



## Make tax system more equitable for all Pa. families

By Patriot-News Op-Ed

March 21, 2010, 12:37PM

There is a myth alive and well that low-income people "don't pay taxes. The truth is just the opposite: The poorest families in Pennsylvania pay a higher share of their meager incomes in taxes than middle-class or wealthy families.

Who are the poor? The lowest 20 percent of households in Pennsylvania have incomes under \$19,000, with an average of just \$10,500. They include nursing assistants who care for sick and elderly people in nursing homes, part-time retail workers and people living with disabilities.



Pennsylvania's tax system is one of the most unfair for poor and lower middle class families.

Most states tax middle-class and low-income families higher than the wealthy, but Pennsylvania is especially bad.

The state was ranked among the "Terrible 10" most regressive tax states in the nation by the Institute on Taxation and Economic Policy. Pennsylvania's lowest-income taxpayers pay nearly three times as much of their income in state and local taxes than the wealthiest 1 percent.

How can this be, you ask? Poor families don't have to pay federal or state income taxes, right? Not quite.

Most low-income Pennsylvanians have jobs, and, yes, state and federal tax laws are designed to help the very poor keep more of their wages. But poor and working families still pay federal payroll taxes for Social Security and Medicare, which take a big bite out of small incomes. They contribute to the retirement of today's seniors just as you do.

At the state level, some low-income workers receive income tax forgiveness, but this program is aimed at the poorest Pennsylvanians. You can earn poverty wages and still be paying the full personal income tax.

Even those who qualify for tax forgiveness pay large shares of their earnings in sales, local earned income and property taxes. In Philadelphia and Allegheny County, where concentrations of people living in poverty are higher than the rest of the state, workers pay wage taxes as well.

Low-income people pay taxes — just like the rest of us — and they should. We all contribute to the common good — to schools, parks, roads, bridges and hospitals. But would you design a tax system in which the poor pay more? No, but that is the system we have.

Many middle-class people are angry — and with good reason. In the wake of the recession, our jobs and health care are insecure, and many families are a paycheck or two away from financial trouble. We should be angry, but not at the poor.

In Pennsylvania, more than half of total income growth from 2001 to 2007 went to the top 1 percent of earners. Most of our wages haven't even kept pace with inflation.

Meanwhile, middle-income families are paying twice as much of their income in taxes as the top 1 percent. That is something to get angry about. Now let's channel that anger into reforming Pennsylvania's tax system to make it more equitable for everyone.

Pennsylvania's flat income tax rate is a chief culprit for our regressive tax system. Most states with an income tax have a graduated rate that increases for more affluent earners and balances out more regressive sales and property taxes. Not Pennsylvania.

Policymakers could remedy this by setting a higher income tax rate on unearned income, which goes primarily to the wealthy, without raising the tax rate on wage earners. We also should begin the multiyear process of amending the state Constitution to permit a graduated income tax rate.

We should reform the tax system to raise revenue smartly, with a larger share from those who can afford it. To start with, policymakers should close corporate tax loopholes that allow 86 percent of corporations in Pennsylvania to pay less in income taxes than a family earning \$36,000 a year.

We can end special interest exemptions in the sales tax, which overwhelmingly benefit the rich.

The sales tax does exempt food and clothing, which is a great benefit to low-income families, but it also exempts helicopters, gold bullion and out-of-state horse purchases.

Why should people buying these items get a break, while working families pay sales tax on bedding, mouthwash and cleaning supplies? As the economy recovers, the Legislature should address the problem by targeting tax relief to working families.

This could be achieved by enacting a state earned income tax credit, much like the federal credit, which would put needed money in the hands of struggling Pennsylvania families.

Regardless of whether we're rich, poor or somewhere in-between, we all contribute our tax dollars to build and sustain our communities. So let's set aside myths about poor people not paying taxes. Instead let's focus on how we can reform our system to make it work for low-income and middle-class families.

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