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## States Taxing the Rich: A Very Bad or Good—Idea

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WASHINGTON In a dramatic break from tax trends of recent decades, eight states have voted this year to push up the percentages of income that their wealthiest citizens must pay.

Connecticut is the latest to take this step, following Delaware, Hawaii, New Jersey, New York, North Carolina, Oregon, and Wisconsin, according to a Stateline roundup.

What's going on here? Are these moves simply desperate last-minute attempts to balance budgets that have been hit deeply by the recession? Since virtually all the increases have been muscled through by Democratic legislative majorities, are they just partisan maneuvers?

Or do tax boosts for the richest among us signal a tidal shift?

There's no question that the Wall Street meltdown cut the ground out from under the argument that the wealthy are so much wiser and ingenious that we should touch their earnings lightly or else risk killing off the sacred cow of capitalist growth.

AIG-sized bonuses, ridiculously overpaid corporate executives, careers of financial "wizards" built on moving money around with zero net gain for the economy -- all have cut away at "don't overtax the rich" theories. The shift is underscored by a recognition of how many millions of jobs were destroyed by the money moguls' machinations.

But not everything has changed. America's political right wing has spent much of this year staging colorful anti-tax "tea parties" that play on Americans' legitimate fears of an expansive federal government building up fearsome levels of public debt.

And in the legislatures, Republican legislators have garnered attention by accusing the tax-raising Democrats of "class warfare." The standard warning is that taxing the wealthy more heavily will prompt them to flee to lower-tax states.

OK, class warfare may be a canard -- who really believes it? But will the flight of the rich to low-tax havens be a torrent or a trickle?

"Not even a trickle," Robert McIntyre of the advocacy group Citizens for Tax Justice replied when I asked. "If you live in Malibu, would you want to move to Omaha? Rich people like climate, amenities, and lots of other rich people to talk to." Increased rates, he said, would prompt precious few to move.

But what's the general picture of state taxes today? Are they fair to all income groups, all classes? Can we reasonably shake the theory we should protect the rich against higher taxes because we believe, like Joe the Plumber of the last election season, that we're all "rich people in waiting"?

The reformers have a mountain of evidence to justify a shift to more progressive tax structures. And the new climate may be ideal to hear their case.

By overwhelming margins, states tax their middleand low-income families more heavily than the wealthy, the Institute on Taxation and Economic Policy reported in its last comprehensive national review, in 2003.

The group added together all state and local taxes that individuals pay -- income, sales, property, and other -- to reach its conclusions. It found the best-off 1 percent of families paid taxes on just 7.3 percent of their total income, and after the federal income tax offset, just 5.2 percent.

Families in the middle 20 percent of the income spectrum paid 9.9 percent before the federal offset, 9.6 percent after -- almost twice as much as the very wealthy. A major reason: so many states lack a broad-based income tax, or if they have one, set it at a flat rate.

And the 20 percent of lowest-income families? They were found to pay the most of all -- 11.4 percent of their incomes. The prime reason: Sales taxes consume such larger shares of their meager pay levels.

The disparities have continued and deepened, say observers. A highly detailed study in Minnesota, a fairly liberal state, found the top 5 percent of taxpayers there have an effective tax rate of 9.7 percent, and the less-affluent about 12 percent.

Meanwhile, in conservative Mississippi, families making \$18,000 or less pay 12.1 percent of their total incomes while those making more than \$224,000 pay just 5.4 percent. The legislature this year tried to remedy the situation with a bill including reduced taxes on groceries and more on tobacco, but Republican Gov. Haley Barbour vetoed it.

A 50-state move to progressive taxes, and adequate overall levels, could serve our national future. Smoothly running state and local governments are vital in every arena from schools to universities, basic infrastructure to law enforcement -- crucial factors for our quality of life, and our economy.

Helping low-income families through lesser tax burdens means less poverty, more self-sufficiency, brighter futures. Against all that, the idea of asking high-income families to pay as great a share of their earnings as the rest of us isn't radical -- it's just common sense.