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How 47 Governors Can Mitigate the Worsening Poverty in Their States:
Four Tax Reforms That Help the Working Poor

Washington, DC – With today's Census data showing that 47 states now have more citizens living in poverty than a year ago, it is remarkable that four states (ME, MI, MN, WI) have recently raised taxes on the working poor by reducing targeted tax credits, and seven states (AK, AL, FL, MS, NV, TN, TX) offer no anti-poverty tax credits at all. Coinciding with the Census Bureau release of 2010 state level data on poverty, today ITEP releases its comprehensive state-by-state review of tax policies that can make the difference between falling behind and getting ahead for 46.3 million low income Americans. The report, "State Tax Codes As Poverty Fighting Tools: 2011 Update on Four Key Policies in All 50 States," is online at http://www.itepnet.org/poverty2011.php.

"Lawmakers try to leverage the tax code to do all kinds of things – lure business, reduce health costs – but too few use it to ease the effects of poverty," said Matthew Gardner, ITEP's Executive Director. "Our report shows each state what they're getting wrong and how they can make it right."

Among the resources state legislators and governors have at their disposal to improve the lives of their constituents, state tax codes offer four key policy tools lawmakers can easily implement to help lift families out of poverty: Earned Income Tax Credits; property tax "circuit breakers;" targeted low income tax credits; child-related tax credits.

A 2009 ITEP analysis shows that the lowest earning 20 percent of taxpayers paid 10.9 percent of their income in combined state and local taxes (income, property, sales, etc.). By contrast, the wealthiest one percent spent less than half that, just 5.2 percent of their income, on state and local taxes. Even in states with graduated income taxes, heavy reliance on sales and excise taxes means than most states' overall tax systems are more expensive for low income than for high income citizens.

"Targeted tax credits are like economic life lines for people who are struggling," said Gardner. "The new Census report shows that now is the worst possible time for states to pare back these credits and makes it all the more urgent to implement them."

"State Tax Codes As Poverty Fighting Tools" reviews four simple tax fixes and how they can be smartly designed and quickly implemented to reduce the proportion of income spent on taxes for those families and individuals state lawmakers choose to target.

Founded in 1980, the Institute on Taxation and Economic Policy (ITEP) is a non-profit, non-partisan research organization, based in Washington, DC, that focuses on federal and state tax policy. ITEP's mission is to inform policymakers and the public of the effects of current and proposed tax policies on tax fairness, government budgets, and sound economic policy. ITEP's full body of research is available at www.itepnet.org.