A terrible decision

By Staff Reports

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Tennessee lawmakers who controlled the debate over state tax reform in 2002 can proudly point to Tennessee's No. 3 ranking on the list of states with the lowest state and local taxes.

Per person, Tennesseans paid an average of $3,005 in 2007, according to the U.S. Census Bureau, just ahead of Mississippi, at $2,989, and Alabama, which captured the lowest ranking among the 50 states with a $2,909-per-person take.

What these politicians are less likely to mention is the state's appearance among the "Terrible Ten" most regressive tax systems in the country.

The General Assembly kept the individual tax rate low by rejecting a proposal to reform the system with the imposition of a state income tax.

But it made it possible to pay the state's bills by imposing the country's largest combination of state and local sales taxes and maintaining the sales tax on food.

As a result, an analysis by the Institute on Taxation and Economic Policy revealed, Tennessee families that earn less than $17,000 a year are paying 11.7 percent of their income in state and local taxes, compared to 3.1 percent paid by families in the top 1 percent -- those earning $414,000 or more.

That put Tennessee in the group's "Terrible Ten," a label that anti-tax reform legislators might not be proud of but cannot deny.