

Census Data Reveal Washington's Fundamental Tax Mismatch Washington is a Low Tax State, But Not for Families Living in Poverty

Recently released data from the Census Bureau confirms that overall Washington could be considered a “low tax state.” However, families living near or below the poverty line generally do not experience Washington 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

Washington's state and local taxes are 19th lowest in the nation as a share of personal income. At 10.4 percent of personal income, Washington's taxes were well below the national average in 2008. Washington doesn't levy a broad-based personal income tax. Washington's property taxes are also quite low, 17 percent below the national average. Washington sales and excise taxes, by contrast, were 74 percent above the national average. However, the state's reliance on one tax in particular is dramatically above the national average, the state ranks 2nd highest in terms of sales and excise taxes as a share of income. This heavy reliance on regressive sales and excise taxes means that Washington isn't a low tax state for everyone.

A High Tax State for Low Income Taxpayers

Washington's tax laws actually redistribute income away from ordinary families and towards the richest Washingtonians. A November 2009 report by the Institute on Taxation and Economic Policy¹ found that the poorest twenty percent of Washingtonians paid, on average, 17.3 percent of their income in Washington taxes, while the wealthiest one percent of taxpayers paid an average of only 2.6 percent of their income in state and local taxes. In fact, taxes paid by the poorest 20 percent of non-elderly Washingtonians (those with an average income of \$11,000) are the **highest** in the nation. By this same measure, the taxes paid by Washingtonians in the second quintile, with average incomes of \$28,200, were also **highest** in the nation.

The primary reason for this mismatch is that Washington's tax system is extremely imbalanced in its reliance on the “big three” taxes (income, sales, and property). Because Washington does not have a personal income tax, the state's tax system relies far too heavily on sales taxes. “With poverty rates on the rise, Washington's tax system is actually pushing families further into poverty.” said Meg Wiehe, ITEP's State Tax Policy Director. “Reforming Washington's unfair tax system to achieve greater fairness should be a top priority for state lawmakers.”

¹ 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