taxes
- ✗ Groceries included in sales tax base, but taxed at a lower rate than other items

Recent Developments

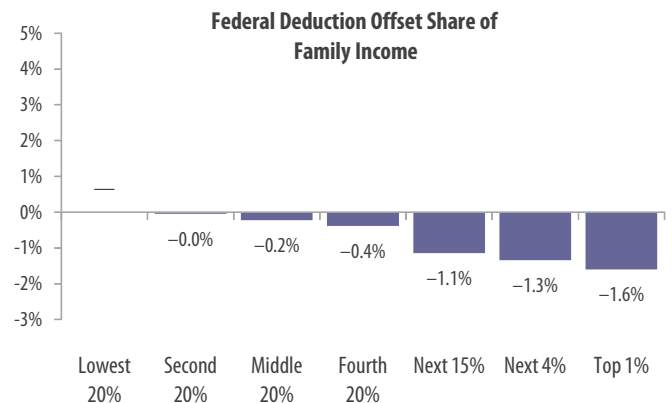
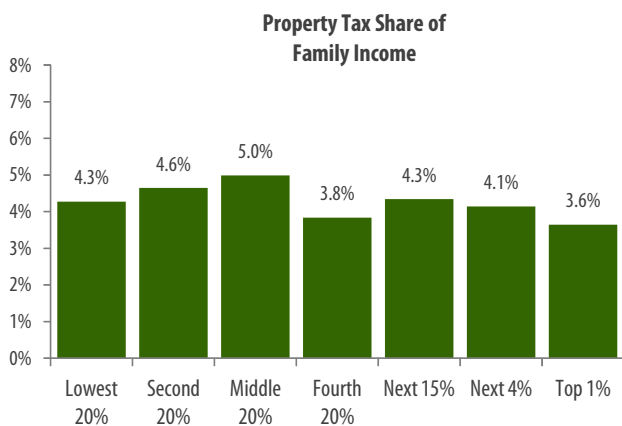
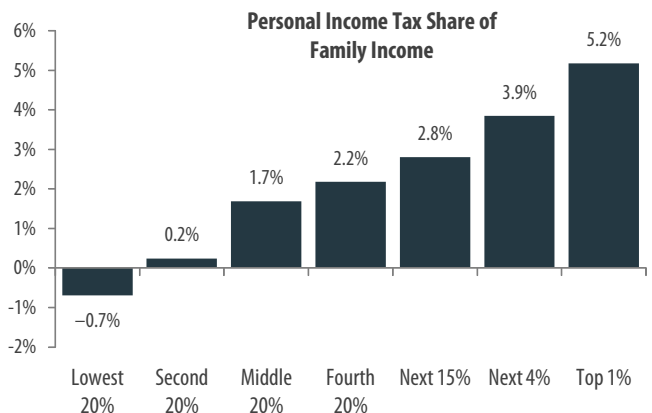
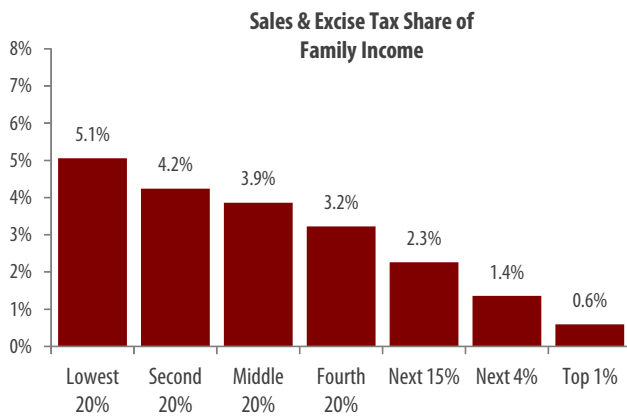
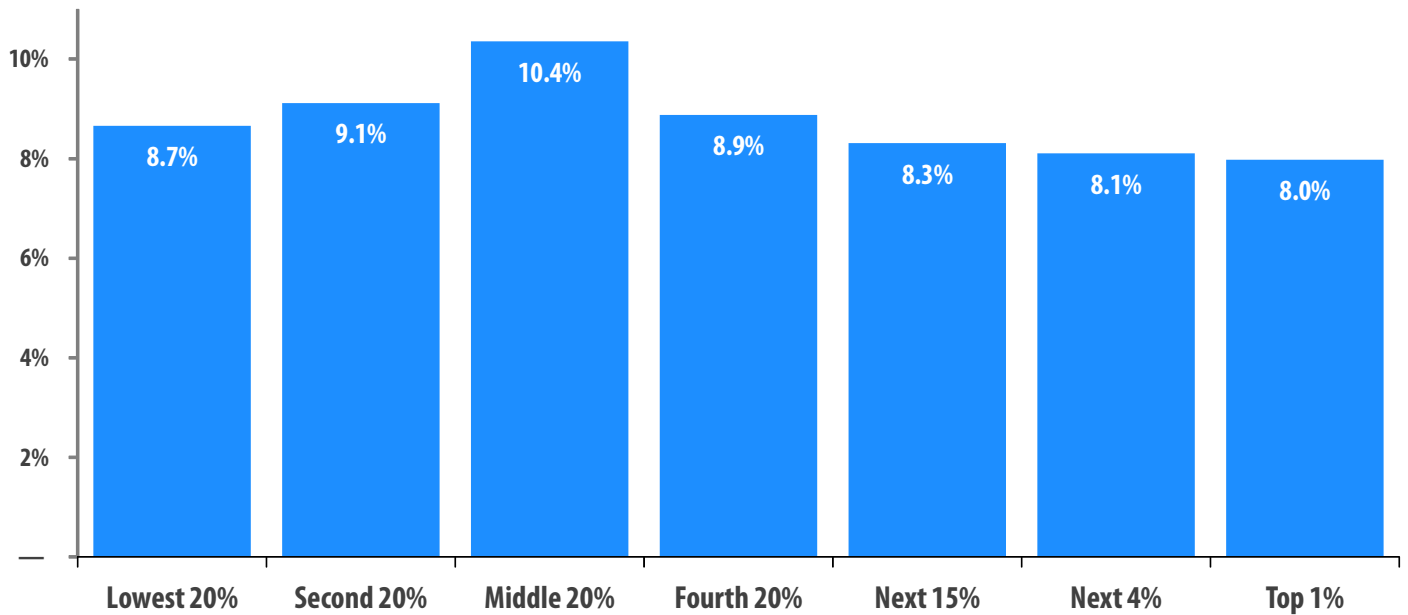
- ▲ No Significant developments

States With a Flat Rate Personal Income Tax



Vermont State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Vermont enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of income, post-federal offset.

Vermont State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$19,000	\$19,000 – \$36,000	\$36,000 – \$54,000	\$54,000 – \$83,000	\$83,000 – \$154,000	\$154,000 – \$338,000	\$338,000 or more
Average Income in Group	\$11,300	\$27,300	\$43,600	\$65,800	\$107,400	\$214,100	\$776,000
Sales & Excise Taxes	5.1%	4.2%	3.9%	3.2%	2.3%	1.4%	0.6%
General Sales—Individuals	2.1%	2.1%	2.0%	1.8%	1.3%	0.8%	0.4%
Other Sales & Excise—Ind.	1.7%	1.0%	0.9%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	1.2%	1.1%	0.9%	0.8%	0.5%	0.3%	0.2%
Property Taxes	4.3%	4.6%	5.0%	3.8%	4.3%	4.1%	3.6%
Property Taxes on Families	4.0%	4.2%	4.5%	3.5%	3.8%	3.1%	1.5%
Other Property Taxes	0.3%	0.4%	0.5%	0.3%	0.5%	1.0%	2.2%
Income Taxes	-0.7%	0.3%	1.7%	2.2%	2.9%	3.9%	5.3%
Personal Income Tax	-0.7%	0.2%	1.7%	2.2%	2.8%	3.9%	5.2%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	8.7%	9.2%	10.6%	9.3%	9.5%	9.4%	9.6%
Federal Deduction Offset	0.0%	0.0%	-0.2%	-0.4%	-1.1%	-1.3%	-1.6%
OVERALL TOTAL	8.7%	9.1%	10.4%	8.9%	8.3%	8.1%	8.0%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides a large, refundable earned income tax credit (EITC)
- ✓ Offers a refundable property tax “circuit breaker” credit to low-income taxpayers
- ✓ Many resident homeowners pay school taxes based on income rather than property value

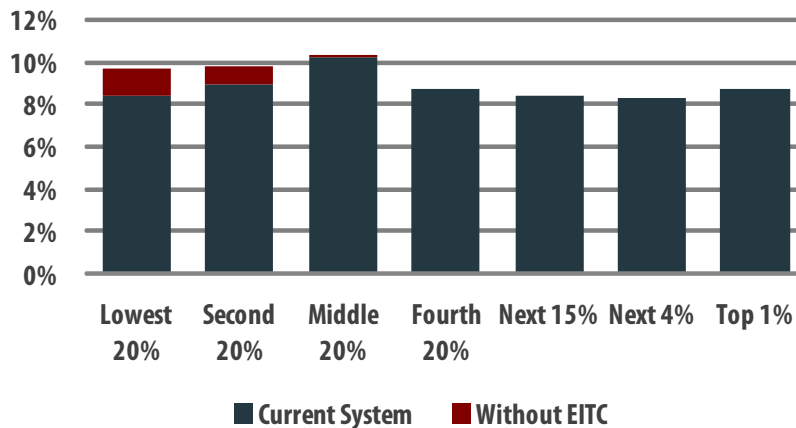
Regressive Features

- ✗ Comparatively high cigarette tax rate
- ✗ Small capital gains tax break

Recent Developments

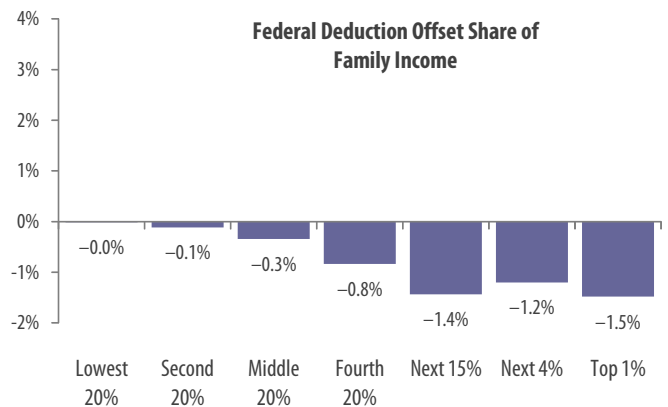
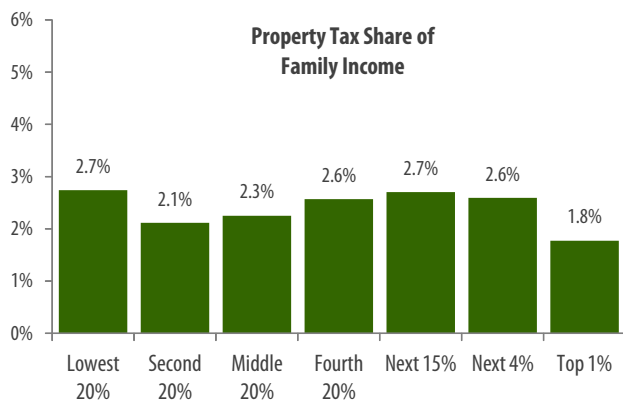
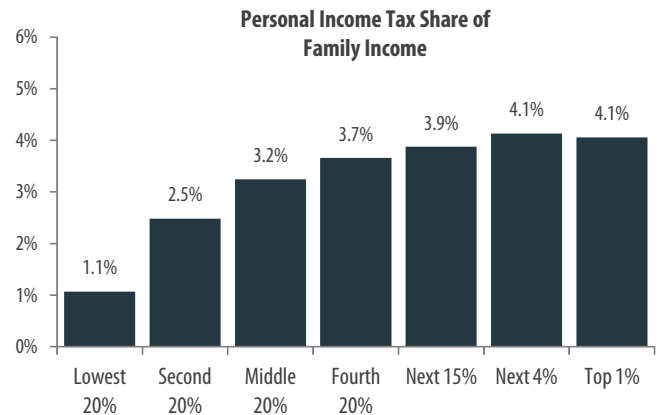
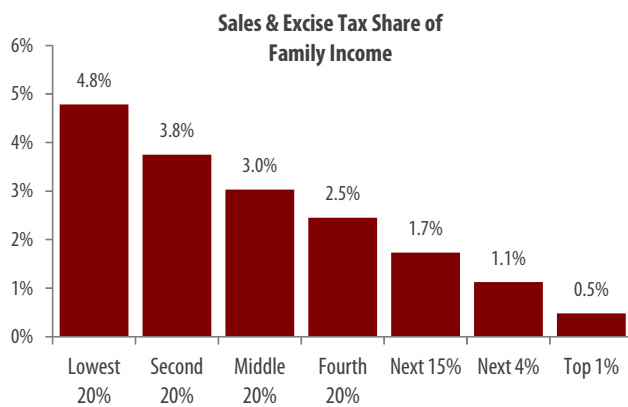
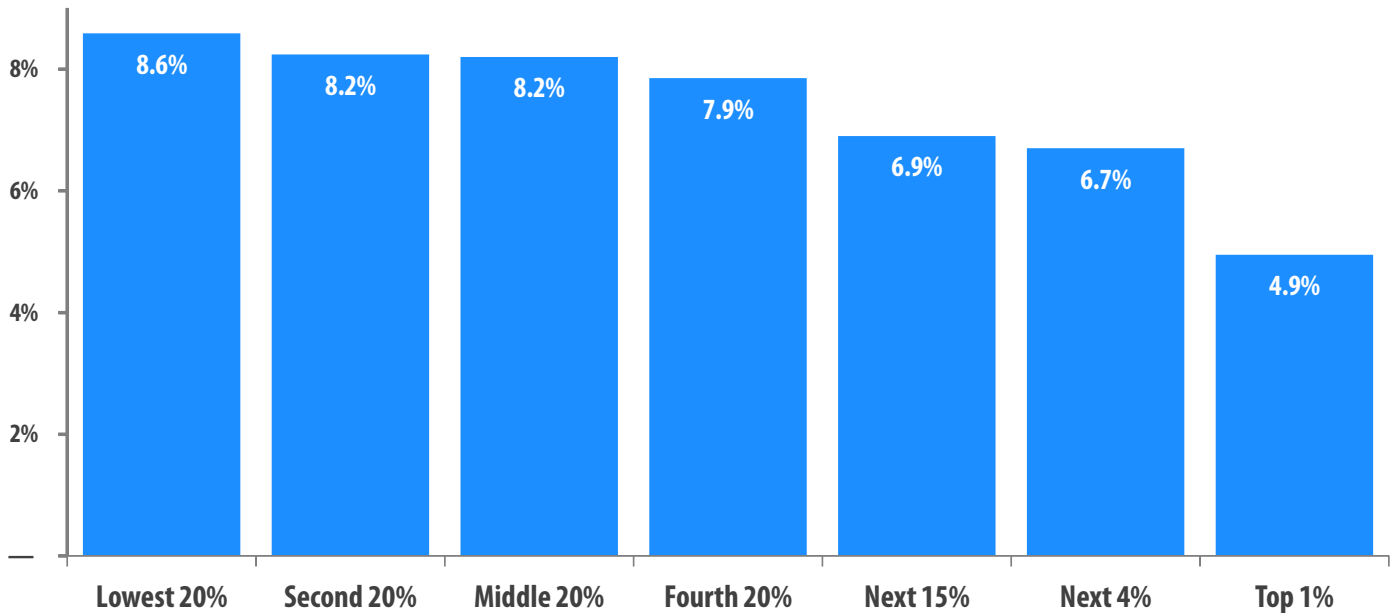
- ▲ Reinstated 40 percent exclusion for certain capital gains; all other gains subject to \$5,000 exclusion

Vermont's EITC Improves Tax Fairness



Virginia State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Virginia enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Virginia State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$20,000	\$20,000 – \$37,000	\$37,000 – \$60,000	\$60,000 – \$100,000	\$100,000 – \$203,000	\$203,000 – \$479,000	\$479,000 or more
Average Income in Group	\$11,400	\$27,700	\$47,300	\$78,400	\$137,000	\$284,000	\$1,286,500
Sales & Excise Taxes	4.8%	3.8%	3.0%	2.5%	1.7%	1.1%	0.5%
General Sales—Individuals	2.6%	2.1%	1.8%	1.5%	1.1%	0.7%	0.3%
Other Sales & Excise—Ind.	1.1%	0.8%	0.6%	0.4%	0.3%	0.2%	0.1%
Sales & Excise on Business	1.1%	0.8%	0.7%	0.5%	0.4%	0.2%	0.1%
Property Taxes	2.7%	2.1%	2.3%	2.6%	2.7%	2.6%	1.8%
Property Taxes on Families	2.6%	2.0%	2.2%	2.5%	2.5%	2.3%	0.8%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	1.0%
Income Taxes	1.1%	2.5%	3.3%	3.7%	3.9%	4.2%	4.2%
Personal Income Tax	1.1%	2.5%	3.2%	3.7%	3.9%	4.1%	4.1%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total Taxes	8.6%	8.4%	8.5%	8.7%	8.3%	7.9%	6.4%
Federal Deduction Offset	0.0%	-0.1%	-0.3%	-0.8%	-1.4%	-1.2%	-1.5%
OVERALL TOTAL	8.6%	8.2%	8.2%	7.9%	6.9%	6.7%	4.9%

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides a non-refundable earned income tax credit (EITC)

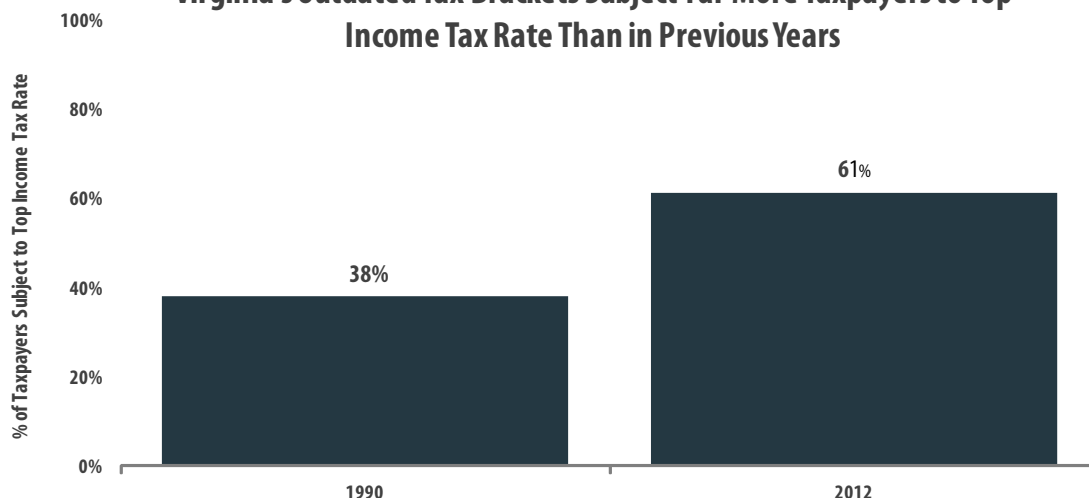
Regressive Features

- ✗ Narrow income tax brackets mean majority of taxpayers pay top income tax rate
- ✗ Fails to provide refundable income tax credits to offset the impact of sales, excise, and property taxes
- ✗ Groceries included in sales tax base, but taxed at a lower rate than other items

Recent Developments

- ▲ Amazon will begin to collect sales tax from online purchases

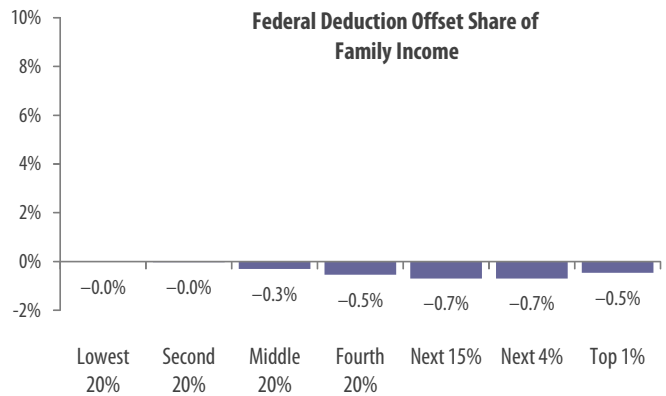
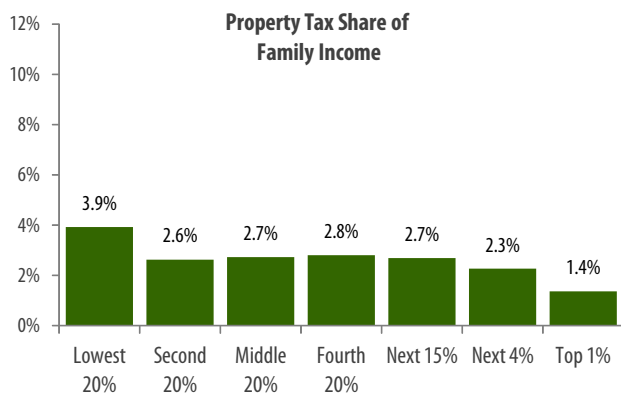
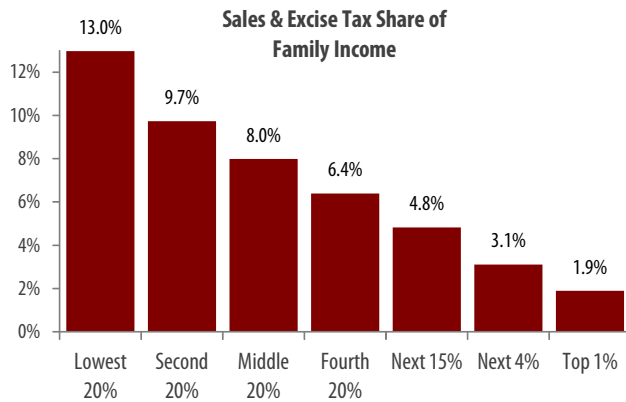
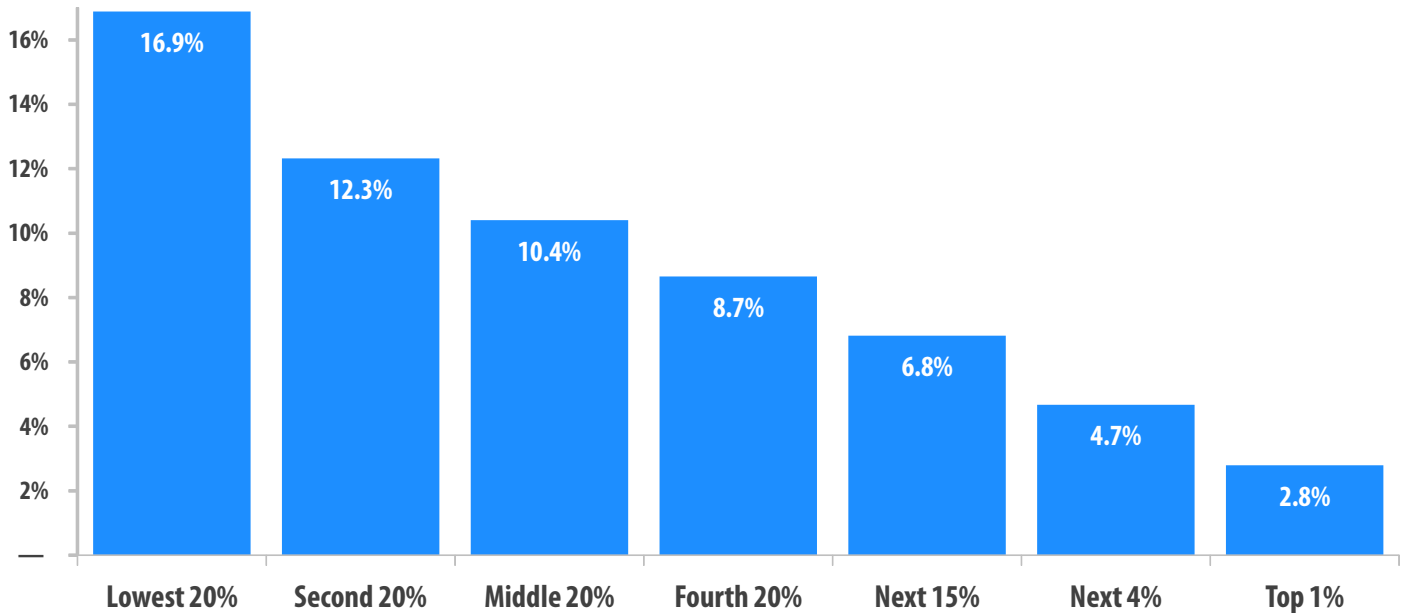
Virginia's Outdated Tax Brackets Subject Far More Taxpayers to Top Income Tax Rate Than in Previous Years



Washington State & Local Taxes

#1 of the Terrible 10

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Washington enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Washington State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$20,000	\$20,000 – \$38,000	\$38,000 – \$60,000	\$60,000 – \$95,000	\$95,000 – \$176,000	\$176,000 – \$430,000	\$430,000 or more
Average Income in Group	\$11,500	\$28,600	\$49,600	\$76,800	\$123,900	\$249,600	\$1,131,500
Sales & Excise Taxes	13.0%	9.7%	8.0%	6.4%	4.8%	3.1%	1.9%
General Sales—Individuals	4.1%	3.3%	2.9%	2.4%	1.8%	1.2%	0.6%
Other Sales & Excise—Ind.	4.1%	2.7%	2.1%	1.6%	1.1%	0.7%	0.3%
Sales & Excise on Business	4.8%	3.7%	3.0%	2.4%	1.8%	1.2%	0.9%
Property Taxes	3.9%	2.6%	2.7%	2.8%	2.7%	2.3%	1.4%
Property Taxes on Families	3.9%	2.6%	2.6%	2.7%	2.6%	1.9%	0.7%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%	0.7%
Income Taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	—	—	—	—	—	—	—
Total Taxes	16.9%	12.4%	10.7%	9.2%	7.5%	5.4%	3.3%
Federal Deduction Offset	0.0%	0.0%	-0.3%	-0.5%	-0.7%	-0.7%	-0.5%
OVERALL TOTAL	16.9%	12.3%	10.4%	8.7%	6.8%	4.7%	2.8%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Provides a refundable earned income tax credit (EITC) contingent upon state appropriation

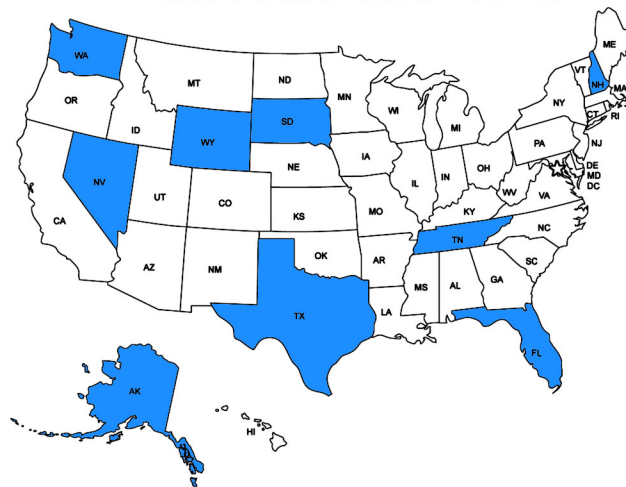
Regressive Features

- ✗ No personal income tax
- ✗ Comparatively high reliance on sales taxes
- ✗ Comparatively high combined state and local sales tax rate

Recent Developments

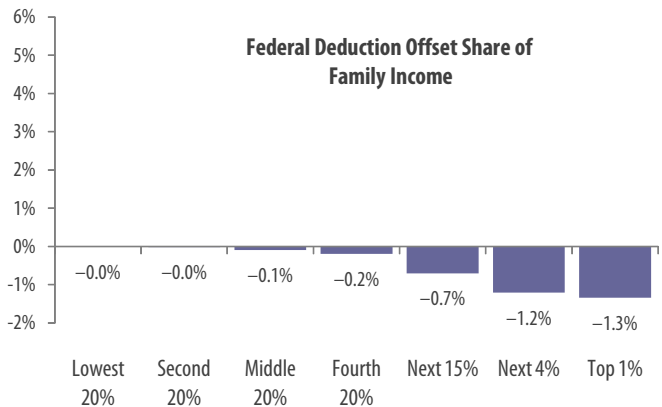
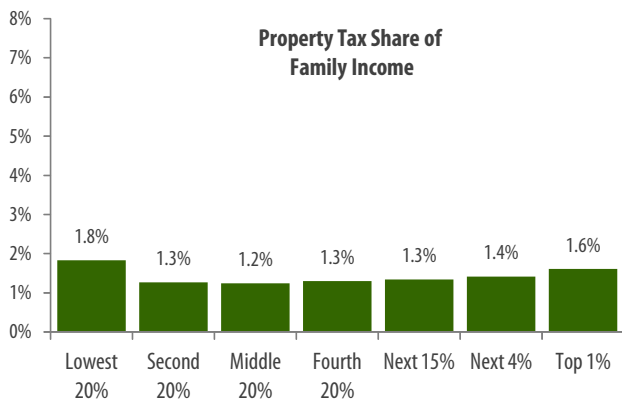
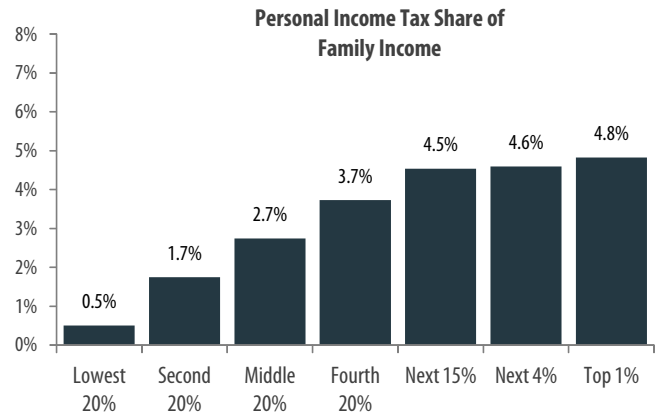
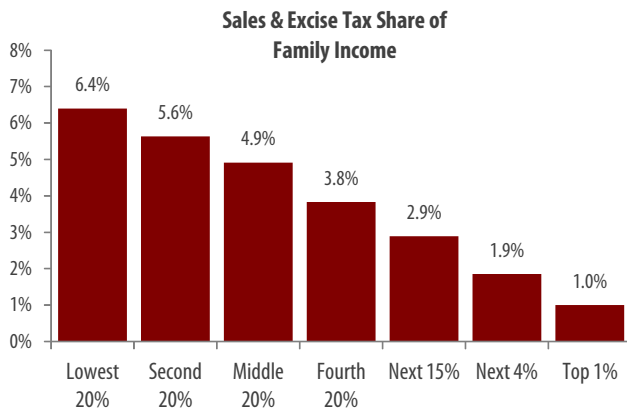
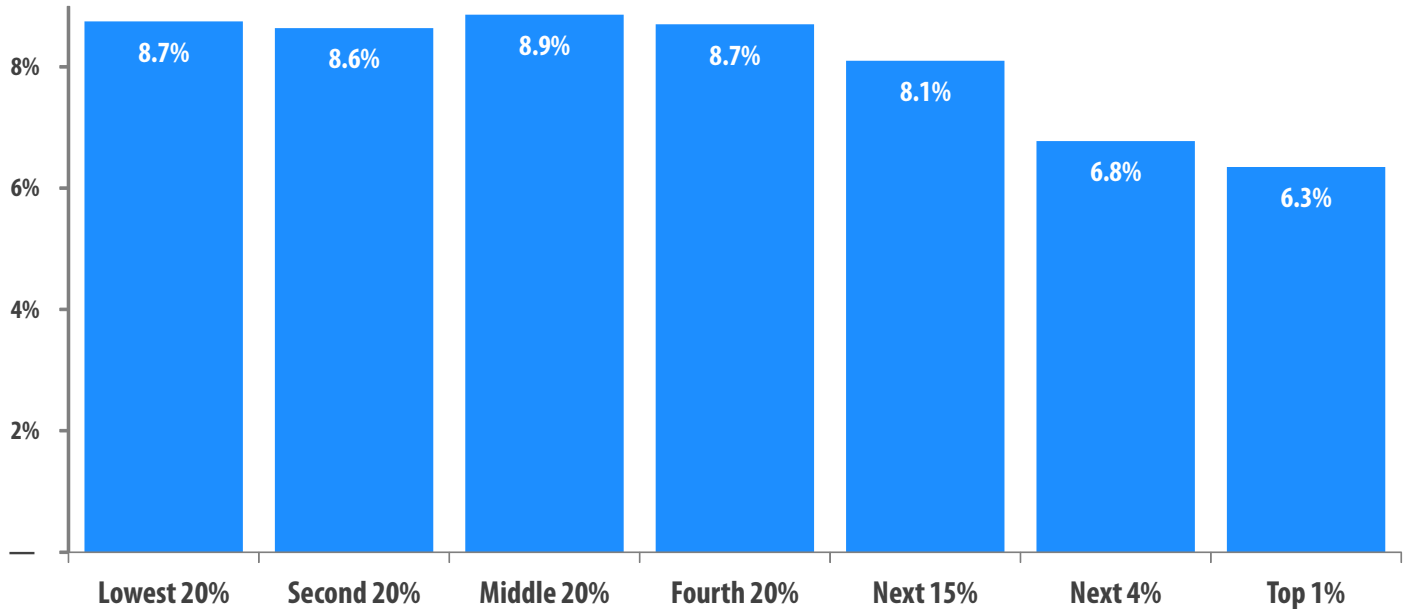
- ▲ Increased cigarette tax
- ▲ Increased alcohol tax

States Without a Personal Income Tax



West Virginia State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in West Virginia enacted through January 2, 2013 at 2010 income levels. Groceries are removed from the sales tax base, as is scheduled to occur in July 2013. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

West Virginia State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$28,000	\$28,000 – \$47,000	\$47,000 – \$73,000	\$73,000 – \$137,000	\$137,000 – \$282,000	\$282,000 or more
Average Income in Group	\$9,000	\$21,400	\$35,400	\$58,300	\$94,100	\$175,800	\$595,000
Sales & Excise Taxes	6.4%	5.6%	4.9%	3.8%	2.9%	1.9%	1.0%
General Sales—Individuals	3.1%	3.0%	2.8%	2.2%	1.7%	1.1%	0.6%
Other Sales & Excise—Ind.	2.2%	1.6%	1.3%	0.9%	0.6%	0.4%	0.1%
Sales & Excise on Business	1.1%	1.0%	0.9%	0.7%	0.5%	0.4%	0.2%
Property Taxes	1.8%	1.3%	1.2%	1.3%	1.3%	1.4%	1.6%
Property Taxes on Families	1.8%	1.2%	1.1%	1.2%	1.2%	1.0%	0.6%
Other Property Taxes	0.1%	0.1%	0.2%	0.1%	0.2%	0.4%	1.0%
Income Taxes	0.5%	1.8%	2.8%	3.8%	4.6%	4.7%	5.1%
Personal Income Tax	0.5%	1.7%	2.7%	3.7%	4.5%	4.6%	4.8%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	8.8%	8.7%	9.0%	8.9%	8.8%	8.0%	7.7%
Federal Deduction Offset	0.0%	0.0%	-0.1%	-0.2%	-0.7%	-1.2%	-1.3%
OVERALL TOTAL	8.7%	8.6%	8.9%	8.7%	8.1%	6.8%	6.3%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Sales tax base excludes groceries (effective July 1, 2013)
- ✓ Requires the use of combined reporting

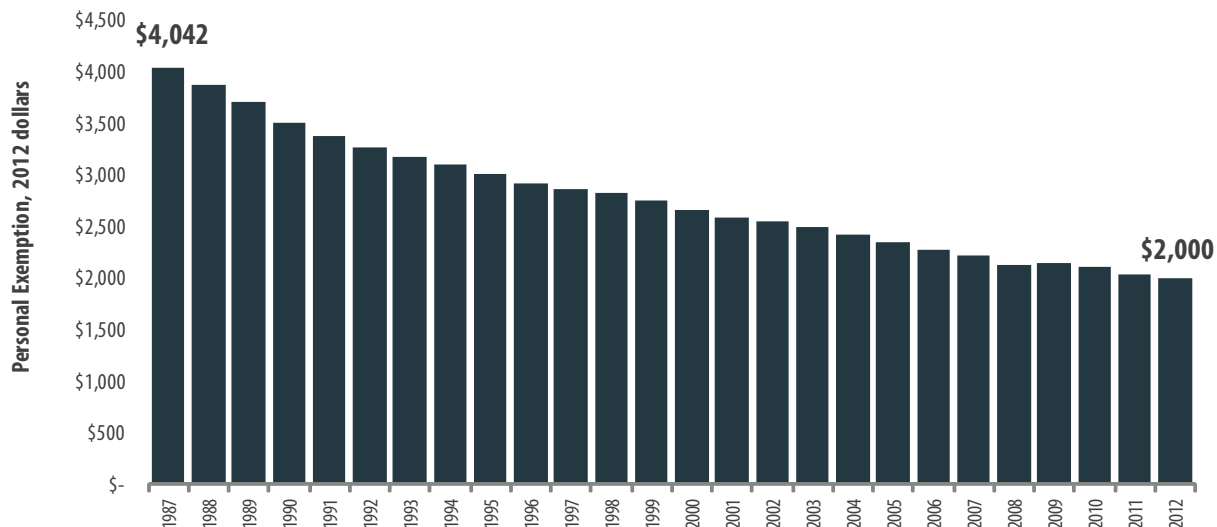
Regressive Features

- ✗ Fails to provide a refundable earned income tax credit (EITC) or other refundable credits to offset the impact of sales and excise taxes
- ✗ Fails to index personal income tax exemptions or brackets to inflation

Recent Developments

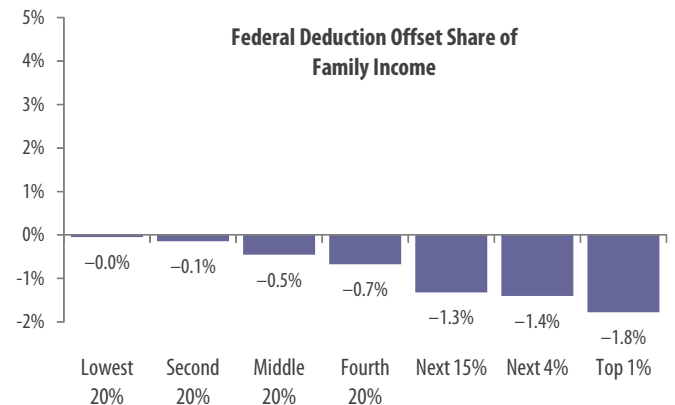
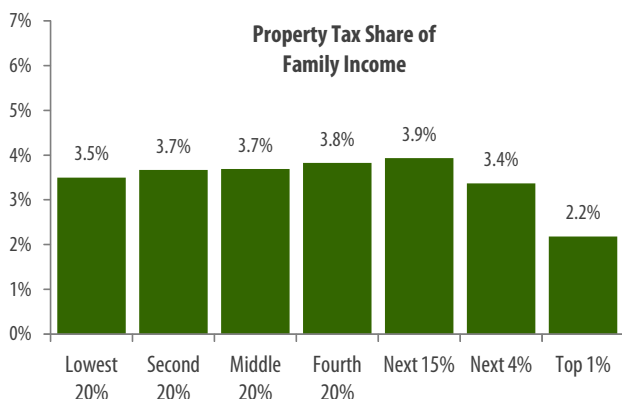
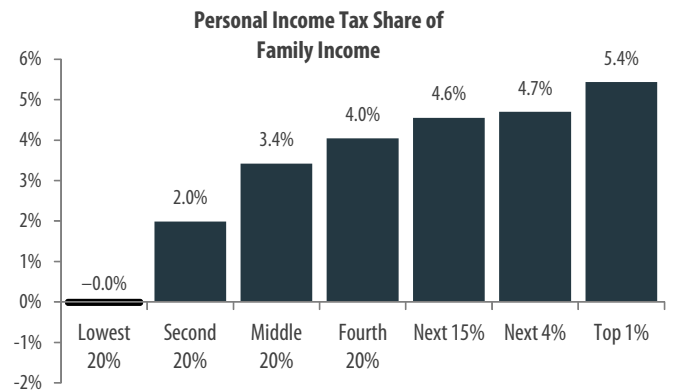
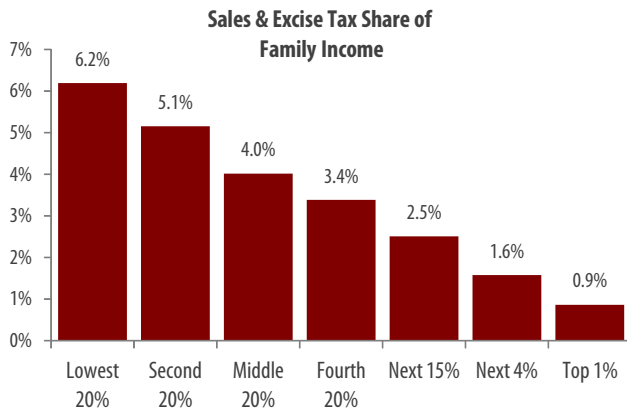
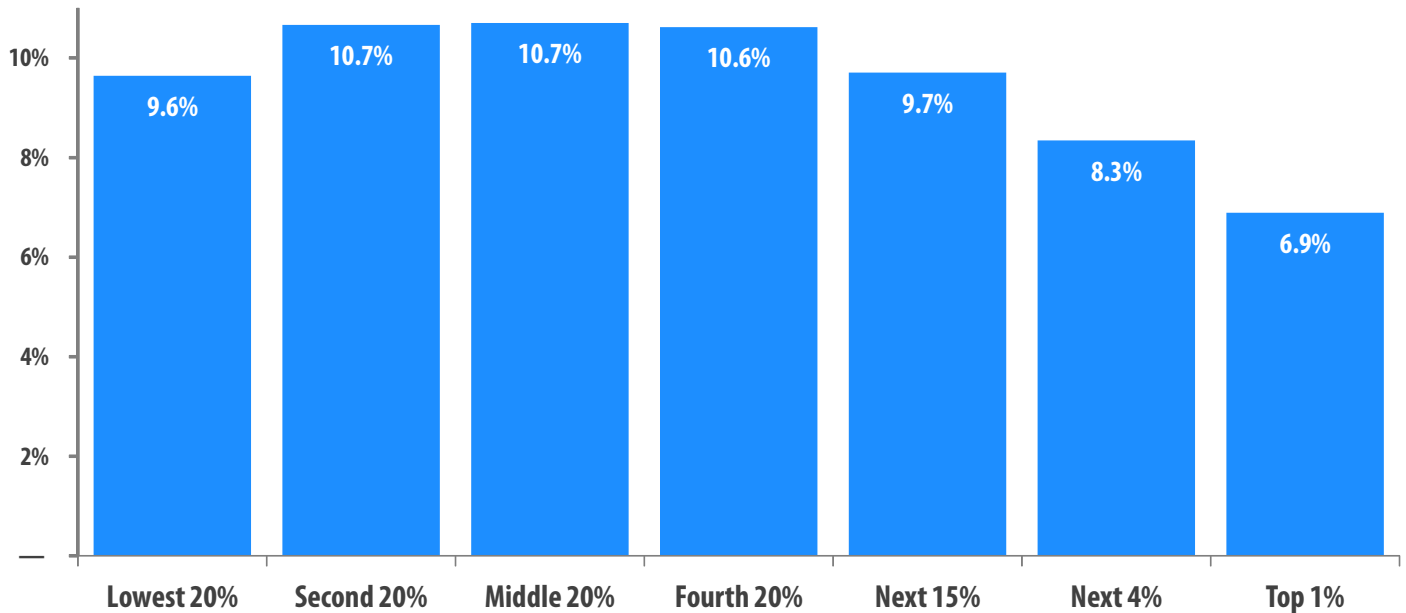
- ▲ Sales tax rate on groceries reduced

Personal Exemption Has Been Cut in Half By Inflation Since Last Being Increased



Wisconsin State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Wisconsin enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post- federal offset.

Wisconsin State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$21,000	\$21,000 – \$36,000	\$36,000 – \$57,000	\$57,000 – \$86,000	\$86,000 – \$150,000	\$150,000 – \$362,000	\$362,000 or more
Average Income in Group	\$13,200	\$28,100	\$46,700	\$70,700	\$108,300	\$208,200	\$887,500
Sales & Excise Taxes	6.2%	5.1%	4.0%	3.4%	2.5%	1.6%	0.9%
General Sales—Individuals	2.4%	2.3%	2.0%	1.7%	1.3%	0.9%	0.5%
Other Sales & Excise—Ind.	2.2%	1.6%	1.0%	0.8%	0.6%	0.3%	0.1%
Sales & Excise on Business	1.6%	1.3%	1.0%	0.8%	0.6%	0.4%	0.2%
Property Taxes	3.5%	3.7%	3.7%	3.8%	3.9%	3.4%	2.2%
Property Taxes on Families	3.4%	3.6%	3.5%	3.6%	3.8%	2.9%	1.2%
Other Property Taxes	0.1%	0.0%	0.2%	0.2%	0.2%	0.5%	1.0%
Income Taxes	0.0%	2.0%	3.5%	4.1%	4.6%	4.8%	5.6%
Personal Income Tax	-0.0%	2.0%	3.4%	4.0%	4.6%	4.7%	5.4%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	9.7%	10.8%	11.2%	11.3%	11.0%	9.7%	8.7%
Federal Deduction Offset	0.0%	-0.1%	-0.5%	-0.7%	-1.3%	-1.4%	-1.8%
OVERALL TOTAL	9.6%	10.7%	10.7%	10.6%	9.7%	8.3%	6.9%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides a large, refundable earned income tax credit (EITC)
- ✓ Provides a refundable property tax credit

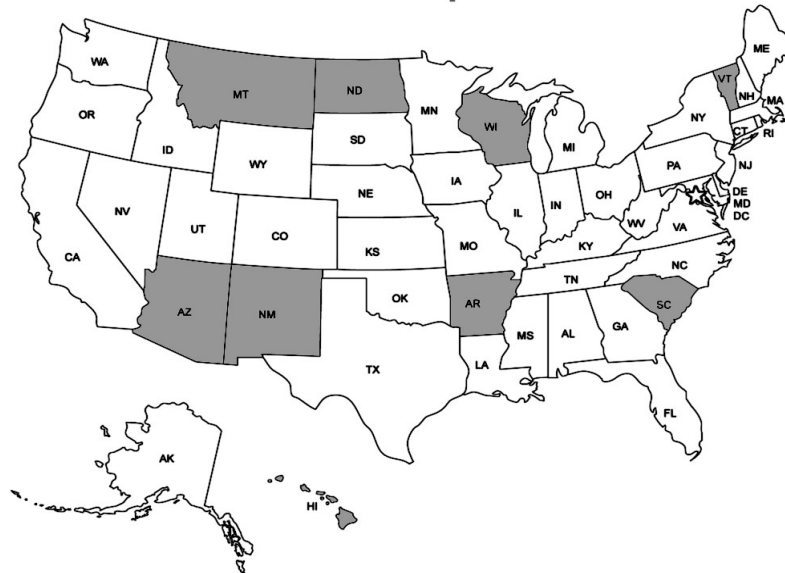
Regressive Features

- ✗ Provides an income tax exclusion equal to 30 percent of capital gains income

Recent Developments

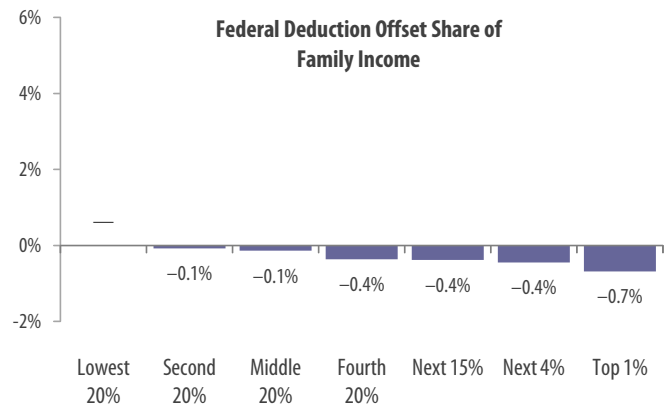
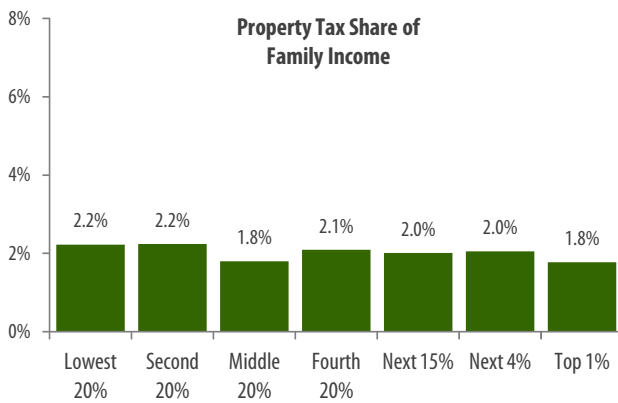
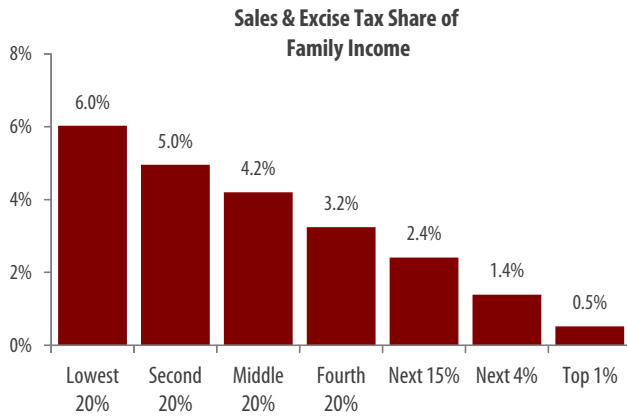
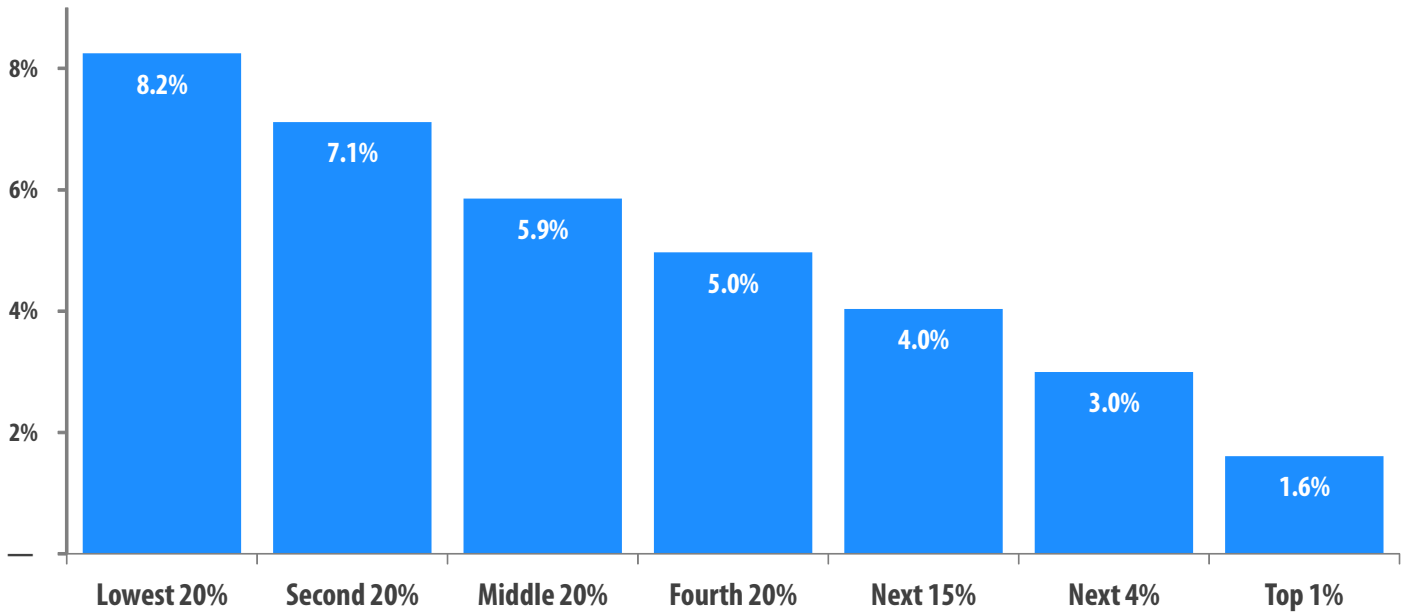
- ▲ Reduced earned income tax credit (EITC)
- ▲ Eliminated indexing for homestead property tax credit

States With Notable Capital Gains Preferences



Wyoming State & Local Taxes

Shares of family income for non-elderly taxpayers



Note: Figures show permanent law in Wyoming enacted through January 2, 2013 at 2010 income levels. Top figure represents total state and local taxes as a share of personal income, post-federal offset.

Wyoming State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$23,000	\$23,000 – \$39,000	\$39,000 – \$64,000	\$64,000 – \$100,000	\$100,000 – \$163,000	\$163,000 – \$459,000	\$459,000 or more
Average Income in Group	\$12,800	\$31,400	\$52,700	\$79,800	\$121,300	\$234,400	\$1,912,300
Sales & Excise Taxes	6.0%	5.0%	4.2%	3.2%	2.4%	1.4%	0.5%
General Sales—Individuals	3.2%	2.9%	2.5%	2.0%	1.5%	0.9%	0.3%
Other Sales & Excise—Ind.	0.9%	0.4%	0.4%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	1.9%	1.6%	1.3%	1.0%	0.7%	0.4%	0.2%
Property Taxes	2.2%	2.2%	1.8%	2.1%	2.0%	2.0%	1.8%
Property Taxes on Families	2.0%	2.0%	1.4%	1.8%	1.7%	1.4%	0.6%
Other Property Taxes	0.2%	0.3%	0.4%	0.3%	0.4%	0.7%	1.2%
Income Taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	—	—	—	—	—	—	—
Total Taxes	8.2%	7.2%	6.0%	5.3%	4.4%	3.4%	2.3%
Federal Deduction Offset	0.0%	-0.1%	-0.1%	-0.4%	-0.4%	-0.4%	-0.7%
OVERALL TOTAL	8.2%	7.1%	5.9%	5.0%	4.0%	3.0%	1.6%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Sales tax base excludes groceries

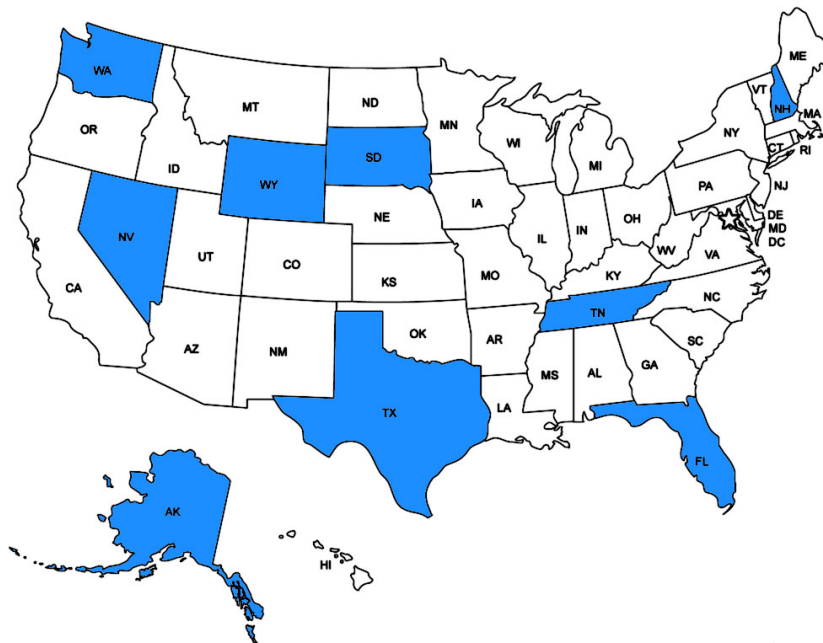
Regressive Features

- ✗ No personal income tax
- ✗ No corporate income tax

Recent Developments

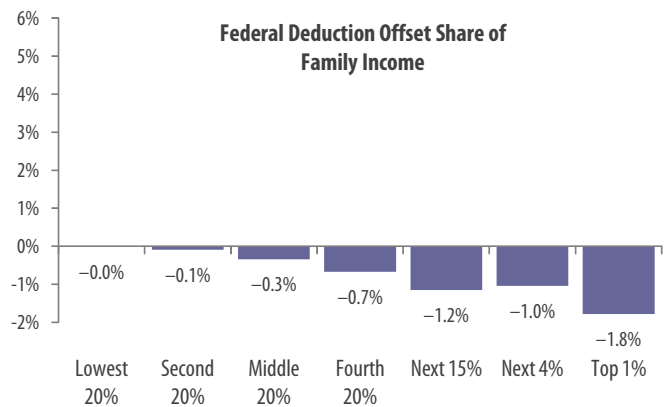
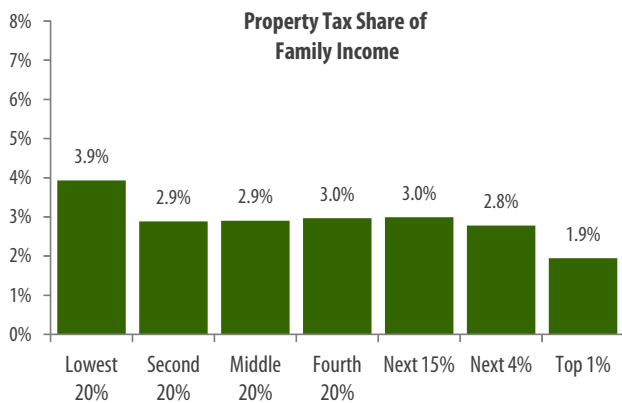
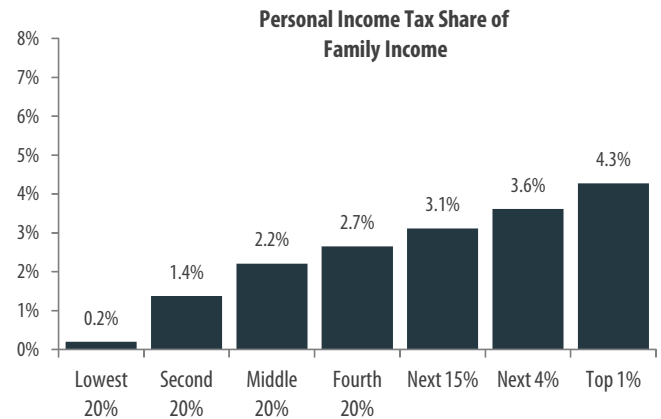
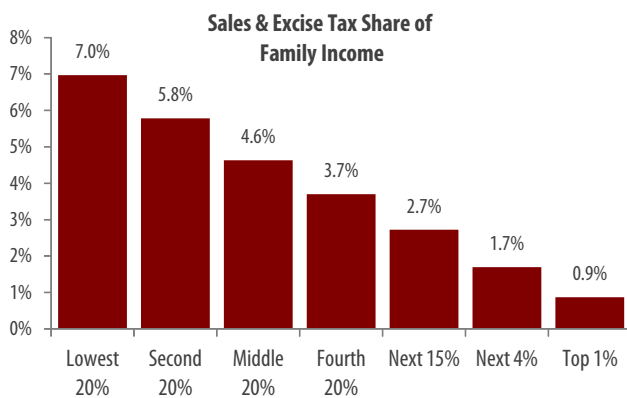
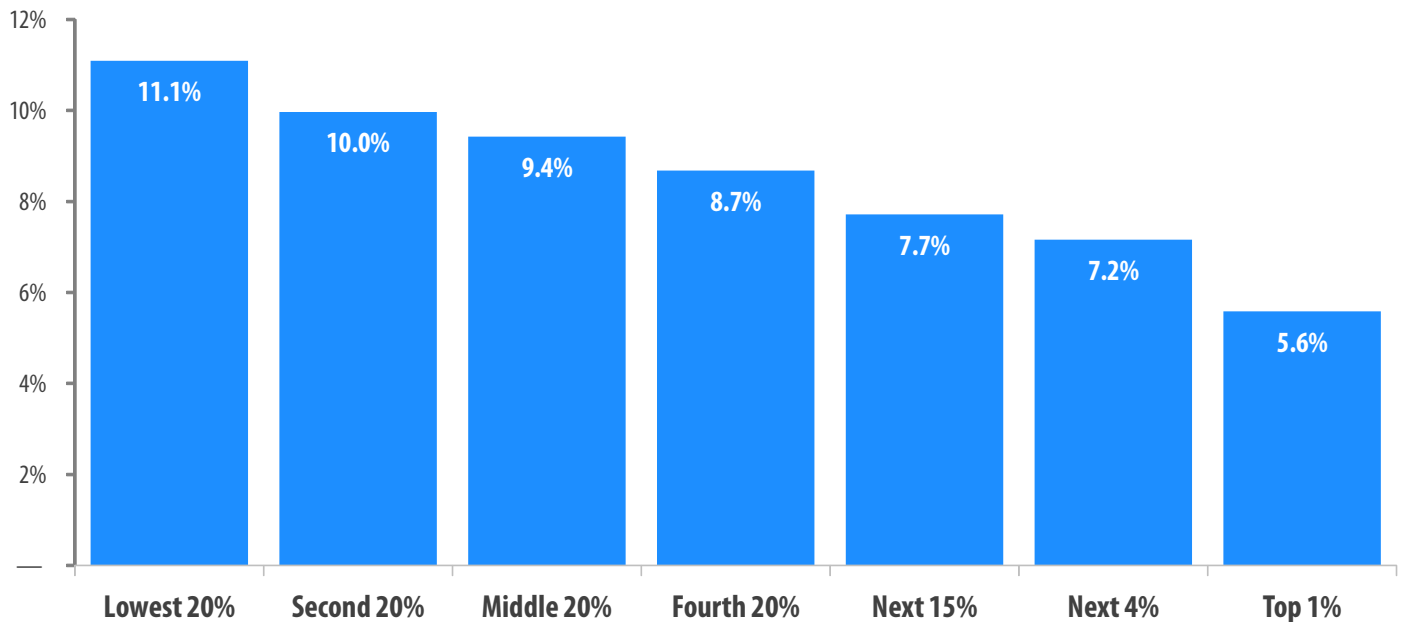
- ▲ No significant developments

States Without a Personal Income Tax



Averages for all States

Shares of family income for non-elderly taxpayers



Note: Figures show 50 state (and DC) average state and local taxes paid as a share of 2010 income, post-federal offset.

Averages for all States

Group	20%	20%	20%	20%	Next 15%	Next 4%	TOP 1%
Income Range	Less than \$18,000	\$18,000 – \$33,000	\$33,000 – \$54,000	\$54,000 – \$88,000	\$88,000 – \$175,000	\$175,000 – \$419,000	\$419,000 or more
Average Income in Group	\$10,700	\$25,600	\$42,900	\$69,000	\$118,100	\$253,700	\$1,297,700
Sales & Excise Taxes	7.0%	5.8%	4.6%	3.7%	2.7%	1.7%	0.9%
General Sales—Individuals	3.2%	2.9%	2.4%	2.0%	1.5%	1.0%	0.5%
Other Sales & Excise—Ind.	1.6%	1.1%	0.8%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	2.1%	1.8%	1.4%	1.1%	0.8%	0.5%	0.3%
Property Taxes	3.9%	2.9%	2.9%	3.0%	3.0%	2.8%	1.9%
Property Taxes on Families	3.8%	2.7%	2.7%	2.8%	2.8%	2.3%	0.9%
Other Property Taxes	0.1%	0.1%	0.2%	0.2%	0.2%	0.5%	1.1%
Income Taxes	0.2%	1.4%	2.2%	2.7%	3.2%	3.7%	4.6%
Personal Income Tax (State and Local)	0.2%	1.4%	2.2%	2.7%	3.1%	3.6%	4.3%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Total Taxes	11.1%	10.1%	9.8%	9.3%	8.9%	8.2%	7.4%
Federal Deduction Offset	0.0%	-0.1%	-0.3%	-0.7%	-1.2%	-1.0%	-1.8%
OVERALL TOTAL	11.1%	10.0%	9.4%	8.7%	7.7%	7.2%	5.6%

Note: Table shows detailed breakout of data on previous page.

METHODOLOGY

The Institute on Taxation & Economic Policy has engaged in research on tax issues since 1980, with a focus on the distributional consequences of both current law and proposed changes. ITEP's research has often been used by other private groups in their work, and ITEP is frequently consulted by government estimators in performing their official analyses. Since 1994, ITEP has built a microsimulation model of the tax systems of the U.S. government and of all 50 states and the District of Columbia.

What the ITEP Model Does

The ITEP model is a tool for calculating revenue yield and incidence, by income group, of federal, state and local taxes. It calculates revenue yield for current tax law and proposed amendments to current law. Separate incidence analyses can be done for categories of taxpayers specified by marital status, the presence of children and age.

In computing its estimates, the ITEP model relies on one of the largest databases of tax returns and supplementary data in existence, encompassing close to three quarters of a million records. To forecast revenues and incidence, the model relies on government or other widely respected economic projections.

The ITEP model's federal tax calculations are very similar to those produced by the congressional Joint Committee on Taxation, the U.S. Treasury Department and the Congressional Budget Office (although each of these four models differs in varying degrees as to how the results are presented). The ITEP model, however, adds state-by-state estimating capabilities not found in those government models.

Below is an outline of each area of the ITEP model and what its capabilities are:

The Personal Income Tax Model analyzes the revenue and incidence of current federal and state personal income taxes and amendment options including changes in:

- Rates, including special rates on capital gains,
- Inclusion or exclusion of various types of income,
- Inclusion or exclusion of all federal and state adjustments,
- Exemption amounts and a broad variety of exemption types and, if relevant, phase-out methods,
- Standard deduction amounts and a broad variety of standard deduction types and phase-outs,
- Itemized deductions and deduction phase-outs, and
- Credits, such as earned-income and child-care credits.

The Consumption Tax Model analyzes the revenue yield and incidence of current sales and excise taxes. It also has the capacity to analyze the revenue and incidence implications of a broad range of base and rate changes in general sales taxes, special sales taxes, gasoline excise taxes and tobacco excise taxes. There are more than 250 base items available to amend in the model, reflecting, for example, sales tax base differences among states and most possible changes that might occur.

The Property Tax Model analyzes revenue yield and incidence of current state and local property taxes. It can also analyze the revenue and incidence impacts of statewide policy changes in property tax, including the effect of circuit breakers, homestead exemptions, and rate and assessment caps.

The Corporate Income Tax Model analyzes revenue yield and incidence of current corporate income tax law, possible rate changes and certain base changes.

Local taxes: The model can analyze the statewide revenue and incidence of aggregate local taxes (not, however, broken down by individual localities).

Addendum 1: Data Sources

The ITEP model is a “microsimulation model.” That is, it works on a very large stratified sample of tax returns and other data, aged to the year being analyzed. This is the same kind of tax model used by the U.S. Treasury Department, the congressional Joint Committee on Taxation and the Congressional Budget Office. The ITEP model uses the following micro-data sets and aggregate data:

Micro-Data Sets:

IRS 1988 Individual Public Use Tax File, Level III Sample; IRS Individual Public Use Tax Files 1990 and later; Current Population Survey: 1988-93; Consumer Expenditure Survey, 1988-90 and 1992-93; U.S. Census, 1990; American Community Survey, 2004-2010.

Partial List of Aggregated Data Sources:

Miscellaneous IRS data; Congressional Budget Office and Joint Committee on Taxation forecasts; other economic data (Moody’s Economy.com, Commerce Department, WEFA, etc.); state tax department data; data on overall levels of consumption for specific goods (Commerce Department, Census of Services, etc.); state specific consumption and consumption tax data (Census data, Government Finances, etc.); state specific property tax data (Govt. Finances, etc.); American Housing Survey; Census of Population Housing; etc.

Addendum 2: The ITEP Tax Inequality Index

The ITEP tax inequality index measures the effects of each state’s tax system on income inequality. Essentially, it answers the following question: Are incomes more or less equal after state taxes than before taxes? For each state, the index compares incomes by income group before and after state and local taxes (not counting the tax savings from deducting state and local taxes on federal tax returns).

The index for each state equals one minus the average of the following ratios: 1) the after-tax income of the richest one percent as a share of pretax income over the after-tax income of the poorest 20 percent as a share of pretax income; 2) the after-tax income of the richest one percent as a share of pretax income over the after-tax income of the middle 60 percent as a share of pretax income; and 3) the after-tax income of the best-off 20 percent as a share of pretax income over the after-tax income of the poorest 40 percent as a share of pretax income, half-weighted.

States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before. States with progressive tax structures have positive tax inequality indexes; incomes are more equal after state and local taxes than before.

Addendum 3: Comparisons with Previous Editions of Who Pays

The methodology used in this study is broadly similar to the approach used in the previous edition of the report. However, the measure of total personal income used in the report (the denominator in our reported effective tax rates) is not strictly comparable to previous editions, because of the availability of new sources of state-by-state information on specific components of personal income that were not previously disclosed by the Internal Revenue Service. For this reason, we discourage direct comparison of the report's results with prior editions.

The effective tax rates calculated in this report also differ, in many states, from those reported in the prior edition of the study because of changes attributable not to state and local tax laws but to the business cycle. For example, homeowner and business property taxes tend to be relatively inelastic, meaning that property tax collections do not fall as rapidly as income during recessions. This is why the study's results in many states show a higher effective property tax rate than was reported in the previous edition.

Some states' effective sales tax rates show a visible decline from the previous edition because their sales tax collections have shrunk substantially, as a share of income, since 2007. This trend reflects the outdated, slow-growing tax bases in use in most states, as well as a recession-driven decline in consumption.

A more detailed description of the ITEP Microsimulation Tax Model can be found on the ITEP website at www.itep.org.