



State Tax Codes As Poverty Fighting Tools

2012 Update on Four Key Policies in All 50 States

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About ITEP

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. Among its many publications on state and local tax policy are *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States* and *The ITEP Guide to Fair State and Local Taxes*. ITEP's full body of research is available at www.itepnet.org.

Introduction

New Census Bureau data released this month show that the national poverty rate is 15 percent, essentially unchanged since 2010. This means that in 2011, 46.2 million, or about 1 in 6 Americans, lived in poverty.¹ Vermont is the only state to experience a decrease in the share of residents living poverty. All other states either saw an increase in the poverty rate (17 states) or held steady.²

Astonishingly, state tax policies in virtually every state are making this problem worse rather than better. When all the taxes imposed by state and local governments are taken into account, almost every state imposes higher effective tax rates on low-income families than on upper-income taxpayers. Despite this unlevel playing field state tax systems already create for their poorest residents, many state policymakers have recently proposed (and in some cases enacted) tax increases on the poor as a way to either close budget gaps or finance tax cuts for their wealthiest residents.

There is a better approach, just as state and local tax policies can push individuals and families further into poverty, there are tax policy tools available that can help them move out of poverty. In most states, truly remedying state tax unfairness would require comprehensive tax reform. Short of this, lawmakers should use their states' tax systems as a means of providing affordable, effective and targeted assistance to the growing number of people living in poverty.

This report presents a comprehensive view of anti-poverty tax policies, surveys tax policy decisions made in the states in 2012, and offers recommendations every state should consider to help families rise out of poverty. States can jump-start their anti-poverty efforts by enacting one or more of four proven and effective tax strategies to reduce the share of taxes paid by low- and moderate-income families: state Earned Income Tax Credits, property tax circuit breakers, targeted low-income credits, and child-related tax credits.

¹ Carmen DeNavas-Walt et al., "Income, Poverty and Health Insurance Coverage in the United States in 2011," U.S. Census Bureau, September 12, 2012.

² U.S. Census Bureau, American Community Survey 2011.

2012 Developments in State Anti-Poverty Tax Policy

Forward Steps Taken to Address Poverty

- Illinois raised Earned Income Tax Credit from 5 to 7.5 percent in 2012 and 10 percent by 2013
- Virginia incorporated federal expansion of EITC for 2011 only

Backward Steps Taken

- Kansas eliminated low-income property tax credit for renters
- Kansas eliminated dependent care credit
- Kansas eliminated Food Sales Tax Rebate
- South Dakota eliminated Food Sales Tax Rebate

Missed Opportunities

- For a second year in a row, New Jersey Governor vetoed bill to raise the state EITC from 20 to 25 percent
- Legislation to increase the Iowa EITC from 7 to 20 percent passed the Senate, but the bill failed to progress

Anti-Poverty Tax Policy Protected

- Attempt to eliminate the Kansas Earned Income Tax Credit failed
- Attempt to eliminate all Oklahoma low income credits failed
- Attempt to reduce Minnesota property tax credit for renters failed

State Tax Systems and Poverty

State tax systems do little to help families living in poverty. In fact, state tax systems typically make things even harder for families living on the margins. A 2009 ITEP report, *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*, found that nationwide, the poorest twenty percent of Americans paid an average 10.9 percent of their incomes in state and local taxes. Middle-income taxpayers didn't fare much better, paying an average of 9.4 percent of their incomes toward those taxes. But when it comes to the wealthiest one percent, ITEP found they paid just 5.2 percent of their incomes, on average, in state and local taxes.

The fact 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. This "tax the poor" strategy is problematic because hiking taxes on low-income families pushes them further into poverty and increases the likelihood that they will need to rely

on safety net programs. From a state budgeting perspective, this “soak the poor” strategy also doesn’t yield much revenue compared to modest taxes on the rich. It’s no wonder that so many states with regressive tax structures are facing long-term structural budget deficits. They’re continually imposing higher taxes on people without much money.

State Tax Strategies for Reducing Poverty

Refundable Earned Income Tax Credit

The federal Earned Income Tax Credit (EITC) is widely recognized as an effective anti-poverty strategy. It was introduced in 1975 to provide targeted tax reductions to low-income workers and also as an important way of rewarding work and increasing incomes.

The federal EITC is administered through the personal income tax. To encourage greater participation in the workforce, the EITC is based on earned income such as salaries and wages. For example, for each dollar earned up to \$13,090 in 2012, families with three children receive a tax credit equal to 45 percent of those earnings, up to a maximum credit of \$5,891. Because the credit is designed to provide tax relief to the working poor, there are income limits that restrict eligibility for the credit. Families continue to be eligible for the maximum credit until income reaches \$17,690 (or \$22,300 for married-couple families). Above this income level, the value of the credit is gradually reduced to zero and is unavailable when family income goes beyond the eligibility level. The credit is entirely unavailable to families with three or more children earning more than \$45,060 if they are single and \$50,270 if married. For taxpayers without children the credit is less generous: the maximum credit is \$475 and singles earning more than \$13,980 (\$19,190 for married couples without children) are ineligible. The Census Bureau estimated that about five million families, including three million children, were lifted out of poverty in 2010 thanks to the EITC.

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.

However, these states vary dramatically in the generosity of their credits. The credit provided by the District of Columbia amounts to 40 percent of the federal credit, while eight states will have credits worth less than 10 percent of the federal credit in 2012.

State EITCs in 2012		
State	% of Federal Credit	Refundable?
CT	30%	Refundable
DC	40%	Refundable
DE	20%	Non-Refundable
IA	7%	Refundable
IL	10%	Refundable
IN	9%	Refundable
KS	18%	Refundable
LA	3.5%	Refundable
MA	15%	Refundable
MD	25% or 50%	Refundable/Non-Refundable
ME	5%	Non-Refundable
MI	6%	Refundable
MN	33% average	Refundable
NC	5%	Refundable
NE	10%	Refundable
NJ	20%	Refundable
NM	10%	Refundable
NY	20%	Refundable
OK	5%	Refundable
OR	6%	Refundable
RI	25%	Partially Refundable
VA	20%	Non-Refundable
VT	32%	Refundable
WA	10%	Refundable
	1 child=4%	
WI	2 children=11%	Refundable
	3 children=34%	

Notes:

MD offers both a 50% nonrefundable credit and a 25% refundable credit. Taxpayers claim the most helpful.

IL EITC will increase to 10% in 2013.

WA EITC is unfunded.

Refundability is an especially important component of state EITCs or any targeted low-income tax credit 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. State EITCs have bipartisan support because they are easily administered and relatively inexpensive. However, EITCs are most generous to families with children. Policymakers should be aware that the EITC does little to benefit seniors and families without children because it was designed to specifically help families with children. There are other tax provisions offered by states like enhanced personal exemptions or standard deductions that are available to elderly taxpayers.

2012 EITC Developments in the States

This year was mixed for this proven tax policy. In good news, in conjunction with an income tax rate hike **Illinois** lawmakers voted to increase their refundable EITC from 5 percent in 2011 to 7.5 percent in 2012 to 10 percent in 2013. In late 2011, **Virginia** lawmakers voted to adopt the federal expansion of the EITC for a single tax year, 2011. **Oklahoma's** 5 percent refundable EITC was under serious threat of being eliminated, but ultimately the tax plan that included elimination of the EITC didn't make it to the Governor's desk. The elimination of the EITC was part of **Kansas** Governor Sam Brownback's original tax plan, but ultimately the tax bill signed into law by Governor Brownback preserved the EITC.

Lawmakers in **New Jersey** and **Iowa** once again missed an opportunity to increase the percentage of their state EITCs. New Jersey Governor Chris Christie used his veto pen to reject legislation that would have increased New Jersey's EITC from 20 to 25 percent of the federal credit. The Iowa Senate approved a bill that would have increased the state's EITC from 7 to 20 percent of the federal credit in 2014, but the bill never made it to the Governor's desk.

Recommendation: To help alleviate poverty, states with EITCs should consider increasing the percentage of the existing credit and other states should consider introducing a generous and refundable EITC.

EITC in Play at the Federal Level

Two provisions enhancing the federal Earned Income Tax Credit are set to expire at the end of 2012. The first of these provisions allows for a larger EITC for families with 3 or more children. The second (deleted comma) reduces the "marriage penalty" in the EITC by starting the phase-out of the credit at a higher level for married couples. If these enhancements of the EITC and similar enhancements to the per child tax credit are allowed to expire, it would amount to a nearly \$11 billion federal income tax hike on working families. Not to mention millions more in state tax hikes in those states with EITCs based on federal tax law.

Circuit Breaker for Homeowners & Renters

Property tax circuit breakers are targeted tax breaks for fixed-income families who have been hit hardest by the recession and housing crisis. Its name reflects its design: circuit breakers protect low-income residents from a property tax "overload," just like an electrical circuit breaker. When a property tax bill exceeds a certain percentage of a taxpayer's income, the circuit breaker rebates property taxes in excess of this "overload" level. Circuit breakers usually give homeowners and renters a credit equal to the amount by which their property tax bill exceeds a certain percentage of their income, though sometimes only a percentage of that amount is given, and there is usually a cap limiting the total amount of credit allowed.

A majority of states now offer something resembling a circuit breaker to older adults, but relatively few have allowed the credit to non-elderly homeowners—despite the fact that low-income non-elderly families can feel the pinch from high property taxes just as much as older adults.

The fairest circuit breaker programs are made available to low-income taxpayers, regardless of their age, and are also extended to renters. Because it is generally agreed that renters pay property taxes indirectly in the form of higher rents, many states now extend their circuit breaker credit to renters as well. The calculation is typically the same as for a homeowner, except that renters must assume that their property tax bill is equal to some percentage of their rent paid. Renters in Michigan, for instance, use 20 percent of their rent as their assumed property tax in calculating their circuit breaker credit.

Circuit breakers can be quite targeted to taxpayers most in need, but without proper outreach many qualifying taxpayers may never know that the circuit breaker even exists. For a circuit breaker program to be successful an effective outreach campaign is necessary.

2012 State Circuit Breaker Developments

There was little progress made this year in terms of strengthening or implementing state circuit breakers. Lawmakers in **Kansas** voted to do away with their circuit breaker for renters entirely, but preserved

the credit for homeowners. In **Minnesota** lawmakers were able to fend off an attempt to further reduce the state's property tax credit for renters. A serious attempt to eliminate **Oklahoma's** low income property tax relief credit failed to gain enactment.

Recommendation: States interested in reducing property taxes for low-income homeowners and renters should consider introducing a circuit-breaker program. States with circuit breaker programs only available to older adults or homeowners should consider expanding the program to low-income homeowners and renters of all ages.

State Circuit Breaker Programs in 2012

State	CircuitAge Parameters	Covers Renters?
AZ	65+	YES
CA	62+	YES
CO	65+	YES
CT	65+	YES
DC	All Ages; Sep. Elderly Prog.	YES
ID	65+	NO
IL	65+	YES
IA	65+	YES
KS	55+, disabled/ dep. child under 18	NO
ME	All Ages; Sep. Elderly Prog.	YES
MD	All Ages	YES
MA	65+	YES
MI	All Ages; Sep. Elderly Prog.	YES
MN	All Ages	YES
MO	65+	YES
MT	All Ages	YES, Elderly only
NE	65+	NO
NH	All Ages	NO
NJ	All Ages	NO
NM	65+	YES
NY	All Ages; Sep. Elderly Prog.	YES
ND	65+	YES
OK	65+	NO
OR	58+	YES, no home
PA	65+	YES
RI	All Ages	YES
SD	65+	NO
UT	65+	YES
VT	All Ages	YES
WA	61+	NO
WV	All Ages	NO
WI	All Ages	YES
WY	65+	YES

Anti-Poverty Tax Credits Preserved in Oklahoma, Just Barely

Governor Mary Fallin led an unsuccessful attempt this year to restructure Oklahoma's income tax in a way that would have shifted taxes from upper-income families onto the backs of those living below the poverty line. In February, Fallin unveiled a plan to cut the Sooner State's top personal income tax rate. To pay for some of the rate cut, Fallin wanted to eliminate the personal exemption and every single anti-poverty tax credit the state offers: the Earned Income Tax Credit, the sales tax credit, the child tax credit and the circuit breaker. Lawmakers generally supported her plan and introduced about a dozen versions of their own tax plans, each of which would have raised taxes on the poorest Oklahomans. Fortunately, despite strong legislative support for cutting the tax rate, all efforts fell apart at the last minute, in part due to concerns that some Oklahomans would see their tax bills rise under the proposals on the table. But the fight to preserve Oklahoma's personal income tax and prevent raising taxes on the state's poorest residents is far from over. Governor Fallin recently told Stephen Moore in an interview for the Wall Street Journal, "We are going to get that tax cut done next year."

Targeted Low-Income Tax Credits

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.

Ten states 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. 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.

State Low-Income Credits in 2012 (Designed to Offset Personal Income Tax)	
State	Description of Credit
AZ	Nonrefundable "Family Tax Credit" available to low-income taxpayers; eligibility varies with family size and structure
GA	Nonrefundable "Low Income Credit" available if FAGI is less than \$20,000
IN	Refundable "Unified Tax Credit for the Elderly" available if FAGI is less than \$10,000 and one or more household members are age 65 or older
KY	Nonrefundable "Family Size Credit" based on family size and "modified" gross income
MD	Nonrefundable "State Poverty Level Credit" equal to 5% of earned income is available to low-income taxpayers; eligibility varies with family size and structure
NY	Nonrefundable "Household Credit" available if FAGI is less than \$28,000 for single filers and \$32,000 for others
OH	Nonrefundable credit to ensure that families with Ohio AGI over \$10,000 don't pay any income tax
PA	Nonrefundable Tax Forgiveness credit that allows eligible taxpayers to reduce all or part of their state income tax liability
VA	Nonrefundable "Tax Credit for Low-Income Individuals" that can be taken in lieu of the EITC; eligibility varies with family size and structure
WI	Nonrefundable "working families tax credit" is available if Wisconsin income is less than \$19,000 for married filers (\$10,000 for other filers)
WV	Nonrefundable "Family Tax Credit" available to low-income taxpayers; eligibility varies with family size and structure

State Low-Income Credits in 2012 (Designed to Offset Sales Tax/Tax on Food)	
State	Description of Credit
AZ	Provides a refundable "Increased Excise Tax Credit" for low-income taxpayers of all ages
HI	Provides a "Refundable Food/Excise Tax Credit" for families with FAGI below \$50,000
ID	Provides a refundable "Grocery Credit" to all families regardless of income. Credit will rise to permanent level of \$100 per family member in 2015
NM	Provides a "Low Income Comprehensive Tax Rebate" for all low income taxpayers
OK	Provides a refundable "Credit/Refund of Sales Tax" for low-income taxpayers of all ages

Five states 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.

Refundability is important because it allows low-income credits to be used by taxpayers who have little or no income tax liability but who pay a substantial amount of their income in sales taxes. For example, **Idaho** offers a refundable credit for each Idahoan and their dependents to offset grocery taxes even if taxpayers aren't subject to the income tax. Idaho residents over the age of 65 receive an additional credit. Because these credits aren't commonplace in states across the country it's important that eligible taxpayers are educated about the credit and know how to claim the credit.

2012 State Low-Income Tax Credit Developments

This year, elimination of **Oklahoma's** sales tax relief credit failed to gain traction. Yet, in **Kansas**, the Food Sales Tax Rebate, a credit designed to offset the regressive impact of taxing food was eliminated. Kansas is now one of just three states that taxes groceries without offering any type of credit to offset the regressivity of taxing food. **South Dakota** lawmakers voted to eliminate their food sales rebate.

The rebate wasn't well utilized and too ineffective. The money spent on the rebate will be used for emergency food assistance.

Recommendation: *States that are committed to making sure families living in poverty aren't pushed further into poverty by state taxes should create refundable, targeted low-income credits. Such credits can also be used to make childcare more affordable. In states where these credits already exist, lawmakers should act to enhance them, such as by making them refundable.*

Importance of Refundability

The hallmark of a truly effective low-income credit is that it is refundable. This means that if the amount of the credit exceeds the amount of personal income tax you would otherwise owe, you actually get money back. Refundability is a vital feature in low-income credits simply because for most fixed-income families, sales and property taxes take a much bigger bite out of their wallets than does the personal income tax. Refundable credits on income tax forms are the most cost-effective mechanism for partially offsetting the effects of these other regressive taxes on low-income families.

Child-Related Tax Credits

Child Tax Credits: The federal income tax law allows taxpayers to claim a \$1,000 income tax credit for each dependent child under 17 years of age. The credit amount is gradually phased out for high income families. A portion of the child tax credit is refundable for low-income families.

Three states offer a much smaller version of the child tax credit for qualifying families. These per-child credits are an important anti-poverty strategy, especially if they are refundable and income limited. The credits are offered beyond the extra dependent exemptions or exemption credits that most states offer families. For example, **New York** offers a \$100 refundable child tax credit for qualifying families.

Recommendation: *States that want to help low-income families with children should consider increasing the value of existing child credits, making them refundable, or introducing a new refundable per child credit.*

State Child Tax Credits in 2012

State	Description of Credit
CA	Nonrefundable income limited Dependent Exemption Credit (\$315/dependent) higher than state's Personal Exemption Credit (\$102/filer)
OK	Offers choice between child tax credit modeled after the federal credit and dependent care credit (both credits are nonrefundable and income limited)
NY	Refundable income limited per child tax credit modeled after the federal credit
NC	Nonrefundable income limited \$100 per child tax credit

Child and Dependent Care Credits: Low and middle-income working parents frequently spend a significant portion of their income on child care. The federal government allows a nonrefundable income tax credit to help offset child care expenses. In 2012, single working parents (and two-earner married couples) with children under 12 can claim a credit to partially offset up to \$6,000 of child care expenses; low-income taxpayers can receive a credit of up to 35 percent of these expenses. The credit percentage gradually falls for higher-income taxpayers. This "sliding scale" approach helps to target tax relief somewhat more effectively to low-income taxpayers, but making the credit refundable would help those parents and children most in need.

The majority of the 23 states that offer a credit for child and dependent care model their state credit after the federal credit. For example, **Georgia** allows taxpayers to take 30 percent of their federal child and dependent care credit as their Georgia nonrefundable child care credit. **Nebraska** takes a slightly different approach that offers both a refundable and a nonrefundable credit depending on a family's income. The Nebraska refundable child care credit is calculated as 100 percent of the federal credit for low income filers. Higher earners can claim a nonrefundable credit equal to 25 percent of the federal credit. This approach targets the benefits of the Nebraska credit much more efficiently to low- and middle-income parents than does the federal credit. Policymakers should note that these credits do nothing to support families without children or seniors who live in poverty.

2012 State Child Tax Credit Developments

This year, **Kansas** eliminated their child and dependent care credit entirely. **Oklahoma's** credit was under threat, but ultimately the credit was preserved.

Recommendation: States interested in targeting their child and dependent care credits to help families most in need would do well to make their credits refundable and make the credit available only to families with limited incomes.

State Dependent Care Credits in 2012

State	Description of Credit
AR	Nonrefundable 20% of federal credit; Refundable 20% of federal credit for children under 6
CA	Capped nonrefundable credit; percent of credit varies on FAGI
CO	Capped refundable credit; percent of credit varies on FAGI
DC	Nonrefundable 32% of federal credit
DE	Nonrefundable 50% of federal credit
GA	Nonrefundable 30% of federal credit
HI	Refundable credit; percent of credit varies on state AGI
IA	Capped refundable credit; percent of credit varies on state net income
KY	Nonrefundable 20% of federal credit
LA	Portion of credit is refundable; percent of credit varies on FAGI
MD	Capped nonrefundable credit; percent of credit varies on FAGI
ME	Refundable credit based on federal credit; percentage varies on service provider
MN	Capped refundable credit
NC	Uncapped nonrefundable credit; percent of credit varies on FAGI
NE	Portion of credit is refundable; percentage of credit varies on FAGI
NM	Capped refundable 40% of federal credit
NY	Uncapped refundable credit; percent varies on state AGI
OH	Capped nonrefundable credit; percent of credit varies on state AGI
OK	Offers choice of capped nonrefundable credit or nonrefundable child tax credit modeled after the federal (both credits are nonrefundable and income limited)
OR	Capped nonrefundable credit; percent of credit varies on federal taxable income
RI	Nonrefundable 25% of federal credit
SC	Nonrefundable 7% of federal credit
VT	Nonrefundable 24% of federal credit; additional refundable low-income credit is allowed

Source: http://www.nwlc.org/sites/default/files/pdfs/nwlc-mclt2011-without_report_card_inside_and_bookmarked.pdf

Tax Credits Took a Lashing in Kansas

Kansas Governor Sam Brownback made it clear in late 2011 that he intended to restructure the state's personal income tax by reducing the rate and eliminating loopholes. In early 2012, the Governor revealed his controversial plan that would have cut income tax rates, eliminated a variety of income tax deductions and credits (including the Earned Income Tax Credit, Food Sales Tax Rebate, and the Child Care Credit), eliminated the tax on "pass-through" business income, and made permanent a temporary sales tax rate hike. Pieces of the Governor's plan were integrated into differing House and Senate tax plans.

Ultimately the legislature agreed to pare back or repeal the sales tax rebate and circuit breaker for renters, but left the EITC. However, an ITEP analysis found that the poorest 20 percent of Kansans will pay 1.3 percent more of their income in taxes each year, or an average increase of \$148 under the new law. Kansans in the top 1 percent of the income distribution will see their taxes reduced by \$21,087.

Implementation: A Vital Step

Offering the tax policies described in this report is one step to helping lift families out of poverty, but simply offering these credits is not enough. In order to ensure that as many eligible families benefit from these anti-poverty policies as possible, lawmakers should consider how they can make the credits accessible; through a simple design or by linking to an already established credit. Policymakers, advocacy groups, and the media must also work together to ensure an effective outreach program is established and adequately funded so that taxpayers can receive these credits. An outreach program must also be frequently evaluated to understand the effectiveness of the tax credit offered.

Summary of Recommendations

- States with EITCs should consider increasing the percentage of the existing credit and other states should consider introducing a generous and refundable EITC.
- States should consider introducing a circuit-breaker credit. States with circuit breakers only available to older adults or homeowners should consider expanding the credit to include non-elderly low-income homeowners and renters.
- States should create refundable, targeted low-income credits. Such credits can also be used to mitigate the regressive nature of state sales taxes. In states where these credits already exist, lawmakers should act to enhance them, such as by making them refundable.
- States should consider increasing the value of existing child credits, making them refundable, or introducing a new refundable per child credit.

Conclusion

American families living in poverty are in crisis, and state tax systems across the country do too little to offer the assistance low-income families need. Instead, regressive state tax structures are actually pushing families deeper into poverty. State lawmakers have a responsibility to ensure that their state's tax structures do not exacerbate this crisis.

State lawmakers should consider using the low-income tax credits outlined in this paper as a means of boosting the incomes of low-income families, and should ensure that effective outreach programs are in place to encourage use of the credits already in place in each state. Refundable tax credits are effective and time-tested anti-poverty solutions that would also provide additional income to help families pay for food, housing, transportation and other necessities. The reforms discussed in this paper are among the most cost effective anti-poverty strategies available to lawmakers. 🎯

State-by-state tables describing current anti-poverty tax policies offered and policies to consider enacting follow.

2012 State-by-State Anti-Poverty Tax Policies

Alabama

2011 Poverty Rate = 19%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$10,400	\$34,600	\$1,196,200
Taxes as a Share of Income	10.2%	9.5%	4.0%

Anti-Poverty Tax Policies Offered:

- NONE

Anti-Poverty Tax Policies to Consider:

- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

Alaska

2011 Poverty Rate = 10.5%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$13,600	\$47,500	\$1,135,200
Taxes as a Share of Income	7.0%	4.0%	2.2%

Anti-Poverty Tax Policies Offered:

- NONE

Anti-Poverty Tax Policies to Consider:

- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

Arizona

2011 Poverty Rate = 19%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$12,500	\$40,600	\$1,460,400
Taxes as a Share of Income	12.5%	9.1%	4.6%

Anti-Poverty Tax Policies Offered:

- Low-Income quasi-Circuit Breaker (For Homeowners and Renters, 65+ or Disabled)
- Nonrefundable, all ages, Low-Income Credit offered
- Refundable, all ages, Low-Income Credit offered

Anti-Poverty Tax Policies to Consider:

- Expand Circuit Breaker Program to Include Homeowners and Renters of All Ages; Raise Maximum Benefits
- Enhance Low-Income Credits
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit

* Initial ITEP analysis suggests that 2012 legislative changes would slightly reduce the effective tax rate for the top 1% compared to *Who Pays?* results above.

Arkansas

2011 Poverty Rate = 19.5%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$8,600	\$33,800	\$911,500
Taxes as a Share of Income	12.1%	11.7%	5.9%

Anti-Poverty Tax Policies Offered:

- Child and Dependent Care Credit offered modeled after the federal credit; Refundable for children under age 6
- Offers low income alternative tax table

Anti-Poverty Tax Policies to Consider:

- Create a Refundable Low-Income Credit
- Make Child and Dependent Care Credit Fully Refundable; Increase maximum benefits
- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker

* 2009 and 2011 tax changes not included in *Who Pays?* results above: Increase in cigarette tax, reduction in sales tax on food, and changes to treatment of Head of Household.

California

2011 Poverty Rate = 16.6%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$13,200	\$46,000	\$2,180,900
Taxes as a Share of Income	10.2%	8.1%	7.4%

Anti-Poverty Tax Policies Offered:

- Low-Income quasi-Circuit Breaker (For Homeowners and Renters, 62+ or Disabled)
- Low-Income Renters credit available
- Nonrefundable income limited Dependent Exemption Credit higher than state's Personal Exemption Credit
- Nonrefundable income limited Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

- Fully Fund Circuit Breaker Program; Expand Program to Include Homeowners and Renters of All Ages; Raise Maximum Benefits
- Introduce an Earned Income Tax Credit
- Create a Refundable Low-Income Credit

Colorado

2011 Poverty Rate = 13.5%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$11,400	\$48,500	\$1,975,800
Taxes as a Share of Income	9.0%	8.2%	4.2%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 10% (Suspended)
- Low-Income Quasi-Circuit Breaker (For Homeowners and Renters, 65+ or Disabled)
- Refundable income limited Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

- Unsuspend and Fully Fund the Earned Income Credit
- Expand Circuit Breaker program to Include Homeowners and Renters of All Ages; Raise Maximum Benefits
- Increase Child and Dependent Care Credit
- Create a Refundable Low-Income Credit

Connecticut

2011 Poverty Rate = 10.9%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$12,700	\$58,100	\$3,164,200
Taxes as a Share of Income	11.2%	10.2%	5.5%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 30%
- Low-Income Sliding Scale Circuit Breaker (For Homeowners and Renters, 65+ or Disabled)

Anti-Poverty Tax Policies to Consider:

- Increase state EITC
- Expand Circuit Breaker program to Include Homeowners and Renters of All Ages
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

* Average state and local tax figures reflect 2011 changes to the state's tax structure that improved progressivity.

Delaware

2011 Poverty Rate = 11.9%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$10,100	\$44,600	\$1,613,700
Taxes as a Share of Income	6.0%	5.4%	4.5%

Anti-Poverty Tax Policies Offered:

- Nonrefundable Earned Income Tax Credit at 20%
- Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

- Make Earned Income Tax Credit Refundable and Increase Percentage
- Make Child and Dependent Care Credit Refundable and Increase Maximum Benefits
- Create a Low-Income Property Tax Circuit Breaker
- Create a Refundable Low-Income Credit

District of Columbia

2011 Poverty Rate = 18.7%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$12,400	\$45,400	\$2,708,300
Taxes as a Share of Income	6.2%	10.5%	6.4%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 40%
- Low-Income Multiple Threshold Circuit Breaker (For Homeowners and Renters, All Ages)
- Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Enhance Circuit Breaker Program
- Make Child and Dependent Care Credit Refundable and Increase maximum benefits
- Create a Refundable Low-Income Credit

* Initial ITEP analysis suggests that 2011 legislative changes would improve the progressivity of the District's tax structure compared to *Who Pays?* results above.

Florida

2011 Poverty Rate = 17.0%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$10,500	\$37,400	\$2,444,400
Taxes as a Share of Income	13.5%	9.0%	2.1%

Anti-Poverty Tax Policies Offered:

- NONE

Anti-Poverty Tax Policies to Consider:

- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related credit
- Create a Refundable Low-Income Credit

Georgia

2011 Poverty Rate = 19.1%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$9,800	\$38,300	\$1,351,700
Taxes as a Share of Income	11.7%	10.3%	5.7%

Anti-Poverty Tax Policies Offered:

- Nonrefundable, all ages, Low-Income Credit offered
- Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

- Make Low-Income Credit Refundable and increase amount of credit
- Make Child and Dependent Care Credit Refundable and Limit to Low-Income Families
- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker

* ITEP *Who Pays?* results don't include 2012 tax changes

Hawaii

2011 Poverty Rate = 12.0%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$9,800	\$41,400	\$1,040,300
Taxes as a Share of Income	12.2%	11.2%	6.3%

Anti-Poverty Tax Policies Offered:

- Refundable, all ages, Low-Income Credit offered to assist in offsetting food and excise taxes
- Refundable Child and Dependent Care Credit offered
- Refundable income limited credit for renters

Anti-Poverty Tax Policies to Consider:

- Enhance existing Low-Income Credits
- Limit Child and Dependent Care Credit to Low-Income Families and increase benefits
- Create a Low-Income Property Tax Circuit Breaker for homeowners
- Introduce an Earned Income Tax Credit

Idaho

2011 Poverty Rate = 16.5%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$10,800	\$41,400	\$1,287,900
Taxes as a Share of Income	8.6%	8.2%	6.3%

Anti-Poverty Tax Policies Offered:

- Low-Income quasi-Circuit Breaker (For Homeowners 65+)
- Refundable, all ages, non-income limited credit offered to assist in offsetting grocery taxes

Anti-Poverty Tax Policies to Consider:

- Expand Circuit Breaker Program to Homeowners and Renters of All Ages; Increase Maximum Benefits
- Limit Credit to Low-Income households and increase amount
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit

* Initial ITEP analysis suggests that 2012 legislative changes would slightly reduce the effective tax rate for the top 1% compared to *Who Pays?* results above.

Illinois

2011 Poverty Rate = 15.0%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$10,100	\$47,000	\$2,084,700
Taxes as a Share of Income	13.0%	10.1%	4.1%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 10% (2013)

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Create Circuit Breaker Program to Homeowners and Renters of All Ages; Increase Maximum Benefits
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

* 2011 tax changes not included in *Who Pays?* results above: Personal and corporate income tax rate hikes and increase in personal exemption and EITC.

Indiana

2011 Poverty Rate = 16.0%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$10,300	\$43,000	\$1,024,800
Taxes as a Share of Income	11.9%	10.4%	5.3%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 9%
- Refundable, elderly only, Low-Income Credit offered

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Expand Low-Income Credit to all ages and increase benefit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related Credit

Iowa

2011 Poverty Rate = 12.8%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$10,500	\$45,800	\$989,200
Taxes as a Share of Income	11.0%	9.6%	6.0%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 7%
- Low-Income Sliding Scale Circuit Breaker (For Homeowners and Renters, 65+ or Disabled)
- Refundable income limited Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Expand Circuit Breaker Program to Homeowners and Renters of All Ages; Increase Maximum Benefits
- Create a Refundable Low-Income Credit

Kansas

2011 Poverty Rate = 13.8%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$10,100	\$45,500	\$1,236,400
Taxes as a Share of Income	9.2%	9.0%	5.9%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 18%
- Low-Income Sliding Scale Circuit Breaker (For Homeowners, 55+, Disabled, Or With Dependent Under 18)

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Expand Circuit Breaker Program to Homeowners and Renters of All Ages; Increase Maximum Benefits
- Create Child and Dependent Care Credit
- Create Low-Income Credit

* *Who Pays?* results above don't take into account 2012 personal income tax changes.

Kentucky

2011 Poverty Rate = 19.1%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$8,300	\$36,300	\$957,500
Taxes as a Share of Income	9.4%	10.8%	6.1%

Anti-Poverty Tax Policies Offered:

- Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit
- Nonrefundable, all ages, Low-Income Credit offered

Anti-Poverty Tax Policies to Consider:

- Make Child and Dependent Care Credit Refundable and Limit to Low-Income Families
- Make Low-Income Credit Refundable and increase credit amount
- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker

* 2009 tax change not included in *Who Pays?* results above: cigarette tax increase.

Louisiana

2011 Poverty Rate = 20.4%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$9,800	\$36,600	\$1,027,100
Taxes as a Share of Income	10.4%	9.8%	5.2%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 3.5%
- Partially Refundable Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Expand Child and Dependent Care Credit to Include Children Over the Age of 5 and make the credit Refundable
- Create a Low-Income Property Tax Circuit Breaker
- Create a Refundable Low-Income Credit

Maine

2011 Poverty Rate = 14.1%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$11,000	\$39,300	\$977,600
Taxes as a Share of Income	9.5%	9.8%	6.9%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 5%
- Low- and Middle- Income Circuit Breaker (For Homeowners and Renters, All Ages)
- Refundable Child and Dependent Care Credit offered

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Enhance Circuit Breaker Program
- Make Child and Dependent Care Credit Fully Refundable
- Create a Refundable Low-Income Credit

* Initial ITEP analysis suggests that 2011 legislative changes would increase the regressivity of Maine's tax structure compared to *Who Pays?* results above.

Maryland

2011 Poverty Rate = 10.1%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$12,100	\$51,500	\$1,848,200
Taxes as a Share of Income	9.9%	9.8%	6.2%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 25%; Nonrefundable up to 50%
- Low- and Middle- Income Multiple Threshold Circuit Breaker (For Homeowners All Ages and Renters 60+, Disabled, or With Dependent)
- Nonrefundable income limited Child and Dependent Care Credit offered modeled after the federal credit
- Nonrefundable "State Poverty Level Credit" offered

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Increase Circuit Breaker program benefits and make fully available to low-income renters.
- Make Child and Dependent Care Credit Refundable and Increase maximum benefits
- Create a Refundable Low-Income Credit

* Initial ITEP analysis suggests that 2012 legislative changes would slightly increase the effective tax rate for the top 1% compared to *Who Pays?* results above.

Massachusetts

2011 Poverty Rate = 11.6%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$11,200	\$52,900	\$2,628,700
Taxes as a Share of Income	10.1%	9.6%	4.8%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 15%
- Low- and Middle- Income Circuit Breaker (For Homeowners and Renters, 65+)

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Expand Circuit Breaker Program to Homeowners and Renters of All Ages; Increase Maximum Credit
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

Michigan

2011 Poverty Rate = 17.5%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$8,700	\$41,900	\$1,099,200
Taxes as a Share of Income	8.9%	9.5%	5.3%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 20% (falls to 6% in 2012)
- Middle Class / Low-Income Circuit Breaker (For Homeowners and Renters, All Ages)

Anti-Poverty Tax Policies to Consider:

- Enact legislation stopping the reduction in the state EITC (scheduled for 2012)
- Increase Circuit Breaker Program Benefits
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

* Initial ITEP analysis suggests that 2011 legislative changes would significantly increase the regressivity of Michigan's tax structure compared to *Who Pays?* results above.

Minnesota

2011 Poverty Rate = 11.9%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$12,100	\$51,400	\$1,607,700
Taxes as a Share of Income	9.2%	10.0%	6.6%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit, structured differently from the federal credit, average rate is 33%
- Low- and Middle- Income Circuit Breaker (For Homeowners and Renters, All Ages)
- Refundable Child and Dependent Care Credit offered

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Enhance Circuit Breaker Program
- Create a Refundable Low-Income Credit

* Tax changes since *Who Pays?* publication: Reduction in property tax credit.

Mississippi

2011 Poverty Rate = 22.6%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$9,100	\$31,600	\$806,700
Taxes as a Share of Income	10.8%	10.7%	5.5%

Anti-Poverty Tax Policies Offered:

- NONE

Anti-Poverty Tax Policies to Consider:

- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related credit
- Create a Refundable Low-Income Credit

* Tax changes since *Who Pays?* publication: Increase in cigarette tax.

Missouri

2011 Poverty Rate = 15.8%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$10,000	\$40,400	\$1,170,600
Taxes as a Share of Income	9.6%	9.2%	5.4%

Anti-Poverty Tax Policies Offered:

- Low-Income Circuit Breaker (For Homeowners and Renters, 65+ or Disabled)

Anti-Poverty Tax Policies to Consider:

- Expand Circuit Breaker Program to Renters and Homeowners of All Ages; Increase Maximum Benefits
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

Montana

2011 Poverty Rate = 14.8%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$8,700	\$37,500	\$1,097,200
Taxes as a Share of Income	6.1%	6.0%	4.6%

Anti-Poverty Tax Policies Offered:

- Low-Income Circuit Breaker (For Homeowners All Ages and Renters, 62+)

Anti-Poverty Tax Policies to Consider:

- Expand Circuit Breaker Program to Renters of All Ages; Increase Maximum Credit
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

Nebraska

2011 Poverty Rate = 13.1%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$10,700	\$44,700	\$1,426,000
Taxes as a Share of Income	11.1%	10.3%	6.1%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 10%
- Low-Income Circuit Breaker (For Homeowners, 65+ or Disabled)
- Nonrefundable (refundable for qualifying families) income limited Child and Dependent Care Credit offered modeled after the federal

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Expand Circuit Breaker Program to Renters of All Ages; Increase maximum credit
- Make Child and Dependent Care Credit Refundable and Increase maximum benefits
- Create a Refundable Low-Income Credit

* 2012 tax changes not included in *Who Pays?* results above: personal and corporate income tax changes.

Nevada

2011 Poverty Rate = 15.9%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$14,000	\$42,900	\$2,368,100
Taxes as a Share of Income	8.9%	6.4%	1.6%

Anti-Poverty Tax Policies Offered:

- NONE

Anti-Poverty Tax Policies to Consider:

- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

New Hampshire

2011 Poverty Rate = 8.8%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$14,100	\$51,600	\$1,646,900
Taxes as a Share of Income	8.3%	6.3%	2.0%

Anti-Poverty Tax Policies Offered:

- Low-Income Circuit Breaker (For Homeowners, All Ages)

Anti-Poverty Tax Policies to Consider:

- Expand Circuit Breaker Program to Renters
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

* Tax changes since *Who Pays?* publication: Reduction in cigarette tax.

New Jersey

2011 Poverty Rate = 10.4%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$12,400	\$54,000	\$2,258,300
Taxes as a Share of Income	10.7%	8.6%	7.4%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 20% (2010)
- Low- and Middle- Income Circuit Breaker (For Homeowners, All Ages)

* Tax changes since Who Pays? publication: Reduction in EITC.

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit; Restore to 25%
- Expand Circuit Breaker for all ages
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

New Mexico

2011 Poverty Rate = 21.5%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$9,900	\$35,700	\$1,032,100
Taxes as a Share of Income	10.8%	9.9%	4.5%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 10%
- Low-Income Multiple Threshold Circuit Breaker (For Homeowners and Renters, 65+)
- Refundable income limited Child and Dependent Care Credit offered based on the federal credit
- Refundable, all ages, Low-Income Credit offered to assist in offsetting state and local taxes

* 2010 tax changes not included in Who Pays? results above: increase in cigarette tax, elimination of the deduction for state and local income taxes paid, increased gross receipts tax.

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Expand Circuit Breaker Program to Homeowners & Renters of All Ages; Increase maximum credit
- Increase Low-Income Credit

New York

2011 Poverty Rate = 16%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$9,600	\$43,800	\$3,065,800
Taxes as a Share of Income	9.6%	11.6%	7.2%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 30%
- Enhanced State EITC for Certain Non-Custodial Parents
- Low-Income quasi-Circuit Breaker (For Homeowners and Renters, All Ages)
- Refundable income limited Child and Dependent Care Credit offered modeled after the federal credit
- Refundable income limited \$100 per child Child Tax Credit modeled after the federal credit
- Nonrefundable, all ages, Low-Income Credit offered

* Initial ITEP analysis suggests that 2011 legislative changes would improve the progressivity of NY's tax structure compared to Who Pays? results.

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Increase Circuit Breaker Income Ceiling and Maximum Benefits
- Increase Child and Dependent Care Credit
- Increase Child Tax Credit
- Create a Refundable Low-Income Credit

North Carolina

2011 Poverty Rate = 17.9%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$10,300	\$37,300	\$1,150,400
Taxes as a Share of Income	9.5%	9.4%	6.8%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 5%
- Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit
- Nonrefundable income limited \$100 per Child Tax Credit modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Make the Child and Dependent Care Credit Refundable and increase benefits
- Make Child Credit Refundable
- Create a Low-Income Property Tax Circuit Breaker
- Create a Refundable Low-Income Credit

* 2011 legislative changes exempting a portion of small business income from the personal income tax are not reflected in the *Who Pays?* results above.

North Dakota

2011 Poverty Rate = 12%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$13,200	\$46,400	\$1,014,300
Taxes as a Share of Income	9.4%	7.9%	4.3%

Anti-Poverty Tax Policies Offered:

- Low-Income Circuit Breaker (For Homeowners and Renters, 65+ or Disabled)

Anti-Poverty Tax Policies to Consider:

- Increase Size of Circuit Breaker Credit and Expand to All Renters and Homeowners
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

* Initial ITEP analysis suggests that 2011 legislative changes would slightly reduce effective tax rates for all income groups compared to *Who Pays?* publication results above.

Ohio

2011 Poverty Rate = 16.4%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$9,600	\$40,500	\$995,300
Taxes as a Share of Income	12.0%	10.6%	6.4%

Anti-Poverty Tax Policies Offered:

- Nonrefundable, all ages Low-Income Credit offered
- Nonrefundable income limited Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

- Make the Low-Income Tax Credit Refundable
- Make the Child and Dependent Care Credit Refundable and increase benefits
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit

Oklahoma

2011 Poverty Rate = 17.2%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$8,800	\$37,200	\$1,370,200
Taxes as a Share of Income	9.9%	9.0%	4.8%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 5%
- Low-Income Circuit Breaker (For Homeowners, 65+ or Disabled)
- Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit
- Refundable, all ages, Low-Income Credit offered to assist in offsetting sales taxes (higher limit for elderly households)

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Increase Size of Circuit Breaker Credit and expand to renters and homeowners regardless of age
- Make the Child and Dependent Care Credit refundable and increase benefits
- Increase Low-Income Credit

Oregon

2011 Poverty Rate = 17.5%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$10,200	\$41,500	\$1,216,500
Taxes as a Share of Income	8.7%	7.9%	6.2%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 6%
- Low-Income Circuit Breaker (For Renters, 58+)
- Nonrefundable income limited Child and Dependent Care Credit offered modeled after the federal credit
- Refundable Low-Income/Child Tax Credit available to low-income working families with qualifying child care expenses

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Expand Circuit Breaker Program to include all ages and Homeowners
- Make Child and Dependent Care Credit Refundable and Increase maximum benefits
- Increase Low-Income Child Credit
- Create a Refundable Low-Income Credit for all households

Pennsylvania

2011 Poverty Rate = 13.8%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$10,500	\$45,200	\$1,369,600
Taxes as a Share of Income	11.2%	9.1%	3.9%

Anti-Poverty Tax Policies Offered:

- Low-Income Quasi-Circuit Breaker (For Homeowners and Renters, 65+, 50+ Widowers, or Disabled)
- Nonrefundable Low-Income Credit

Anti-Poverty Tax Policies to Consider:

- Expand Circuit Breaker to all ages
- Enhance Low-Income Credit
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit

Rhode Island

2011 Poverty Rate = 14.7%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$9,500	\$41,700	\$1,211,300
Taxes as a Share of Income	11.9%	10.1%	5.6%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 15%; Nonrefundable Up to 25%
- Low-Income Circuit Breaker (For Homeowners and Renters, All Ages)
- Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

- Make all levels of Earned Income Tax Credit Refundable and Increase the credit
- Increase Circuit Breaker Program maximum benefits
- Make Child and Dependent Care Credit Refundable and Limit to Low-Income Families

* Initial ITEP analysis suggests that 2010 legislative changes would improve the progressivity of Rhode Island's tax structure compared to *Who Pays?* publication results above.

South Carolina

2011 Poverty Rate = 18.9%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$9,500	\$34,100	\$1,076,900
Taxes as a Share of Income	7.1%	7.6%	5.5%

Anti-Poverty Tax Policies Offered:

- Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

- Make Child and Dependent Care Credit Refundable and Limit to Low-Income Families
- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Refundable Low-Income Credit

* 2010 and 2012 tax changes not included in *Who Pays?* publication: Increase in cigarette tax and reduction in taxes levied on some business income.

South Dakota

2011 Poverty Rate = 13.9%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$10,400	\$43,000	\$1,300,000
Taxes as a Share of Income	11.0%	7.8%	1.9%

Anti-Poverty Tax Policies Offered:

- Low-Income Sliding Scale Circuit Breaker (For Homeowners, 65+ or Disabled)

Anti-Poverty Tax Policies to Consider:

- Fully fund Circuit Breaker Program and expand to include all ages
- Offer Refundable Low-Income credit
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit

Tennessee

2011 Poverty Rate = 18.3%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$10,200	\$38,000	\$1,365,800
Taxes as a Share of Income	11.7%	9.3%	3.1%

Anti-Poverty Tax Policies Offered:

- NONE

Anti-Poverty Tax Policies to Consider:

- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related credit
- Create a Refundable Low-Income Credit

Texas

2011 Poverty Rate = 18.5%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$11,200	\$40,000	\$1,753,600
Taxes as a Share of Income	12.2%	8.4%	3.0%

Anti-Poverty Tax Policies Offered:

- NONE

Anti-Poverty Tax Policies to Consider:

- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related credit
- Create a Refundable Low-Income Credit

Utah

2011 Poverty Rate = 13.5%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$11,500	\$44,200	\$1,579,900
Taxes as a Share of Income	9.3%	8.6%	4.9%

Anti-Poverty Tax Policies Offered:

- Low-Income Circuit Breaker (For Homeowners and Renters, 65+)

Anti-Poverty Tax Policies to Consider:

- Expand Circuit Breaker Program to include all ages
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

Vermont

2011 Poverty Rate = 11.5%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$11,200	\$43,600	\$1,250,000
Taxes as a Share of Income	8.2%	9.4%	7.5%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 32%
- Low- and Middle- Income Circuit Breaker (For Homeowners and Renters, All Ages)
- Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Increase Circuit Breaker Program Benefits
- Make Child and Dependent Care Credit Refundable and Limit to Low-Income Families
- Create a Refundable Low-Income Credit

* Tax changes since *Who Pays?* publication: Increase in cigarette tax.

Virginia

2011 Poverty Rate = 11.5%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$11,100	\$46,300	\$1,557,700
Taxes as a Share of Income	8.8%	8.4%	5.2%

Anti-Poverty Tax Policies Offered:

- Nonrefundable Earned Income Tax Credit at 20%
- Nonrefundable Low-Income Credit can be taken as an alternative to the EITC

Anti-Poverty Tax Policies to Consider:

- Make Earned Income Tax Credit Fully Refundable and Increase the Credit
- Make Low-Income Credit Refundable
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related Credit

Washington

2011 Poverty Rate = 13.9%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$11,000	\$49,900	\$1,795,000
Taxes as a Share of Income	17.3%	10.8%	2.6%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 10% (Unfunded)
- Low-Income Sliding Scale Circuit Breaker (For Homeowners, 61+ or Disabled)

Anti-Poverty Tax Policies to Consider:

- Fully fund Earned Income Tax Credit and Increase the Size of Credit
- Expand Circuit Breaker Program to include all ages
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

* 2010 tax change not included in *Who Pays?* results above: cigarette tax increase.

West Virginia

2011 Poverty Rate = 18.6%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$8,300	\$33,400	\$660,300
Taxes as a Share of Income	9.7%	9.3%	6.5%

Anti-Poverty Tax Policies Offered:

- Universal Circuit Breaker (For Homeowners, All Ages)
- Nonrefundable Low-Income Family Credit

Anti-Poverty Tax Policies to Consider:

- Limit Circuit Breaker Program to low-income households and make available to renters
- Alter structure of Low-Income Family Credit to make it Refundable
- Introduce an Earned Income Tax Credit
- Create a Child-related credit

* Initial ITEP analysis suggests that 2011 legislative changes would improve the progressivity of West Virginia's tax structure compared to *Who Pays?* results above.

Wisconsin

2011 Poverty Rate = 13.1%

Total Average State and Local Taxes as a % of Income*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$12,700	\$46,300	\$1,116,000
Taxes as a Share of Income	9.2%	10.6%	6.7%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 4% for One Child; 11% for Two; 34% for Three
- Low-Income Multiple Threshold Circuit Breaker (For Homeowners and Renters, All Ages)
- Nonrefundable, all ages, Low-Income Tax credit offered

Anti-Poverty Tax Policies to Consider:

- Increase Size of Earned Income Tax Credit
- Increase Circuit Breaker Program Maximum Benefits
- Make Low-Income Tax Credit Refundable
- Create a Child-related Credit

* 2011 tax changes not included in *Who Pays?* publication: Increase in cigarette tax, reduction in both the EITC and circuit breaker.

Wyoming

2011 Poverty Rate = 11.3%

Total Average State and Local Taxes as a % of Income

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	\$13,100	\$53,700	\$2,832,200
Taxes as a Share of Income	8.3%	6.1%	1.5%

Anti-Poverty Tax Policies Offered:

- Low-Income quasi-Circuit Breaker (For Homeowners and Renters, 65+ or Disabled)

Anti-Poverty Tax Policies to Consider:

- Expand Circuit Breaker Program to include non-elderly Renters and Homeowners
- Introduce an Earned Income Tax Credit
- Create a Child-related credit
- Create a Refundable Low-Income Credit

Sources

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- Other information from state Department of Revenue websites