



## Low Tax for Who?

### Washington is a “Low Tax State” Overall, But Not for Families Living in Poverty

New data from the Census Bureau appear to lend support to Washington’s reputation as a “low tax state,” ranking it **36th** nationally in taxes collected as a share of personal income.<sup>1</sup> But focusing on the state’s overall tax revenues has led many observers to overlook the fact that different taxpayers experience Washington’s tax system very differently. In particular, the **poorest 20 percent** of Washington residents pay significantly more of their income (**16.9 percent**) in state and local taxes than any other group in the state. For low-income families, Washington is far from being a low tax state.<sup>2</sup> In fact, Washington is the highest-tax state in the country for poor people.

#### No Income Tax, but High Sales and Excise Taxes

According to the Census Bureau, Washington’s state and local tax collections totaled **9.7 percent** of personal income in fiscal year 2011, well below the national average of 10.6 percent. One reason for Washington’s low ranking is that it is one of just nine states that does not levy a broad-based personal income tax.

But failing to levy an income tax comes at a cost. In order to pay for state and local government services, Washington’s sales and excise taxes are **65 percent** above the national average. Measured relative to personal income, Washington has the **2nd highest** sales and excise tax collections in the entire country. According to the Institute on Taxation and Economic Policy (ITEP), the **poorest 20 percent** of Washington households spend **13 percent** of their income on these taxes, compared to just **1.9 percent** of income for the state’s most affluent residents.

#### A High Tax State for the Poor

While Washington’s state and local taxes average **9.7 percent** of income, differently positioned taxpayers experience Washington’s tax system very differently. For the **top 1 percent** of Washington households (a group with an average income over \$1.1 million), the Evergreen State’s decision not to levy a personal income tax has indeed been an enormous boon. This group pays just **2.8 percent** of their income in Washington taxes—the **7th lowest** (or 43rd highest) state and local tax bill for this group in the entire country.

But while Washington’s reputation as a “low tax state” is accurate for wealthy households, it bears little resemblance to reality for the state’s less affluent residents. The **poorest 20 percent** of Washington taxpayers (earning an average income of \$11,500 per year) actually face the **highest overall** state and local tax bill in the entire country, at **16.9 percent** of income. Similarly, among the next 20 percent of taxpayers (with an average income of \$28,600 in Washington), state and local taxes are the **2nd highest** nationally.

Washington’s imbalanced tax system, with its heavy reliance on sales and excise taxes, is pushing the state’s impoverished taxpayers deeper into poverty. The state’s lack of a personal income tax has been a major contributor to its reputation as a “low tax state,” but it comes at a steep price in terms of higher tax rates on low-income families.

#### Washington State and Local Taxes Are:

**36th**

highest overall

**1st**

highest for the poorest 20% of taxpayers

<sup>1</sup> This brief reflects Census data for state and local tax collections for 2011, the most recent year available.

<sup>2</sup> *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*, 4th Edition, ITEP 2013: [www.whopays.org](http://www.whopays.org)