



Census Data Reveal Fundamental Tax Mismatch in Texas

Texas is a Low Tax State, But Not for Families Living in Poverty

Data from the Census Bureau shows that overall, Texas could be considered a “low tax state.”¹ However, families living near or below the poverty line generally do not experience Texas as a low tax state -- instead, they pay more than their fair share of state and local taxes.

A Low Tax State With Above Average Sales Taxes

Texas state and local taxes are **11th lowest** in the nation as a share of personal income in 2009. At **9.2 percent** of personal income, Texas’s taxes were well below the national average of **10.4 percent**. One reason for the low ranking is that Texas doesn’t levy a broad-based personal income tax. Texas’s property taxes are just **10.8 percent** above the national average.

However, the state’s reliance on one tax in particular, sales and excise taxes, is **19.4 percent** above the national average. Texas ranks **13th highest** in terms of sales and excise taxes collected as a share of income. This heavy reliance on regressive sales and excise taxes means that Texas isn’t a low tax state for everyone.

A High Tax State for Low Income Taxpayers

Texas tax laws actually redistribute income away from ordinary families and towards the richest Texans. A November 2009 report by the Institute on Taxation and Economic Policy² found that the poorest twenty percent of Texans paid, on average, **12.2 percent** of their income in taxes, while the wealthiest one percent of taxpayers paid an average of only **3 percent** of their income in state and local taxes. In fact, taxes paid by the poorest 20 percent of non-elderly Texans (those with an average income of \$11,200) are **5th highest** in the nation. By this same measure, the taxes paid by Texans in the second quintile, with average incomes of \$24,500, were **17th highest** in the nation.

The primary reason for this mismatch is that the Texas tax system is extremely imbalanced in its reliance on the “big three” taxes (income, sales, and property). Specifically, the state’s tax system relies far too heavily on sales taxes, and not at all on income taxes. With poverty rates on the rise, the Texas tax system is actually pushing families further into poverty. Reforming the unfair tax system to achieve greater fairness should be a top priority for state lawmakers. ■

¹ This brief reflects Census data for state and local tax collections for 2009, the most recent year available.

² Who Pays? A Distributional Analysis of the Tax Systems in All 50 State, 3rd Edition. (Institute on Taxation and Economic Policy, 2009). http://www.itepnet.org/state_reports/whopays.php