

# Who Pays?

## A Distributional Analysis of the Tax Systems in All 50 States

2<sup>ND</sup> Edition



**The Institute on Taxation & Economic Policy**

Robert S. McIntyre   Robert Denk   Norton Francis  
Matthew Gardner   Will Goma   Fiona Hsu   Richard Sims

**January 2003**



# Who Pays?

A Distributional Analysis  
of the Tax Systems in  
All 50 States

2<sup>nd</sup> Edition

Robert S. McIntyre  
Robert Denk  
Norton Francis  
Matthew Gardner  
Will Gomaa  
Fiona Hsu  
Richard Sims

January 2003



**Institute on Taxation and Economic Policy**  
1311 L Street, NW • Washington, D.C. 20005 • (202) 626-3780  
[www.itepnet.org](http://www.itepnet.org)

## *Acknowledgments*

This study was made possible by grants from the Annie E. Casey Foundation, the Ford Foundation, the Joyce Foundation, the Rockefeller Foundation and the Streisand Foundation.

Michael Ettlinger, the original designer of the ITEP Tax Model, provided invaluable guidance at all stages of the report. Robert Lynch and John O'Hare also provided helpful feedback.

ITEP extends special thanks to fiscal policy analysts at Alabama Arise, Arkansas Advocates for Children and Families, the California Budget Project, the Center on Budget and Policy Priorities, Connecticut Voices for Children, the Maine Center for Economic Policy, the Massachusetts Budget and Policy Center, the Michigan League for Human Services, the New York Fiscal Policy Institute, the North Carolina Budget and Tax Policy Center, Policy Matters Ohio, the Oregon Center for Public Policy, Tennesseans for Fair Taxation, the Texas Center for Public Policy Priorities, the Institute for Washington's Future, and other state fiscal organizations for their constructive comments on early drafts of the report, as well as the many state revenue department employees and legislative fiscal analysts who patiently helped us to better understand each of their state's tax systems.

Bonnie Rubenstein, ITEP's development director, raised the funds to produce this study.

*Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*  
*2<sup>nd</sup> Edition*

Copyright © 2003 by  
The Institute on Taxation and Economic Policy  
Washington, D.C.

# Table of Contents

Introduction and Summary of Findings .....	1
Detailed State Tables .....	15
Alabama .....	16
Alaska .....	18
Arizona .....	20
Arkansas .....	22
California .....	24
Colorado .....	26
Connecticut .....	28
Delaware .....	30
District of Columbia .....	32
Florida .....	34
Georgia .....	36
Hawaii .....	38
Idaho .....	40
Illinois .....	42
Indiana .....	44
Iowa .....	46
Kansas .....	48
Kentucky .....	50
Louisiana .....	52
Maine .....	54
Maryland .....	56
Massachusetts .....	58
Michigan .....	60
Minnesota .....	62
Mississippi .....	64
Missouri .....	66
Montana .....	68
Nebraska .....	70
Nevada .....	72
New Hampshire .....	74
New Jersey .....	76
New Mexico .....	78
New York .....	80
North Carolina .....	82
North Dakota .....	84
Ohio .....	86
Oklahoma .....	88
Oregon .....	90
Pennsylvania .....	92
Rhode Island .....	94
South Carolina .....	96
South Dakota .....	98
Tennessee .....	100
Texas .....	102
Utah .....	104
Vermont .....	106
Virginia .....	108
Washington .....	110
West Virginia .....	112
Wisconsin .....	114
Wyoming .....	116
US Averages .....	118
Methodology .....	120

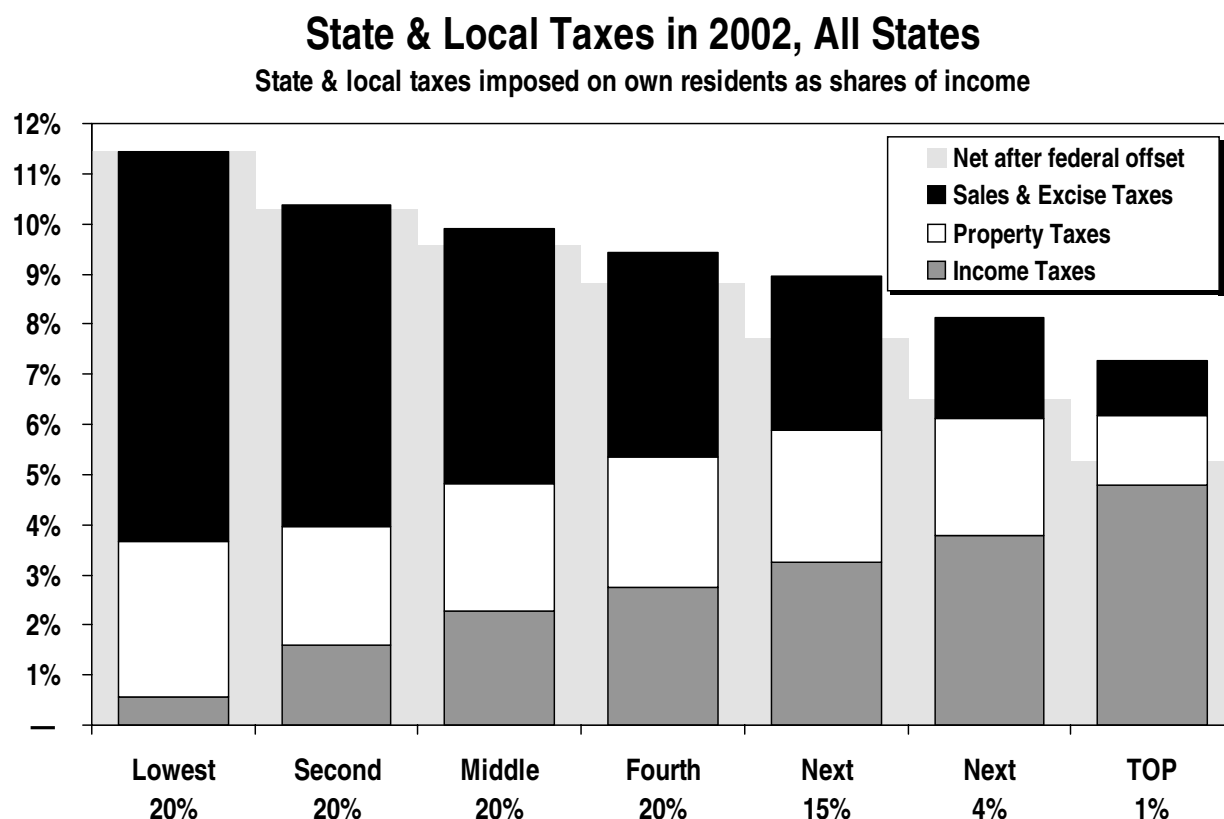


State governments are facing a profound fiscal crisis. In the past year, states have grappled with mounting budgetary shortfalls, as tax revenues have slumped while spending pressures have continued to grow—and these problems will probably get even worse in the upcoming year. As state and local governments are forced to make hard decisions about how to balance their books, it is an appropriate time to look at who pays for state and local government services.

While the primary concern of lawmakers in the 2003 legislative sessions is likely to be tax *adequacy* (ensuring that sufficient revenue is available to fund important services), it is equally important to assess the *fairness* of state tax systems—both currently and as they have changed over time. This study looks at the state and local taxes paid by each income group in 2002 as shares of income for every state and the District of Columbia—and how changes in tax policy since 1989 have affected the distribution of state tax burdens.

**Our primary finding is that most state and local tax systems take a much greater share of income from middle- and low-income families than from the wealthy.** That is, most state tax systems are *regressive*.

In fact, only four states require their best-off citizens to pay as much of their incomes in taxes as middle-income families have to pay. Only eight states tax their wealthiest residents at effective tax rates as high as the poorest taxpayers are required to pay. And the disparities in effective tax rates between middle- and low-income families and the well-off are not trivial. Most states tax the wealthy at rates that are much lower than the rates on middle- and low-income families.

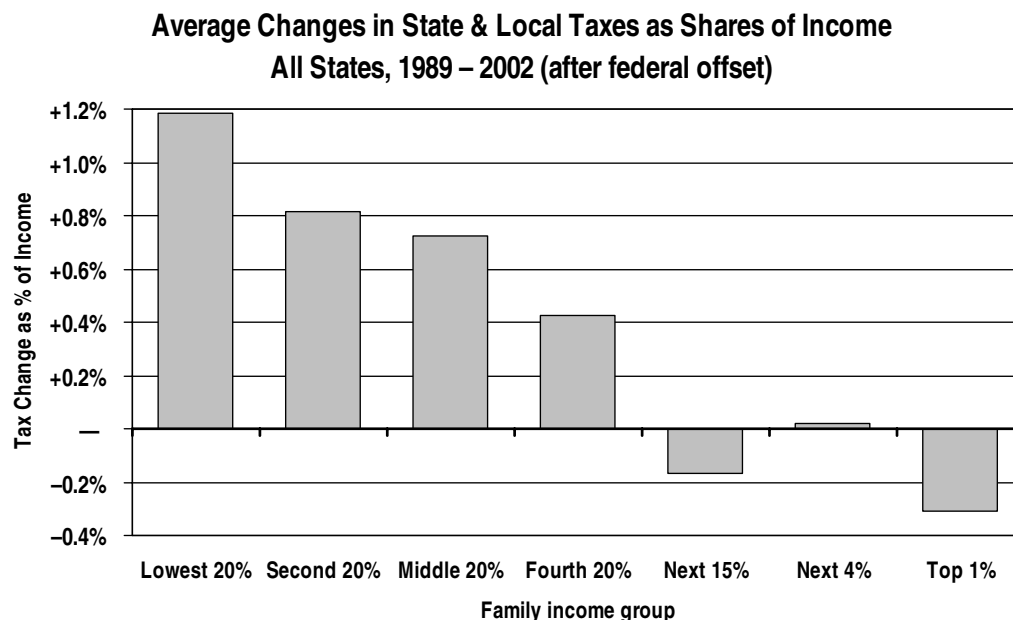


Nationwide, effective state and local tax rates on non-elderly families<sup>1</sup> follow a strikingly regressive pattern:

- The average state and local tax rate on the best-off one percent of families is 7.3 percent before accounting for the tax savings from federal itemized deductions. After the federal offset, the effective tax rate on the best-off one percent is a mere 5.2 percent.
- The average tax rate on families in the middle 20 percent of the income spectrum is 9.9 percent before the federal offset and 9.6 percent after—almost twice the effective rate that the richest people pay.
- The average tax rate on the poorest 20 percent of families is the highest of all. At 11.4 percent, it is more than double the effective rate on the very wealthy.

**A second key finding of the study is that overall, changes in state and local taxes over the past decade have made state tax systems even more regressive.** While lawmakers in many states have taken steps to provide low-income tax relief through earned-income tax credits and similar mechanisms, these progressive changes have often been insufficient to offset the growing use of regressive consumption taxes—and many states have not enacted substantial low-income tax relief at all. At the same time, many states have actually lowered taxes on their best-off residents.

State and local taxes in the United States as a whole rose slightly as a share of income from 1989 to 2002, as states were required to assume additional program responsibilities abdicated by the federal government due to its budget problems. Fair enough. But because of the way those tax increases were structured, state and local taxes rose most on poor and middle-income families, and least—or not at all—on upper-income families.



---

<sup>1</sup>The study's scope is limited to non-elderly families (singles and couples, with and without children) because state tax systems often treat elderly families very differently from the vast majority of families.



## The 10 Most Regressive Tax States

**T**en states—Washington, Florida, Tennessee, South Dakota, Texas, Illinois, Michigan, Pennsylvania, Nevada and Alabama—are particularly regressive. These ten states ask their poorest residents—those in the bottom 20 percent of the income scale—to pay up to five-and-a-half times as great a share of their earnings in taxes as they ask the wealthy to pay. Middle-income families in these states pay up to three-and-a-half times as high a share of their income as the wealthiest families. (These figures are before the benefits the wealthy enjoy from federal itemized deductions.)

<b>The Ten Most Regressive State Tax Systems</b>					
<b>Taxes as shares of income by income for non-elderly residents</b>					
<b>Income Group</b>	<b>Taxes as a % of Income on</b>			<b>Poor/ Top 1%</b>	<b>Middle/ Top 1%</b>
	<b>Poorest 20%</b>	<b>Middle 60%</b>	<b>Top 1%</b>		
Washington	17.6%	11.2%	3.3%	537%	343%
Florida	14.4%	9.8%	3.0%	476%	325%
Tennessee	11.7%	8.9%	3.4%	347%	264%
South Dakota	10.0%	8.4%	2.3%	440%	369%
Texas	11.4%	8.4%	3.5%	331%	244%
Illinois	13.1%	10.5%	5.8%	224%	180%
Michigan	13.3%	11.2%	6.7%	199%	168%
Pennsylvania	11.4%	9.0%	4.8%	238%	187%
Nevada	8.3%	6.5%	2.0%	420%	331%
Alabama	10.6%	9.6%	4.9%	216%	195%

Note: States are ranked by the ITEP Tax Inequality Index. The ten states in the table are those whose tax systems most increase income inequality after taxes compared to before taxes. See page 121 for a full description of the Index.

## What Makes a State's Tax System Regressive?

**W**hat characteristics do states with particularly regressive tax systems have in common? Looking at the ten most regressive tax states, several important factors stand out:

- Six of the ten states lack a broad-based personal income tax.
- The other four states levy broad-based income taxes, but have structured the tax in a way that makes it much less progressive than in other states. Three of them have flat-rate income taxes, and one allows a deduction for federal income taxes paid.<sup>2</sup>
- Seven of the ten most regressive states—Washington, Florida, Tennessee, South Dakota, Texas, Nevada and Alabama—rely very heavily on regressive sales and excise taxes. These states derive between half and two-thirds of their tax revenues from these consumption taxes, compared to the national average of 35 percent.

<sup>2</sup>Because the federal personal income tax is progressive, a state tax deduction for federal income taxes paid is worth substantially more to the wealthy—and is unavailable to many low-income taxpayers.

## The Least Regressive States

**J**ust as a flat income tax or no income tax at all plus high sales and excise taxes tends to make for a very regressive tax system, the most noticeable features of the *least* regressive tax states are exactly the opposite: they have progressive personal income taxes or low reliance on sales and excise taxes. For example, Vermont succeeds in making its overall tax system relatively fair with a combination of a highly progressive income tax and a relatively low reliance on sales and excise taxes. In contrast, Delaware's flat-rate income tax structure is not very progressive, but its high reliance on income taxes and very low use of consumption taxes nevertheless results in a progressive tax system overall.

Characteristics of the Least Regressive Tax Systems			
	Personal Income Tax		Low Use of Sales & Excise Taxes
	Very Progressive	Other Details	
Delaware		High reliance	✓
Montana			✓
Vermont	✓	Ref. Credits*	✓
California	✓		
*Refundable credits are allowed even if they exceed a low-income family's income tax liability.			

## The Kind of Tax Matters

**S**tate governments seeking to fund public services have historically relied on three broad types of taxes—income, property and consumption (sales and excise) taxes.<sup>3</sup> As can be seen by our analysis of the most and least regressive tax states, the regressivity of state tax systems depends in large part on which of these three taxes a state relies most heavily. Each of these taxes has a distinct distributional impact, as the table on the next page illustrates:

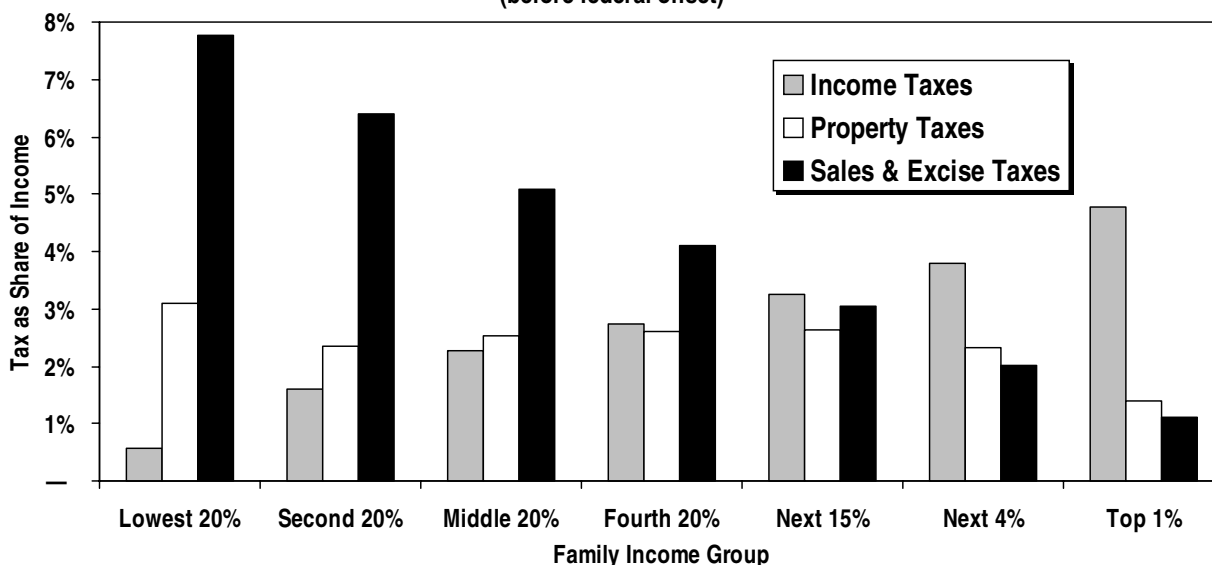
- State and local income taxes are typically progressive. On average, poor families pay only a tenth of the effective income tax rate that the richest families pay, and middle-income families pay about half of the effective rate on the well-to-do. Alone among these three tax types, income taxes usually require the wealthiest taxpayers to pay the highest effective tax rate.
- Property taxes, including both taxes on individuals and business taxes, are usually somewhat regressive. On average, poor families pay more than any other income group—and the wealthiest taxpayers pay the least.
- Sales and excise taxes are very regressive. On average, poor families pay almost eight times as high a share of their income in these consumption taxes as do the best-off families, and middle-income families pay more than four times the rate of the wealthy.

---

<sup>3</sup>States also rely on non-tax revenue sources such as user fees and charges. A few states rely heavily on non-traditional tax sources, such as severance taxes on the extraction of natural resources, which are not included in this analysis.

## Comparing Types of Taxes: Averages for All States

(before federal offset)



Besides how big a role each kind of tax plays in a state's overall revenue mix, a second factor is important: how states design the structure of each tax. Some income taxes are much more progressive than others simply because lawmakers chose to design them that way. The same is true, to a lesser extent, of property and sales taxes: while any state relying heavily on these taxes is likely to have a regressive tax structure, lawmakers can take steps to make these taxes less (or more) regressive than other states' sales and property taxes. The overall regressivity of a state's tax system, therefore, ultimately depends both on a state's reliance on the different tax sources and on how the state designs each tax.

For example, California's level of reliance on each of the three major tax types is fairly typical. But the state income tax is more progressive than most—and this makes California's tax system one of the most progressive in the country.

Delaware, on the other hand, is one of the most progressive tax states not because any one of its taxes is exceptionally progressive, but because it relies so heavily on a modestly progressive income tax and relies very little on regressive sales and excise taxes.

### Income Taxes

**S**tate personal income taxes—with their counterpart, corporate income taxes—are the main progressive element of state and local tax systems. In 2002, 41 states and the District of Columbia used broad-based personal income taxes to partially offset the regressivity of consumption taxes and property taxes. Yet some states have been noticeably more successful than others in creating a truly progressive personal income tax—one in which effective tax rates increase with income. Some states, such as California or Vermont, have very progressive income taxes. Others have only nominally progressive taxes. And a very few states, such as Alabama and Pennsylvania, have what are effectively *regressive* income taxes.

These differences in the progressivity of state income taxes are due to three broad policy choices made by lawmakers: the use of either a graduated or flat-rate tax structure, the use of exemptions and tax credits that primarily benefit low-income taxpayers, and in a number of states, the use of regressive tax loopholes that primarily benefit the wealthiest taxpayers.

Of the 42 states (including the District of Columbia) currently levying a broad-based personal income tax, all but six have chosen to apply *graduated* tax rates—in which higher tax rates are applied at higher income levels. The remaining six states—Colorado, Illinois, Indiana, Massachusetts, Michigan and Pennsylvania—tax income at one flat rate.

However, not all of these graduated income taxes have the same distributional effect—and some nominally graduated state income taxes

are actually less progressive than some flat-rate taxes. The level of graduation in state income tax rates varies widely. The chart below depicts three state income taxes—those of Arizona, California and Maryland—that apply graduated rate structures with very different distributional impacts.

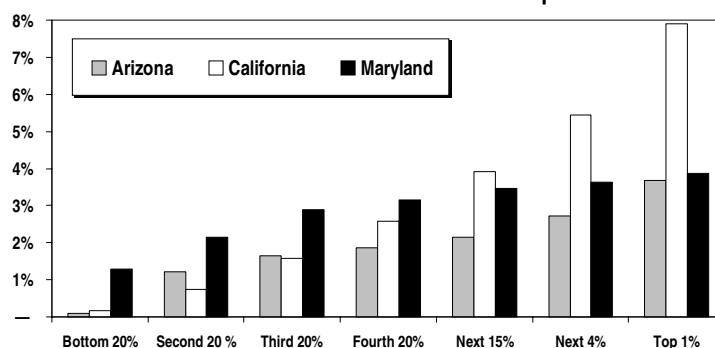
Income Taxes (or not) in the 10 Most Regressive States

State	Little or No Income Tax	Flat-Rate Tax	Federal Tax Deduction
Washington	✓		
Florida	✓		
Tennessee	✓		
South Dakota	✓		
Texas	✓		
Illinois		✓	
Michigan		✓	
Pennsylvania		✓	
Nevada	✓		
Alabama		✓*	✓

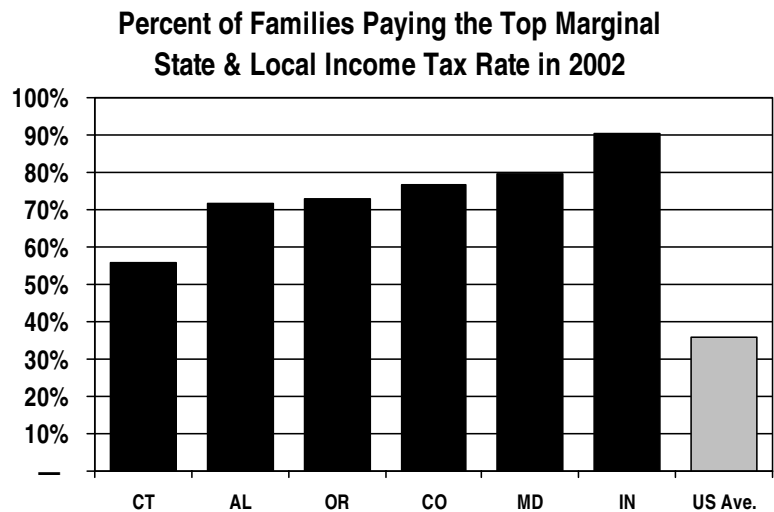
\*Alabama's top bracket is so low that it is effectively flat.

- In Arizona, the bottom marginal income tax rate of 2.87 percent starts at about \$23,600 in income for a family of four and gradually rises with income, up to 5.04 percent for families making more than about \$300,000. Less than one percent of Arizona taxpayers paid at the top marginal rate in 2002. However, the relatively small difference between the bottom rate and the top rate means that the Arizona income tax is only moderately progressive.
- In California, more taxpayers pay at the top rate than in Arizona—24 percent in 2002—because the top tax rate begins at a lower level, just over \$71,000 of taxable income. But because the top tax rate of 9.3 percent is higher than in Arizona, California's income tax as a whole is much more progressive.
- At the other end of the spectrum, Maryland is a good example of a state with nominally graduated income tax rates that don't mean much in practice. The state's top tax rate of 4.75 percent is close to Arizona's top rate—but the top rate kicks in at just \$3,000 of taxable income. As a result, 80 percent of Maryland families pay at the top rate.

Not All Income Taxes Are Created Equal



In addition to using graduated rates, many states also enhance income tax progressivity by providing low-income tax breaks. Personal and dependent exemptions and standard deductions can have substantial progressive effects. Colorado, for instance, has a flat rate but allows large exemptions and deductions based on the federal income tax. Although this does not make Colorado's one of the most progressive income taxes, the state's generous exemptions make this otherwise flat tax more equitable than some nominally graduated income taxes.



Perhaps the most important factor enhancing the progressivity of income taxes in recent years has been the proliferation of low-income tax credits. The most effective such credits are *refundable*—they essentially offset sales and property taxes in addition to income taxes—and are adjusted for inflation each year so they do not erode over time.

Notably, 17 states allow an earned-income tax credit (EITC) patterned after the federal credit. Because this credit is targeted to low-income families and in many states is refundable, it can dramatically increase the fairness of a state's tax structure. The use of the low-income tax credits like the EITC is an important indicator of tax progressivity: none of the ten most regressive state income taxes has a permanent low-income credit, while nine of the ten most progressive state income taxes currently provide an EITC.<sup>4</sup>

In contrast to states that try to improve tax fairness with tax credits for low-income families, more than a dozen states currently allow substantial tax breaks that undermine tax progressivity by targeting their benefits to the wealthy. Two of the most regressive state income tax loopholes are capital gains tax breaks and deductions for federal income taxes paid. In combination with a flat (or only nominally graduated) rate structure, these tax breaks can sometimes create the odd—and unfair—result of the highest income taxpayers paying a lower share of their income in income taxes than middle-income taxpayers. For example:

- Alabama allows a deduction for federal income taxes paid. Although Alabama's income tax is essentially flat, the federal income tax is still progressive. So Alabama's deduction for federal income taxes disproportionately benefits the state's wealthiest taxpayers. As a result, effective marginal income tax rates in Alabama actually decline at higher income levels. Notwithstanding the 5 percent top tax rate, the effective income tax rate on the very wealthiest taxpayers is actually less than 3 percent. Like Alabama, two other states allow a full deduction for federal taxes; six other states have a partial deduction.

<sup>4</sup>The tenth state, Nebraska, achieves its progressivity by phasing out the benefits of deductions and exemptions for higher-income taxpayers.

- Wisconsin allows a deduction for 60 percent of capital gains income. Because capital gains are realized almost exclusively by the wealthiest 20 percent of taxpayers, this deduction makes the state income tax much less progressive. Five other states allow substantial capital gains tax breaks.

## Sales and Excise Taxes

**S**ales and excise taxes are the most regressive element in most state and local tax systems. Because sales taxes are levied at a flat rate, and because spending as a share of income falls as income rises, sales taxes inevitably take a larger share of income from low- and middle-income families than they take from the rich.<sup>5</sup> Thus, while a flat-rate general sales tax may appear on its face to be neither progressive nor regressive, that is not its practical impact. Unlike an income tax, which generally applies to most income, the sales tax applies only to a portion of income that is spent—and exempts income that is saved. Since the rich are able to save a much larger share of their incomes than middle-income families—and since the poor can rarely save at all—the tax is inherently regressive.

The average state's consumption tax structure is equivalent to an income tax with a 7 percent rate for the poor, a 4.8 percent rate for the middle class, and a 1 percent rate for the wealthiest taxpayers. Obviously, no one would intentionally design an income tax that looks like this—yet by relying on consumption taxes as a revenue source, this is effectively the policy choice lawmakers nationwide have made.

The single most important factor affecting the fairness of different state **sales taxes** is the treatment of groceries. Taxing groceries is a particularly regressive strategy because poor families spend most of their income on groceries and other necessities. Of the ten most regressive states in the country, four apply their sales taxes to groceries.

Sales taxes are usually calculated as a percentage of the price of a fairly broad base of taxable items. **Excise taxes**, by contrast, are imposed on a small number of goods, typically ones for which demand has a practical per-person maximum (for example,

one can only use so much gasoline). Thus, wealthy people don't keep buying more of these goods as their income increases. Moreover, excise taxes are typically based on volume rather than price—per gallon, per pack and so forth. Thus better-off people pay the same absolute tax on an expensive premium beer as low-income families pay on a run-of-the-mill variety. As a result, excise taxes are usually the most regressive kind of tax.

Sales Taxes in the 10 Most Regressive States

State	Heavy reliance on sales tax	Food in base
Washington	✓	
Florida	✓	
Tennessee	✓	✓
South Dakota	✓	✓
Texas	✓	
Illinois		✓
Michigan		
Pennsylvania		
Nevada	✓	
Alabama	✓	✓

<sup>5</sup>A few states have enacted preferential tax rates for taxpayers perceived to have less ability to pay—for example, South Carolina's sales tax rate is lower for taxpayers over 85—but these special rates usually apply to taxpayers regardless of income level. Arkansas exempts some utilities for low-income taxpayers.

Overall, state excise taxes on gasoline, cigarettes and beer take about 1.4 percent of the income of the poorest families, 0.7 percent of the income of middle-income families, and just 0.06 percent of the income of the very best-off. In other words, these excise taxes are 24 times harder on the poor than the rich, and 12 times harder on middle-income families than the rich.

In addition to being the most regressive tax, excise taxes are relatively poor revenue-raising tools because they decline in real value over time. Since excise taxes are levied on a per-unit basis rather than *ad valorem* (percentage of value), the revenue generated is eroded due to inflation. That means excise taxes must continually be increased merely to keep pace with inflation, not to mention real economic growth. Policy makers using excise tax hikes to close fiscal gaps should recognize that reliance on excise tax revenues means balancing state budgets on the back of the very poorest taxpayers—and that these revenues represent a short-term fix rather than a long-term solution.

## Property Taxes

**P**roperty taxes have historically been the most important revenue source for state and local governments. Today, a state's property tax base typically includes only a subset of total wealth: primarily homes and business real estate, and in some states cars and business property other than real estate. Our analysis shows that, overall, the property tax is a regressive tax—albeit far less regressive than sales and excise taxes. There are several reasons for this:

- For average families, a home represents the lion's share of their total wealth. At high income levels, however, homes are only a small share of total wealth. Because the property tax usually applies mainly to homes and exempts most other forms of wealth, the tax applies to most of the wealth of middle-income families, and hits a smaller share of the wealth of high-income families.
- For homeowners, home values as a share of income tend to decline at higher incomes. Thus, a typical middle-income family's home might be worth double the family's annual income, while a rich person's home might be valued at one-and-a-half times his or her annual income or less.
- Renters do not escape property taxes. A portion of the property tax on residential rental property is passed through to renters in the form of higher rent—and these taxes represent a much larger share of total income for poor taxpayers than for the wealthy. This adds to the regressivity of the property tax.

The regressivity of the property tax is reduced by the business tax component, which generally falls on owners of capital, and to a significant degree is “exported” to residents of other states. On average, we found that about 40 percent of a typical state's property taxes fall on business (excluding the portion of apartment taxes that we assigned to renters).

The regressivity of property taxes is dependent on factors within the control of policy makers, such as the use of exemptions, tax credits and preferential tax rates for homeowners, and external factors such as housing patterns in the state. The least regressive property taxes are generally those that use the following tax relief strategies:

### ***Homestead exemptions***

The most frequently used form of broad-based state property tax relief for homeowners is the homestead exemption, which usually exempts a flat dollar amount, or a flat percentage of home value, from property tax. Some states apply the exemption only to certain types of property tax levies, such as school taxes, while other states apply the exemption to all homeowner property taxes.

Allowing a generous homestead exemption is what sets less regressive property-tax states apart from the most regressive states. Six of the 10 most regressive state property taxes had no homestead exemption in 2002.

While several states introduced homestead exemptions during the 1990s, many other states allowed the real value of their homestead exemptions to diminish, as growing home values made fixed-dollar exemptions less valuable.

**Property Tax Relief (or not) in the 10 Most Regressive States**

State	Homestead Exemption	Low Income Credit
Washington		
Florida	✓	
Tennessee		
South Dakota		
Texas	✓	
Illinois	✓	
Michigan		✓
Pennsylvania		
Nevada		
Alabama	✓	

### ***Low Income Credits***

A less expensive—and more precisely targeted—form of property tax relief is a credit against property taxes that is allowed only when property tax bills exceed a certain percentage of a person's income. Most states now provide this kind of property tax break, known as a “circuit breaker,” to some extent, because it provides relief only when the ratio of taxes to income becomes too high. But the majority of state circuit breakers go only to elderly taxpayers; only ten states offer circuit breakers to all low-income property taxpayers. Notably, only one of the most regressive states has a low-income circuit breaker.

## **Federal Itemized Deduction Offset**

**S**tate and local personal income and property taxes, unlike sales and excise taxes, are allowed as itemized deductions in computing federal income taxes. This means that federal itemizers—a mostly better-off group—can effectively export part of their state tax burden to the federal government. This has a significant impact on the real tax burdens facing better-off state taxpayers, and on cross-state differences in total tax burdens.

On average, a fifth of all state personal income and individually-paid property taxes are exported to the federal government (and to taxpayers nationwide) as a result of itemized federal deductions. For the very best-off taxpayers, close to 40 percent of their state and local income and property tax bills are effectively paid by the federal government.

For example, if a wealthy family pays \$5,000 in state personal income tax, it gets a deduction from its federal taxable income of \$5,000. So \$5,000 comes off of income that would be taxed at a rate much higher than the state rate.

For a taxpayer in the top federal tax bracket, 38.6 percent of the \$5,000 state tax is essentially paid by the federal government. The state receives the \$5,000 from the taxpayer but the taxpayer only pays \$3,070, or three-fifths of the state tax bill. Since federal itemizers tend to be wealthier, and because state income taxes vary in the degree to which their burdens fall on these wealthy itemizers, some states are better than others at exporting part of their tax burdens to the federal government.



## Low Taxes or Just Regressive Taxes?

**T**his analysis has focused on the most regressive state and local tax systems and the factors that make them so. Aside from their regressivity, however, many of these states have another trait in common: they are frequently cited as “low-tax” states by the media or by their elected officials, often with an emphasis on their lack of an income tax. But this raises the question: “low tax” for whom?

No-income-tax states like Washington, Texas and Florida do, in fact, have average to low taxes overall. Can they also be considered “low-tax” states for poor families? Far from it. In fact, these states’ disproportionate reliance on sales and excise taxes make their taxes among the *highest* in the entire nation on low-income families.

The table to the right shows the ten states that tax poor families the most. Washington State, which does not have an income tax, is the *highest-tax state in the country* for poor people. In fact, when all state and local sales, excise and property taxes are tallied up, Washington’s poor families pay 17.6 percent of their total income in state and local taxes. Compare that to neighboring Idaho and Oregon, where the poor pay 9.7 percent and 9.4 percent, respectively, of their incomes in state and local taxes—far less than in Washington.

Florida, also a no-income-tax state, taxes its poor families at a rate of 14.4 percent ranking 2<sup>nd</sup> in this dubious category. Michigan, whose income tax has a flat rate, ranks 3<sup>rd</sup> in its taxes on the poor, at 13.3 percent.

The bottom line is that many so-called “low-tax” states are high-tax states for the poor, and most of them do not offer a good deal to middle-income families either. Only the wealthy in such states pay relatively little.

**The Ten States with the Highest Taxes on the Poor**

Washington	17.6%
Florida	14.4%
Michigan	13.3%
Illinois	13.1%
Rhode Island	13.0%
New York	12.7%
Hawaii	12.6%
Arizona	12.5%
New Jersey	12.5%
New Mexico	12.1%

## Tax Changes in the 1990s

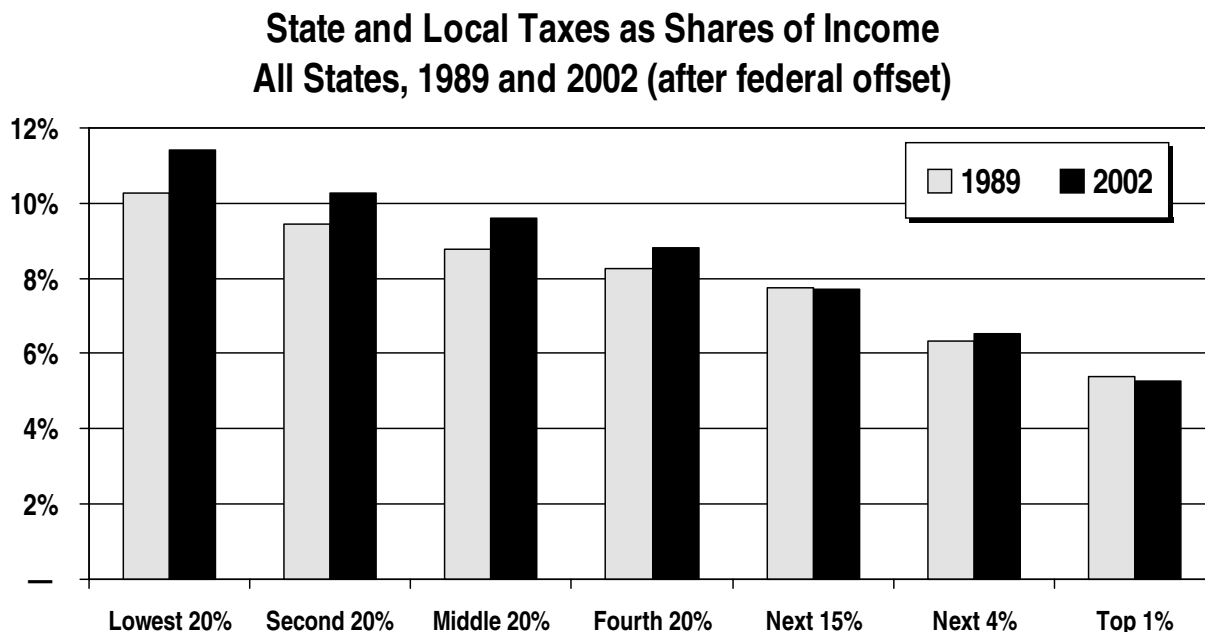
**S**ince 1989, states have experienced a cycle of boom and bust. After surviving a period of chronic fiscal shortfalls in the early 1990s and enjoying a sustained period of surpluses in the late 1990s, most states now find themselves facing substantial budget shortfalls once again. This section discusses how states changed their tax systems over the past twelve years—and how those changes affected tax equity.

To address the budget shortfalls of the early 1990s, state lawmakers passed a variety of revenue-raising measures, including raising income tax rates, closing income tax loopholes, and increasing sales and excise taxes. Of the 42 states with broad-based personal income taxes, 38 passed measures increasing income taxes in the early nineties. At the same time, 22 of the 46 states with general sales taxes increased rates and/or expanded their list of items subject to sales tax.

In contrast, the economic boom of the second half of the 1990s boosted revenues and ultimately led to state budget surpluses. Although that revenue surge was unsustainable over the long term, most states passed permanent tax reductions. The Center on Budget

and Policy Priorities calculates that 33 of the 42 states with personal income taxes lowered that progressive tax during the economic boom. At the same time, 11 of the 46 states with general sales taxes passed measures reducing their sales taxes.

The bottom line for the nation as a whole is that state and local taxes became even more regressive from 1989 to 2002. As shares of income, taxes on poor and middle-income families rose the most, while taxes on the very best-off families actually fell.



On a brighter note, it's worth noting that five of the 11 states that reduced their sales taxes in the late 1990s—Georgia, Louisiana, Missouri, North Carolina, and Virginia—did so in a highly progressive way, by partially exempting groceries from sale taxes. Iowa moved in a progressive direction on its sales tax by exempting residential utilities (although other Iowa tax changes were quite regressive). Other progressive state tax developments include a proliferation of state earned-income tax credits and other low-income credits.

One of the more troubling developments in state tax policy over the decade has been the use of excise tax hikes as a quick-fix solution to short-term fiscal crises. As previously noted, these taxes are a flawed revenue-raising mechanism for two reasons. First, they are highly regressive; low-income taxpayers spend 12 times more on cigarettes as a percentage of income, for example, than do the wealthiest taxpayers.<sup>6</sup> A second reason for avoiding reliance on excise taxes as a revenue source is that the taxes are calculated on a per unit basis, so the real value of the revenue declines over time due to inflation. In other words, the excise tax hikes enacted by states hit low-income taxpayers most heavily in the short-run—and the revenues provided tend to dry up in the long run.

- Cigarette tax hikes since 1989 have driven the average state cigarette tax from \$0.22 to \$0.60 per pack—an average hike of 38 cents per pack. And 12 states have raised their cigarette taxes by more than \$0.75 per pack since 1989.

<sup>6</sup>Bureau of Labor Statistics, *Consumer Expenditure Survey* 2001.

- Statutory changes in excise tax rates raised the excise tax burden by almost one percent of income on the poorest fifth of families nationwide.
- In 16 states, the inflation-adjusted cigarette tax burden has actually *decreased* in the past decade. (In 12 of these states, the cigarette tax rate was not changed at all during the decade; in the other four, tax increases did not offset inflation.)
- Thirty-nine states hiked their nominal gasoline excise tax rate since 1989, with 12 states leaving the rate unchanged. Yet when inflation is factored in, the real gasoline tax burden declined in 37 states.
- Beer excise taxes were less frequently hiked in the 1990s than either cigarette or gas taxes. As a result, the effective beer excise tax rate declined in 41 states between 1989 and 2002.

The deepening fiscal hole in which many states now find themselves has been opening gradually for more than a year—allowing some preliminary evidence on how states will react to this latest cycle of deficits. There is already mounting evidence that states’ reliance on “sin taxes” to close fiscal shortfalls is backfiring, as declining consumption and widespread tax evasion lowers the expected yield of cigarette tax hikes. Coupled with the clear regressivity of the 2002 state tax changes, this suggests that state lawmakers’ tax-change efforts in 2002 managed to avoid achieving either of the basic goals of good tax reform—long-term tax adequacy and tax equity.

In 2003, legislators would do well to focus more clearly on real tax reform that achieves both improved tax fairness and long-term revenue stability. The alternative—increasing a wide range of taxes in times of fiscal difficulty but reducing mainly progressive taxes in times of plenty—undermines both progressivity and revenues.

## Conclusion

---

In 2001, the federal government enacted substantial tax cuts that will be phased-in over ten years. These regressive and expensive tax cuts will almost inevitably result in lower federal aid to states. The huge fiscal shortfalls facing many states today present lawmakers with the same challenge they faced a decade ago: how to raise sufficient revenues for both the short- and the long-run, while not making their tax structures even more inequitable. As this study has shown, the vast majority of states currently require low-income and middle-income taxpayers to shoulder a greater share of the tax burden than the wealthy—and many of these states exacerbated this problem during the last fiscal cycle.

State lawmakers are increasingly aware that the tax structures they have built burden low-income taxpayers most heavily as a share of income—and the recent growth in low-income tax credits is a testament to this awareness. Yet the same lawmakers have continued to use regressive sales and excise tax hikes to fund essential services, swamping the progressive impact of the low-income credits. The bleak reality is that of the seventeen states that have taken steps to reduce the tax burden on the working poor by enacting state earned-income tax credits, fifteen still require their poorest taxpayers to pay the

highest tax burden as a share of their income. And many of the states that have been most generous in enacting low-income tax credits have provided even greater benefits to the wealthiest taxpayers in the form of income tax rate reductions.

In many states, 2003 will require a new cycle of revenue raising. The results of this study will provide a blueprint for lawmakers seeking to understand the inequitable tax structures enacted by their predecessors. States may ignore these lessons and continue to balance state budgets on the backs of their poorest citizens. Or they may decide instead to ask wealthier families to pay tax rates more commensurate with their incomes. In either case, the path that states choose in the near future will have a major impact on the well-being of their citizens—and on the fairness of state and local taxes.

## Using the State-by-State Tables

---

The following pages show state-by-state estimates of the distribution of state and local taxes by income group for non-elderly taxpayers.<sup>7</sup> For each state, two sets of tax burden data are presented: first, the distribution of state and local taxes in 2002, and second, the impact of income, consumption and property tax changes since 1989.<sup>8</sup>

In each distributional chart, the non-elderly population is divided into income quintiles (groups of 20 percent of the population). The wealthiest quintile is further subdivided into three groups: the wealthiest one percent, the next wealthiest four percent, and the next wealthiest 15 percent.

For each state, the distributional analysis of tax changes since 1989 is accompanied by information about changes in each state's revenue-raising patterns since 1989. These charts, based on Census Bureau data through 2000 (the latest available), differ from ITEP's distributional charts in that they include all tax and non-tax revenues, whether they are paid by state residents or not. For example, Alaska derived more than 70 percent of its own-source revenues from non-tax revenues such as user fees and other charges. The state's heavy reliance on these non-tax revenues is one reason why the tax burden on Alaskans is among the lowest in the nation. While this analysis does not include the impact of these non-tax revenues on taxpayers, user fees are usually regressive ways to raise revenue.

---

<sup>7</sup>As noted in footnote 1, the study's scope is limited to non-elderly families (singles and couples, with and without children) because state tax systems often treat elderly families very differently from the vast majority of families.

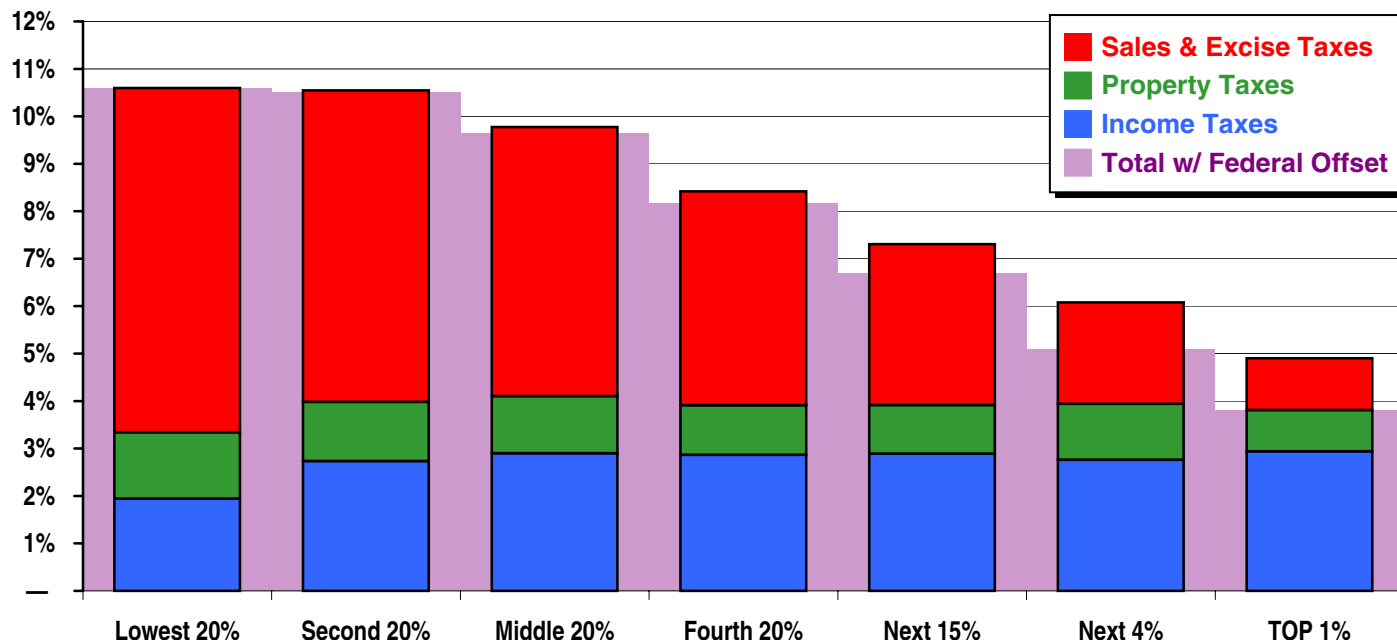
<sup>8</sup>The 2002 figures show the effects of 2002 state and local tax laws, at 2000 income levels (the latest year with complete state-by-state income information), indexed when necessary. The 1989 figures used for comparisons were computed at 1989 income levels.

# Detailed State-by-State Tables

# Alabama

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$13,000	\$13,000 – \$21,000	\$21,000 – \$36,000	\$36,000 – \$58,000	\$58,000 – \$108,000	\$108,000 – \$229,000	\$229,000 or more
Average Income in Group	\$8,300	\$16,800	\$27,600	\$46,000	\$76,400	\$146,400	\$682,300
<b>Sales &amp; Excise Taxes</b>	<b>7.3%</b>	<b>6.6%</b>	<b>5.7%</b>	<b>4.5%</b>	<b>3.4%</b>	<b>2.1%</b>	<b>1.1%</b>
General Sales—Individuals	4.2%	3.8%	3.4%	2.8%	2.1%	1.4%	0.7%
Other Sales & Excise—Ind.	1.7%	1.4%	1.2%	0.9%	0.6%	0.4%	0.2%
Sales & Excise on Business	1.4%	1.3%	1.1%	0.8%	0.6%	0.4%	0.2%
<b>Property Taxes</b>	<b>1.4%</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.2%</b>	<b>0.9%</b>
Property Taxes on Families	1.4%	1.2%	1.2%	1.0%	0.9%	1.0%	0.4%
Other Property Taxes	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.4%
<b>Income Taxes</b>	<b>1.9%</b>	<b>2.7%</b>	<b>2.9%</b>	<b>2.9%</b>	<b>2.9%</b>	<b>2.8%</b>	<b>2.9%</b>
Personal Income Tax	1.9%	2.7%	2.9%	2.8%	2.9%	2.7%	2.7%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>10.6%</b>	<b>10.5%</b>	<b>9.8%</b>	<b>8.4%</b>	<b>7.3%</b>	<b>6.1%</b>	<b>4.9%</b>
Federal Deduction Offset	–0.0%	–0.0%	–0.1%	–0.3%	–0.6%	–1.0%	–1.1%
<b>TOTAL AFTER OFFSET</b>	<b>10.6%</b>	<b>10.5%</b>	<b>9.6%</b>	<b>8.2%</b>	<b>6.7%</b>	<b>5.1%</b>	<b>3.8%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Alabama Tax Trends

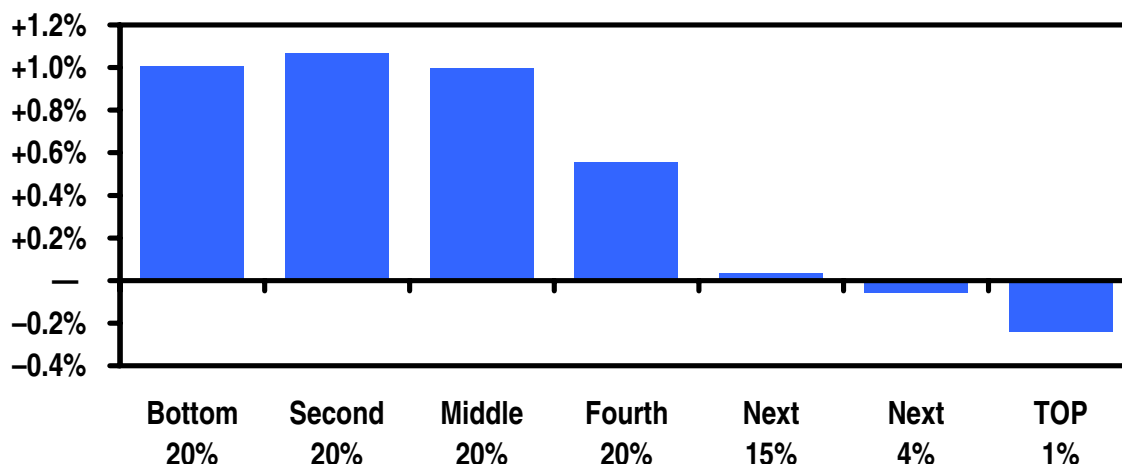
## Progressive Features

- ✓ Property tax homestead exemption

## Regressive Features

- ✗ Virtually flat-rate income tax
- ✗ Income tax not indexed for inflation
- ✗ Sales tax base includes groceries
- ✗ Income tax deduction for federal taxes paid

## Changes in Taxes as Shares of Income, 1989 – 2002

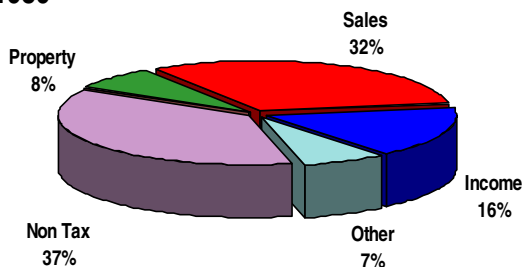


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.1%	+0.2%	+0.2%	+0.2%	+0.2%	+0.1%	+0.0%
Property	+0.2%	+0.3%	+0.3%	+0.3%	+0.1%	+0.1%	-0.0%
Income	+0.7%	+0.6%	+0.5%	+0.1%	-0.1%	-0.2%	-0.1%
Federal Offset	-0.0%	-0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.2%
Overall Change	+1.0%	+1.1%	+1.0%	+0.6%	+0.0%	-0.1%	-0.2%

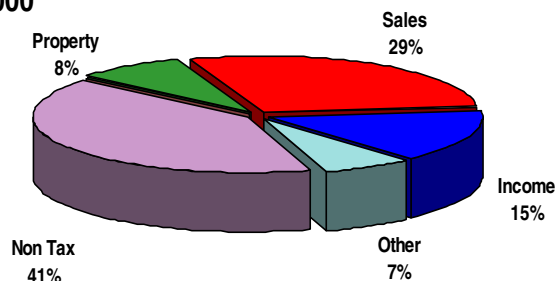
Alabama lawmakers have enacted very few tax changes since 1989. However, this inaction has resulted in substantial and regressive income tax hikes due to the lack of indexation of income tax parameters. Alabama's income tax, already one of the least progressive in the nation in 1989, is now one of the few personal income taxes that is actually regressive in its treatment of wealthier taxpayers. A steady increase in local sales tax rates since 1989 was offset by inflationary reductions in excise tax burdens.

## Composition of Revenues

1989



2000

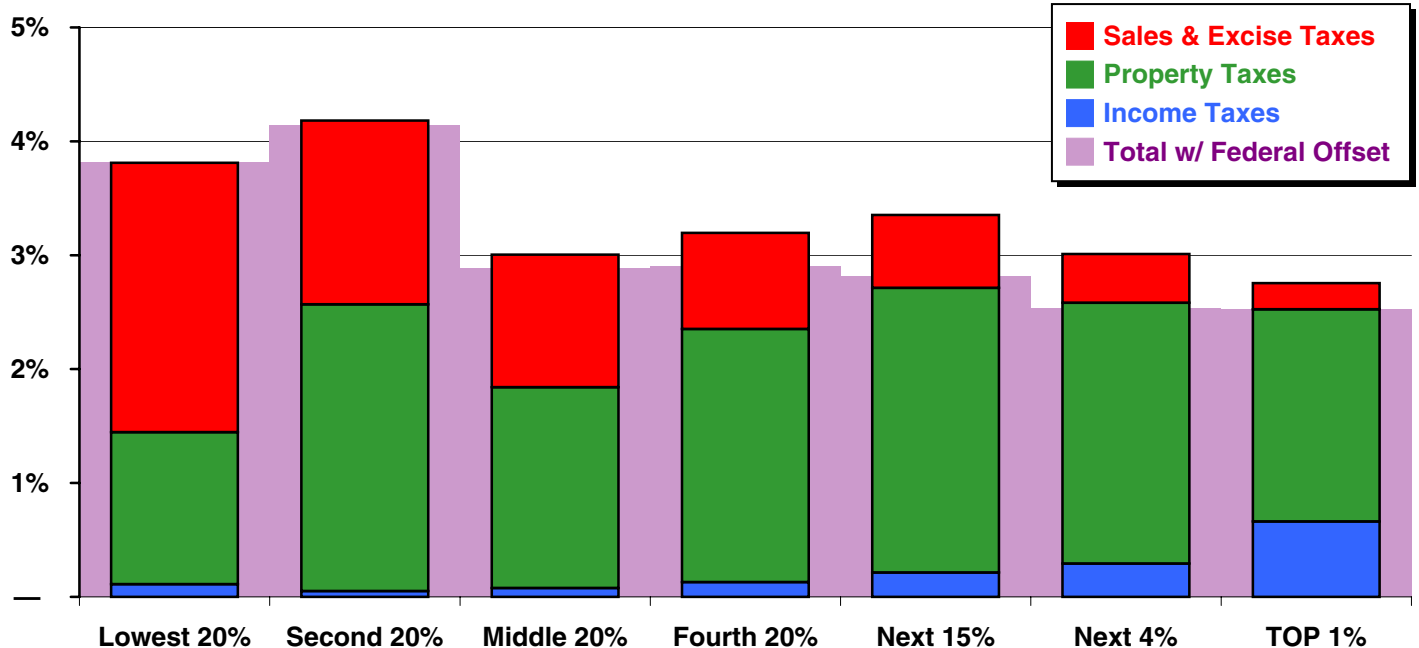


Source: Government Finances, US Department of Census

# Alaska

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$31,000	\$31,000 – \$50,000	\$50,000 – \$80,000	\$80,000 – \$142,000	\$142,000 – \$273,000	\$273,000 or more
Average Income in Group	\$9,900	\$22,600	\$38,500	\$62,300	\$100,900	\$180,800	\$590,300
<b>Sales &amp; Excise Taxes</b>	<b>2.4%</b>	<b>1.6%</b>	<b>1.2%</b>	<b>0.8%</b>	<b>0.6%</b>	<b>0.4%</b>	<b>0.2%</b>
General Sales—Individuals	0.7%	0.6%	0.5%	0.4%	0.3%	0.2%	0.1%
Other Sales & Excise—Ind.	1.3%	0.7%	0.4%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%	0.1%
<b>Property Taxes</b>	<b>1.3%</b>	<b>2.5%</b>	<b>1.8%</b>	<b>2.2%</b>	<b>2.5%</b>	<b>2.3%</b>	<b>1.9%</b>
Property Taxes on Families	1.1%	2.4%	1.6%	2.0%	2.1%	1.8%	0.7%
Other Property Taxes	0.2%	0.1%	0.1%	0.2%	0.4%	0.5%	1.2%
<b>Income Taxes</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.7%</b>
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.7%
<b>TOTAL TAXES</b>	<b>3.8%</b>	<b>4.2%</b>	<b>3.0%</b>	<b>3.2%</b>	<b>3.4%</b>	<b>3.0%</b>	<b>2.8%</b>
Federal Deduction Offset	—	–0.0%	–0.1%	–0.3%	–0.5%	–0.5%	–0.2%
<b>TOTAL AFTER OFFSET</b>	<b>3.8%</b>	<b>4.1%</b>	<b>2.9%</b>	<b>2.9%</b>	<b>2.8%</b>	<b>2.5%</b>	<b>2.5%</b>

Note: Table shows 2002 tax law at 2000 income levels.



# Alaska Tax Trends

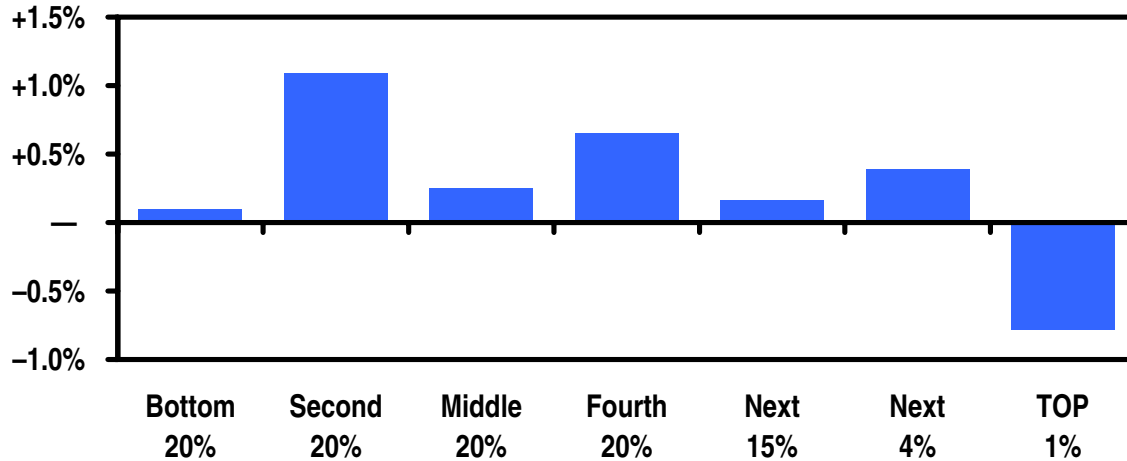
## Progressive Features

- ✓ No statewide sales tax though many localities apply a local sales tax

## Regressive Features

- ✗ No personal income tax

## Changes in Taxes as Shares of Income, 1989 – 2002

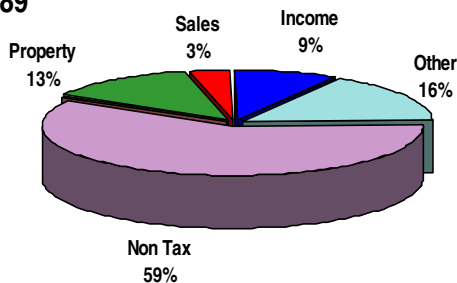


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.6%	+0.3%	+0.1%	+0.1%	+0.1%	+0.0%	+0.0%
Property	-0.3%	+0.9%	+0.2%	+0.7%	+0.3%	+0.5%	-0.4%
Income	-0.2%	-0.1%	-0.1%	-0.0%	-0.0%	-0.1%	-0.4%
Federal Offset	—	-0.0%	+0.0%	-0.1%	-0.1%	-0.0%	-0.0%
Overall Change	+0.1%	+1.1%	+0.2%	+0.7%	+0.2%	+0.4%	-0.8%

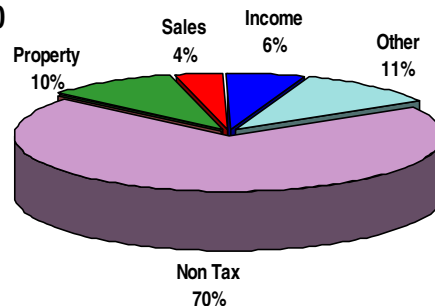
The major change Alaska made to its tax policy was to hike the cigarette tax by 71 cents from 1989 to present. Alaska receives most of its revenue from severance taxes and oil royalties and has been able to avoid levying broad-based taxes.

## Composition of Revenues

1989



2000

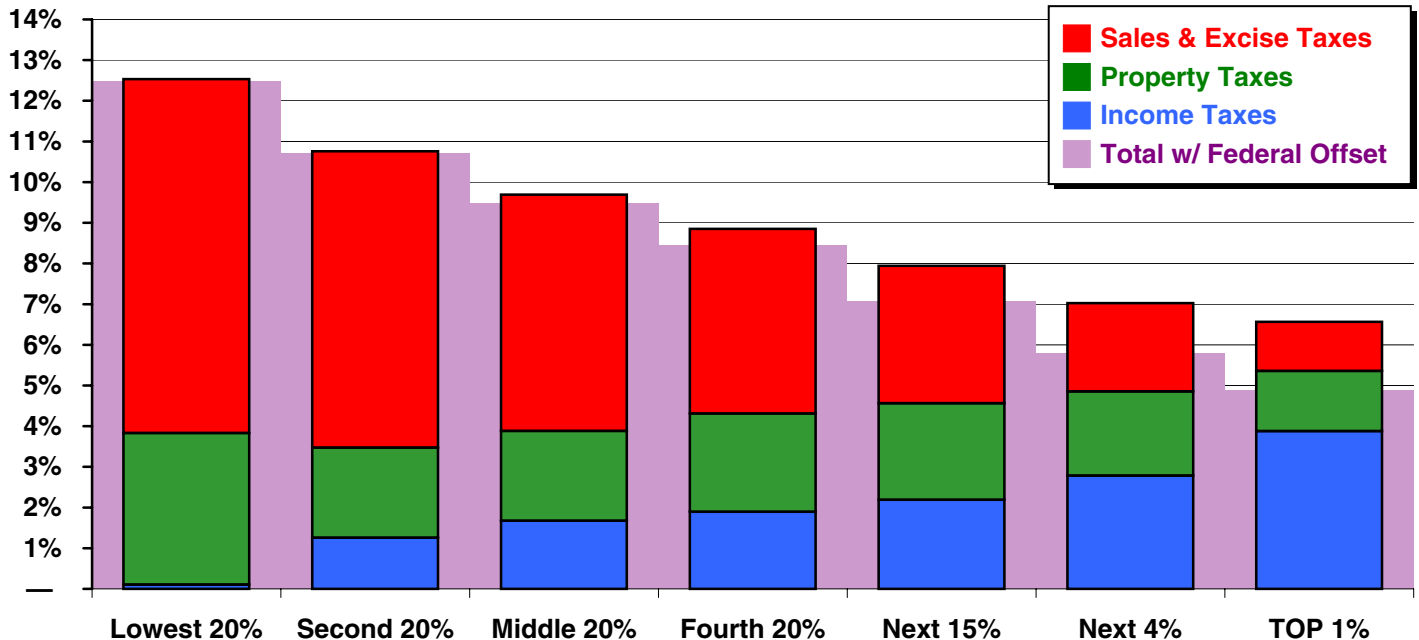


Source: Government Finances, US Department of Census

# Arizona

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$25,000	\$25,000 – \$39,000	\$39,000 – \$65,000	\$65,000 – \$127,000	\$127,000 – \$237,000	\$237,000 or more
Average Income in Group	\$9,500	\$20,200	\$31,100	\$50,900	\$86,600	\$168,200	\$868,600
<b>Sales &amp; Excise Taxes</b>	<b>8.7%</b>	<b>7.3%</b>	<b>5.8%</b>	<b>4.5%</b>	<b>3.4%</b>	<b>2.2%</b>	<b>1.2%</b>
General Sales—Individuals	4.5%	4.2%	3.5%	2.8%	2.2%	1.4%	0.8%
Other Sales & Excise—Ind.	2.0%	1.3%	0.9%	0.7%	0.4%	0.2%	0.1%
Sales & Excise on Business	2.2%	1.8%	1.4%	1.1%	0.8%	0.5%	0.3%
<b>Property Taxes</b>	<b>3.7%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>2.1%</b>	<b>1.5%</b>
Property Taxes on Families	3.4%	2.0%	1.9%	2.1%	1.9%	1.6%	0.7%
Other Property Taxes	0.3%	0.2%	0.3%	0.3%	0.4%	0.5%	0.8%
<b>Income Taxes</b>	<b>0.1%</b>	<b>1.3%</b>	<b>1.7%</b>	<b>1.9%</b>	<b>2.2%</b>	<b>2.8%</b>	<b>3.9%</b>
Personal Income Tax	0.1%	1.2%	1.6%	1.9%	2.1%	2.7%	3.7%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>12.5%</b>	<b>10.8%</b>	<b>9.7%</b>	<b>8.9%</b>	<b>7.9%</b>	<b>7.0%</b>	<b>6.6%</b>
<b>Federal Deduction Offset</b>	<b>-0.1%</b>	<b>-0.0%</b>	<b>-0.2%</b>	<b>-0.4%</b>	<b>-0.9%</b>	<b>-1.2%</b>	<b>-1.7%</b>
<b>TOTAL AFTER OFFSET</b>	<b>12.5%</b>	<b>10.7%</b>	<b>9.5%</b>	<b>8.5%</b>	<b>7.1%</b>	<b>5.8%</b>	<b>4.9%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Arizona Tax Trends

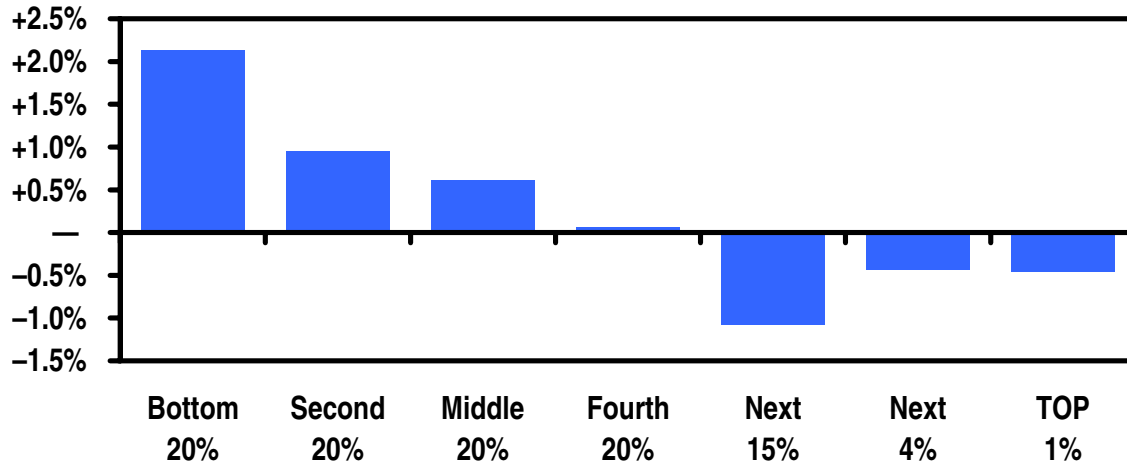
## Progressive Features

- ✓ Graduated income tax rates
- ✓ Groceries exempt from sales tax

## Regressive Features

- ✗ Heavy reliance on sales and property taxes
- ✗ Income tax not indexed

## Changes in Taxes as Shares of Income, 1989 – 2002

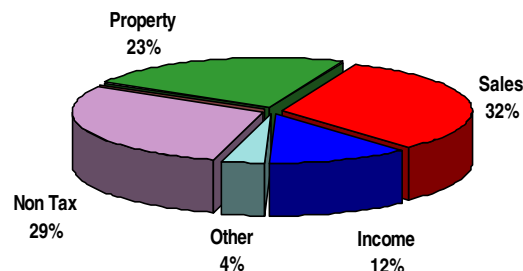


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.8%	+1.2%	+0.9%	+0.6%	+0.5%	+0.3%	+0.1%
Property	+0.7%	+0.1%	+0.2%	-0.0%	-0.9%	-0.5%	-0.4%
Income	-0.3%	-0.3%	-0.4%	-0.6%	-0.7%	-0.2%	+0.3%
Federal Offset	-0.0%	+0.0%	-0.0%	+0.0%	+0.1%	+0.0%	-0.4%
Overall Change	+2.1%	+1.0%	+0.6%	+0.1%	-1.1%	-0.4%	-0.5%

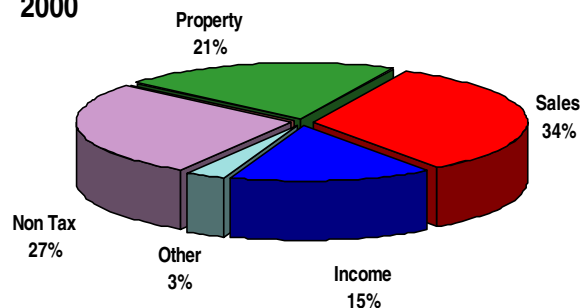
Progressive changes for Arizona include the elimination of the federal tax deduction, the addition of a working family tax credit and the restructuring of the rates to make them far more graduated than they were in 1989. However, for middle and low income taxpayers, these changes were offset by large, regressive increases in sales and excise taxes.

## Composition of Revenues

1989



2000

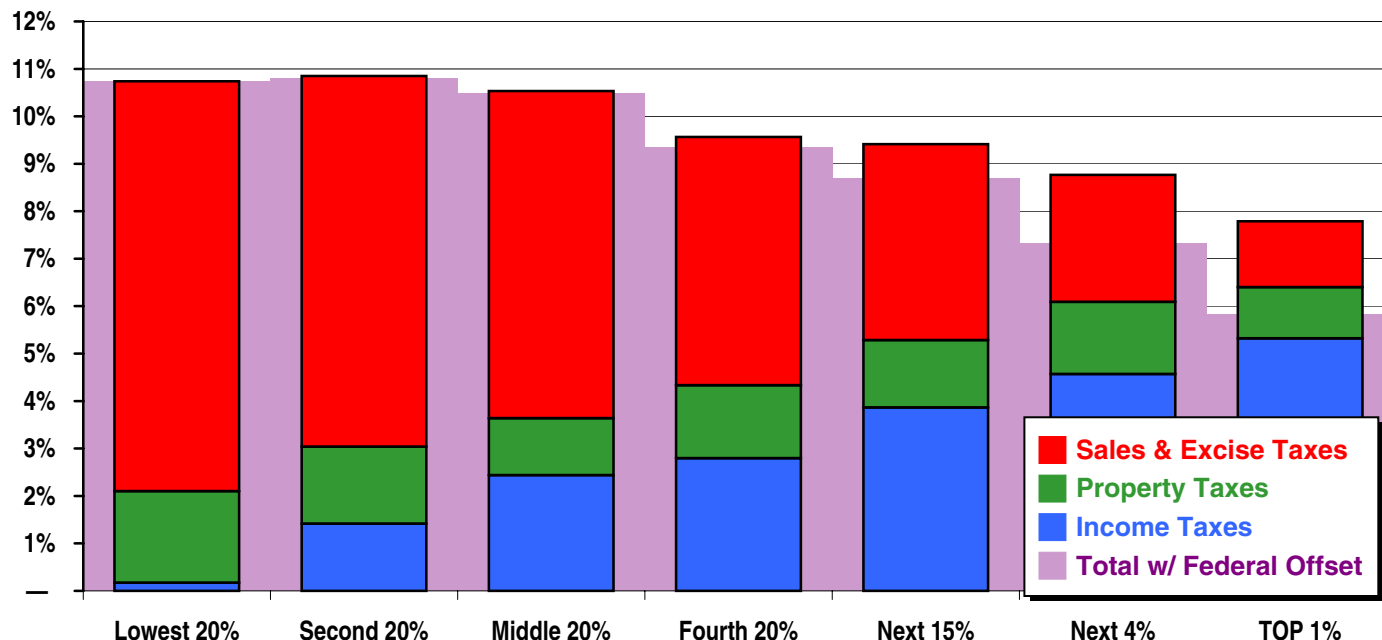


Source: Government Finances, US Department of Census

# Arkansas

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$12,000	\$12,000 – \$20,000	\$20,000 – \$33,000	\$33,000 – \$55,000	\$55,000 – \$100,000	\$100,000 – \$242,000	\$242,000 or more
Average Income in Group	\$7,000	\$16,200	\$26,800	\$43,400	\$71,700	\$137,900	\$498,100
<b>Sales &amp; Excise Taxes</b>	<b>8.6%</b>	<b>7.8%</b>	<b>6.9%</b>	<b>5.2%</b>	<b>4.1%</b>	<b>2.7%</b>	<b>1.4%</b>
General Sales—Individuals	5.3%	5.0%	4.6%	3.5%	2.9%	1.9%	1.0%
Other Sales & Excise—Ind.	1.5%	1.2%	0.9%	0.6%	0.4%	0.3%	0.1%
Sales & Excise on Business	1.9%	1.7%	1.4%	1.1%	0.8%	0.5%	0.3%
<b>Property Taxes</b>	<b>1.9%</b>	<b>1.6%</b>	<b>1.2%</b>	<b>1.5%</b>	<b>1.4%</b>	<b>1.5%</b>	<b>1.1%</b>
Property Taxes on Families	1.9%	1.6%	1.2%	1.4%	1.2%	1.2%	0.6%
Other Property Taxes	0.0%	0.1%	0.0%	0.1%	0.2%	0.3%	0.5%
<b>Income Taxes</b>	<b>0.2%</b>	<b>1.4%</b>	<b>2.4%</b>	<b>2.8%</b>	<b>3.9%</b>	<b>4.6%</b>	<b>5.3%</b>
Personal Income Tax	0.1%	1.4%	2.4%	2.7%	3.8%	4.5%	5.2%
Corporate Income Tax	0.0%	0.1%	0.0%	0.1%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>10.7%</b>	<b>10.9%</b>	<b>10.5%</b>	<b>9.6%</b>	<b>9.4%</b>	<b>8.8%</b>	<b>7.8%</b>
Federal Deduction Offset	—	–0.1%	–0.0%	–0.2%	–0.7%	–1.4%	–2.0%
<b>TOTAL AFTER OFFSET</b>	<b>10.7%</b>	<b>10.8%</b>	<b>10.5%</b>	<b>9.3%</b>	<b>8.7%</b>	<b>7.3%</b>	<b>5.8%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Arkansas Tax Trends

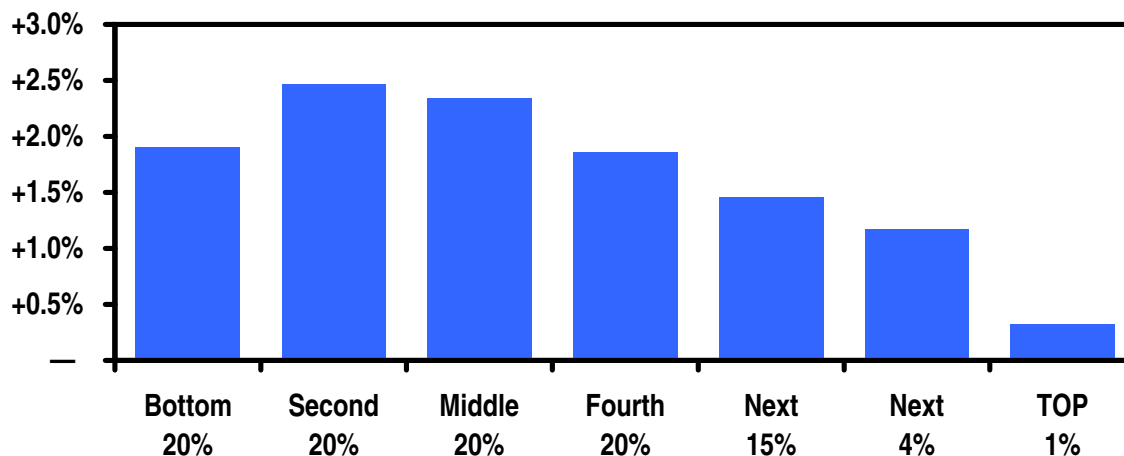
## Progressive Features

- ✓ Graduated income tax rates
- ✓ Working taxpayer credit lowers burden on poor

## Regressive Features

- ✗ Income tax credits are not refundable
- ✗ 30% of capital gains is excluded from income tax
- ✗ Sales tax applies to groceries

## Changes in Taxes as Shares of Income, 1989 – 2002

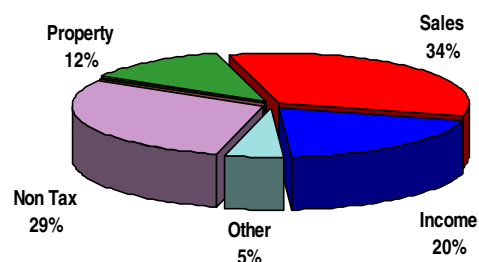


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+2.0%	+2.1%	+1.9%	+1.5%	+1.2%	+0.8%	+0.4%
Property	+0.3%	+0.4%	+0.2%	+0.3%	-0.1%	+0.2%	+0.2%
Income	-0.4%	-0.0%	+0.3%	+0.2%	+0.6%	+0.6%	+0.2%
Federal Offset	+0.0%	-0.0%	-0.0%	-0.1%	-0.2%	-0.4%	-0.4%
Overall Change	+1.9%	+2.5%	+2.3%	+1.9%	+1.5%	+1.2%	+0.3%

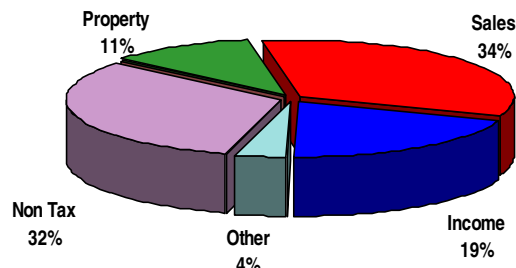
There were several major changes to the Arkansas personal income tax over the decade. Capital gains were first treated with a preferential rate in the mid-90s before a 30% exclusion was enacted in 1999, a boon to the most affluent taxpayers. Despite the lack of bracket indexing until 1999, the less well off got some relief with a larger standard deduction and an expansion in credits. But middle and low income taxpayers were hit by significant increases in the general sales tax--1.125% over the course of the decade--and excise taxes. These tax increases offset any gain for the lowest income quintiles from expanded credits.

## Composition of Revenues

1989



2000

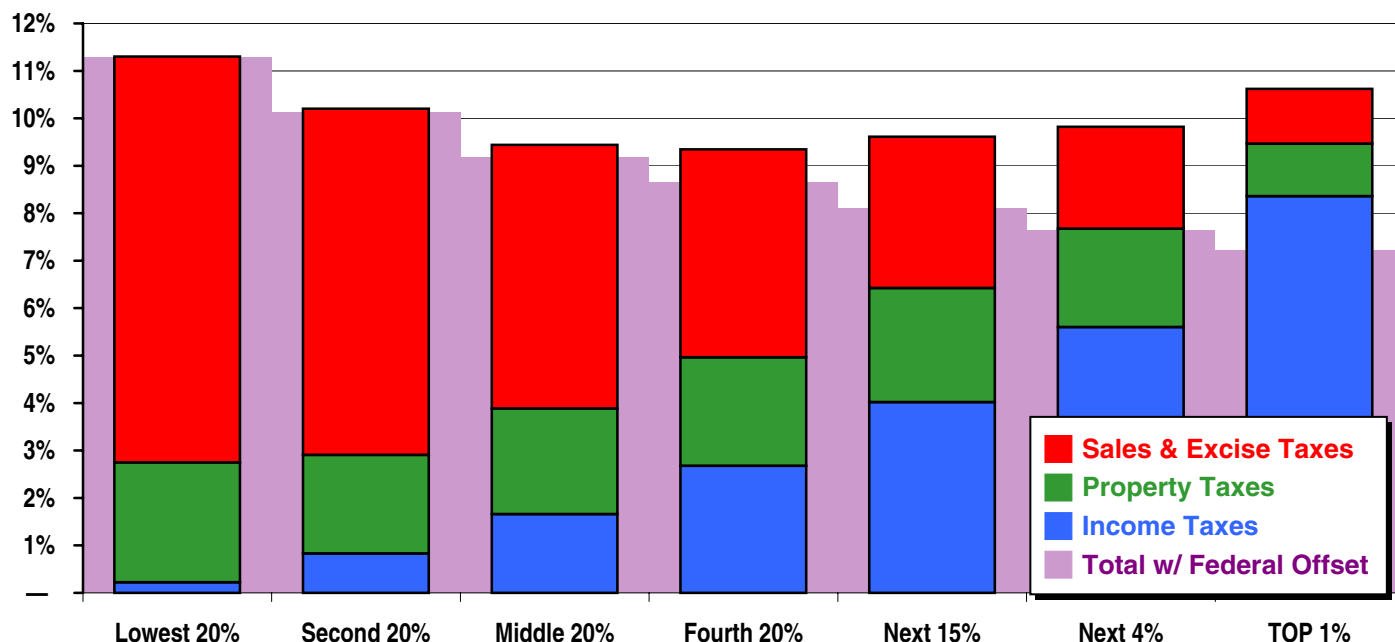


Source: Government Finances, US Department of Census

# California

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$18,000	\$18,000 – \$30,000	\$30,000 – \$47,000	\$47,000 – \$80,000	\$80,000 – \$168,000	\$168,000 – \$567,000	\$567,000 or more
Average Income in Group	\$11,100	\$23,700	\$38,300	\$61,900	\$111,200	\$241,700	\$1,630,000
<b>Sales &amp; Excise Taxes</b>	<b>8.6%</b>	<b>7.3%</b>	<b>5.6%</b>	<b>4.4%</b>	<b>3.2%</b>	<b>2.1%</b>	<b>1.2%</b>
General Sales—Individuals	4.4%	4.1%	3.2%	2.7%	2.0%	1.4%	0.7%
Other Sales & Excise—Ind.	1.4%	0.9%	0.6%	0.4%	0.3%	0.2%	0.1%
Sales & Excise on Business	2.8%	2.3%	1.7%	1.3%	0.9%	0.6%	0.4%
<b>Property Taxes</b>	<b>2.5%</b>	<b>2.1%</b>	<b>2.2%</b>	<b>2.3%</b>	<b>2.4%</b>	<b>2.1%</b>	<b>1.1%</b>
Property Taxes on Families	2.5%	2.0%	2.2%	2.2%	2.3%	1.9%	0.7%
Other Property Taxes	0.1%	0.0%	0.0%	0.1%	0.1%	0.2%	0.4%
<b>Income Taxes</b>	<b>0.2%</b>	<b>0.8%</b>	<b>1.7%</b>	<b>2.7%</b>	<b>4.0%</b>	<b>5.6%</b>	<b>8.4%</b>
Personal Income Tax	0.2%	0.8%	1.6%	2.6%	4.0%	5.5%	7.9%
Corporate Income Tax	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.4%
<b>TOTAL TAXES</b>	<b>11.3%</b>	<b>10.2%</b>	<b>9.4%</b>	<b>9.3%</b>	<b>9.6%</b>	<b>9.8%</b>	<b>10.6%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.3%	–0.7%	–1.5%	–2.2%	–3.4%
<b>TOTAL AFTER OFFSET</b>	<b>11.3%</b>	<b>10.1%</b>	<b>9.2%</b>	<b>8.7%</b>	<b>8.1%</b>	<b>7.6%</b>	<b>7.2%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# California Tax Trends

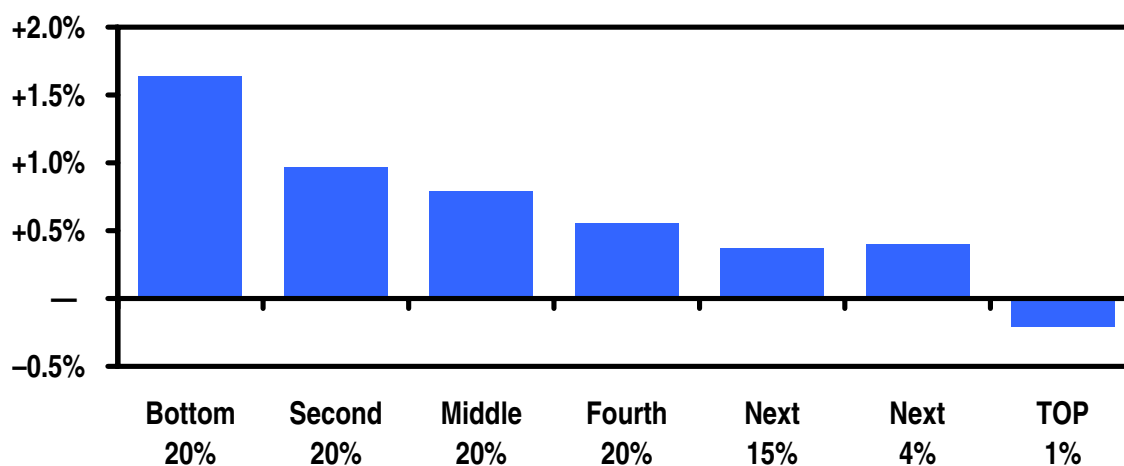
## Progressive Features

- ✓ Graduated income tax rates
- ✓ Refundable low income tax credits
- ✓ Income tax indexed for inflation
- ✓ Homestead exemption for property tax
- ✓ Alternative minimum tax

## Regressive Features

- ✗ High excise taxes

## Changes in Taxes as Shares of Income, 1989 – 2002

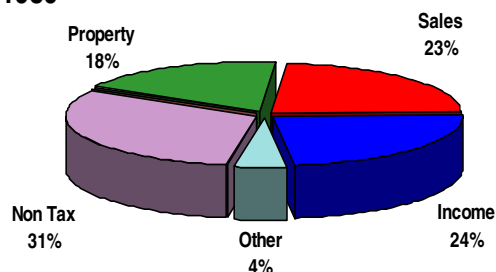


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.4%	+1.0%	+0.8%	+0.6%	+0.4%	+0.3%	+0.1%
Property	-0.2%	-0.2%	+0.1%	-0.1%	-0.3%	-0.3%	-0.2%
Income	+0.5%	+0.2%	+0.0%	+0.2%	+0.5%	+0.6%	+1.1%
Federal Offset	-0.0%	-0.0%	-0.1%	-0.1%	-0.2%	-0.2%	-1.3%
Overall Change	+1.6%	+1.0%	+0.8%	+0.6%	+0.4%	+0.4%	-0.2%

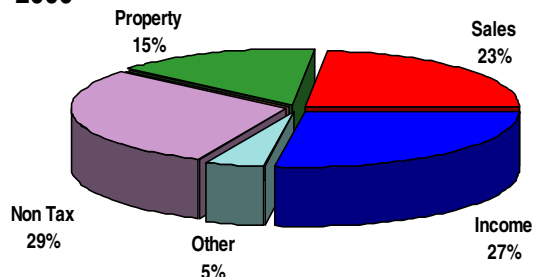
California sales taxes increased at both the state and local level during the 1990s, as did cigarette, gasoline and alcohol excise taxes. For middle and lower income taxpayers, these tax increases and a mostly regressive income tax cut overwhelmed a progressive (but expensive) cut in the Vehicle License Fee (California's car tax).

## Composition of Revenues

1989



2000

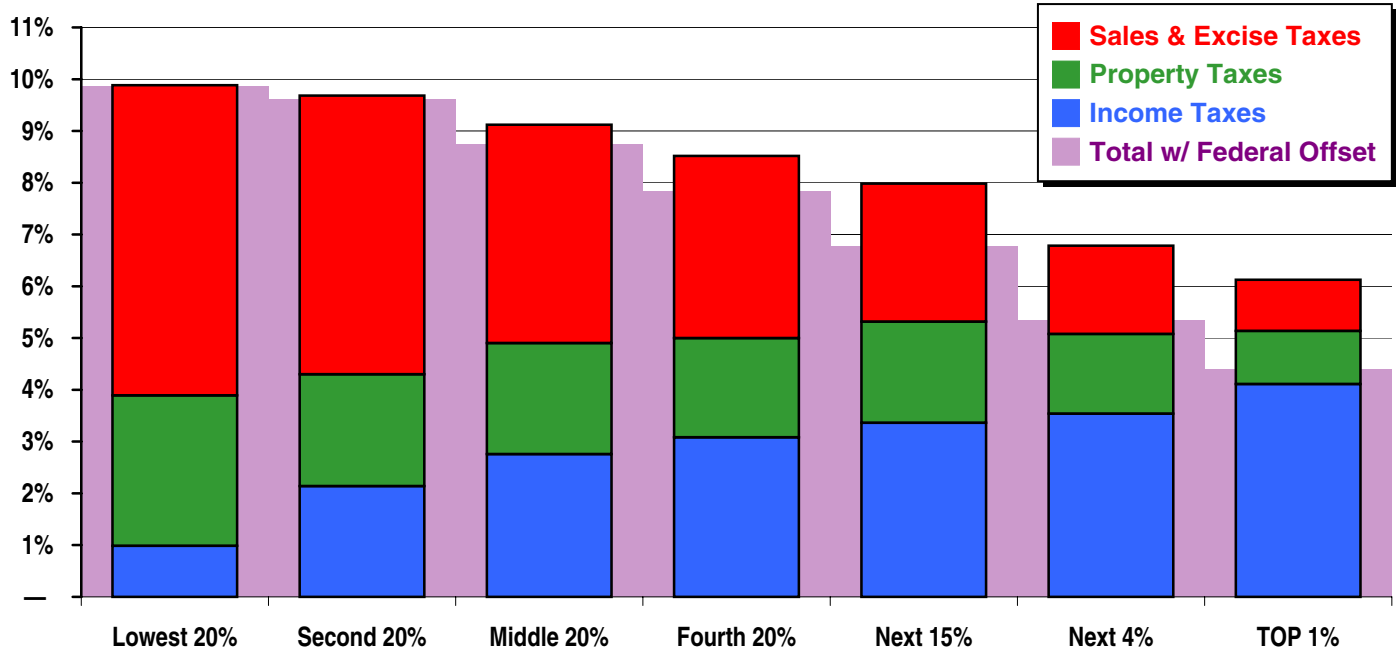


Source: Government Finances, US Department of Census

# Colorado

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$17,000	\$17,000 – \$30,000	\$30,000 – \$47,000	\$47,000 – \$78,000	\$78,000 – \$154,000	\$154,000 – \$692,000	\$692,000 or more
Average Income in Group	\$9,800	\$22,700	\$37,400	\$61,300	\$105,600	\$226,900	\$1,185,300
<b>Sales &amp; Excise Taxes</b>	<b>6.0%</b>	<b>5.4%</b>	<b>4.2%</b>	<b>3.5%</b>	<b>2.7%</b>	<b>1.7%</b>	<b>1.0%</b>
General Sales—Individuals	3.2%	3.1%	2.5%	2.1%	1.7%	1.1%	0.6%
Other Sales & Excise—Ind.	0.6%	0.4%	0.4%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	2.2%	1.8%	1.4%	1.1%	0.8%	0.5%	0.3%
<b>Property Taxes</b>	<b>2.9%</b>	<b>2.2%</b>	<b>2.1%</b>	<b>1.9%</b>	<b>2.0%</b>	<b>1.5%</b>	<b>1.0%</b>
Property Taxes on Families	2.8%	2.1%	2.1%	1.8%	1.8%	1.3%	0.5%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.6%
<b>Income Taxes</b>	<b>1.0%</b>	<b>2.1%</b>	<b>2.8%</b>	<b>3.1%</b>	<b>3.4%</b>	<b>3.5%</b>	<b>4.1%</b>
Personal Income Tax	1.0%	2.1%	2.7%	3.1%	3.3%	3.5%	4.0%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
<b>TOTAL TAXES</b>	<b>9.9%</b>	<b>9.7%</b>	<b>9.1%</b>	<b>8.5%</b>	<b>8.0%</b>	<b>6.8%</b>	<b>6.1%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.4%	–0.7%	–1.2%	–1.4%	–1.7%
<b>TOTAL AFTER OFFSET</b>	<b>9.9%</b>	<b>9.6%</b>	<b>8.7%</b>	<b>7.8%</b>	<b>6.8%</b>	<b>5.3%</b>	<b>4.4%</b>

Note: Table shows 2002 tax law at 2000 income levels.



# Colorado Tax Trends

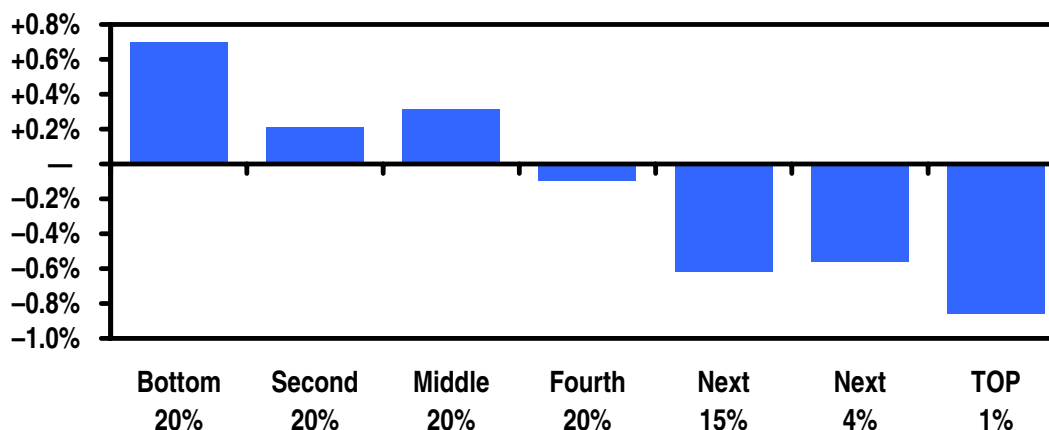
## Progressive Features

- ✓ Groceries exempt from sales tax
- ✓ Indexed exemptions

## Regressive Features

- ✗ Flat income tax
- ✗ EITC contingent on budget surplus

## Changes in Taxes as Shares of Income, 1989 – 2002

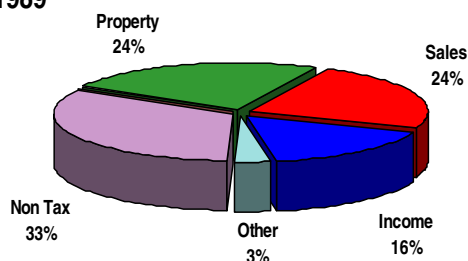


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.3%	+0.4%	+0.3%	+0.3%	+0.2%	+0.1%	+0.1%
Property	+0.2%	-0.2%	-0.0%	-0.4%	-0.9%	-0.9%	-0.7%
Income	+0.3%	+0.0%	+0.2%	+0.1%	+0.1%	+0.3%	+0.2%
Federal Offset	-0.0%	-0.0%	-0.1%	-0.1%	-0.1%	-0.0%	-0.4%
Overall Change	+0.7%	+0.2%	+0.3%	-0.1%	-0.6%	-0.6%	-0.9%

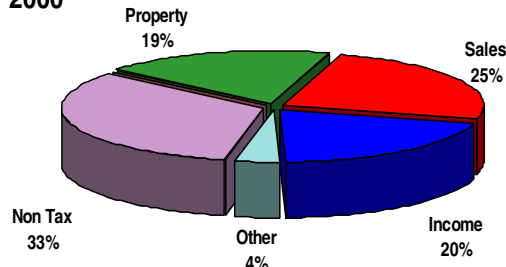
Although Colorado cut its flat income tax rate from 5% to 4.63% in recent years, the phase-out of exemptions and the disallowance of itemized deductions caused burdens to increase on upper income taxpayers. Colorado also slightly reduced the state sales tax rate from 3% to 2.9%, but increases in Colorado's local sales taxes caused an overall regressive sales tax hike.

## Composition of Revenues

1989



2000

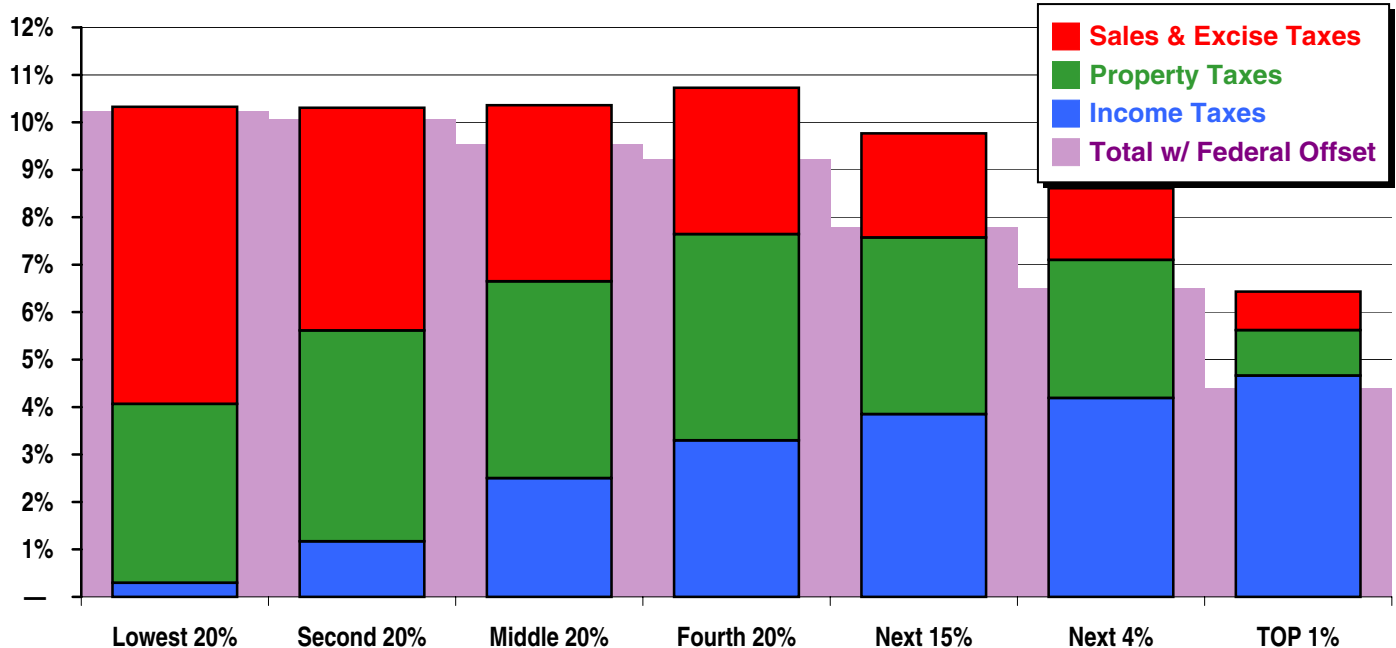


Source: Government Finances, US Department of Census

# Connecticut

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$21,000	\$21,000 – \$37,000	\$37,000 – \$60,000	\$60,000 – \$97,000	\$97,000 – \$220,000	\$220,000 – \$471,000	\$471,000 or more
Average Income in Group	\$13,800	\$28,300	\$47,800	\$75,300	\$131,500	\$285,800	\$2,405,500
<b>Sales &amp; Excise Taxes</b>	<b>6.3%</b>	<b>4.7%</b>	<b>3.7%</b>	<b>3.1%</b>	<b>2.2%</b>	<b>1.5%</b>	<b>0.8%</b>
General Sales—Individuals	2.7%	2.2%	1.9%	1.6%	1.2%	0.9%	0.5%
Other Sales & Excise—Ind.	1.4%	0.9%	0.6%	0.5%	0.3%	0.1%	0.0%
Sales & Excise on Business	2.2%	1.6%	1.2%	1.0%	0.7%	0.5%	0.3%
<b>Property Taxes</b>	<b>3.8%</b>	<b>4.4%</b>	<b>4.1%</b>	<b>4.3%</b>	<b>3.7%</b>	<b>2.9%</b>	<b>1.0%</b>
Property Taxes on Families	3.7%	4.4%	4.1%	4.3%	3.6%	2.8%	0.7%
Other Property Taxes	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.3%
<b>Income Taxes</b>	<b>0.3%</b>	<b>1.2%</b>	<b>2.5%</b>	<b>3.3%</b>	<b>3.9%</b>	<b>4.2%</b>	<b>4.7%</b>
Personal Income Tax	0.3%	1.2%	2.5%	3.3%	3.8%	4.1%	4.5%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
<b>TOTAL TAXES</b>	<b>10.3%</b>	<b>10.3%</b>	<b>10.4%</b>	<b>10.7%</b>	<b>9.8%</b>	<b>8.6%</b>	<b>6.4%</b>
Federal Deduction Offset	–0.1%	–0.3%	–0.8%	–1.5%	–2.0%	–2.1%	–2.0%
<b>TOTAL AFTER OFFSET</b>	<b>10.2%</b>	<b>10.1%</b>	<b>9.5%</b>	<b>9.2%</b>	<b>7.8%</b>	<b>6.5%</b>	<b>4.4%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Connecticut Tax Trends

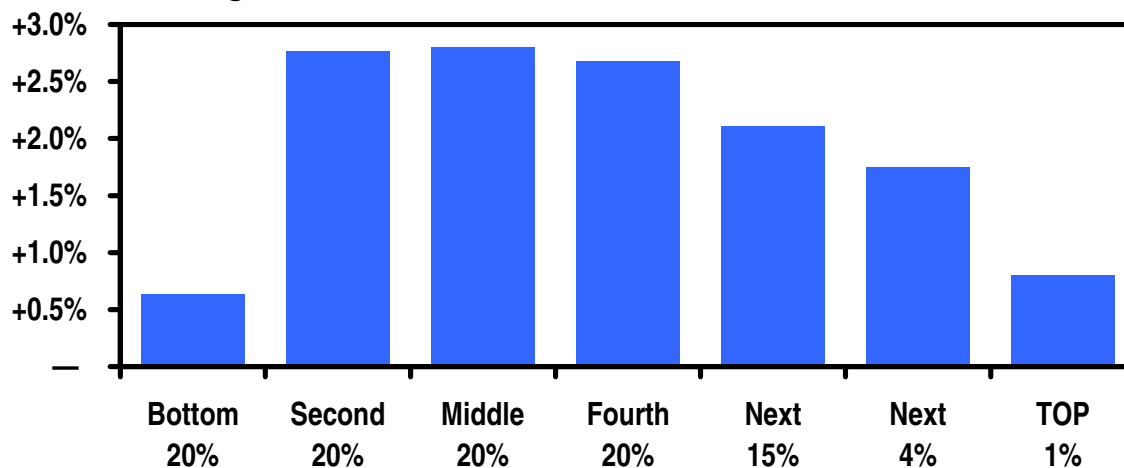
## Progressive Features

- ✓ Broad based income tax
- ✓ Generous personal exemptions
- ✓ Groceries exempt from sales tax

## Regressive Features

- ✗ State sales tax one of the highest in the nation

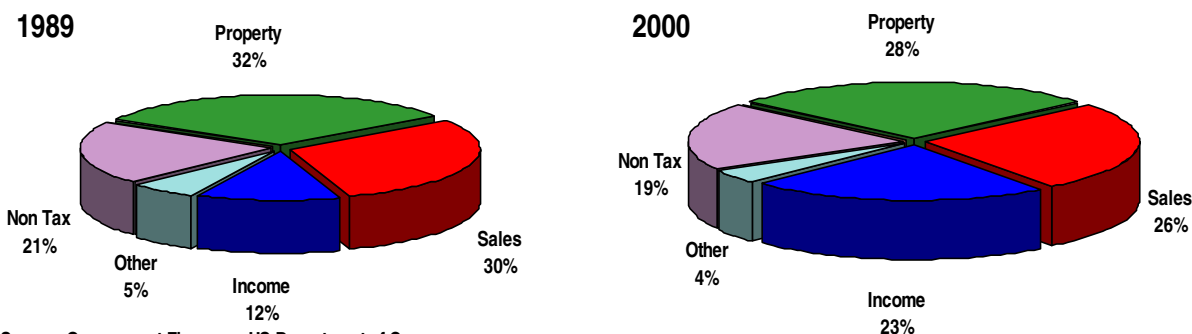
## Changes in Taxes as Shares of Income, 1989 – 2002



	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.8%	+0.2%	+0.1%	-0.0%	-0.1%	-0.1%	-0.0%
Property	-0.2%	+1.6%	+0.9%	+0.5%	-0.0%	-0.0%	-0.3%
Income	+0.2%	+1.1%	+2.4%	+3.1%	+3.3%	+2.9%	+2.3%
Federal Offset	-0.1%	-0.2%	-0.6%	-1.0%	-1.1%	-1.1%	-1.2%
Overall Change	+0.6%	+2.8%	+2.8%	+2.7%	+2.1%	+1.7%	+0.8%

In 1990 Connecticut abandoned both its dividend, interest and capital gains income tax and its narrow base, high rate sales tax. Connecticut replaced those taxes with a progressive, broad based income tax and a broader base, lower rate sales tax. Those progressive changes were partially offset by a regressive hike in the cigarette tax.

## Composition of Revenues

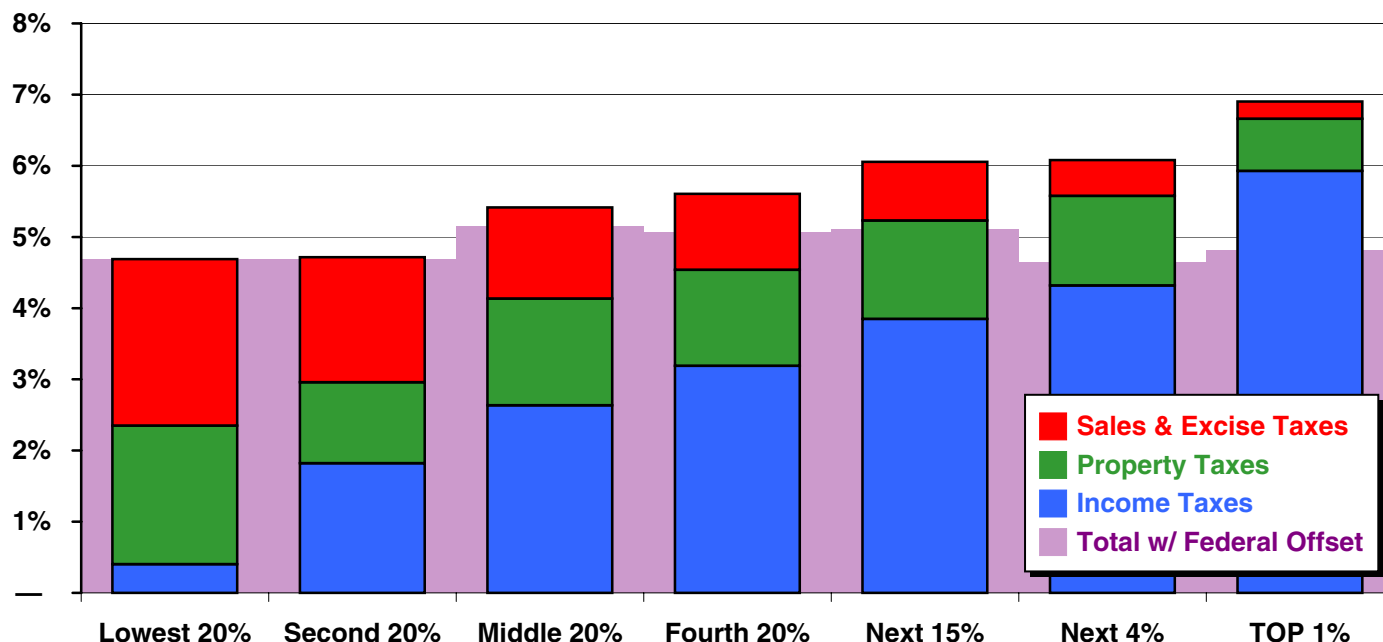


Source: Government Finances, US Department of Census

# Delaware

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$26,000	\$26,000 – \$45,000	\$45,000 – \$74,000	\$74,000 – \$136,000	\$136,000 – \$358,000	\$358,000 or more
Average Income in Group	\$8,300	\$20,600	\$35,400	\$57,200	\$97,100	\$182,600	\$923,600
<b>Sales &amp; Excise Taxes</b>	<b>2.3%</b>	<b>1.8%</b>	<b>1.3%</b>	<b>1.1%</b>	<b>0.8%</b>	<b>0.5%</b>	<b>0.2%</b>
General Sales—Individuals	—	—	—	—	—	—	—
Other Sales & Excise—Ind.	1.6%	1.2%	0.8%	0.7%	0.5%	0.3%	0.1%
Sales & Excise on Business	0.7%	0.6%	0.4%	0.4%	0.3%	0.2%	0.1%
<b>Property Taxes</b>	<b>1.9%</b>	<b>1.1%</b>	<b>1.5%</b>	<b>1.3%</b>	<b>1.4%</b>	<b>1.3%</b>	<b>0.7%</b>
Property Taxes on Families	1.9%	1.1%	1.5%	1.3%	1.3%	1.2%	0.6%
Other Property Taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>Income Taxes</b>	<b>0.4%</b>	<b>1.8%</b>	<b>2.6%</b>	<b>3.2%</b>	<b>3.8%</b>	<b>4.3%</b>	<b>5.9%</b>
Personal Income Tax	0.3%	1.7%	2.4%	3.0%	3.6%	3.9%	4.8%
Corporate Income Tax	0.1%	0.1%	0.3%	0.2%	0.3%	0.4%	1.1%
<b>TOTAL TAXES</b>	<b>4.7%</b>	<b>4.7%</b>	<b>5.4%</b>	<b>5.6%</b>	<b>6.1%</b>	<b>6.1%</b>	<b>6.9%</b>
Federal Deduction Offset	—	–0.0%	–0.3%	–0.5%	–0.9%	–1.4%	–2.1%
<b>TOTAL AFTER OFFSET</b>	<b>4.7%</b>	<b>4.7%</b>	<b>5.2%</b>	<b>5.1%</b>	<b>5.1%</b>	<b>4.6%</b>	<b>4.8%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Delaware Tax Trends

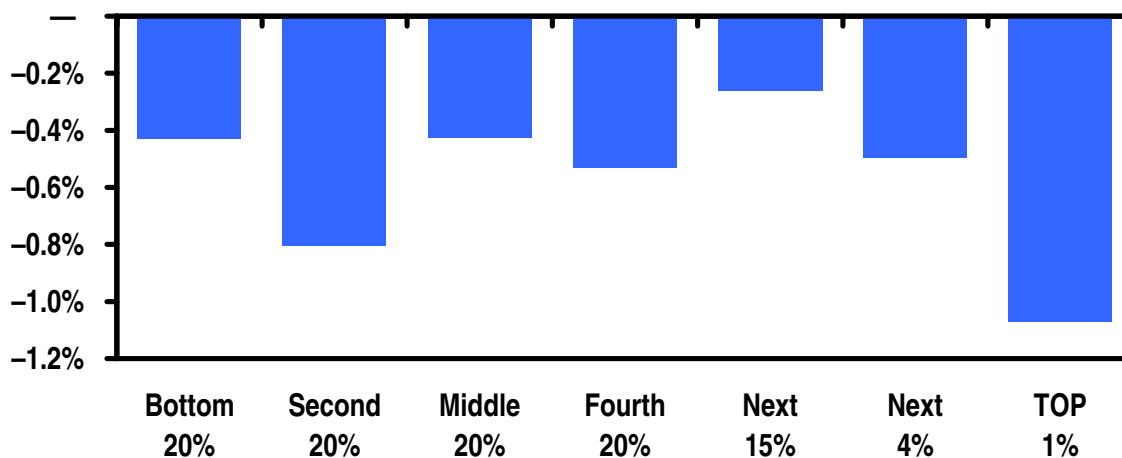
## Progressive Features

- ✓ No general sales tax
- ✓ Large standard deduction
- ✓ Graduated income tax rates
- ✓ Progressive exemption credit

## Regressive Features

- ✗ Gross Receipts Tax functions as sales tax
- ✗ Credits are non refundable

## Changes in Taxes as Shares of Income, 1989 – 2002

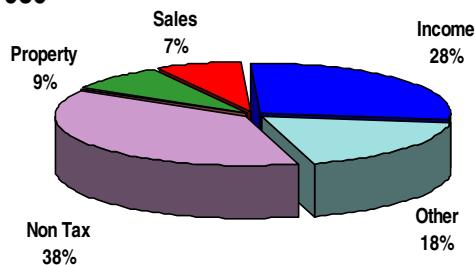


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.0%
Property	+0.4%	+0.3%	+0.3%	+0.2%	-0.0%	-0.1%	-0.1%
Income	-0.8%	-0.9%	-0.5%	-0.5%	-0.4%	-0.6%	-0.6%
Federal Offset	+0.0%	-0.0%	-0.1%	-0.1%	+0.2%	+0.2%	-0.3%
Overall Change	-0.4%	-0.8%	-0.4%	-0.5%	-0.3%	-0.5%	-1.1%

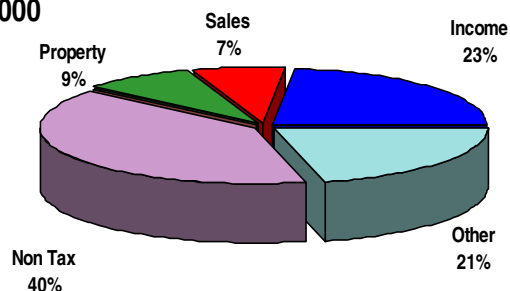
Delaware enacted major income tax cuts between 1995 and 1999, cutting tax rates while expanding the top bracket. Lawmakers also increased the standard deduction and replaced the personal exemption with an exemption credit, both progressive changes.

## Composition of Revenues

1989



2000

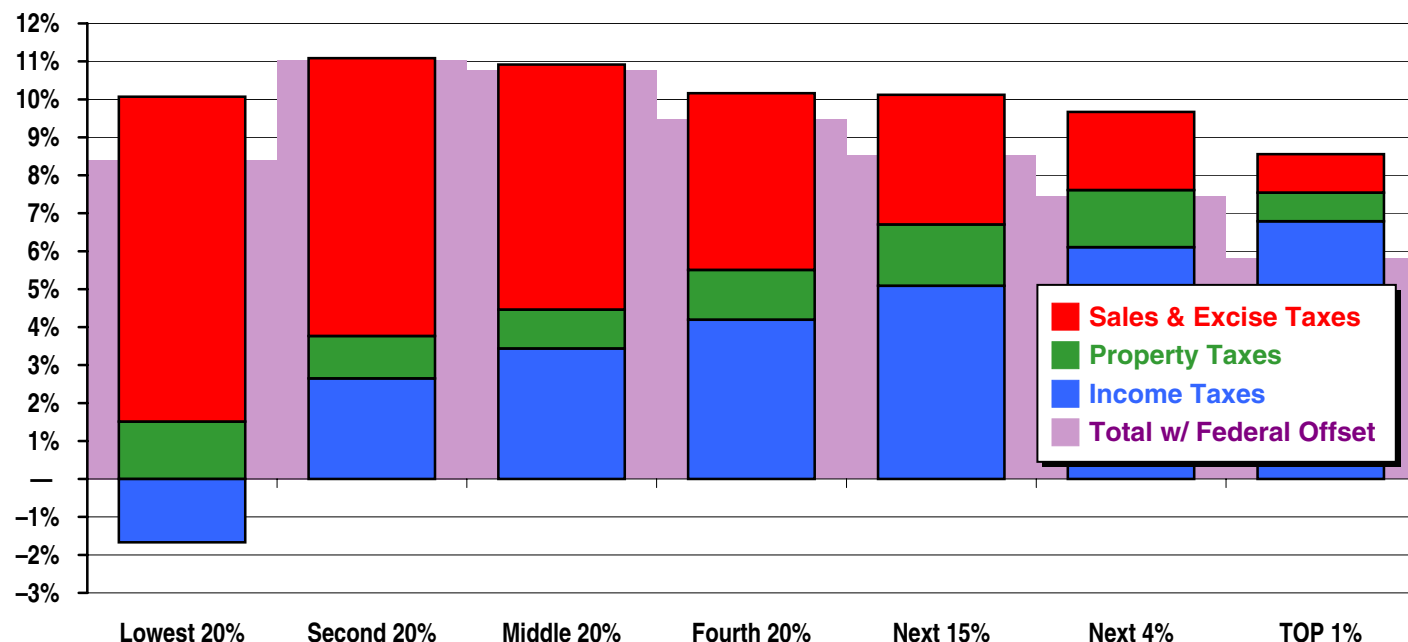


Source: Government Finances, US Department of Census

# District of Columbia

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$28,000	\$28,000 – \$42,000	\$42,000 – \$70,000	\$70,000 – \$155,000	\$155,000 – \$422,000	\$422,000 or more
Average Income in Group	\$10,500	\$21,500	\$34,000	\$53,100	\$97,800	\$238,800	\$2,059,200
<b>Sales &amp; Excise Taxes</b>	<b>8.6%</b>	<b>7.3%</b>	<b>6.5%</b>	<b>4.7%</b>	<b>3.4%</b>	<b>2.1%</b>	<b>1.0%</b>
General Sales—Individuals	2.1%	2.0%	1.8%	1.4%	1.1%	0.7%	0.3%
Other Sales & Excise—Ind.	1.8%	1.4%	1.3%	0.8%	0.6%	0.4%	0.1%
Sales & Excise on Business	4.6%	3.9%	3.4%	2.4%	1.7%	1.0%	0.5%
<b>Property Taxes</b>	<b>1.5%</b>	<b>1.1%</b>	<b>1.0%</b>	<b>1.3%</b>	<b>1.6%</b>	<b>1.5%</b>	<b>0.8%</b>
Property Taxes on Families	1.2%	0.8%	0.8%	1.1%	1.3%	1.3%	0.4%
Other Property Taxes	0.3%	0.3%	0.2%	0.2%	0.3%	0.2%	0.3%
<b>Income Taxes</b>	<b>-1.7%</b>	<b>2.6%</b>	<b>3.4%</b>	<b>4.2%</b>	<b>5.1%</b>	<b>6.1%</b>	<b>6.8%</b>
Personal Income Tax	-1.7%	2.6%	3.4%	4.2%	5.0%	6.1%	6.6%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
<b>TOTAL TAXES</b>	<b>8.4%</b>	<b>11.1%</b>	<b>10.9%</b>	<b>10.2%</b>	<b>10.1%</b>	<b>9.7%</b>	<b>8.6%</b>
Federal Deduction Offset	-0.0%	-0.0%	-0.2%	-0.7%	-1.6%	-2.2%	-2.8%
<b>TOTAL AFTER OFFSET</b>	<b>8.4%</b>	<b>11.0%</b>	<b>10.8%</b>	<b>9.5%</b>	<b>8.5%</b>	<b>7.4%</b>	<b>5.8%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# District of Columbia Tax Trends

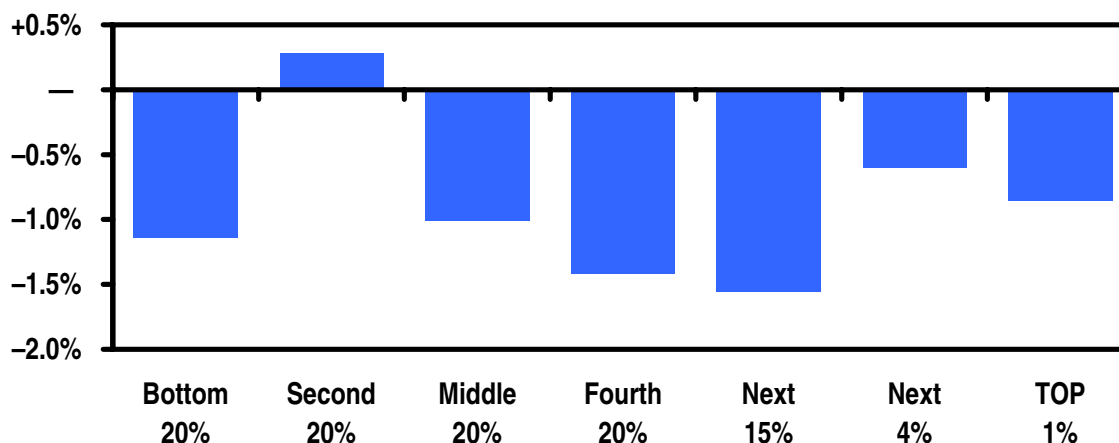
## Progressive Features

- ✓ Refundable EITC
- ✓ Groceries exempt from sales tax
- ✓ Property tax homestead exemption

## Regressive Features

- ✗ Personal exemption and brackets not indexed
- ✗ Heavy taxation of utility services

## Changes in Taxes as Shares of Income, 1989 – 2002

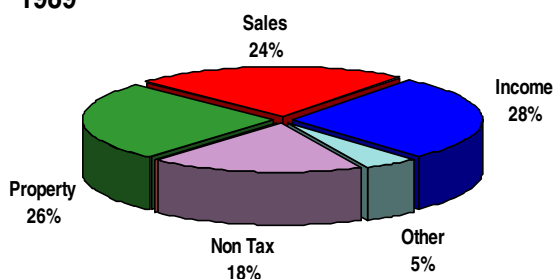


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
<b>Sales &amp; Excise</b>	+0.6%	+0.5%	+0.4%	+0.3%	+0.2%	+0.1%	+0.0%
<b>Property</b>	-0.1%	-0.1%	-0.2%	-0.4%	-1.0%	-0.6%	-0.5%
<b>Income</b>	-1.7%	-0.1%	-1.2%	-1.2%	-0.8%	-0.1%	+0.3%
<b>Federal Offset</b>	+0.0%	-0.0%	-0.0%	-0.1%	+0.0%	+0.1%	-0.7%
<b>Overall Change</b>	-1.1%	+0.3%	-1.0%	-1.4%	-1.6%	-0.6%	-0.9%

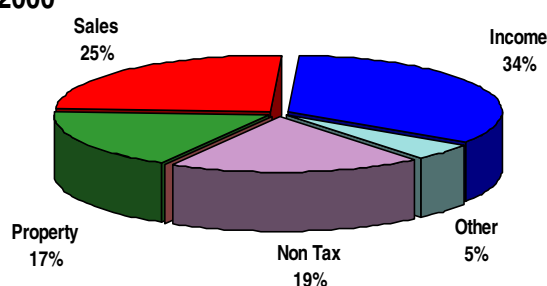
The District of Columbia's EITC, adopted in 1998 and expanded in 2001, substantially lowered the income tax burden on the bottom quintile. Combined with across the board phased-in rate reductions and a significant bracket expansion, this yielded a significant income tax cuts over the decade. A modest cut in the general sales tax was offset by excise tax hike and increased levies on utilities and motor vehicles. While these changes were generally regressive, they were offset by income tax reductions and the expansion of the homestead exemption for property taxes.

## Composition of Revenues

1989



2000

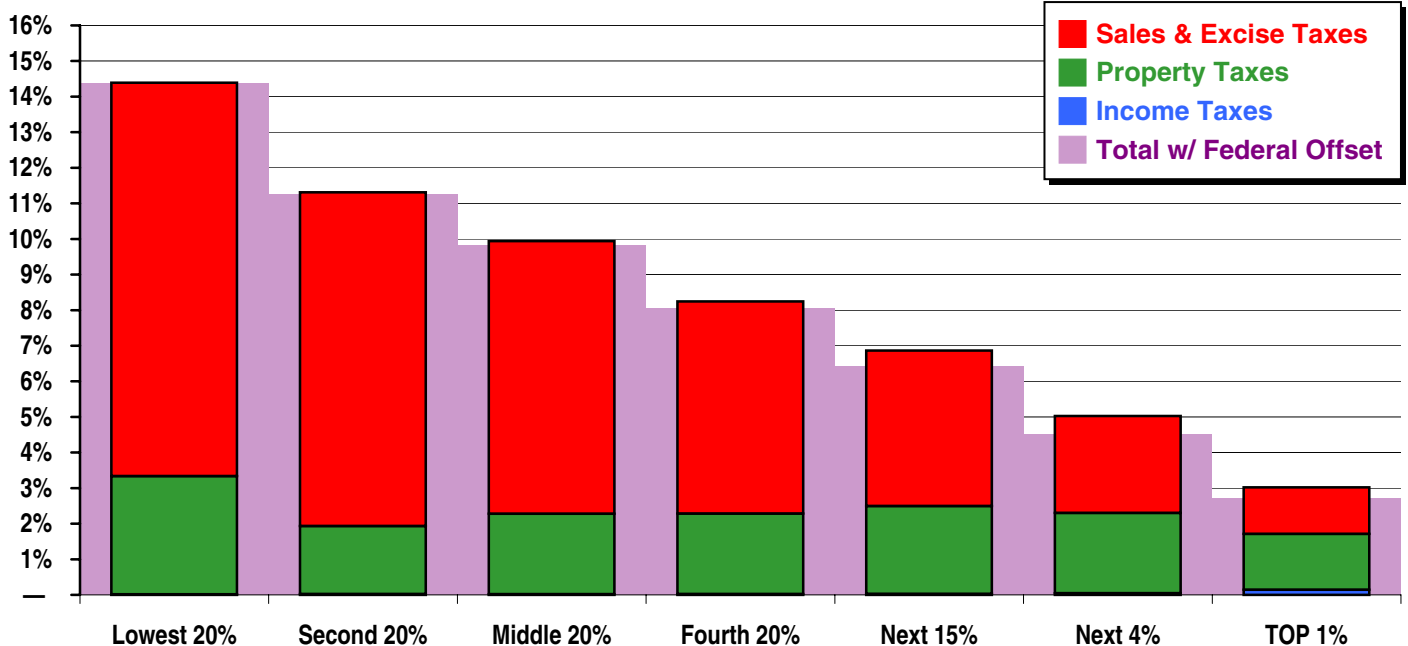


Source: Government Finances, US Department of Census

# Florida

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$24,000	\$24,000 – \$38,000	\$38,000 – \$64,000	\$64,000 – \$133,000	\$133,000 – \$289,000	\$289,000 or more
Average Income in Group	\$9,200	\$19,200	\$30,000	\$49,600	\$86,900	\$187,900	\$945,500
<b>Sales &amp; Excise Taxes</b>	<b>11.1%</b>	<b>9.4%</b>	<b>7.7%</b>	<b>6.0%</b>	<b>4.4%</b>	<b>2.7%</b>	<b>1.3%</b>
General Sales—Individuals	4.2%	3.8%	3.3%	2.6%	2.0%	1.3%	0.6%
Other Sales & Excise—Ind.	3.1%	2.3%	1.8%	1.3%	0.9%	0.5%	0.2%
Sales & Excise on Business	3.8%	3.2%	2.6%	2.0%	1.5%	0.9%	0.5%
<b>Property Taxes</b>	<b>3.3%</b>	<b>1.9%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.5%</b>	<b>2.3%</b>	<b>1.6%</b>
Property Taxes on Families	3.1%	1.8%	2.1%	2.0%	2.1%	1.9%	0.9%
Other Property Taxes	0.2%	0.2%	0.2%	0.2%	0.3%	0.4%	0.7%
<b>Income Taxes</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
<b>TOTAL TAXES</b>	<b>14.4%</b>	<b>11.3%</b>	<b>9.9%</b>	<b>8.2%</b>	<b>6.9%</b>	<b>5.0%</b>	<b>3.0%</b>
Federal Deduction Offset	–0.0%	–0.0%	–0.1%	–0.2%	–0.4%	–0.5%	–0.3%
<b>TOTAL AFTER OFFSET</b>	<b>14.4%</b>	<b>11.3%</b>	<b>9.8%</b>	<b>8.0%</b>	<b>6.4%</b>	<b>4.5%</b>	<b>2.7%</b>

Note: Table shows 2002 tax law at 2000 income levels.



# Florida Tax Trends

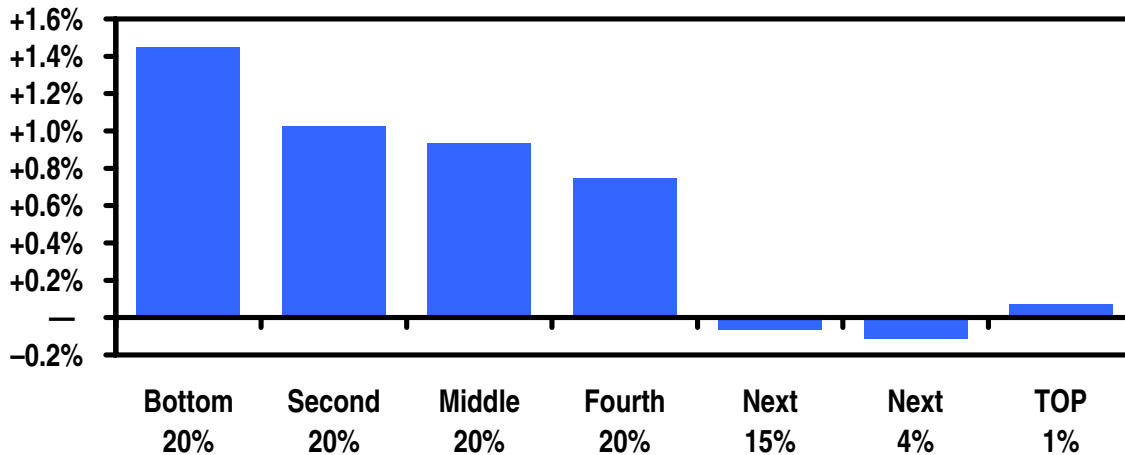
## Progressive Features

- ✓ Homestead exemption
- ✓ Groceries exempt from sales tax

## Regressive Features

- ✗ No income tax
- ✗ High sales tax reliance

## Changes in Taxes as Shares of Income, 1989 – 2002

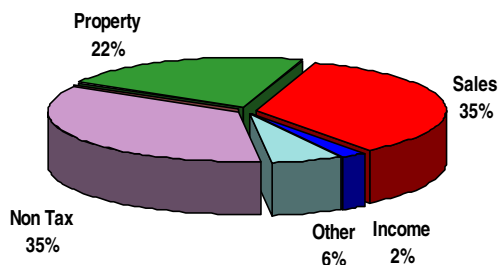


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.9%	+0.8%	+0.6%	+0.5%	+0.3%	+0.2%	+0.1%
Property	+0.5%	+0.2%	+0.3%	+0.3%	-0.3%	-0.3%	+0.0%
Income	-0.0%	+0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%
Federal Offset	-0.0%	-0.0%	-0.0%	-0.0%	-0.1%	+0.0%	-0.0%
Overall Change	+1.4%	+1.0%	+0.9%	+0.7%	-0.1%	-0.1%	+0.1%

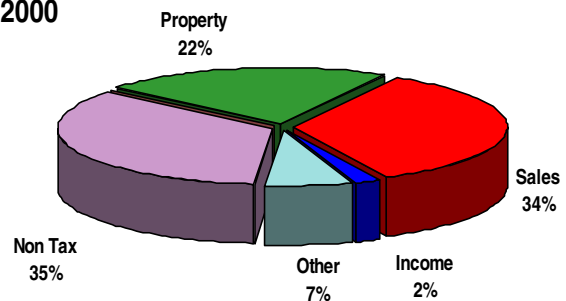
Florida is eliminating its progressive intangibles tax. Higher excise taxes worsened Florida's already regressive tax structure.

## Composition of Revenues

1989



2000

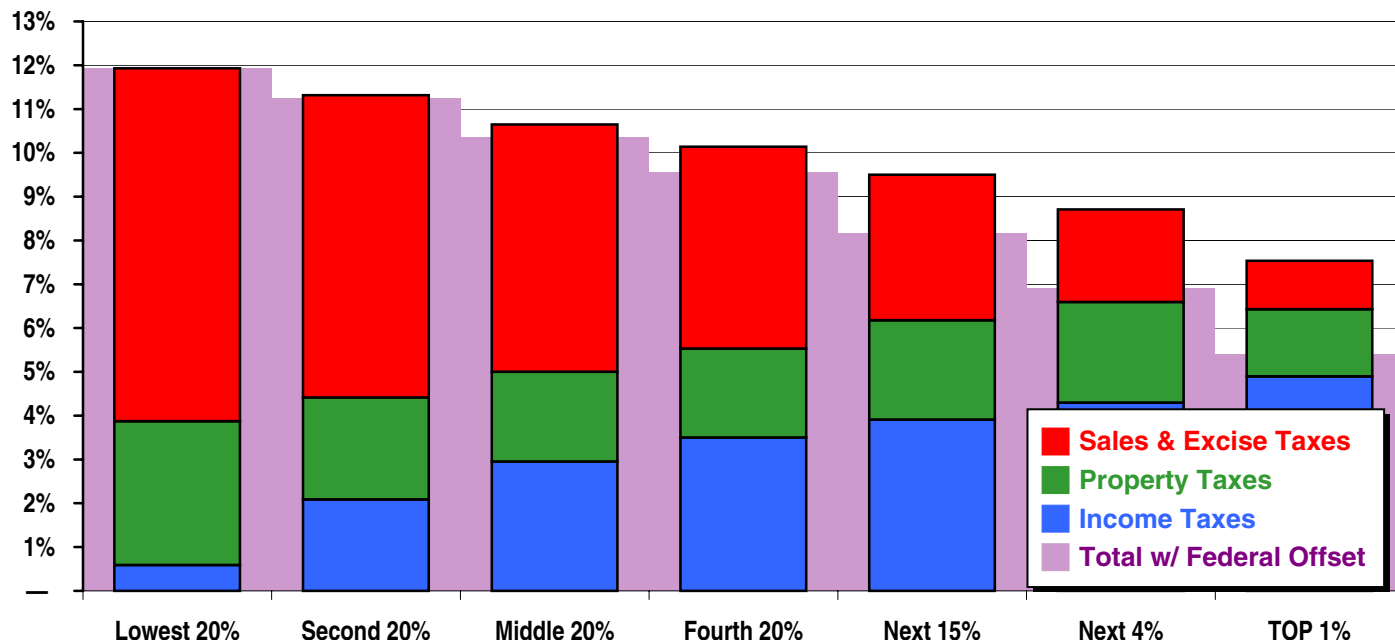


Source: Government Finances, US Department of Census

# Georgia

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$26,000	\$26,000 – \$41,000	\$41,000 – \$69,000	\$69,000 – \$142,000	\$142,000 – \$281,000	\$281,000 or more
Average Income in Group	\$9,100	\$19,600	\$32,500	\$53,200	\$93,000	\$191,800	\$995,100
<b>Sales &amp; Excise Taxes</b>	<b>8.1%</b>	<b>6.9%</b>	<b>5.6%</b>	<b>4.6%</b>	<b>3.3%</b>	<b>2.1%</b>	<b>1.1%</b>
General Sales—Individuals	4.6%	4.0%	3.4%	2.9%	2.1%	1.4%	0.7%
Other Sales & Excise—Ind.	0.8%	0.6%	0.5%	0.4%	0.2%	0.1%	0.0%
Sales & Excise on Business	2.7%	2.2%	1.7%	1.4%	1.0%	0.6%	0.4%
<b>Property Taxes</b>	<b>3.3%</b>	<b>2.3%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>1.5%</b>
Property Taxes on Families	3.2%	2.3%	2.0%	1.9%	2.1%	2.0%	0.9%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.7%
<b>Income Taxes</b>	<b>0.6%</b>	<b>2.1%</b>	<b>3.0%</b>	<b>3.5%</b>	<b>3.9%</b>	<b>4.3%</b>	<b>4.9%</b>
Personal Income Tax	0.6%	2.1%	2.9%	3.5%	3.9%	4.2%	4.7%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>11.9%</b>	<b>11.3%</b>	<b>10.6%</b>	<b>10.1%</b>	<b>9.5%</b>	<b>8.7%</b>	<b>7.5%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.3%	–0.6%	–1.3%	–1.8%	–2.1%
<b>TOTAL AFTER OFFSET</b>	<b>11.9%</b>	<b>11.3%</b>	<b>10.3%</b>	<b>9.5%</b>	<b>8.2%</b>	<b>6.9%</b>	<b>5.4%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Georgia Tax Trends

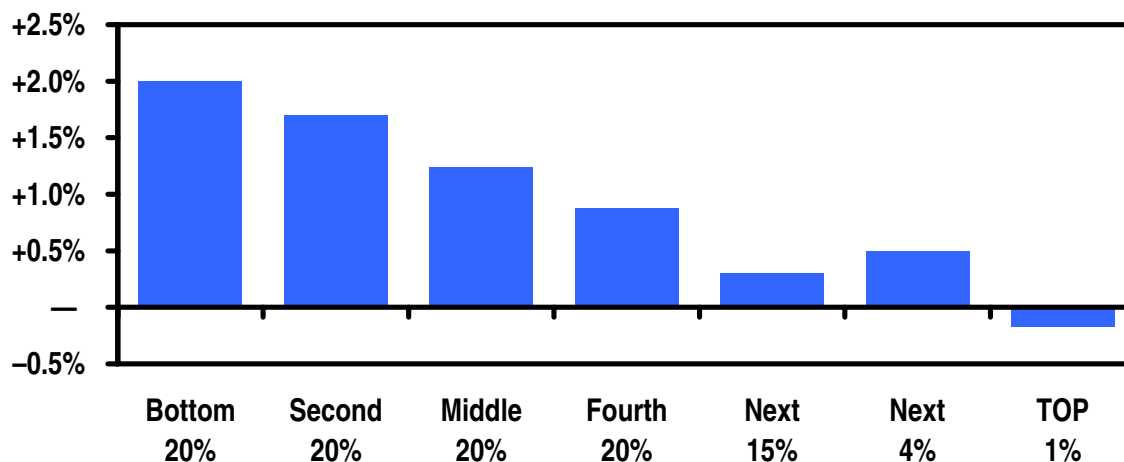
## Progressive Features

- ✓ Groceries exempt from sales tax
- ✓ Refundable low income credits
- ✓ Homestead exemption

## Regressive Features

- ✗ Deduction for state income taxes

## Changes in Taxes as Shares of Income, 1989 – 2002

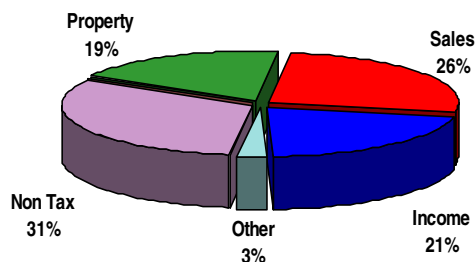


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.0%	+1.0%	+0.8%	+0.7%	+0.5%	+0.3%	+0.2%
Property	+1.0%	+0.6%	+0.4%	+0.2%	-0.1%	-0.0%	-0.1%
Income	-0.0%	+0.2%	+0.2%	+0.2%	+0.2%	+0.4%	+0.4%
Federal Offset	+0.0%	-0.0%	-0.2%	-0.2%	-0.2%	-0.2%	-0.6%
Overall Change	+2.0%	+1.7%	+1.2%	+0.9%	+0.3%	+0.5%	-0.2%

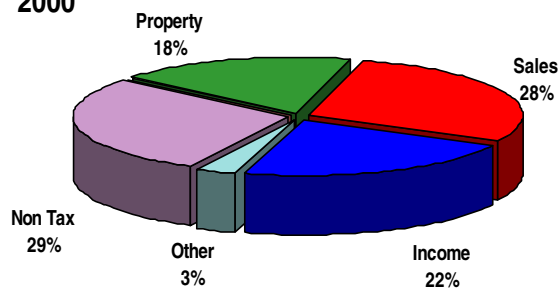
Georgia joined other states in eliminating the regressive state sales tax on groceries but local sales taxes, which do apply to groceries, rose over the decade. Inflationary pressures meant an implicit income tax hike for Georgia taxpayers. A new low income credit and increased personal exemptions offset these inflationary pressures for low-income Georgians.

## Composition of Revenues

1989



2000

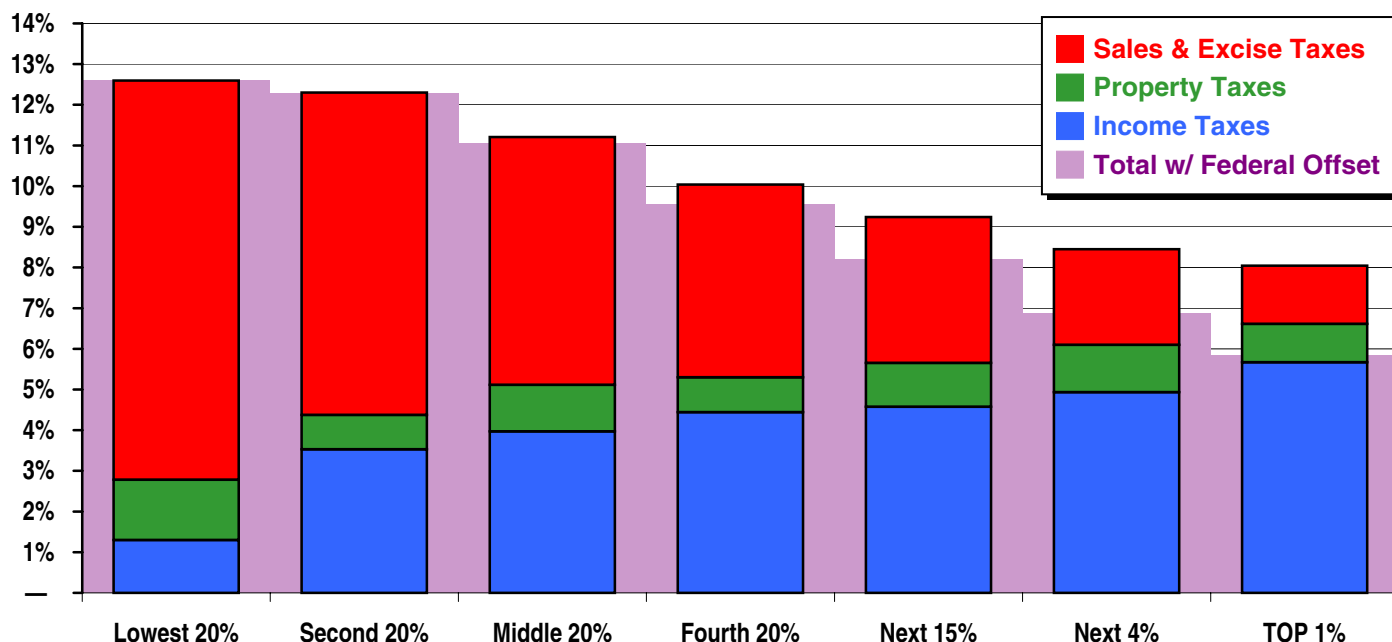


Source: Government Finances, US Department of Census

# Hawaii

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$14,000	\$14,000 – \$27,000	\$27,000 – \$42,000	\$42,000 – \$68,000	\$68,000 – \$124,000	\$124,000 – \$238,000	\$238,000 or more
Average Income in Group	\$8,400	\$20,200	\$33,100	\$52,500	\$89,200	\$163,500	\$458,400
<b>Sales &amp; Excise Taxes</b>	<b>9.8%</b>	<b>7.9%</b>	<b>6.1%</b>	<b>4.7%</b>	<b>3.6%</b>	<b>2.4%</b>	<b>1.4%</b>
General Sales—Individuals	4.4%	3.6%	2.8%	2.1%	1.6%	1.0%	0.6%
Other Sales & Excise—Ind.	1.9%	1.4%	1.0%	0.8%	0.5%	0.3%	0.2%
Sales & Excise on Business	3.5%	3.0%	2.3%	1.8%	1.5%	1.0%	0.7%
<b>Property Taxes</b>	<b>1.5%</b>	<b>0.8%</b>	<b>1.1%</b>	<b>0.9%</b>	<b>1.1%</b>	<b>1.2%</b>	<b>0.9%</b>
Property Taxes on Families	1.4%	0.8%	1.1%	0.8%	0.9%	0.9%	0.5%
Other Property Taxes	0.1%	0.0%	0.1%	0.1%	0.2%	0.3%	0.5%
<b>Income Taxes</b>	<b>1.3%</b>	<b>3.5%</b>	<b>4.0%</b>	<b>4.4%</b>	<b>4.6%</b>	<b>4.9%</b>	<b>5.7%</b>
Personal Income Tax	1.3%	3.5%	4.0%	4.4%	4.6%	4.9%	5.6%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
<b>TOTAL TAXES</b>	<b>12.6%</b>	<b>12.3%</b>	<b>11.2%</b>	<b>10.0%</b>	<b>9.2%</b>	<b>8.4%</b>	<b>8.0%</b>
Federal Deduction Offset	–0.0%	–0.0%	–0.2%	–0.5%	–1.0%	–1.6%	–2.2%
<b>TOTAL AFTER OFFSET</b>	<b>12.6%</b>	<b>12.3%</b>	<b>11.1%</b>	<b>9.5%</b>	<b>8.2%</b>	<b>6.9%</b>	<b>5.8%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Hawaii Tax Trends

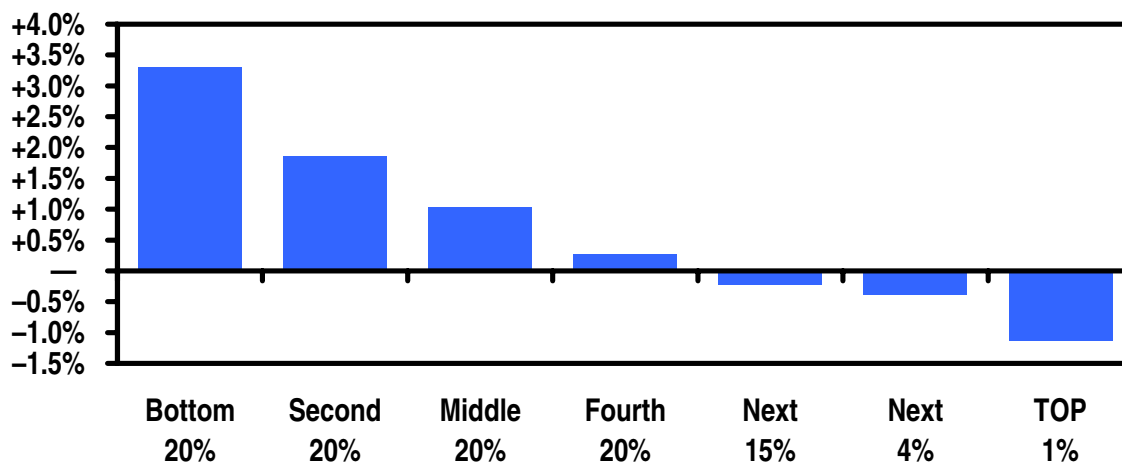
## Progressive Features

- ✓ Refundable low income credits
- ✓ Property tax homestead exemption

## Regressive Features

- ✗ Groceries subject to sales tax
- ✗ Income tax not indexed

## Changes in Taxes as Shares of Income, 1989 – 2002

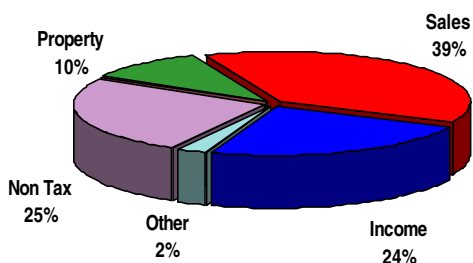


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
<b>Sales &amp; Excise</b>	+0.4%	+0.3%	+0.2%	+0.2%	+0.1%	+0.1%	+0.0%
<b>Property</b>	+0.1%	-0.1%	+0.1%	-0.2%	-0.3%	-0.1%	+0.2%
<b>Income</b>	+2.7%	+1.7%	+0.8%	+0.3%	-0.2%	-0.6%	-1.1%
<b>Federal Offset</b>	-0.0%	-0.0%	-0.0%	-0.1%	+0.1%	+0.3%	-0.3%
<b>Overall Change</b>	+3.3%	+1.9%	+1.0%	+0.3%	-0.2%	-0.4%	-1.1%

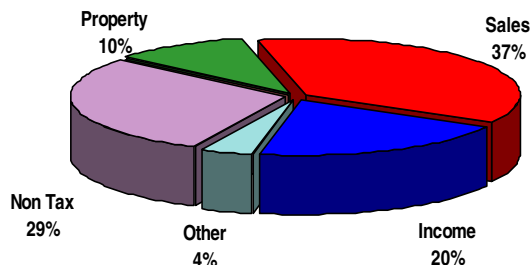
Hawaii implemented regressive tax changes in the 1990s. Income taxes fell due to lower rates, giving a larger share of the benefit to the upper-income taxpayers, while excise taxes-especially cigarette taxes-rose significantly, falling mostly on low-income taxpayers.

## Composition of Revenues

1989



2000

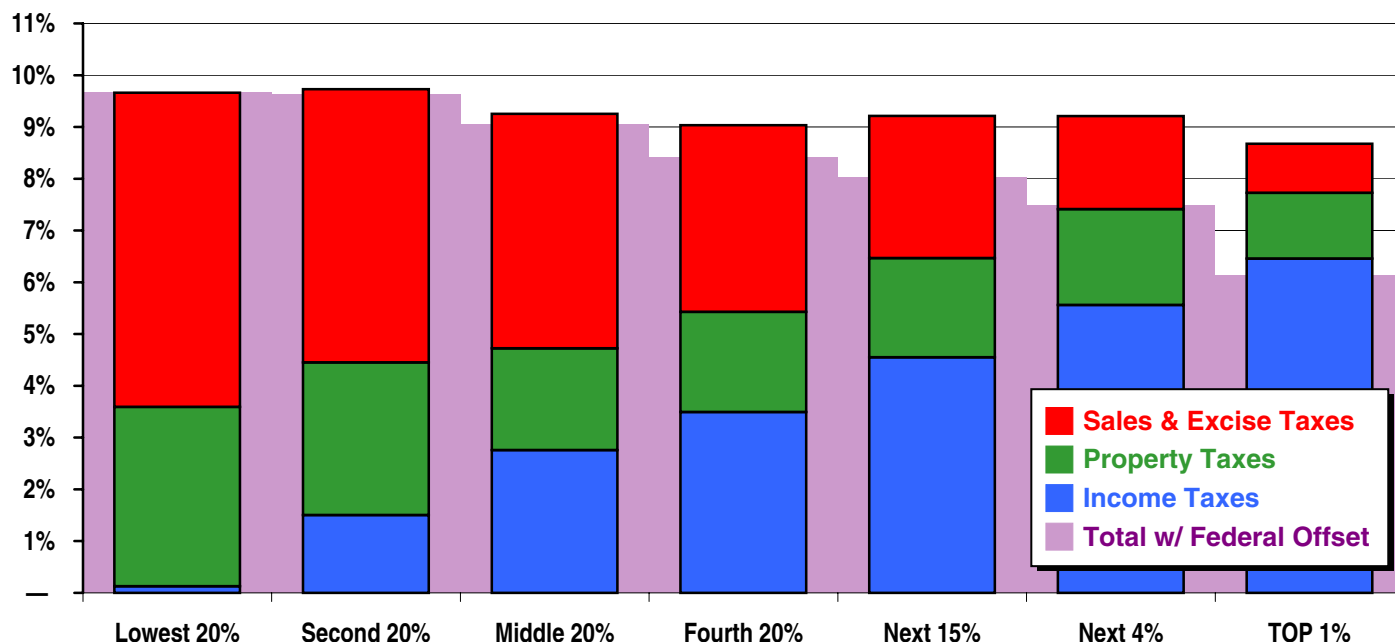


Source: Government Finances, US Department of Census

# Idaho

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$14,000	\$14,000 – \$25,000	\$25,000 – \$42,000	\$42,000 – \$64,000	\$64,000 – \$119,000	\$119,000 – \$273,000	\$273,000 or more
Average Income in Group	\$8,400	\$19,700	\$32,400	\$51,100	\$82,000	\$160,800	\$764,900
<b>Sales &amp; Excise Taxes</b>	<b>6.1%</b>	<b>5.3%</b>	<b>4.5%</b>	<b>3.6%</b>	<b>2.7%</b>	<b>1.8%</b>	<b>0.9%</b>
General Sales—Individuals	3.6%	3.2%	2.7%	2.3%	1.8%	1.2%	0.7%
Other Sales & Excise—Ind.	1.2%	0.9%	0.8%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	1.3%	1.1%	1.0%	0.7%	0.6%	0.4%	0.2%
<b>Property Taxes</b>	<b>3.5%</b>	<b>2.9%</b>	<b>2.0%</b>	<b>1.9%</b>	<b>1.9%</b>	<b>1.9%</b>	<b>1.3%</b>
Property Taxes on Families	3.3%	2.9%	1.9%	1.8%	1.7%	1.5%	0.7%
Other Property Taxes	0.2%	0.1%	0.1%	0.1%	0.2%	0.4%	0.6%
<b>Income Taxes</b>	<b>0.1%</b>	<b>1.5%</b>	<b>2.8%</b>	<b>3.5%</b>	<b>4.5%</b>	<b>5.6%</b>	<b>6.5%</b>
Personal Income Tax	0.1%	1.5%	2.7%	3.4%	4.5%	5.5%	6.2%
Corporate Income Tax	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>9.7%</b>	<b>9.7%</b>	<b>9.3%</b>	<b>9.0%</b>	<b>9.2%</b>	<b>9.2%</b>	<b>8.7%</b>
Federal Deduction Offset	—	–0.1%	–0.2%	–0.6%	–1.2%	–1.7%	–2.5%
<b>TOTAL AFTER OFFSET</b>	<b>9.7%</b>	<b>9.6%</b>	<b>9.0%</b>	<b>8.4%</b>	<b>8.0%</b>	<b>7.5%</b>	<b>6.1%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Idaho Tax Trends

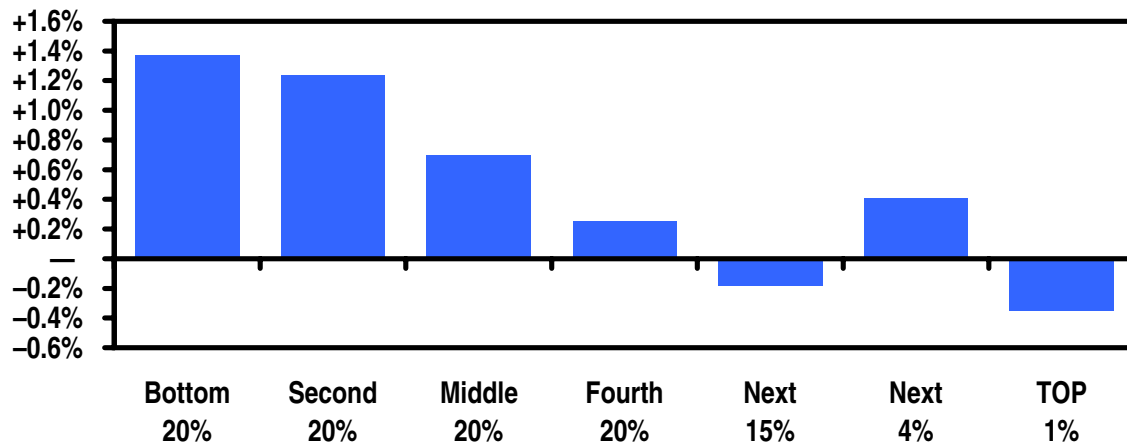
## Progressive Features

- ✓ Graduated income tax rates
- ✓ Brackets and exemptions indexed
- ✓ Credit to offset sales tax on groceries
- ✓ Property tax homestead exemption
- ✓ Low income circuit breaker property tax credit

## Regressive Features

- ✗ Groceries subject to sales tax

## Changes in Taxes as Shares of Income, 1989 – 2002

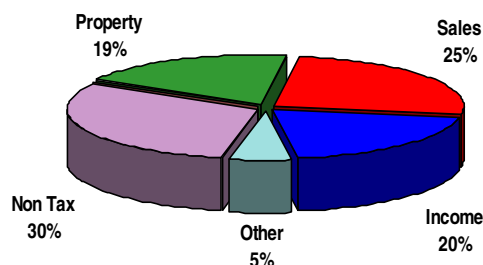


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
<b>Sales &amp; Excise</b>	-0.0%	-0.0%	+0.0%	+0.0%	+0.0%	+0.0%	-0.0%
<b>Property</b>	+1.1%	+0.9%	+0.3%	+0.3%	-0.2%	+0.1%	-0.0%
<b>Income</b>	+0.2%	+0.5%	+0.4%	+0.2%	+0.3%	+0.5%	+0.5%
<b>Federal Offset</b>	+0.0%	-0.1%	-0.1%	-0.3%	-0.3%	-0.2%	-0.8%
<b>Overall Change</b>	+1.4%	+1.2%	+0.7%	+0.2%	-0.2%	+0.4%	-0.4%

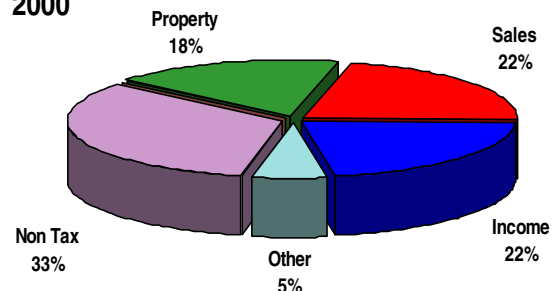
A 10 cent hike in the cigarette tax and a 4.5 cent hike in the gas tax was almost entirely offset by inflationary losses in excise tax revenues. As income tax brackets were not indexed until late in the decade, bracket creep caused an implicit tax hike for middle and lower income taxpayers. Across the board rate reductions were not enough to offset these and other inflationary effects.

## Composition of Revenues

1989



2000

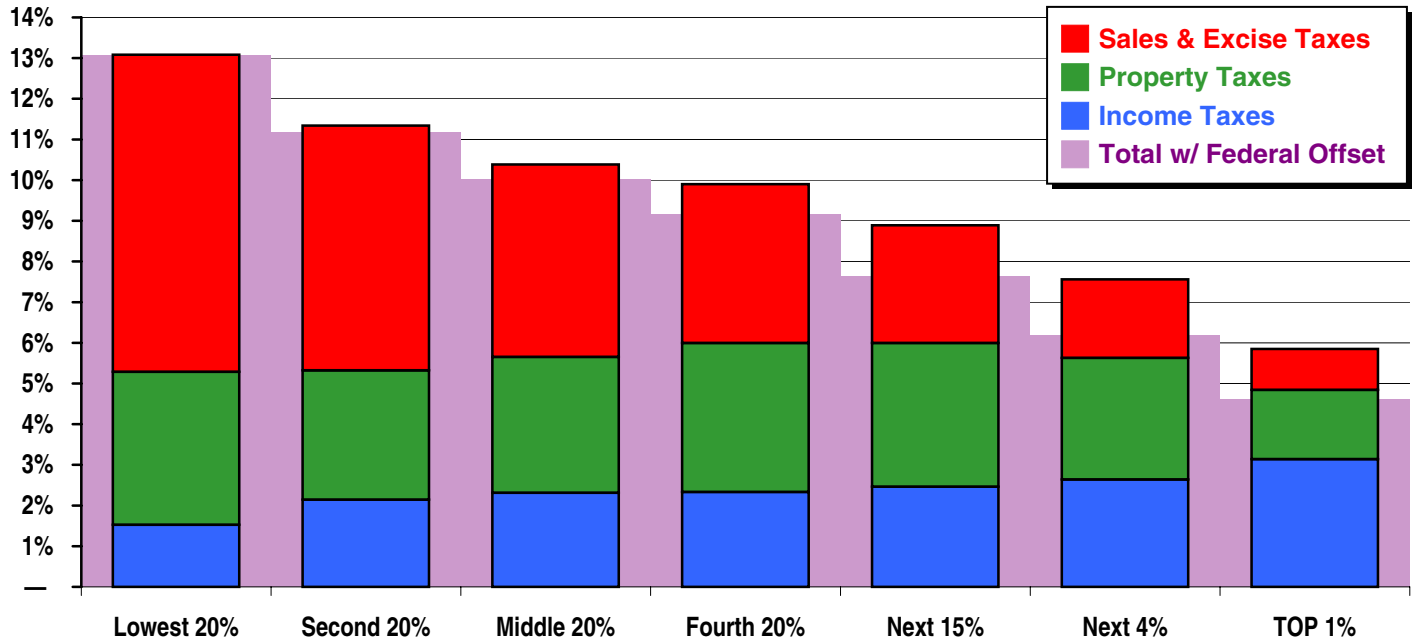


Source: Government Finances, US Department of Census

# Illinois

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$30,000	\$30,000 – \$48,000	\$48,000 – \$77,000	\$77,000 – \$148,000	\$148,000 – \$295,000	\$295,000 or more
Average Income in Group	\$8,900	\$22,600	\$38,500	\$61,100	\$101,400	\$203,600	\$1,322,100
<b>Sales &amp; Excise Taxes</b>	<b>7.8%</b>	<b>6.0%</b>	<b>4.7%</b>	<b>3.9%</b>	<b>2.9%</b>	<b>1.9%</b>	<b>1.0%</b>
General Sales—Individuals	3.5%	3.1%	2.6%	2.2%	1.7%	1.2%	0.6%
Other Sales & Excise—Ind.	2.3%	1.4%	1.0%	0.7%	0.5%	0.3%	0.1%
Sales & Excise on Business	1.9%	1.6%	1.2%	1.0%	0.7%	0.5%	0.3%
<b>Property Taxes</b>	<b>3.8%</b>	<b>3.2%</b>	<b>3.3%</b>	<b>3.7%</b>	<b>3.5%</b>	<b>3.0%</b>	<b>1.7%</b>
Property Taxes on Families	3.6%	3.0%	3.1%	3.4%	3.2%	2.5%	0.8%
Other Property Taxes	0.2%	0.2%	0.2%	0.2%	0.3%	0.5%	0.9%
<b>Income Taxes</b>	<b>1.5%</b>	<b>2.1%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.5%</b>	<b>2.6%</b>	<b>3.1%</b>
Personal Income Tax	1.5%	2.1%	2.3%	2.3%	2.4%	2.5%	2.6%
Corporate Income Tax	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.5%
<b>TOTAL TAXES</b>	<b>13.1%</b>	<b>11.3%</b>	<b>10.4%</b>	<b>9.9%</b>	<b>8.9%</b>	<b>7.6%</b>	<b>5.8%</b>
Federal Deduction Offset	–0.0%	–0.2%	–0.4%	–0.7%	–1.2%	–1.4%	–1.2%
<b>TOTAL AFTER OFFSET</b>	<b>13.1%</b>	<b>11.2%</b>	<b>10.0%</b>	<b>9.2%</b>	<b>7.6%</b>	<b>6.2%</b>	<b>4.6%</b>

Note: Table shows 2002 tax law at 2000 income levels.



# Illinois Tax Trends

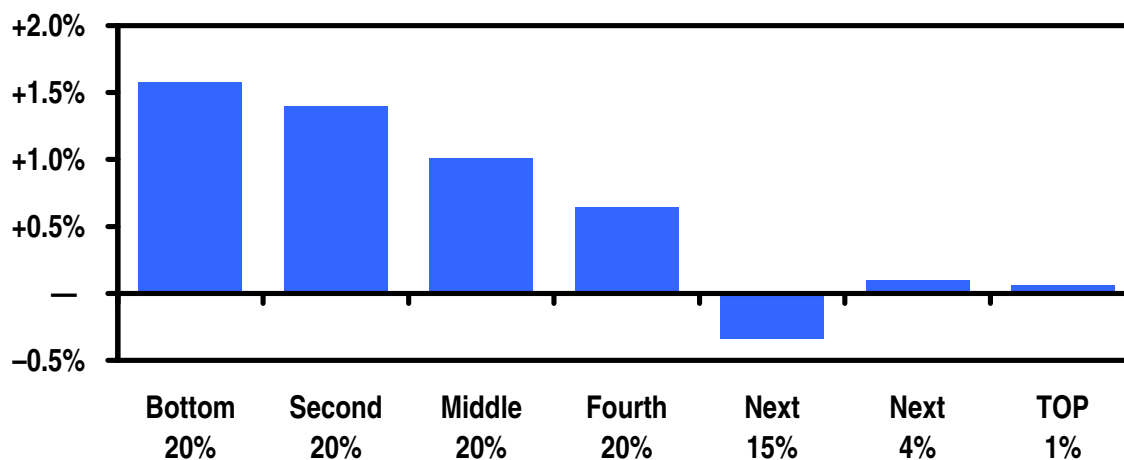
## Progressive Features

- ✓ Property tax homestead exemption

## Regressive Features

- ✗ Groceries subject to sales tax, though at a lower rate
- ✗ Flat-rate income tax
- ✗ Low income tax exemptions
- ✗ Nonrefundable property tax credit

## Changes in Taxes as Shares of Income, 1989 – 2002

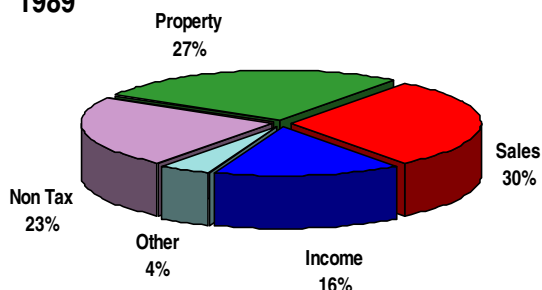


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.0%	+0.5%	+0.3%	+0.2%	+0.1%	+0.1%	+0.0%
Property	+0.8%	+1.2%	+1.0%	+0.9%	-0.1%	+0.1%	+0.0%
Income	-0.2%	-0.2%	-0.2%	-0.2%	-0.1%	+0.0%	+0.3%
Federal Offset	-0.0%	-0.1%	-0.2%	-0.3%	-0.2%	-0.1%	-0.3%
Overall Change	+1.6%	+1.4%	+1.0%	+0.6%	-0.3%	+0.1%	+0.1%

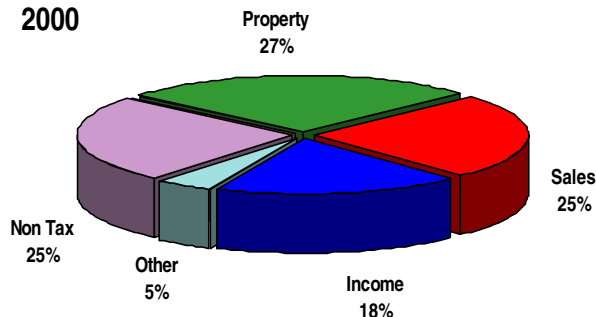
Small but progressive changes in the Illinois income tax, including an expanded personal exemption, were insufficient to offset regressive sales and excise tax hikes. Excise taxes were raised by 68 cents on cigarettes, 6.5 cents on beer and 3 cents on gasoline. Local sales tax rates climbed steadily throughout the decade.

## Composition of Revenues

1989



2000

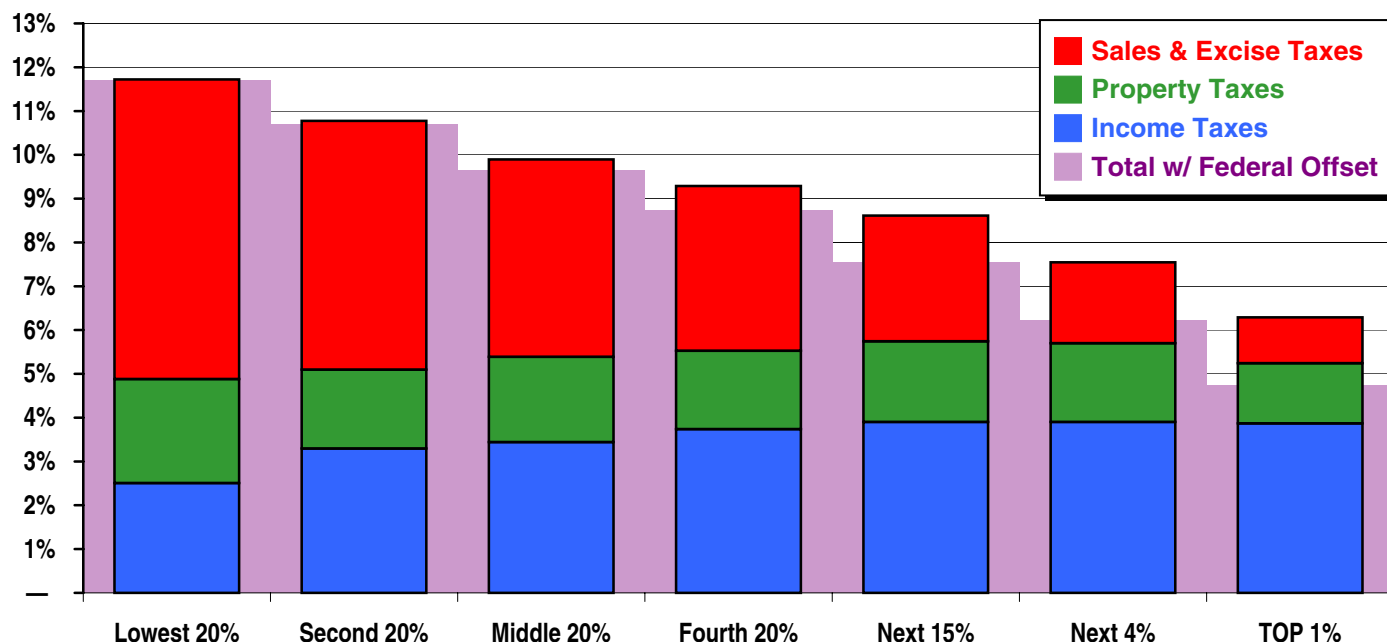


Source: Government Finances, US Department of Census

# Indiana

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$28,000	\$28,000 – \$45,000	\$45,000 – \$69,000	\$69,000 – \$122,000	\$122,000 – \$279,000	\$279,000 or more
Average Income in Group	\$9,700	\$21,900	\$36,200	\$55,500	\$87,400	\$159,100	\$733,800
<b>Sales &amp; Excise Taxes</b>	<b>6.8%</b>	<b>5.7%</b>	<b>4.5%</b>	<b>3.8%</b>	<b>2.9%</b>	<b>1.8%</b>	<b>1.0%</b>
General Sales—Individuals	3.8%	3.4%	2.9%	2.4%	1.9%	1.2%	0.7%
Other Sales & Excise—Ind.	1.7%	1.2%	0.8%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	1.3%	1.1%	0.9%	0.7%	0.6%	0.4%	0.3%
<b>Property Taxes</b>	<b>2.4%</b>	<b>1.8%</b>	<b>1.9%</b>	<b>1.8%</b>	<b>1.8%</b>	<b>1.8%</b>	<b>1.4%</b>
Property Taxes on Families	2.2%	1.6%	1.7%	1.6%	1.5%	1.2%	0.5%
Other Property Taxes	0.2%	0.2%	0.2%	0.2%	0.4%	0.6%	0.9%
<b>Income Taxes</b>	<b>2.5%</b>	<b>3.3%</b>	<b>3.4%</b>	<b>3.7%</b>	<b>3.9%</b>	<b>3.9%</b>	<b>3.9%</b>
Personal Income Tax	2.5%	3.3%	3.4%	3.7%	3.9%	3.8%	3.7%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>11.7%</b>	<b>10.8%</b>	<b>9.9%</b>	<b>9.3%</b>	<b>8.6%</b>	<b>7.5%</b>	<b>6.3%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.2%	–0.6%	–1.1%	–1.3%	–1.6%
<b>TOTAL AFTER OFFSET</b>	<b>11.7%</b>	<b>10.7%</b>	<b>9.7%</b>	<b>8.7%</b>	<b>7.6%</b>	<b>6.2%</b>	<b>4.7%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Indiana Tax Trends

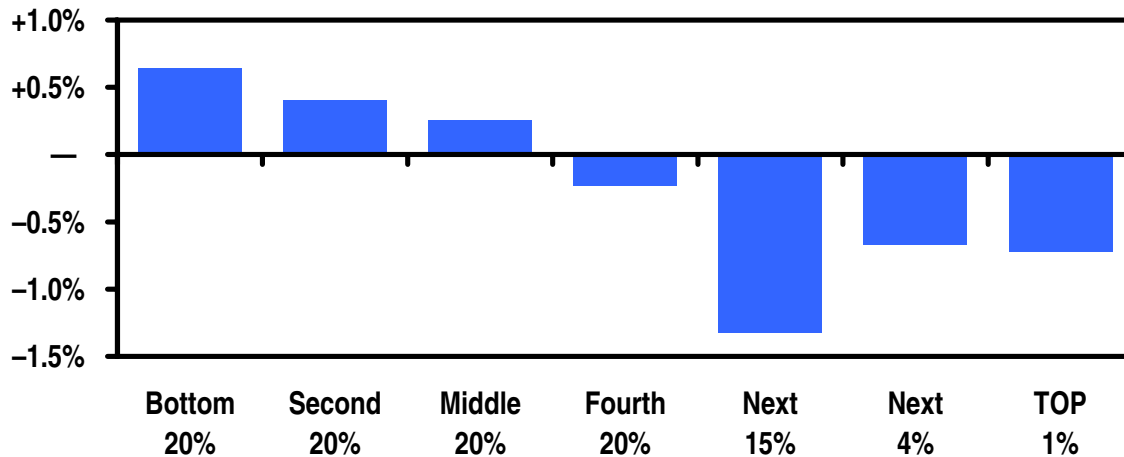
## Progressive Features

- ✓ Sales tax exempts groceries
- ✓ Property tax homestead exemption
- ✓ Refundable EITC

## Regressive Features

- ✗ Flat-rate income tax
- ✗ Exemptions not indexed

## Changes in Taxes as Shares of Income, 1989 – 2002

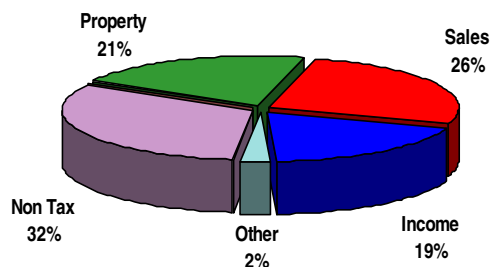


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.6%	+0.3%	+0.2%	+0.1%	+0.1%	+0.0%	-0.0%
Property	+0.1%	-0.1%	+0.1%	-0.3%	-1.3%	-0.6%	-0.4%
Income	-0.1%	+0.2%	+0.1%	+0.2%	+0.2%	+0.2%	+0.2%
Federal Offset	-0.0%	-0.0%	-0.1%	-0.2%	-0.3%	-0.3%	-0.5%
Overall Change	+0.6%	+0.4%	+0.3%	-0.2%	-1.3%	-0.7%	-0.7%

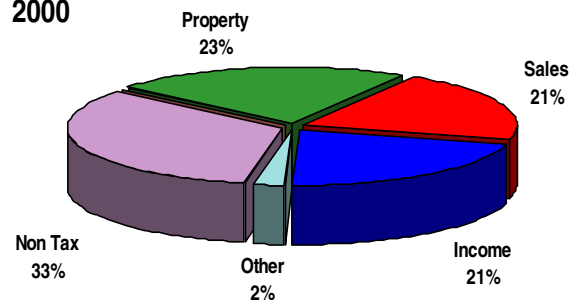
Implicit inflationary tax hikes due to the lack of indexing were offset for the bottom 20% by the adoption of an EITC. But the impact of these changes was small compared to regressive hikes of 1% in the general sales tax and 40 cents in the cigarette tax.

## Composition of Revenues

1989



2000

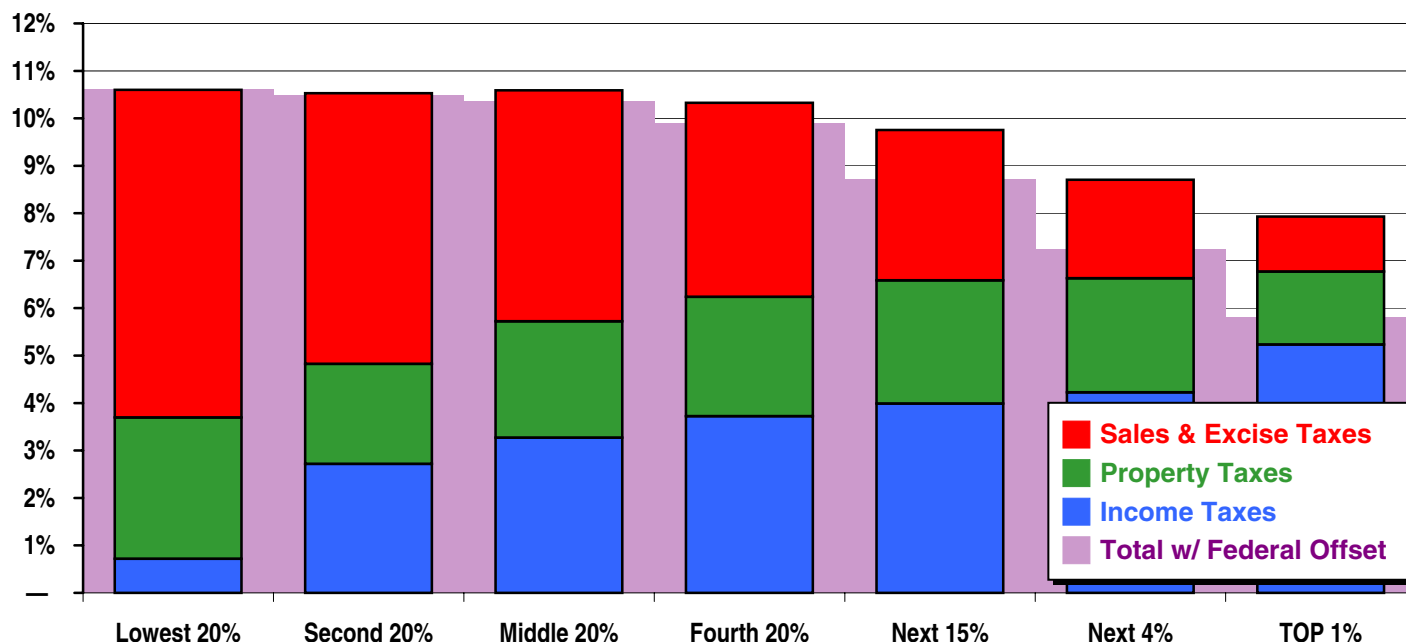


Source: Government Finances, US Department of Census

# Iowa

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$14,000	\$14,000 – \$28,000	\$28,000 – \$44,000	\$44,000 – \$65,000	\$65,000 – \$110,000	\$110,000 – \$257,000	\$257,000 or more
Average Income in Group	\$7,900	\$20,800	\$34,600	\$53,700	\$82,100	\$149,000	\$640,100
<b>Sales &amp; Excise Taxes</b>	<b>6.9%</b>	<b>5.7%</b>	<b>4.9%</b>	<b>4.1%</b>	<b>3.2%</b>	<b>2.1%</b>	<b>1.2%</b>
General Sales—Individuals	4.1%	3.6%	3.2%	2.8%	2.2%	1.5%	0.8%
Other Sales & Excise—Ind.	1.2%	0.8%	0.6%	0.5%	0.3%	0.2%	0.1%
Sales & Excise on Business	1.6%	1.3%	1.0%	0.8%	0.6%	0.4%	0.2%
<b>Property Taxes</b>	<b>3.0%</b>	<b>2.1%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.6%</b>	<b>2.4%</b>	<b>1.5%</b>
Property Taxes on Families	2.8%	1.9%	2.3%	2.3%	2.2%	1.9%	0.8%
Other Property Taxes	0.2%	0.2%	0.2%	0.2%	0.4%	0.5%	0.8%
<b>Income Taxes</b>	<b>0.7%</b>	<b>2.7%</b>	<b>3.3%</b>	<b>3.7%</b>	<b>4.0%</b>	<b>4.2%</b>	<b>5.2%</b>
Personal Income Tax	0.7%	2.7%	3.2%	3.7%	4.0%	4.2%	5.1%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
<b>TOTAL TAXES</b>	<b>10.6%</b>	<b>10.5%</b>	<b>10.6%</b>	<b>10.3%</b>	<b>9.8%</b>	<b>8.7%</b>	<b>7.9%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.2%	–0.4%	–1.0%	–1.5%	–2.1%
<b>TOTAL AFTER OFFSET</b>	<b>10.6%</b>	<b>10.5%</b>	<b>10.4%</b>	<b>9.9%</b>	<b>8.7%</b>	<b>7.2%</b>	<b>5.8%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Iowa Tax Trends

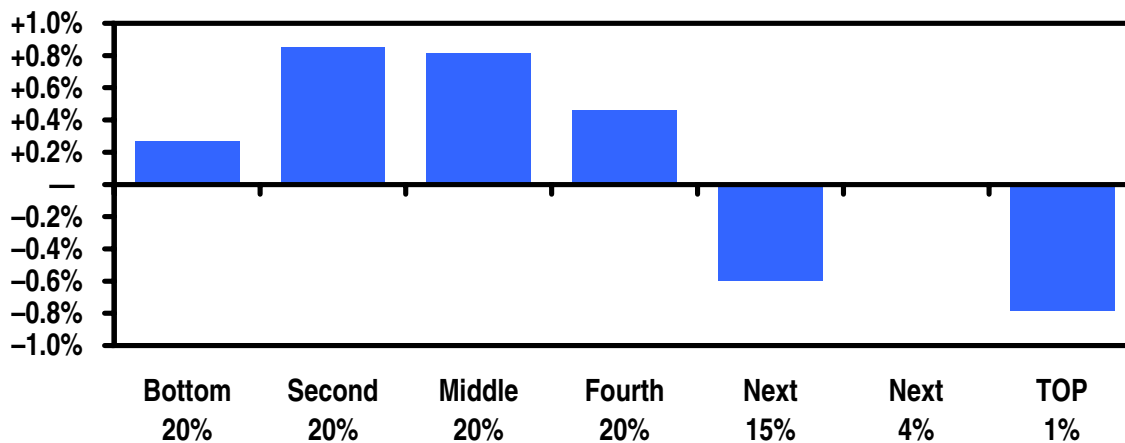
## Progressive Features

- ✓ Earned income tax credit
- ✓ Tax brackets and standard deduction indexed
- ✓ Property tax homestead exemption
- ✓ Groceries exempt from sales tax

## Regressive Features

- ✗ Deduction for federal income taxes paid

## Changes in Taxes as Shares of Income, 1989 – 2002

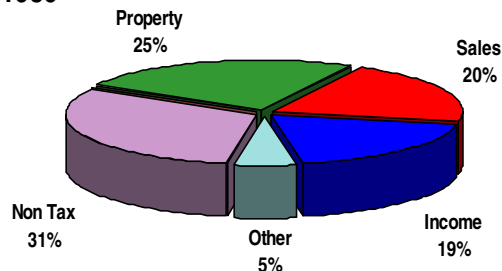


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
<b>Sales &amp; Excise</b>	+0.5%	+0.5%	+0.5%	+0.4%	+0.3%	+0.2%	+0.1%
<b>Property</b>	-0.3%	-0.1%	+0.3%	+0.0%	-0.8%	-0.1%	-0.4%
<b>Income</b>	+0.0%	+0.4%	+0.1%	+0.1%	+0.0%	+0.1%	-0.1%
<b>Federal Offset</b>	+0.0%	+0.0%	-0.1%	-0.1%	-0.1%	-0.2%	-0.4%
<b>Overall Change</b>	+0.3%	+0.8%	+0.8%	+0.5%	-0.6%	+0.0%	-0.8%

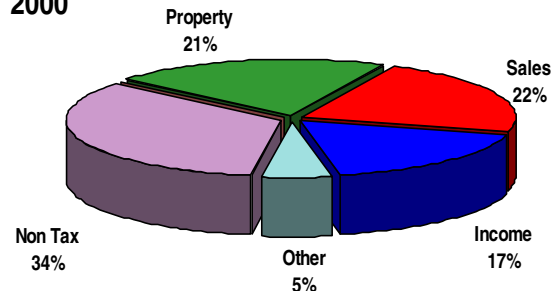
Iowa income tax rates were cut in a regressive way in 1998. Low-income taxpayers benefited somewhat from a new EITC. Iowa increased the state sales tax by 1 percent in the early 1990s, then offset this regressive tax hike by exempting utilities in 2000. Local sales tax authority was also expanded during the 1990s.

## Composition of Revenues

1989



2000

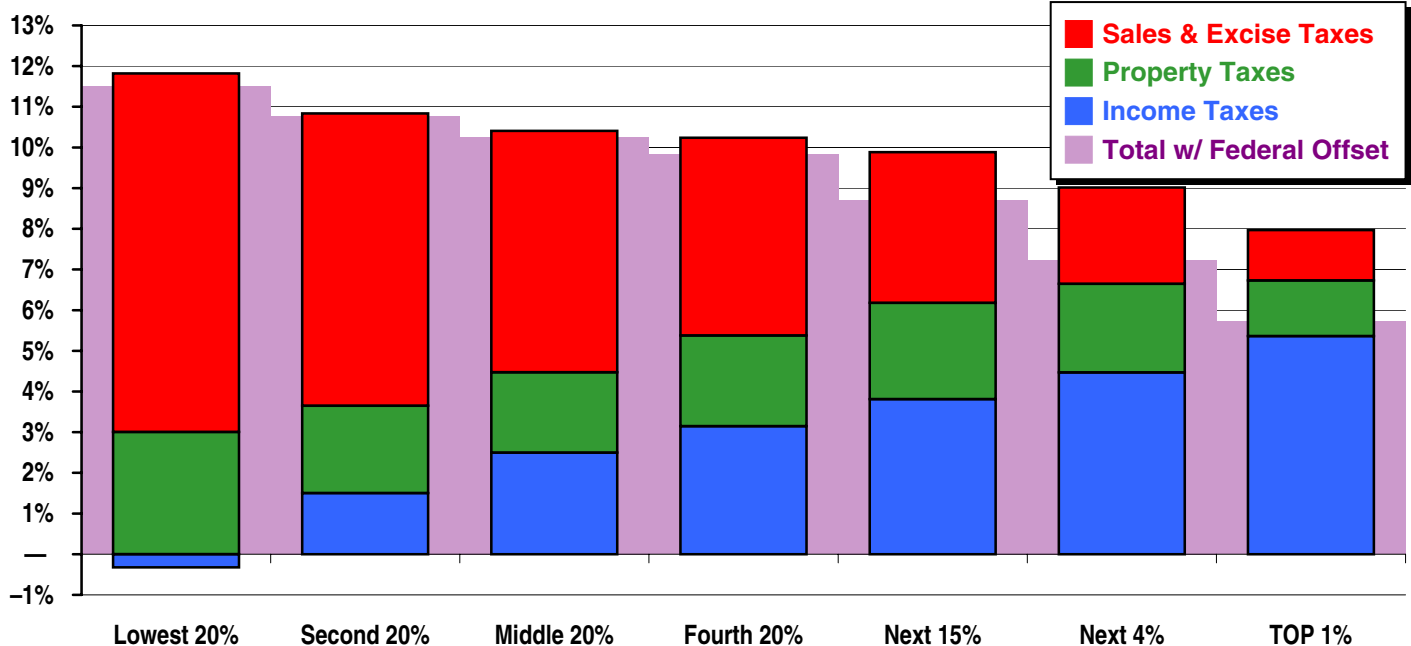


Source: Government Finances, US Department of Census

# Kansas

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$14,000	\$14,000 – \$27,000	\$27,000 – \$44,000	\$44,000 – \$69,000	\$69,000 – \$126,000	\$126,000 – \$292,000	\$292,000 or more
Average Income in Group	\$8,600	\$20,200	\$34,900	\$55,400	\$89,300	\$174,700	\$780,500
<b>Sales &amp; Excise Taxes</b>	<b>8.8%</b>	<b>7.2%</b>	<b>5.9%</b>	<b>4.9%</b>	<b>3.7%</b>	<b>2.4%</b>	<b>1.2%</b>
General Sales—Individuals	4.9%	4.3%	3.7%	3.2%	2.5%	1.6%	0.9%
Other Sales & Excise—Ind.	1.9%	1.3%	0.9%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	2.0%	1.7%	1.4%	1.1%	0.8%	0.5%	0.3%
<b>Property Taxes</b>	<b>3.0%</b>	<b>2.1%</b>	<b>2.0%</b>	<b>2.2%</b>	<b>2.4%</b>	<b>2.2%</b>	<b>1.4%</b>
Property Taxes on Families	2.9%	2.1%	1.9%	2.1%	2.2%	1.8%	0.7%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.4%	0.7%
<b>Income Taxes</b>	<b>-0.3%</b>	<b>1.5%</b>	<b>2.5%</b>	<b>3.1%</b>	<b>3.8%</b>	<b>4.5%</b>	<b>5.4%</b>
Personal Income Tax	-0.4%	1.5%	2.5%	3.1%	3.8%	4.4%	5.2%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>11.5%</b>	<b>10.8%</b>	<b>10.4%</b>	<b>10.2%</b>	<b>9.9%</b>	<b>9.0%</b>	<b>8.0%</b>
Federal Deduction Offset	—	-0.1%	-0.1%	-0.4%	-1.2%	-1.8%	-2.2%
<b>TOTAL AFTER OFFSET</b>	<b>11.5%</b>	<b>10.8%</b>	<b>10.3%</b>	<b>9.8%</b>	<b>8.7%</b>	<b>7.2%</b>	<b>5.7%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Kansas Tax Trends

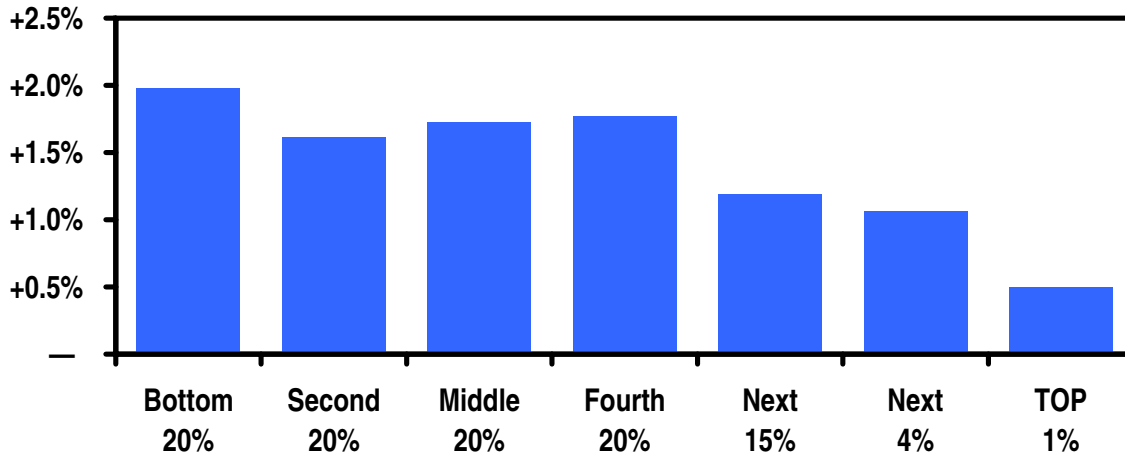
## Progressive Features

- ✓ Refundable EITC
- ✓ Low income property tax circuit breaker

## Regressive Features

- ✗ Groceries subject to sales tax

## Changes in Taxes as Shares of Income, 1989 – 2002

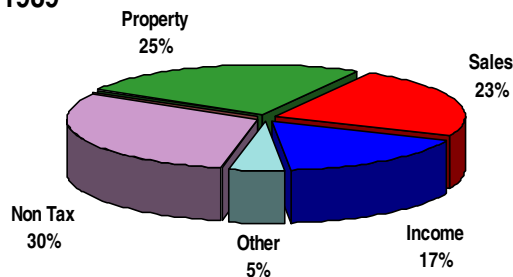


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+2.7%	+2.0%	+1.6%	+1.3%	+1.0%	+0.6%	+0.3%
Property	+0.3%	-0.1%	-0.3%	-0.3%	-0.6%	-0.4%	-0.2%
Income	-1.1%	-0.4%	+0.3%	+0.8%	+1.0%	+1.3%	+1.3%
Federal Offset	+0.0%	-0.0%	+0.0%	-0.0%	-0.2%	-0.5%	-0.9%
Overall Change	+2.0%	+1.6%	+1.7%	+1.8%	+1.2%	+1.1%	+0.5%

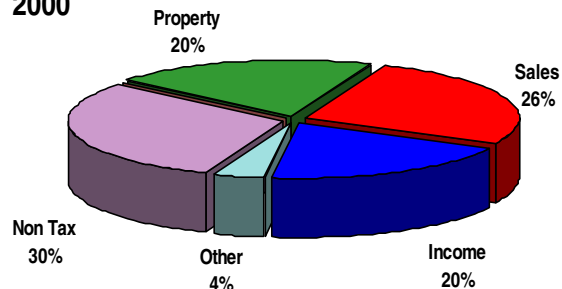
Kansas has moved toward a more progressive system by enacting a 15% refundable EITC, eliminating the federal tax deduction, and adopting a new low-income food sales tax credit. The flatter rate structure has mitigated the overall progressive changes but the income tax is more progressive in 2002 than it was in 1989. These changes and the scaling back of the car tax however were not enough to offset regressive hikes in the general sales tax and the cigarette tax.

## Composition of Revenues

1989



2000

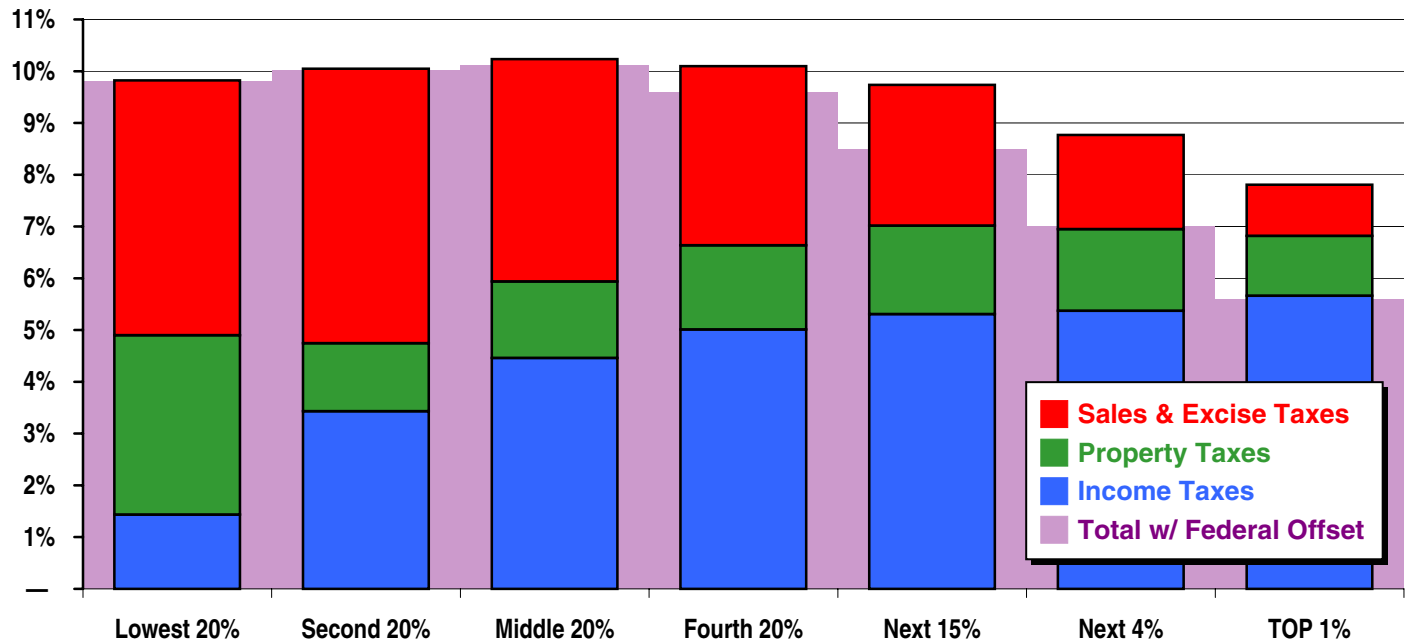


Source: Government Finances, US Department of Census

# Kentucky

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$12,000	\$12,000 – \$23,000	\$23,000 – \$38,000	\$38,000 – \$61,000	\$61,000 – \$113,000	\$113,000 – \$243,000	\$243,000 or more
Average Income in Group	\$7,400	\$17,400	\$29,400	\$47,900	\$79,400	\$150,000	\$602,400
<b>Sales &amp; Excise Taxes</b>	<b>4.9%</b>	<b>5.3%</b>	<b>4.3%</b>	<b>3.5%</b>	<b>2.7%</b>	<b>1.8%</b>	<b>1.0%</b>
General Sales—Individuals	3.0%	3.3%	2.7%	2.3%	1.8%	1.2%	0.7%
Other Sales & Excise—Ind.	0.6%	0.7%	0.6%	0.4%	0.3%	0.2%	0.1%
Sales & Excise on Business	1.3%	1.4%	1.0%	0.8%	0.6%	0.4%	0.2%
<b>Property Taxes</b>	<b>3.5%</b>	<b>1.3%</b>	<b>1.5%</b>	<b>1.6%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>1.2%</b>
Property Taxes on Families	3.4%	1.3%	1.4%	1.6%	1.6%	1.4%	0.7%
Other Property Taxes	0.1%	0.0%	0.0%	0.1%	0.1%	0.2%	0.4%
<b>Income Taxes</b>	<b>1.4%</b>	<b>3.4%</b>	<b>4.5%</b>	<b>5.0%</b>	<b>5.3%</b>	<b>5.4%</b>	<b>5.7%</b>
Personal Income Tax	1.4%	3.4%	4.4%	5.0%	5.3%	5.3%	5.4%
Corporate Income Tax	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>9.8%</b>	<b>10.0%</b>	<b>10.2%</b>	<b>10.1%</b>	<b>9.7%</b>	<b>8.8%</b>	<b>7.8%</b>
Federal Deduction Offset	–0.0%	–0.0%	–0.1%	–0.5%	–1.2%	–1.8%	–2.2%
<b>TOTAL AFTER OFFSET</b>	<b>9.8%</b>	<b>10.0%</b>	<b>10.1%</b>	<b>9.6%</b>	<b>8.5%</b>	<b>7.0%</b>	<b>5.6%</b>

Note: Table shows 2002 tax law at 2000 income levels.



# Kentucky Tax Trends

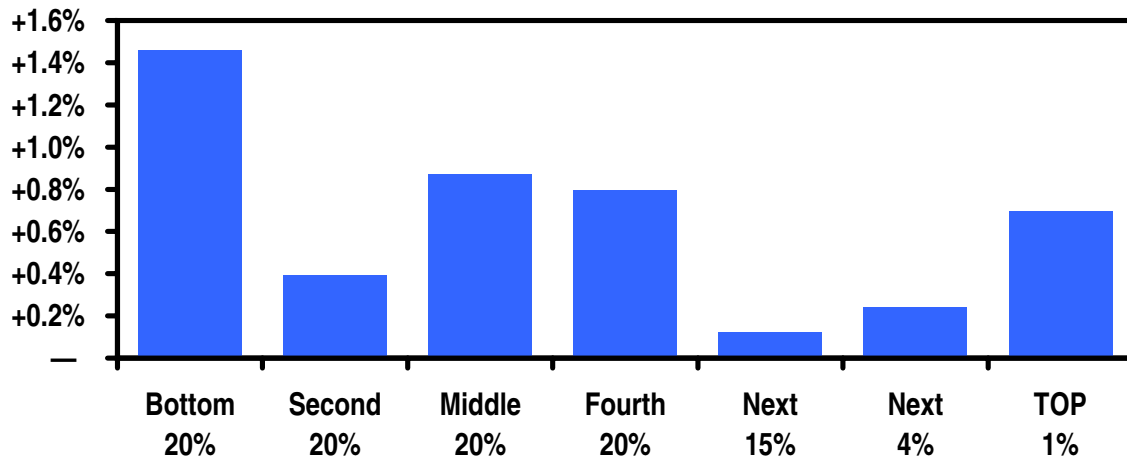
## Progressive Features

- ✓ Low-income tax credit
- ✓ Groceries exempt from sales tax

## Regressive Features

- ✗ Virtually flat income tax
- ✗ Tax brackets, exemption credits not indexed

## Changes in Taxes as Shares of Income, 1989 – 2002

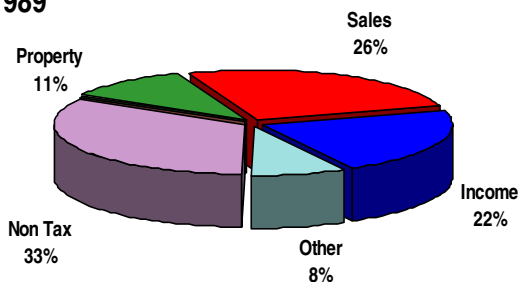


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.3%	+0.4%	+0.3%	+0.2%	+0.2%	+0.1%	+0.1%
Property	+1.6%	+0.2%	+0.4%	+0.3%	-0.1%	-0.2%	-0.1%
Income	-0.5%	-0.2%	+0.3%	+0.6%	+0.6%	+1.0%	+1.9%
Federal Offset	-0.0%	-0.0%	-0.1%	-0.3%	-0.5%	-0.7%	-1.1%
Overall Change	+1.5%	+0.4%	+0.9%	+0.8%	+0.1%	+0.2%	+0.7%

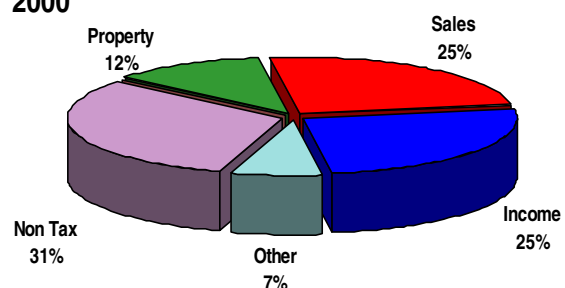
The Kentucky income tax was made more progressive by adopting the federal itemized deduction phase-out, the elimination of the federal tax deduction, the adoption of a low-income tax credit, and the expansion of the standard deduction. Sales tax changes included an expansion of the base and a 1% tax hike.

## Composition of Revenues

1989



2000

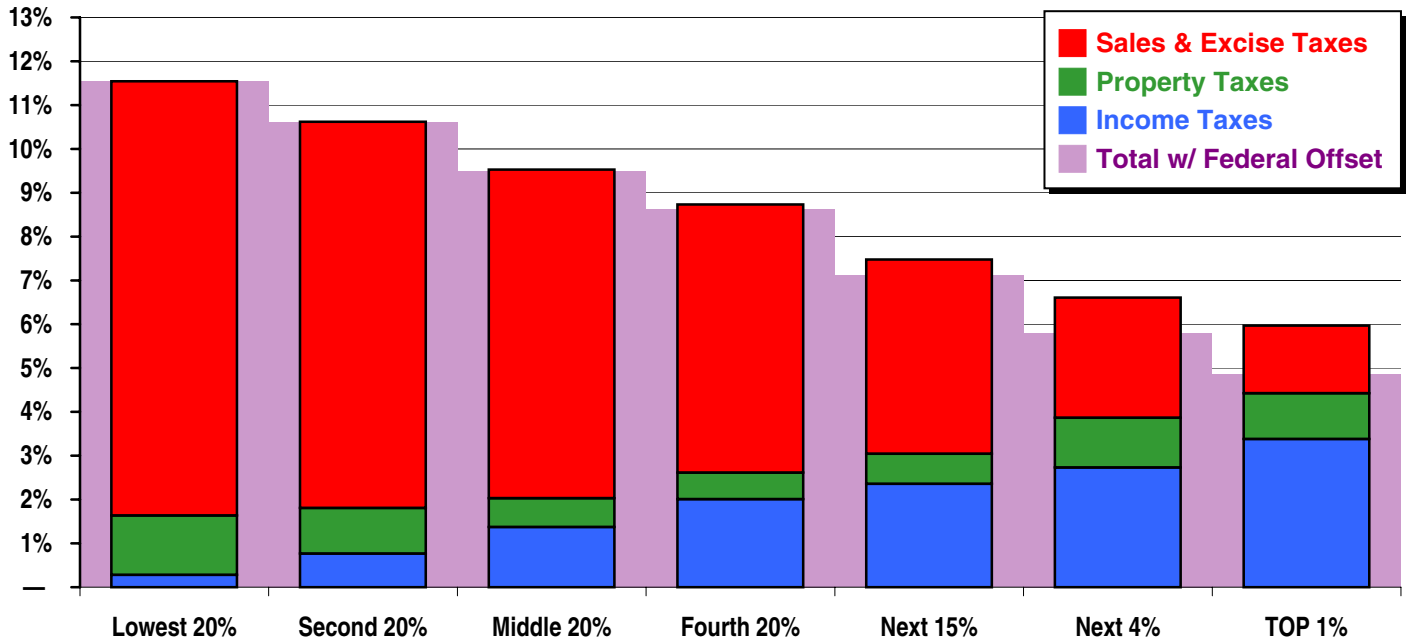


Source: Government Finances, US Department of Census

# Louisiana

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$12,000	\$12,000 – \$20,000	\$20,000 – \$33,000	\$33,000 – \$59,000	\$59,000 – \$107,000	\$107,000 – \$248,000	\$248,000 or more
Average Income in Group	\$7,000	\$15,600	\$26,200	\$44,300	\$76,200	\$146,400	\$528,200
<b>Sales &amp; Excise Taxes</b>	<b>9.9%</b>	<b>8.8%</b>	<b>7.5%</b>	<b>6.1%</b>	<b>4.4%</b>	<b>2.7%</b>	<b>1.5%</b>
General Sales—Individuals	6.2%	5.7%	5.2%	4.3%	3.2%	2.0%	1.1%
Other Sales & Excise—Ind.	1.5%	1.1%	0.7%	0.5%	0.3%	0.2%	0.1%
Sales & Excise on Business	2.2%	2.0%	1.6%	1.3%	0.9%	0.6%	0.3%
<b>Property Taxes</b>	<b>1.4%</b>	<b>1.0%</b>	<b>0.7%</b>	<b>0.6%</b>	<b>0.7%</b>	<b>1.1%</b>	<b>1.0%</b>
Property Taxes on Families	1.3%	1.0%	0.6%	0.5%	0.5%	0.7%	0.4%
Other Property Taxes	0.0%	0.1%	0.1%	0.1%	0.2%	0.5%	0.6%
<b>Income Taxes</b>	<b>0.3%</b>	<b>0.8%</b>	<b>1.4%</b>	<b>2.0%</b>	<b>2.4%</b>	<b>2.7%</b>	<b>3.4%</b>
Personal Income Tax	0.3%	0.7%	1.3%	2.0%	2.3%	2.6%	3.2%
Corporate Income Tax	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>11.5%</b>	<b>10.6%</b>	<b>9.5%</b>	<b>8.7%</b>	<b>7.5%</b>	<b>6.6%</b>	<b>6.0%</b>
Federal Deduction Offset	—	–0.0%	–0.0%	–0.1%	–0.4%	–0.8%	–1.1%
<b>TOTAL AFTER OFFSET</b>	<b>11.5%</b>	<b>10.6%</b>	<b>9.5%</b>	<b>8.6%</b>	<b>7.1%</b>	<b>5.8%</b>	<b>4.9%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Louisiana Tax Trends

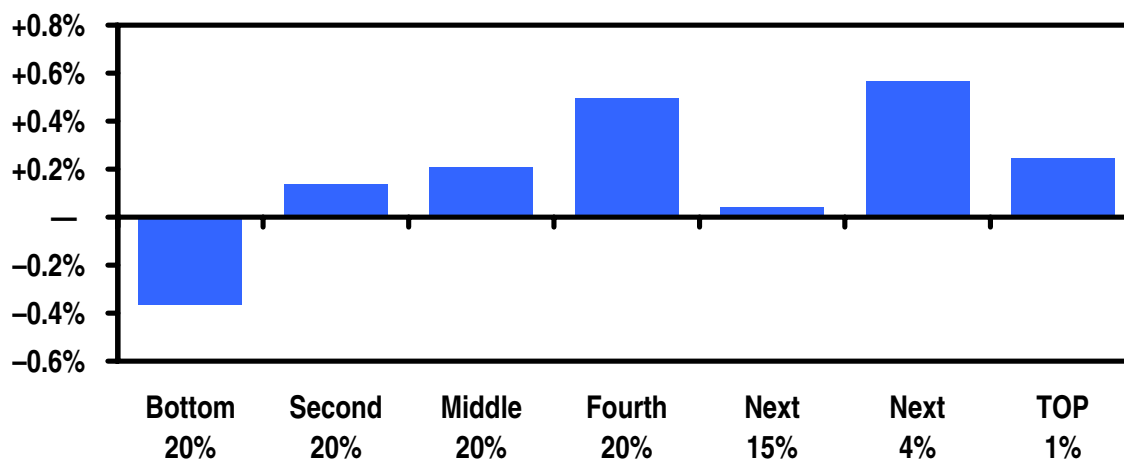
## Progressive Features

- ✓ Generous property tax homestead exemption
- ✓ Groceries and utilities exempt from sales tax

## Regressive Features

- ✗ Deduction for federal income taxes paid
- ✗ No indexing
- ✗ High reliance on sales tax

## Changes in Taxes as Shares of Income, 1989 – 2002

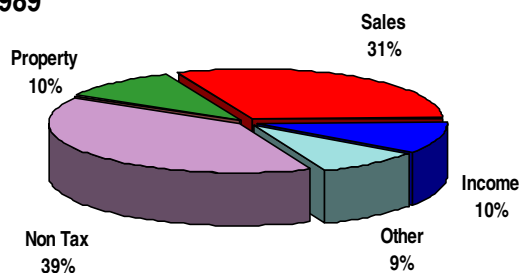


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
<b>Sales &amp; Excise</b>	-0.6%	-0.6%	-0.5%	-0.4%	-0.3%	-0.2%	-0.1%
<b>Property</b>	+0.1%	+0.4%	+0.2%	+0.2%	-0.2%	+0.3%	+0.2%
<b>Income</b>	+0.2%	+0.3%	+0.5%	+0.8%	+0.6%	+0.7%	+0.4%
<b>Federal Offset</b>	+0.0%	+0.0%	-0.0%	-0.0%	-0.1%	-0.2%	-0.3%
<b>Overall Change</b>	-0.4%	+0.1%	+0.2%	+0.5%	+0.0%	+0.6%	+0.2%

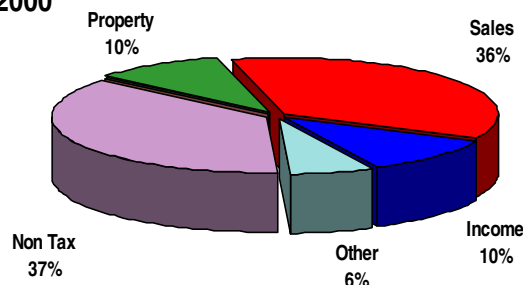
Exempting groceries and utilities from the sales tax made for progressive reductions in consumption taxes. Cigarette taxes were raised, but that increase was offset by inflationary decreases in other excise taxes. The mostly progressive rise in income taxes resulted from the elimination of the deduction for excess itemized deductions and the erosion of the value of exemptions due to inflation. Higher income taxpayers benefited from a cut in the top bracket.

## Composition of Revenues

1989



2000

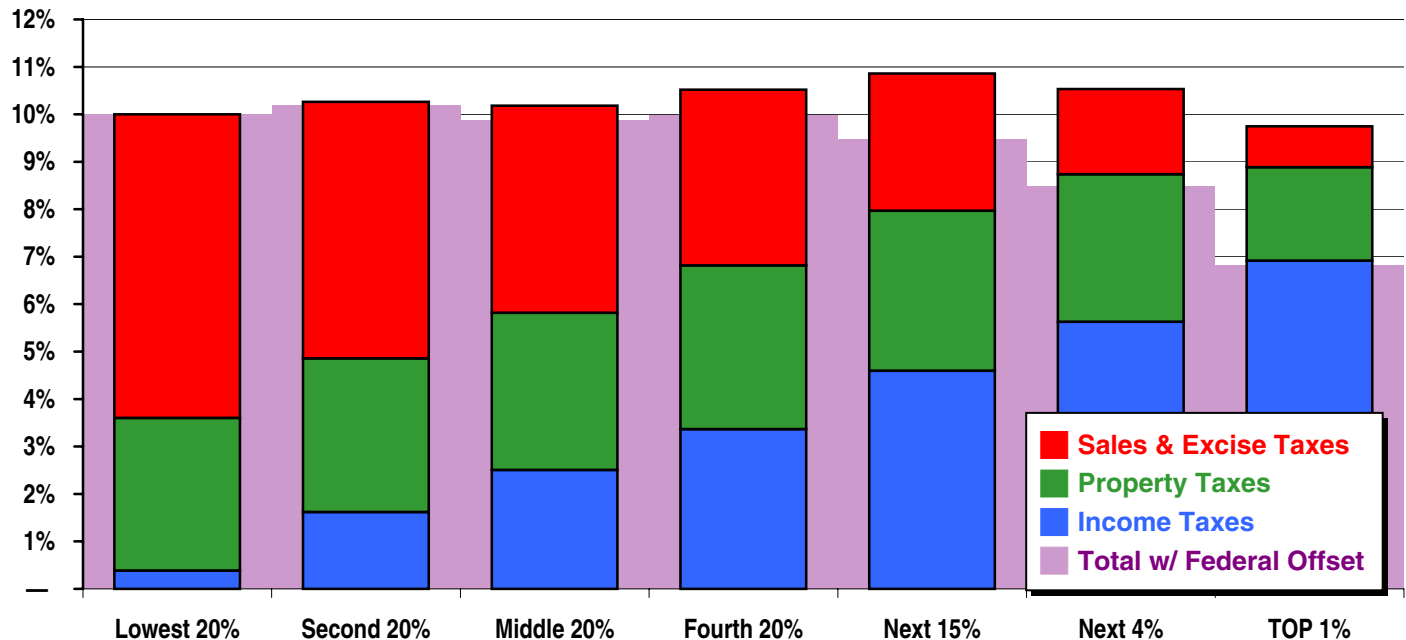


Source: Government Finances, US Department of Census

# Maine

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$26,000	\$26,000 – \$40,000	\$40,000 – \$63,000	\$63,000 – \$116,000	\$116,000 – \$262,000	\$262,000 or more
Average Income in Group	\$9,400	\$20,300	\$32,800	\$49,900	\$80,100	\$156,600	\$477,400
<b>Sales &amp; Excise Taxes</b>	<b>6.4%</b>	<b>5.4%</b>	<b>4.4%</b>	<b>3.7%</b>	<b>2.9%</b>	<b>1.8%</b>	<b>0.9%</b>
General Sales—Individuals	2.4%	2.4%	2.1%	1.9%	1.5%	1.0%	0.5%
Other Sales & Excise—Ind.	2.2%	1.4%	1.1%	0.9%	0.6%	0.3%	0.1%
Sales & Excise on Business	1.8%	1.6%	1.2%	1.0%	0.8%	0.5%	0.2%
<b>Property Taxes</b>	<b>3.2%</b>	<b>3.2%</b>	<b>3.3%</b>	<b>3.5%</b>	<b>3.4%</b>	<b>3.1%</b>	<b>2.0%</b>
Property Taxes on Families	3.1%	3.1%	3.1%	3.2%	3.0%	2.5%	1.2%
Other Property Taxes	0.1%	0.2%	0.2%	0.3%	0.4%	0.6%	0.8%
<b>Income Taxes</b>	<b>0.4%</b>	<b>1.6%</b>	<b>2.5%</b>	<b>3.4%</b>	<b>4.6%</b>	<b>5.6%</b>	<b>6.9%</b>
Personal Income Tax	0.4%	1.6%	2.5%	3.3%	4.6%	5.5%	6.8%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
<b>TOTAL TAXES</b>	<b>10.0%</b>	<b>10.3%</b>	<b>10.2%</b>	<b>10.5%</b>	<b>10.9%</b>	<b>10.5%</b>	<b>9.7%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.3%	–0.5%	–1.4%	–2.1%	–2.9%
<b>TOTAL AFTER OFFSET</b>	<b>10.0%</b>	<b>10.2%</b>	<b>9.9%</b>	<b>10.0%</b>	<b>9.5%</b>	<b>8.5%</b>	<b>6.8%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Maine Tax Trends

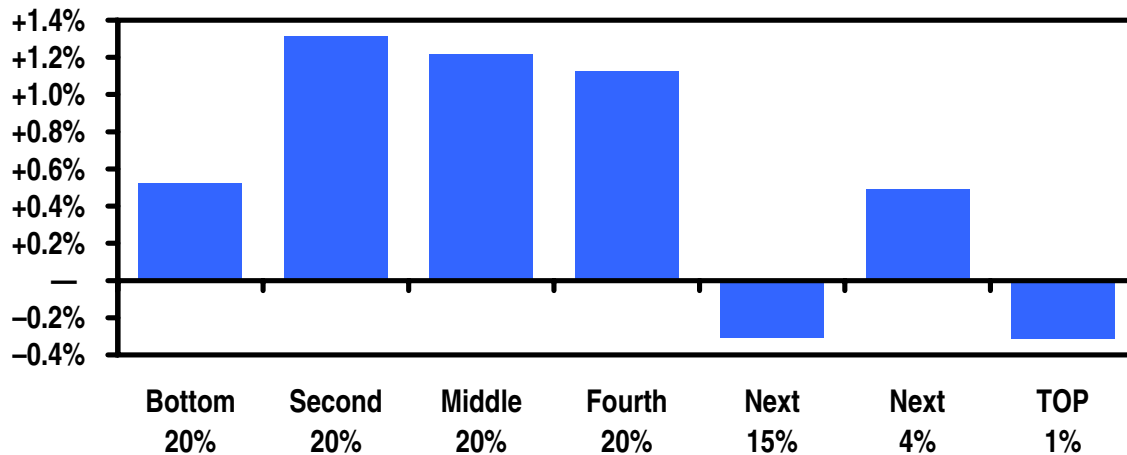
## Progressive Features

- ✓ Low income property tax circuit breaker
- ✓ Graduated income tax rates
- ✓ Low income credits including EITC
- ✓ Tax brackets, standard deduction and personal exemption indexed

## Regressive Features

- ✗ Credits not refundable

## Changes in Taxes as Shares of Income, 1989 – 2002

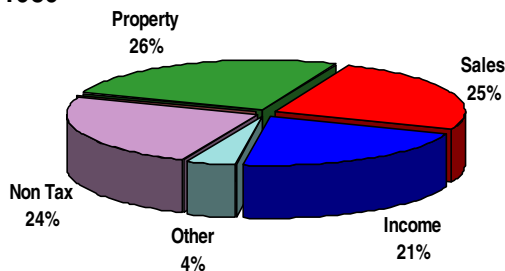


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.0%	+0.5%	+0.4%	+0.3%	+0.2%	+0.1%	+0.0%
Property	-0.4%	+0.6%	+0.5%	+0.5%	-0.7%	-0.1%	-0.1%
Income	-0.1%	+0.2%	+0.4%	+0.5%	+0.6%	+0.7%	+0.6%
Federal Offset	+0.0%	-0.1%	-0.1%	-0.2%	-0.4%	-0.2%	-0.9%
Overall Change	+0.5%	+1.3%	+1.2%	+1.1%	-0.3%	+0.5%	-0.3%

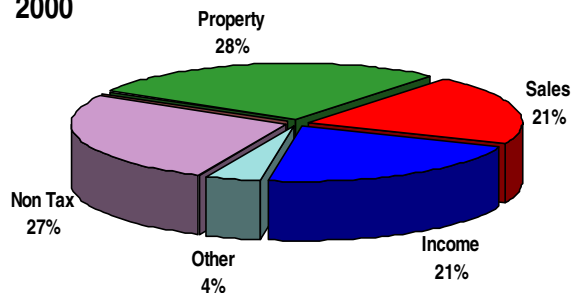
The introduction of indexing late in the decade couldn't undo the implicit tax hike inflation had already caused. The introduction of a small, non-refundable EITC offset these changes for the bottom 20%. Big hikes in cigarette taxes caused tax changes to be regressive overall.

## Composition of Revenues

1989



2000

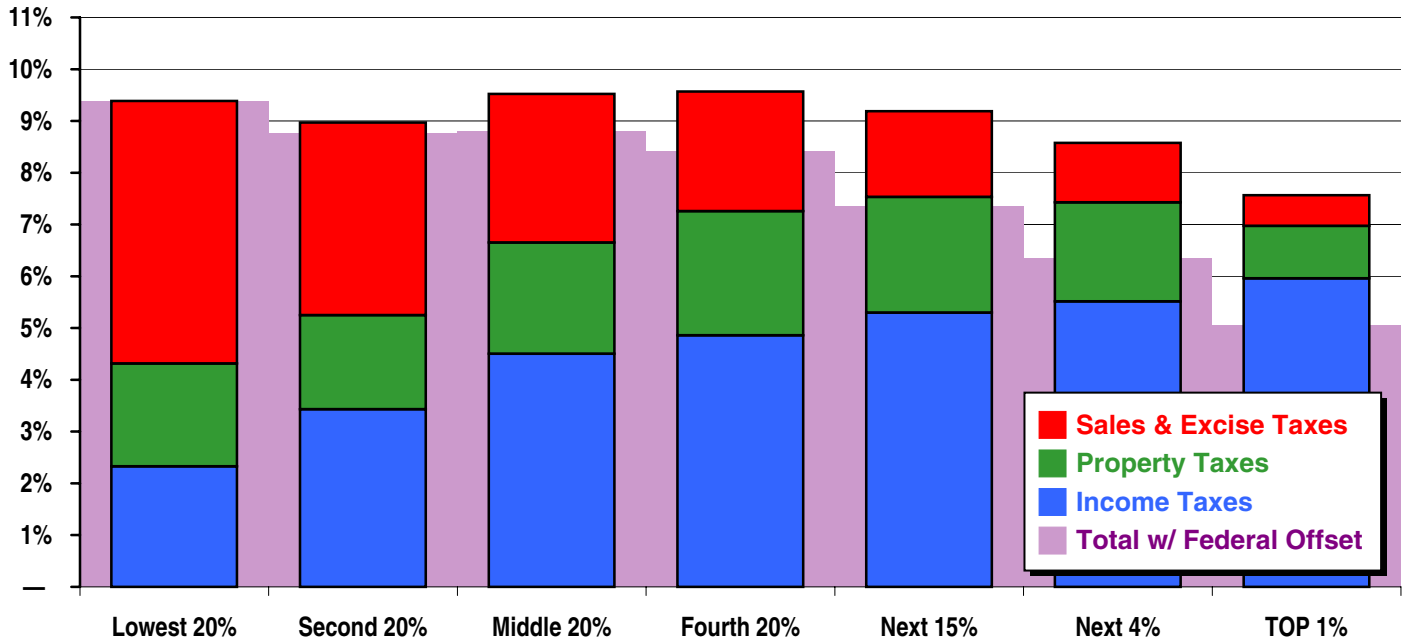


Source: Government Finances, US Department of Census

# Maryland

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$19,000	\$19,000 – \$33,000	\$33,000 – \$51,000	\$51,000 – \$84,000	\$84,000 – \$160,000	\$160,000 – \$301,000	\$301,000 or more
Average Income in Group	\$10,900	\$25,400	\$41,400	\$66,400	\$111,300	\$211,000	\$1,106,000
<b>Sales &amp; Excise Taxes</b>	<b>5.1%</b>	<b>3.7%</b>	<b>2.9%</b>	<b>2.3%</b>	<b>1.7%</b>	<b>1.2%</b>	<b>0.6%</b>
General Sales—Individuals	2.0%	1.6%	1.3%	1.1%	0.9%	0.6%	0.3%
Other Sales & Excise—Ind.	1.6%	1.0%	0.7%	0.5%	0.3%	0.2%	0.1%
Sales & Excise on Business	1.5%	1.1%	0.8%	0.6%	0.5%	0.3%	0.2%
<b>Property Taxes</b>	<b>2.0%</b>	<b>1.8%</b>	<b>2.1%</b>	<b>2.4%</b>	<b>2.2%</b>	<b>1.9%</b>	<b>1.0%</b>
Property Taxes on Families	2.0%	1.8%	2.1%	2.3%	2.1%	1.8%	0.7%
Other Property Taxes	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.3%
<b>Income Taxes</b>	<b>2.3%</b>	<b>3.4%</b>	<b>4.5%</b>	<b>4.9%</b>	<b>5.3%</b>	<b>5.5%</b>	<b>6.0%</b>
Personal Income Tax	2.3%	3.4%	4.5%	4.8%	5.3%	5.5%	5.8%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
<b>TOTAL TAXES</b>	<b>9.4%</b>	<b>9.0%</b>	<b>9.5%</b>	<b>9.6%</b>	<b>9.2%</b>	<b>8.6%</b>	<b>7.6%</b>
Federal Deduction Offset	–0.0%	–0.2%	–0.7%	–1.2%	–1.8%	–2.2%	–2.5%
<b>TOTAL AFTER OFFSET</b>	<b>9.4%</b>	<b>8.8%</b>	<b>8.8%</b>	<b>8.4%</b>	<b>7.3%</b>	<b>6.3%</b>	<b>5.1%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Maryland Tax Trends

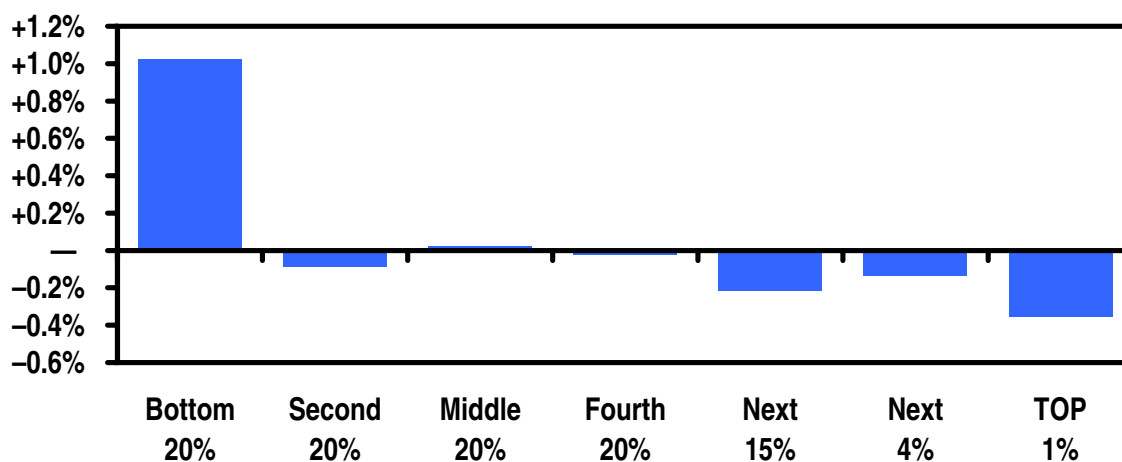
## Progressive Features

- ✓ Partially refundable EITC
- ✓ Low income credits
- ✓ Groceries exempt from sales tax
- ✓ Low reliance on sales tax

## Regressive Features

- ✗ Virtually flat rate income tax
- ✗ Exemptions and deductions not indexed

## Changes in Taxes as Shares of Income, 1989 – 2002

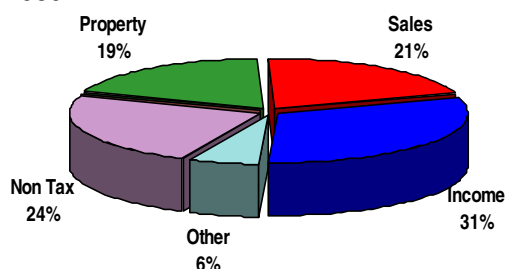


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.0%	+0.5%	+0.3%	+0.2%	+0.1%	+0.1%	+0.0%
Property	+0.4%	+0.2%	+0.3%	+0.2%	-0.3%	-0.4%	-0.2%
Income	-0.4%	-0.7%	-0.2%	-0.2%	-0.0%	+0.2%	+0.6%
Federal Offset	-0.0%	-0.1%	-0.3%	-0.2%	-0.0%	-0.0%	-0.8%
Overall Change	+1.0%	-0.1%	+0.0%	-0.0%	-0.2%	-0.1%	-0.4%

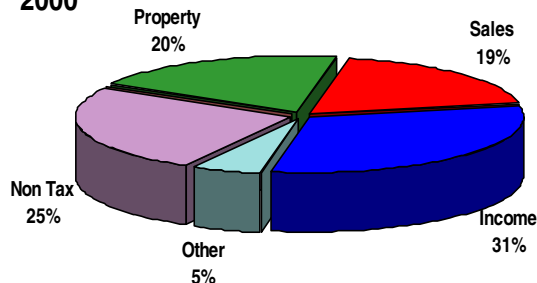
Progressive income tax changes were countered by regressive hikes in excise taxes. New credits, including a refundable EITC, a poverty credit and a child care credit, an increase in the personal exemption, the elimination of the 40% exclusion of capital gains, and a lowering of the top rate (paid by 78% of Marylanders) meant progressive income tax cuts for all but the highest earners. However, hikes in excise taxes completely offset these positive income tax changes for most.

## Composition of Revenues

1989



2000

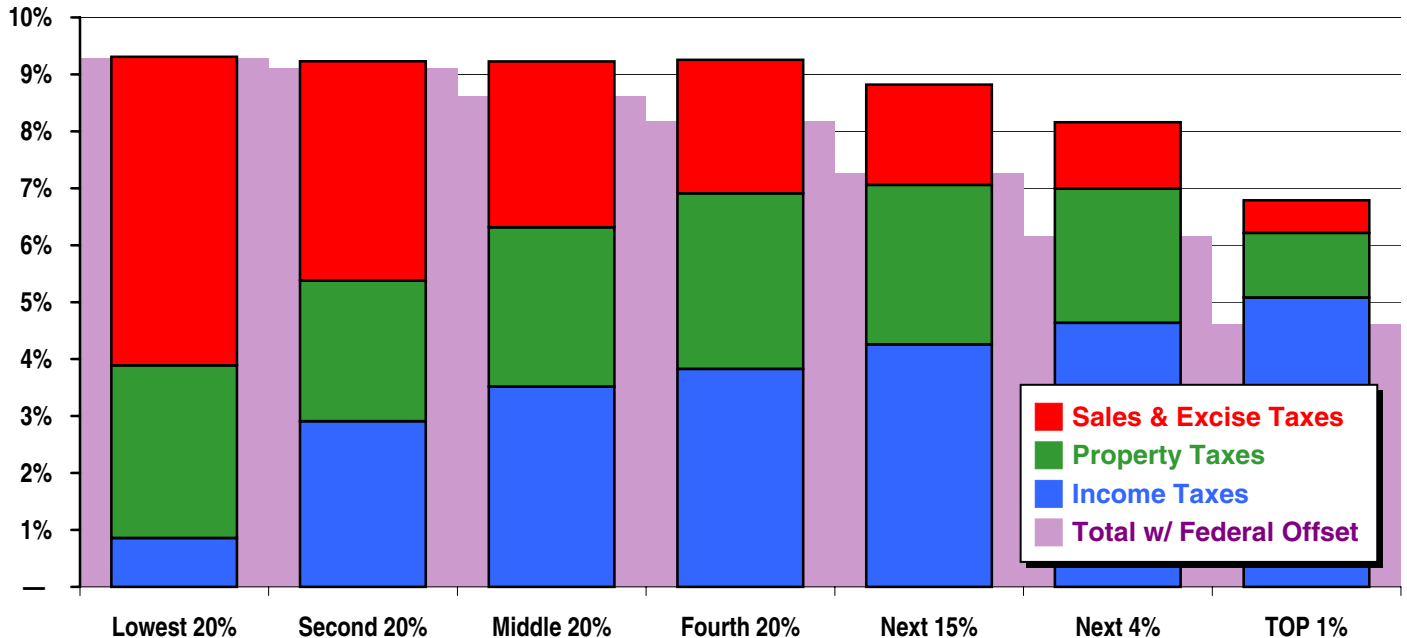


Source: Government Finances, US Department of Census

# Massachusetts

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$19,000	\$19,000 – \$34,000	\$34,000 – \$56,000	\$56,000 – \$90,000	\$90,000 – \$182,000	\$182,000 – \$413,000	\$413,000 or more
Average Income in Group	\$10,500	\$26,800	\$44,400	\$71,600	\$121,100	\$263,400	\$1,382,600
<b>Sales &amp; Excise Taxes</b>	<b>5.4%</b>	<b>3.9%</b>	<b>2.9%</b>	<b>2.3%</b>	<b>1.8%</b>	<b>1.2%</b>	<b>0.6%</b>
General Sales—Individuals	2.0%	1.6%	1.4%	1.2%	0.9%	0.6%	0.3%
Other Sales & Excise—Ind.	1.9%	1.0%	0.7%	0.5%	0.3%	0.2%	0.1%
Sales & Excise on Business	1.6%	1.2%	0.9%	0.7%	0.5%	0.3%	0.2%
<b>Property Taxes</b>	<b>3.0%</b>	<b>2.5%</b>	<b>2.8%</b>	<b>3.1%</b>	<b>2.8%</b>	<b>2.4%</b>	<b>1.1%</b>
Property Taxes on Families	3.0%	2.4%	2.8%	3.0%	2.7%	2.2%	0.8%
Other Property Taxes	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.3%
<b>Income Taxes</b>	<b>0.9%</b>	<b>2.9%</b>	<b>3.5%</b>	<b>3.8%</b>	<b>4.3%</b>	<b>4.6%</b>	<b>5.1%</b>
Personal Income Tax	0.8%	2.9%	3.5%	3.8%	4.2%	4.6%	4.8%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>9.3%</b>	<b>9.2%</b>	<b>9.2%</b>	<b>9.3%</b>	<b>8.8%</b>	<b>8.2%</b>	<b>6.8%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.6%	–1.1%	–1.6%	–2.0%	–2.2%
<b>TOTAL AFTER OFFSET</b>	<b>9.3%</b>	<b>9.1%</b>	<b>8.6%</b>	<b>8.2%</b>	<b>7.3%</b>	<b>6.2%</b>	<b>4.6%</b>

Note: Table shows 2002 tax law at 2000 income levels.



# Massachusetts Tax Trends

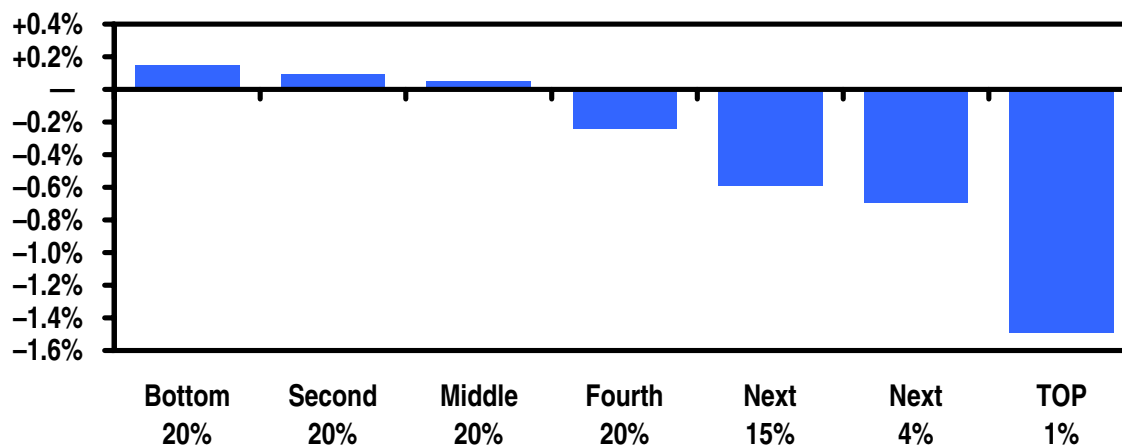
## Progressive Features

- ✓ Earned Income Tax Credit

## Regressive Features

- ✗ Flat tax on most income
- ✗ Highest cigarette tax in the nation

## Changes in Taxes as Shares of Income, 1989 – 2002

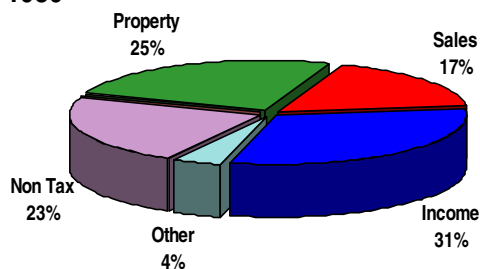


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.3%	+0.6%	+0.4%	+0.2%	+0.2%	+0.1%	+0.0%
Property	+0.4%	+0.3%	+0.6%	+0.3%	-0.4%	-0.4%	-0.3%
Income	-1.6%	-0.8%	-0.6%	-0.5%	-0.4%	-0.6%	-0.8%
Federal Offset	+0.0%	-0.0%	-0.3%	-0.4%	-0.0%	+0.2%	-0.4%
Overall Change	+0.2%	+0.1%	+0.1%	-0.2%	-0.6%	-0.7%	-1.5%

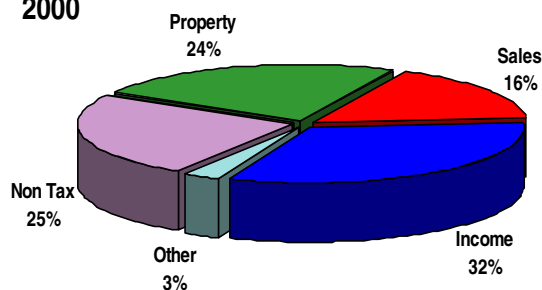
The expansion of the standard deduction and the EITC were progressive tax changes for the low- and middle-income tax payers and a cut in the long term capital gains tax rate helped out those at the top. Increases in the excise taxes, including the largest cigarette tax hike in the nation, nearly offset the change in the income burden for the lowest income quintiles.

## Composition of Revenues

1989



2000

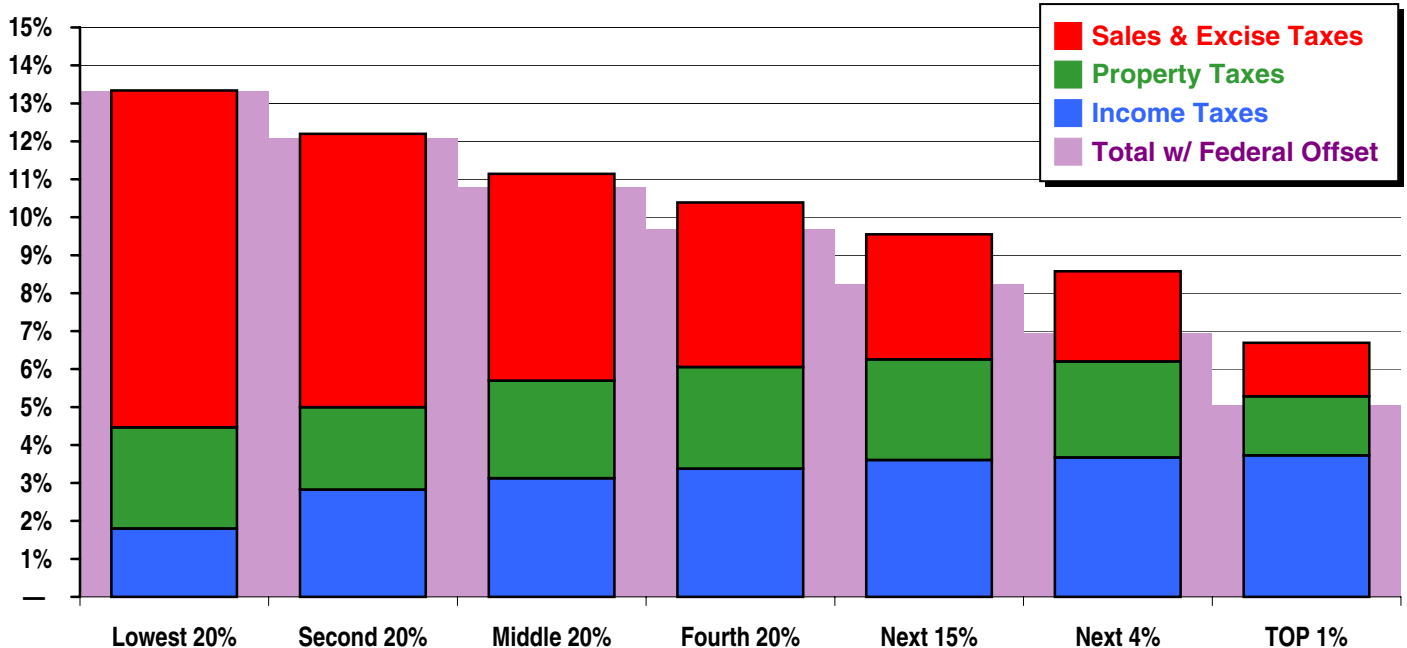


Source: Government Finances, US Department of Census

# Michigan

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$29,000	\$29,000 – \$48,000	\$48,000 – \$76,000	\$76,000 – \$139,000	\$139,000 – \$278,000	\$278,000 or more
Average Income in Group	\$8,900	\$22,000	\$37,600	\$60,700	\$98,100	\$178,400	\$828,000
<b>Sales &amp; Excise Taxes</b>	<b>8.9%</b>	<b>7.2%</b>	<b>5.5%</b>	<b>4.3%</b>	<b>3.3%</b>	<b>2.4%</b>	<b>1.4%</b>
General Sales—Individuals	3.0%	2.7%	2.1%	1.7%	1.3%	0.9%	0.6%
Other Sales & Excise—Ind.	3.8%	2.7%	2.0%	1.5%	1.1%	0.7%	0.3%
Sales & Excise on Business	2.0%	1.8%	1.4%	1.1%	0.9%	0.7%	0.5%
<b>Property Taxes</b>	<b>2.7%</b>	<b>2.2%</b>	<b>2.6%</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.5%</b>	<b>1.6%</b>
Property Taxes on Families	2.6%	2.1%	2.5%	2.6%	2.5%	2.2%	0.9%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%	0.7%
<b>Income Taxes</b>	<b>1.8%</b>	<b>2.8%</b>	<b>3.1%</b>	<b>3.4%</b>	<b>3.6%</b>	<b>3.7%</b>	<b>3.7%</b>
Personal Income Tax	1.8%	2.8%	3.1%	3.4%	3.6%	3.7%	3.7%
Corporate Income Tax	—	—	—	—	—	—	—
<b>TOTAL TAXES</b>	<b>13.3%</b>	<b>12.2%</b>	<b>11.1%</b>	<b>10.4%</b>	<b>9.6%</b>	<b>8.6%</b>	<b>6.7%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.4%	–0.7%	–1.3%	–1.6%	–1.7%
<b>TOTAL AFTER OFFSET</b>	<b>13.3%</b>	<b>12.1%</b>	<b>10.8%</b>	<b>9.7%</b>	<b>8.2%</b>	<b>6.9%</b>	<b>5.0%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Michigan Tax Trends

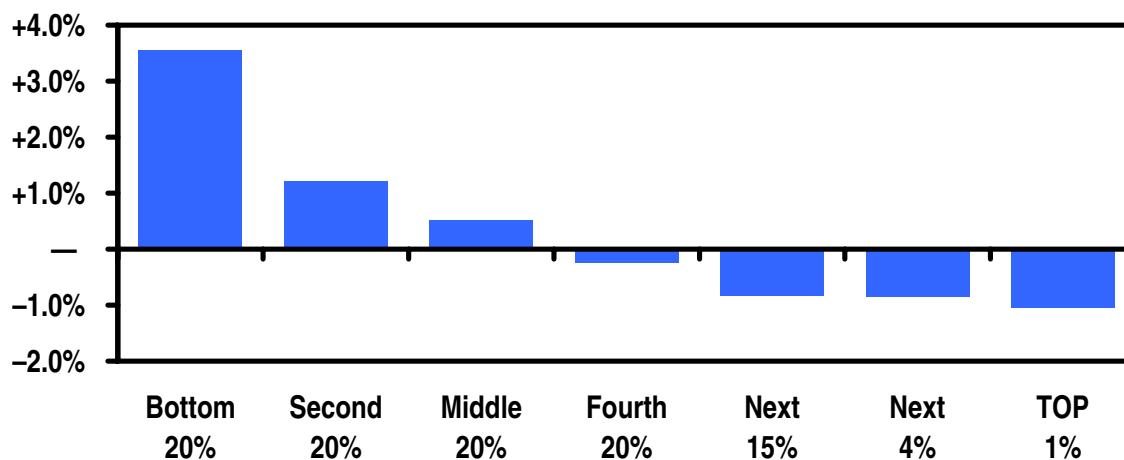
## Progressive Features

- ✓ Personal exemptions indexed
- ✓ Property tax circuit breakers

## Regressive Features

- ✗ Flat-rate income tax
- ✗ High cigarette tax

## Changes in Taxes as Shares of Income, 1989 – 2002

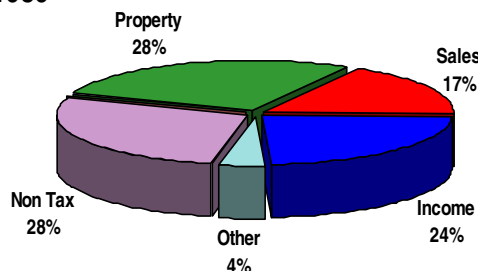


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
<b>Sales &amp; Excise</b>	+2.2%	+1.3%	+0.9%	+0.7%	+0.5%	+0.3%	+0.2%
<b>Property</b>	+1.4%	+0.2%	+0.1%	-0.4%	-0.9%	-0.9%	-0.8%
<b>Income</b>	+0.0%	-0.3%	-0.4%	-0.5%	-0.5%	-0.5%	-0.4%
<b>Federal Offset</b>	-0.0%	-0.0%	-0.0%	-0.0%	+0.1%	+0.3%	-0.1%
<b>Overall Change</b>	+3.6%	+1.2%	+0.5%	-0.2%	-0.8%	-0.8%	-1.0%

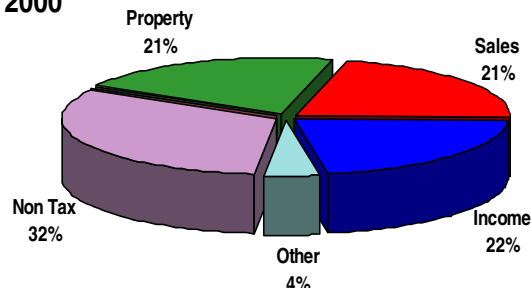
In 1994 Michigan voters approved a 2 percent sales tax hike to replace local property tax revenues. The impact of this regressive tax hike was compounded by a series of income tax rate cuts which will eventually drop the flat tax rate from 4.6 percent to 3.9 percent, and the repeal of Michigan's intangible property tax. The state cigarette tax was increased by \$1 a pack during the decade. While personal exemption increases provided some low-income tax relief, the net impact of these changes was a regressive "tax swap". The scheduled 2009 repeal of the state's "Single Business Tax" will leave Michigan without a major corporate tax.

## Composition of Revenues

1989



2000

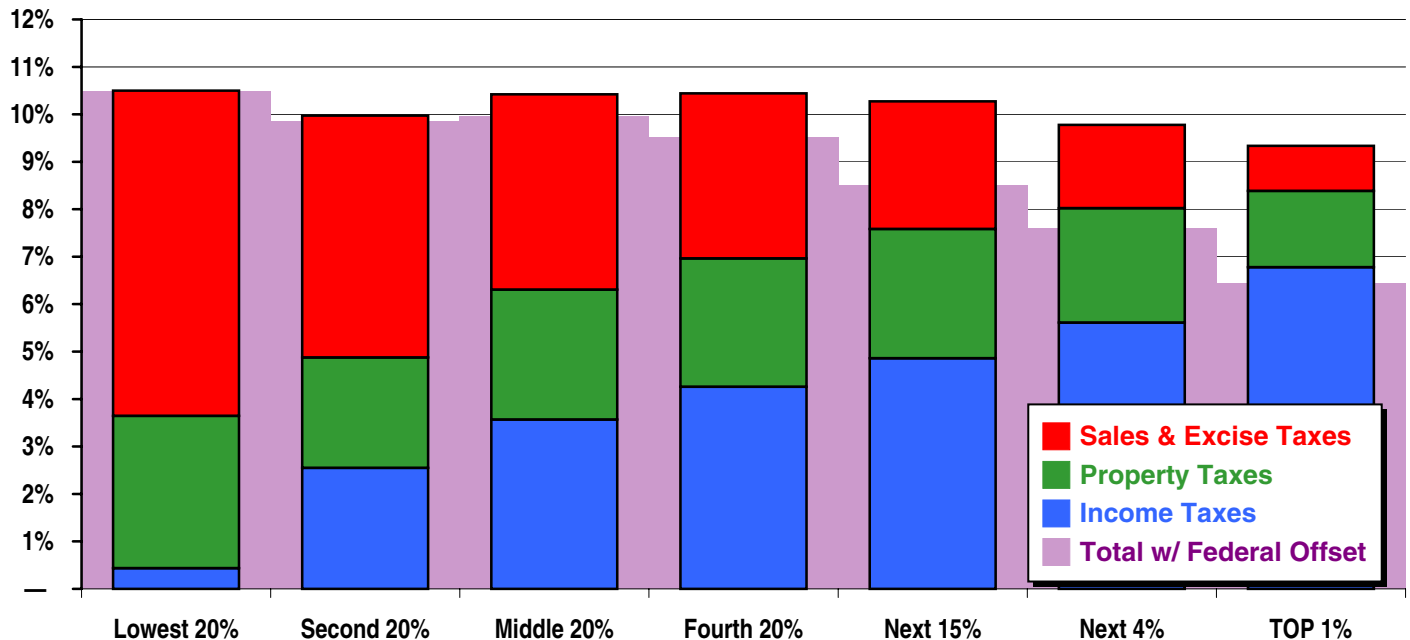


Source: Government Finances, US Department of Census

# Minnesota

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$19,000	\$19,000 – \$32,000	\$32,000 – \$50,000	\$50,000 – \$76,000	\$76,000 – \$147,000	\$147,000 – \$556,000	\$556,000 or more
Average Income in Group	\$11,000	\$25,200	\$40,700	\$62,800	\$99,900	\$204,900	\$1,002,000
<b>Sales &amp; Excise Taxes</b>	<b>6.9%</b>	<b>5.1%</b>	<b>4.1%</b>	<b>3.5%</b>	<b>2.7%</b>	<b>1.8%</b>	<b>1.0%</b>
General Sales—Individuals	3.3%	2.6%	2.2%	2.0%	1.5%	1.0%	0.6%
Other Sales & Excise—Ind.	1.4%	0.9%	0.6%	0.5%	0.4%	0.2%	0.1%
Sales & Excise on Business	2.2%	1.6%	1.2%	1.0%	0.8%	0.5%	0.3%
<b>Property Taxes</b>	<b>3.2%</b>	<b>2.3%</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.4%</b>	<b>1.6%</b>
Property Taxes on Families	2.9%	2.1%	2.5%	2.5%	2.4%	2.0%	0.9%
Other Property Taxes	0.3%	0.2%	0.2%	0.2%	0.3%	0.4%	0.7%
<b>Income Taxes</b>	<b>0.4%</b>	<b>2.5%</b>	<b>3.6%</b>	<b>4.3%</b>	<b>4.9%</b>	<b>5.6%</b>	<b>6.8%</b>
Personal Income Tax	0.4%	2.5%	3.5%	4.2%	4.8%	5.5%	6.5%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
<b>TOTAL TAXES</b>	<b>10.5%</b>	<b>10.0%</b>	<b>10.4%</b>	<b>10.4%</b>	<b>10.3%</b>	<b>9.8%</b>	<b>9.3%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.5%	–0.9%	–1.8%	–2.2%	–2.9%
<b>TOTAL AFTER OFFSET</b>	<b>10.5%</b>	<b>9.8%</b>	<b>9.9%</b>	<b>9.5%</b>	<b>8.5%</b>	<b>7.6%</b>	<b>6.4%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Minnesota Tax Trends

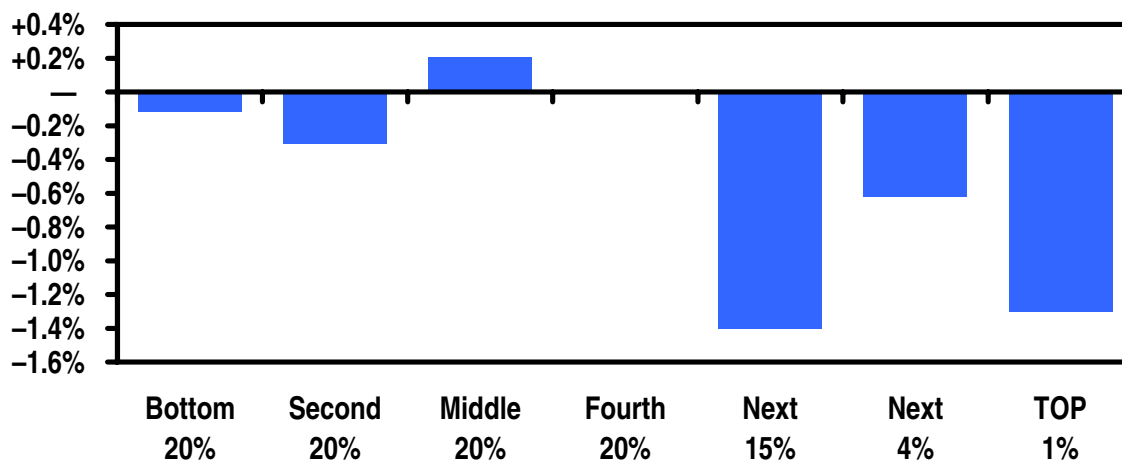
## Progressive Features

- ✓ Refundable EITC and dependent care credit
- ✓ Low income property tax circuit breaker
- ✓ Tax brackets, exemptions and standard deduction indexed

## Regressive Features

- ✗ Relatively high sales tax rate

## Changes in Taxes as Shares of Income, 1989 – 2002

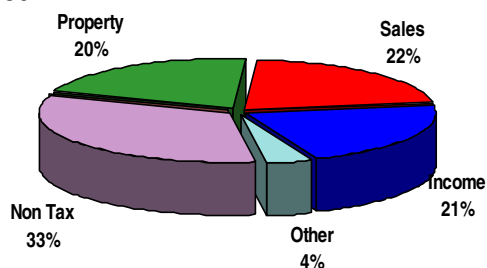


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.2%	+0.1%	+0.1%	+0.1%	+0.1%	+0.1%	+0.0%
Property	+0.5%	-0.1%	+0.3%	+0.1%	-1.0%	-0.5%	-0.7%
Income	-0.8%	-0.2%	-0.1%	+0.1%	-0.1%	+0.1%	+0.2%
Federal Offset	-0.0%	-0.1%	-0.1%	-0.3%	-0.4%	-0.3%	-0.8%
Overall Change	-0.1%	-0.3%	+0.2%	-0.0%	-1.4%	-0.6%	-1.3%

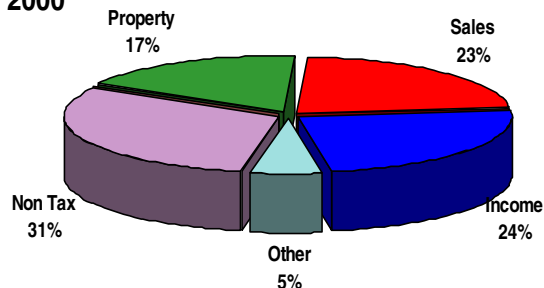
The adoption and expansion of a refundable EITC greatly assisted the poorest Minnesotans while high-income taxpayers saw the benefit from income tax rate reductions offset by the phase-out of the exemptions and itemized deductions. Sales taxes were hiked one half percent.

## Composition of Revenues

1989



2000

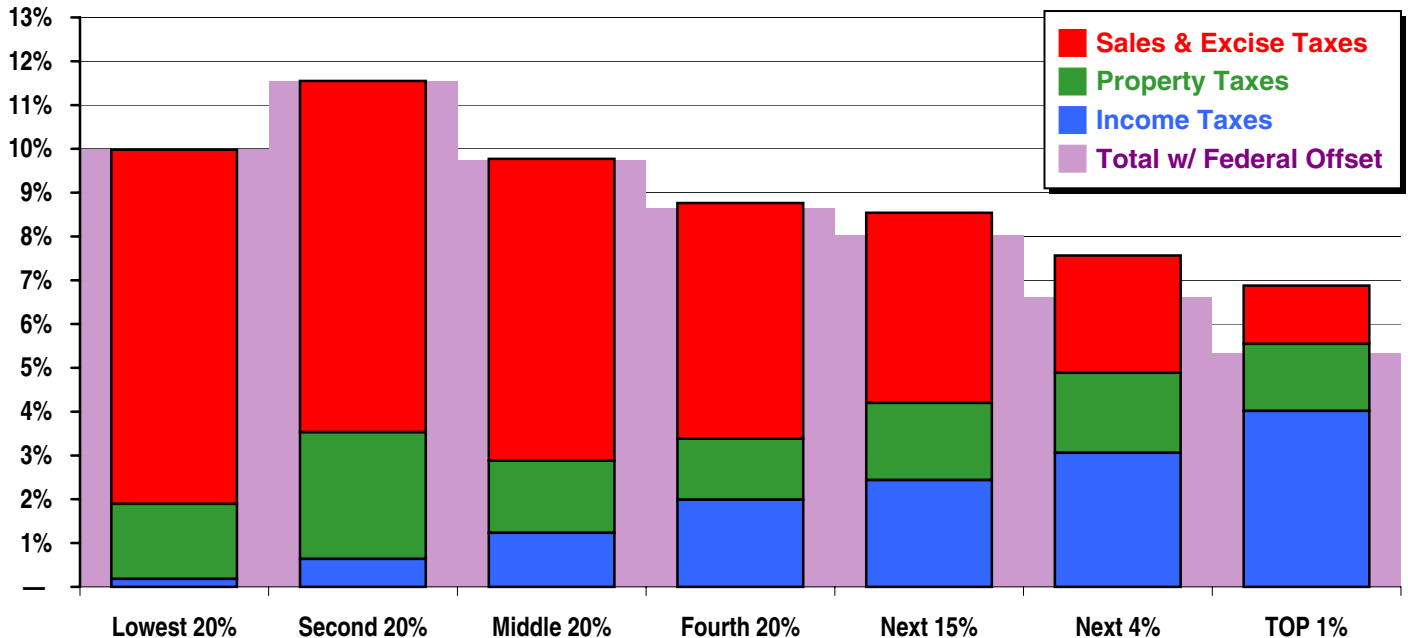


Source: Government Finances, US Department of Census

# Mississippi

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$11,000	\$11,000 – \$19,000	\$19,000 – \$29,000	\$29,000 – \$53,000	\$53,000 – \$96,000	\$96,000 – \$228,000	\$228,000 or more
Average Income in Group	\$7,000	\$15,100	\$24,100	\$40,400	\$69,000	\$130,500	\$509,200
<b>Sales &amp; Excise Taxes</b>	<b>8.1%</b>	<b>8.0%</b>	<b>6.9%</b>	<b>5.4%</b>	<b>4.3%</b>	<b>2.7%</b>	<b>1.3%</b>
General Sales—Individuals	4.8%	5.0%	4.2%	3.5%	2.9%	1.8%	0.9%
Other Sales & Excise—Ind.	1.2%	1.0%	0.9%	0.6%	0.4%	0.3%	0.1%
Sales & Excise on Business	2.1%	2.1%	1.8%	1.3%	1.0%	0.6%	0.4%
<b>Property Taxes</b>	<b>1.7%</b>	<b>2.9%</b>	<b>1.6%</b>	<b>1.4%</b>	<b>1.8%</b>	<b>1.8%</b>	<b>1.5%</b>
Property Taxes on Families	1.6%	2.7%	1.6%	1.2%	1.4%	1.2%	0.6%
Other Property Taxes	0.1%	0.1%	0.1%	0.2%	0.3%	0.6%	0.9%
<b>Income Taxes</b>	<b>0.2%</b>	<b>0.6%</b>	<b>1.2%</b>	<b>2.0%</b>	<b>2.4%</b>	<b>3.1%</b>	<b>4.0%</b>
Personal Income Tax	0.1%	0.5%	1.2%	1.9%	2.4%	3.0%	3.8%
Corporate Income Tax	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>10.0%</b>	<b>11.6%</b>	<b>9.8%</b>	<b>8.8%</b>	<b>8.5%</b>	<b>7.6%</b>	<b>6.9%</b>
Federal Deduction Offset	—	–0.0%	–0.0%	–0.1%	–0.5%	–1.0%	–1.5%
<b>TOTAL AFTER OFFSET</b>	<b>10.0%</b>	<b>11.5%</b>	<b>9.7%</b>	<b>8.6%</b>	<b>8.0%</b>	<b>6.6%</b>	<b>5.3%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Mississippi Tax Trends

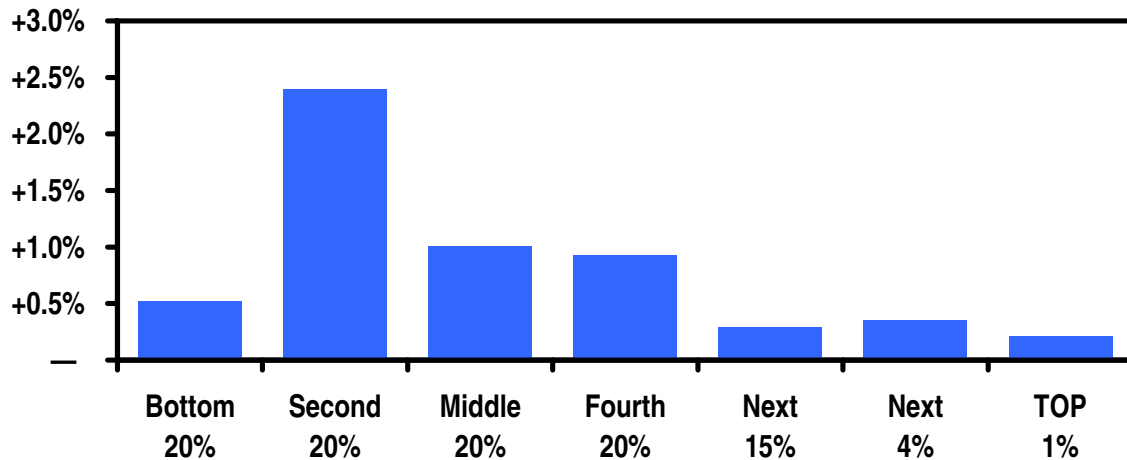
## Progressive Features

- ✓ Homestead credit

## Regressive Features

- ✗ Virtually flat tax
- ✗ Sales tax one of the highest in the nation
- ✗ Sales tax applies to groceries

## Changes in Taxes as Shares of Income, 1989 – 2002

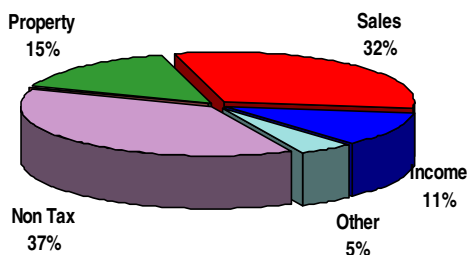


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.4%	+0.7%	+0.6%	+0.6%	+0.5%	+0.3%	+0.1%
Property	-0.1%	+1.3%	-0.0%	-0.1%	-0.4%	-0.0%	-0.0%
Income	+0.1%	+0.4%	+0.4%	+0.5%	+0.3%	+0.3%	+0.5%
Federal Offset	—	-0.0%	+0.0%	-0.0%	-0.1%	-0.1%	-0.4%
Overall Change	+0.5%	+2.4%	+1.0%	+0.9%	+0.3%	+0.4%	+0.2%

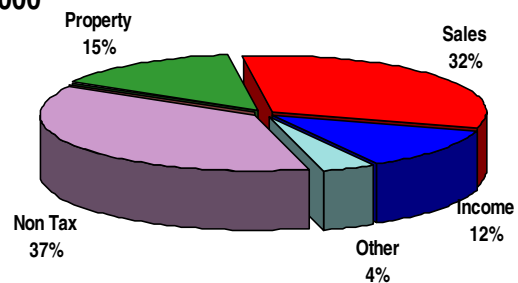
Inflation eroded the value of the personal exemption and standard deduction and caused "bracket creep" for those in middle incomes. The elimination of the state income tax deduction and the adoption of the itemized deduction phase-out raised the rates on all itemizers. The state also hiked the regressive sales tax 1%.

## Composition of Revenues

1989



2000

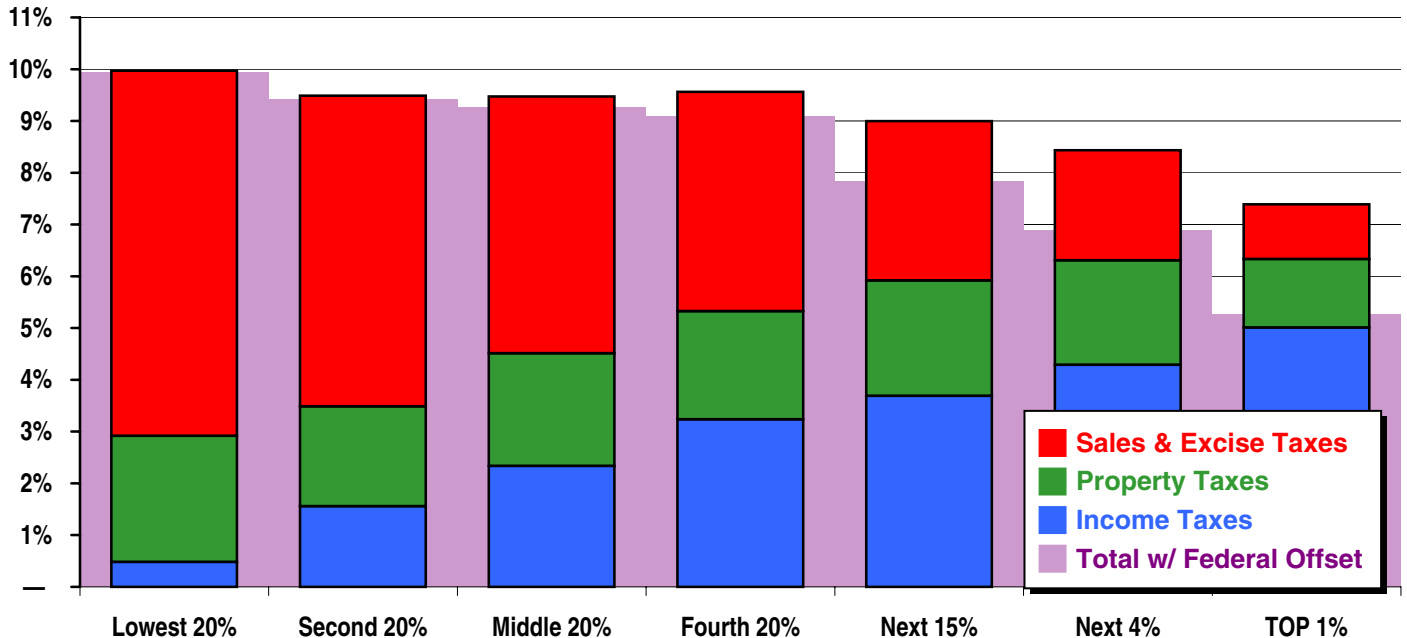


Source: Government Finances, US Department of Census

# Missouri

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$25,000	\$25,000 – \$41,000	\$41,000 – \$67,000	\$67,000 – \$123,000	\$123,000 – \$271,000	\$271,000 or more
Average Income in Group	\$8,900	\$19,900	\$32,900	\$52,800	\$86,500	\$167,100	\$689,200
<b>Sales &amp; Excise Taxes</b>	<b>7.1%</b>	<b>6.0%</b>	<b>5.0%</b>	<b>4.2%</b>	<b>3.1%</b>	<b>2.1%</b>	<b>1.1%</b>
General Sales—Individuals	4.1%	3.7%	3.2%	2.8%	2.0%	1.4%	0.7%
Other Sales & Excise—Ind.	1.0%	0.7%	0.5%	0.4%	0.3%	0.2%	0.0%
Sales & Excise on Business	2.0%	1.6%	1.3%	1.1%	0.8%	0.5%	0.3%
<b>Property Taxes</b>	<b>2.4%</b>	<b>1.9%</b>	<b>2.2%</b>	<b>2.1%</b>	<b>2.2%</b>	<b>2.0%</b>	<b>1.3%</b>
Property Taxes on Families	2.4%	1.8%	2.1%	2.0%	2.1%	1.7%	0.8%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.5%
<b>Income Taxes</b>	<b>0.5%</b>	<b>1.6%</b>	<b>2.3%</b>	<b>3.2%</b>	<b>3.7%</b>	<b>4.3%</b>	<b>5.0%</b>
Personal Income Tax	0.5%	1.5%	2.3%	3.2%	3.7%	4.2%	4.9%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
<b>TOTAL TAXES</b>	<b>10.0%</b>	<b>9.5%</b>	<b>9.5%</b>	<b>9.6%</b>	<b>9.0%</b>	<b>8.4%</b>	<b>7.4%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.2%	–0.5%	–1.2%	–1.6%	–2.1%
<b>TOTAL AFTER OFFSET</b>	<b>9.9%</b>	<b>9.4%</b>	<b>9.3%</b>	<b>9.1%</b>	<b>7.8%</b>	<b>6.9%</b>	<b>5.3%</b>

Note: Table shows 2002 tax law at 2000 income levels.



# Missouri Tax Trends

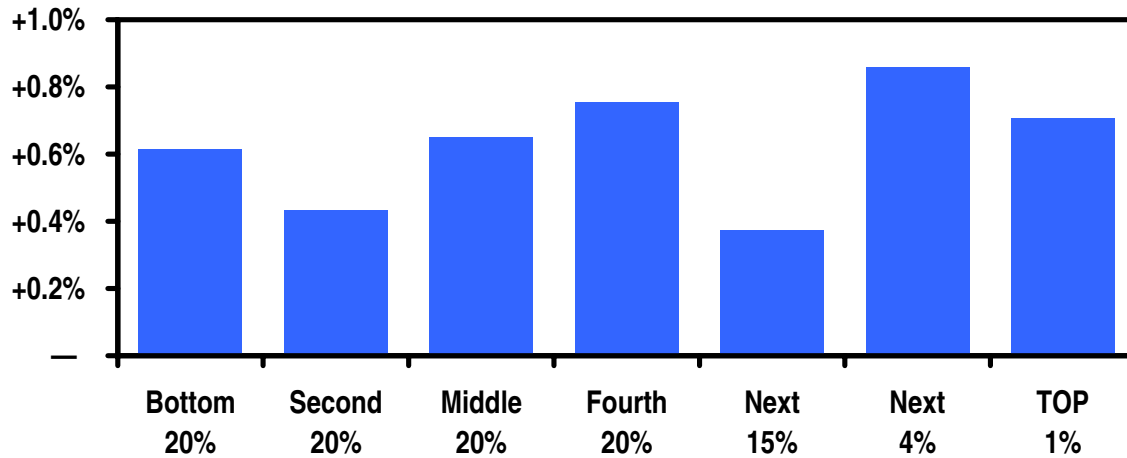
## Progressive Features

- ✓ Graduated income tax brackets

## Regressive Features

- ✗ Deduction for federal income taxes paid
- ✗ Virtually flat income tax rate
- ✗ Sales tax applies to groceries

## Changes in Taxes as Shares of Income, 1989 – 2002

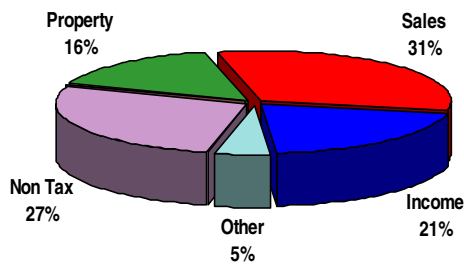


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	-0.2%	-0.1%	-0.1%	-0.1%	-0.1%	-0.0%	-0.0%
Property	+0.8%	+0.4%	+0.6%	+0.5%	+0.2%	+0.2%	+0.2%
Income	+0.1%	+0.1%	+0.3%	+0.5%	+0.6%	+1.1%	+1.6%
Federal Offset	-0.0%	-0.0%	-0.1%	-0.2%	-0.4%	-0.4%	-1.0%
Overall Change	+0.6%	+0.4%	+0.7%	+0.8%	+0.4%	+0.9%	+0.7%

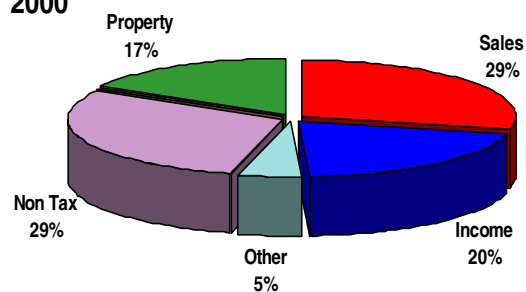
Missouri was one of several states that scaled back a regressive deduction for federal income taxes paid which had the effect of hiking the income tax of the highest income taxpayers. Lack of indexing caused an implicit tax hike for low- and middle-income taxpayers. The state also introduced a preferential lower sales tax rate for groceries. A small gasoline tax hike was enacted, but Missouri excise taxes remain relatively low.

## Composition of Revenues

1989



2000

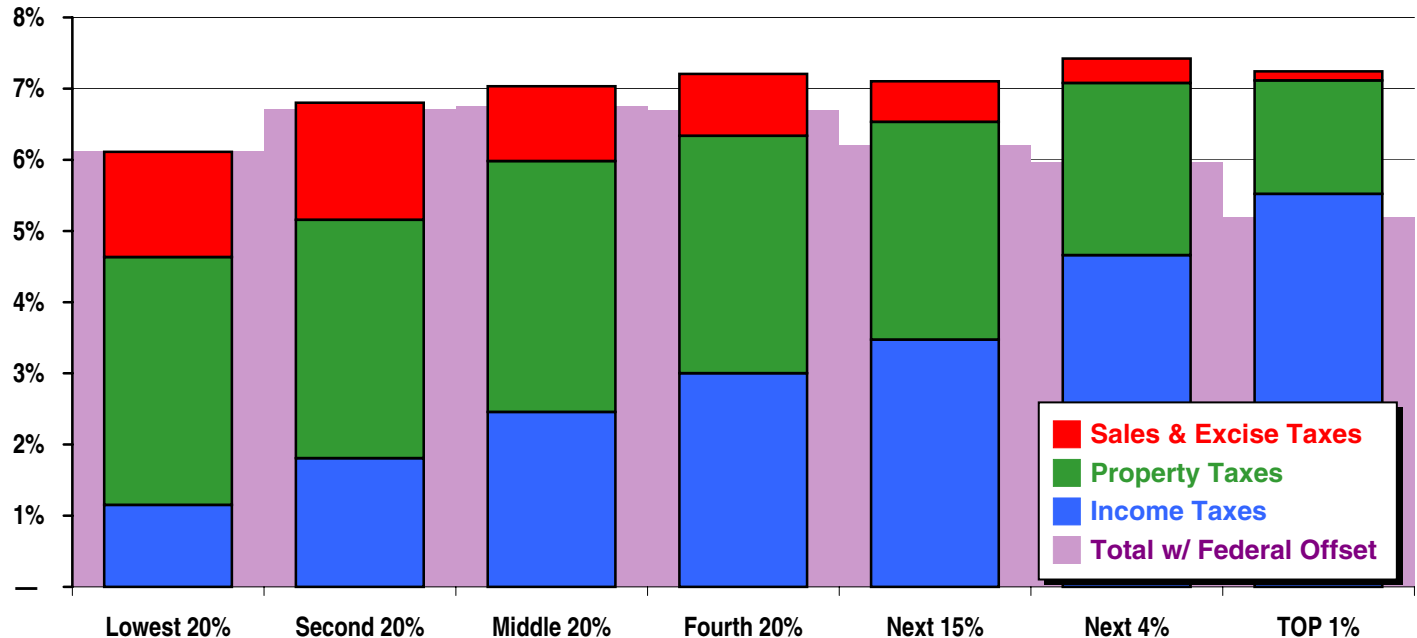


Source: Government Finances, US Department of Census

# Montana

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$12,000	\$12,000 – \$22,000	\$22,000 – \$35,000	\$35,000 – \$59,000	\$59,000 – \$102,000	\$102,000 – \$264,000	\$264,000 or more
Average Income in Group	\$7,400	\$16,400	\$28,600	\$45,500	\$72,600	\$146,400	\$573,400
<b>Sales &amp; Excise Taxes</b>	<b>1.5%</b>	<b>1.6%</b>	<b>1.1%</b>	<b>0.9%</b>	<b>0.6%</b>	<b>0.3%</b>	<b>0.1%</b>
General Sales—Individuals	—	—	—	—	—	—	—
Other Sales & Excise—Ind.	1.2%	1.4%	0.9%	0.7%	0.5%	0.3%	0.1%
Sales & Excise on Business	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.0%
<b>Property Taxes</b>	<b>3.5%</b>	<b>3.3%</b>	<b>3.5%</b>	<b>3.3%</b>	<b>3.1%</b>	<b>2.4%</b>	<b>1.6%</b>
Property Taxes on Families	3.2%	3.0%	3.2%	2.9%	2.4%	1.6%	0.9%
Other Property Taxes	0.3%	0.3%	0.3%	0.4%	0.6%	0.8%	0.7%
<b>Income Taxes</b>	<b>1.2%</b>	<b>1.8%</b>	<b>2.5%</b>	<b>3.0%</b>	<b>3.5%</b>	<b>4.7%</b>	<b>5.5%</b>
Personal Income Tax	1.1%	1.7%	2.4%	2.9%	3.4%	4.6%	5.3%
Corporate Income Tax	0.1%	0.1%	0.0%	0.1%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>6.1%</b>	<b>6.8%</b>	<b>7.0%</b>	<b>7.2%</b>	<b>7.1%</b>	<b>7.4%</b>	<b>7.2%</b>
Federal Deduction Offset	—	–0.1%	–0.3%	–0.5%	–0.9%	–1.5%	–2.1%
<b>TOTAL AFTER OFFSET</b>	<b>6.1%</b>	<b>6.7%</b>	<b>6.8%</b>	<b>6.7%</b>	<b>6.2%</b>	<b>6.0%</b>	<b>5.2%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Montana Tax Trends

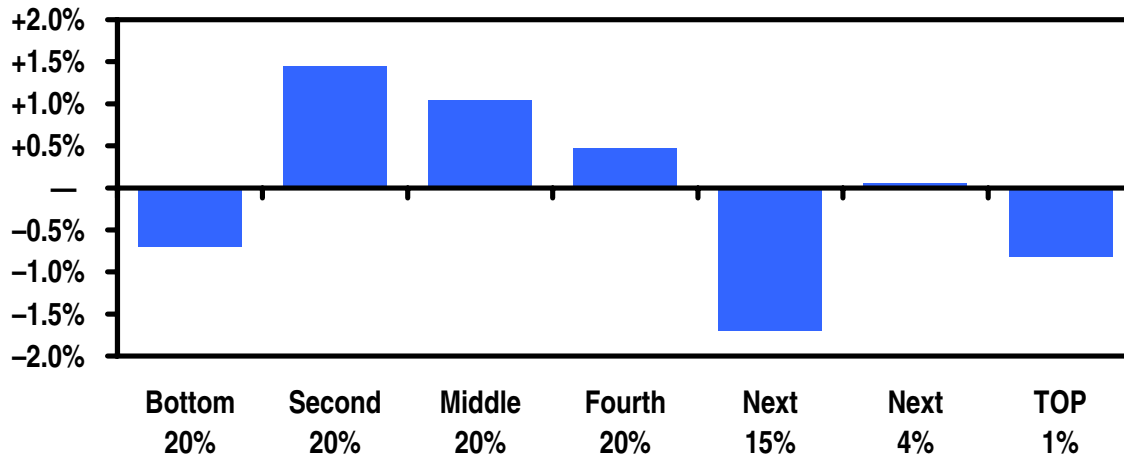
## Progressive Features

- ✓ No general sales tax
- ✓ Graduated rates
- ✓ Tax brackets, exemptions and standard deduction indexed

## Regressive Features

- ✗ Deduction for federal income taxes paid

## Changes in Taxes as Shares of Income, 1989 – 2002

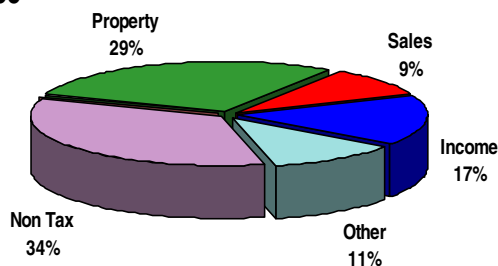


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.1%	+0.3%	+0.2%	+0.2%	+0.1%	+0.1%	+0.0%
Property	-1.2%	+0.9%	+0.9%	+0.3%	-1.7%	-0.6%	-0.7%
Income	+0.3%	+0.3%	+0.1%	+0.2%	+0.1%	+0.7%	+0.0%
Federal Offset	—	-0.1%	-0.1%	-0.2%	-0.2%	-0.1%	-0.1%
Overall Change	-0.7%	+1.4%	+1.0%	+0.5%	-1.7%	+0.1%	-0.8%

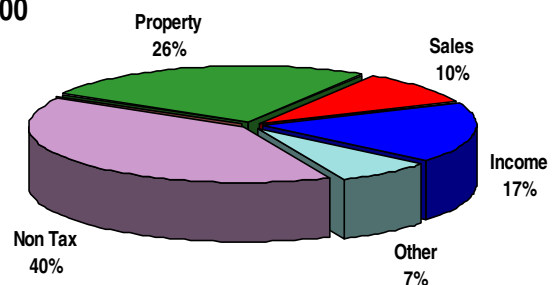
Changes in the federal tax structure have a direct effect on Montana because the state allows a deduction for itemizers for federal income taxes paid.

## Composition of Revenues

1989



2000

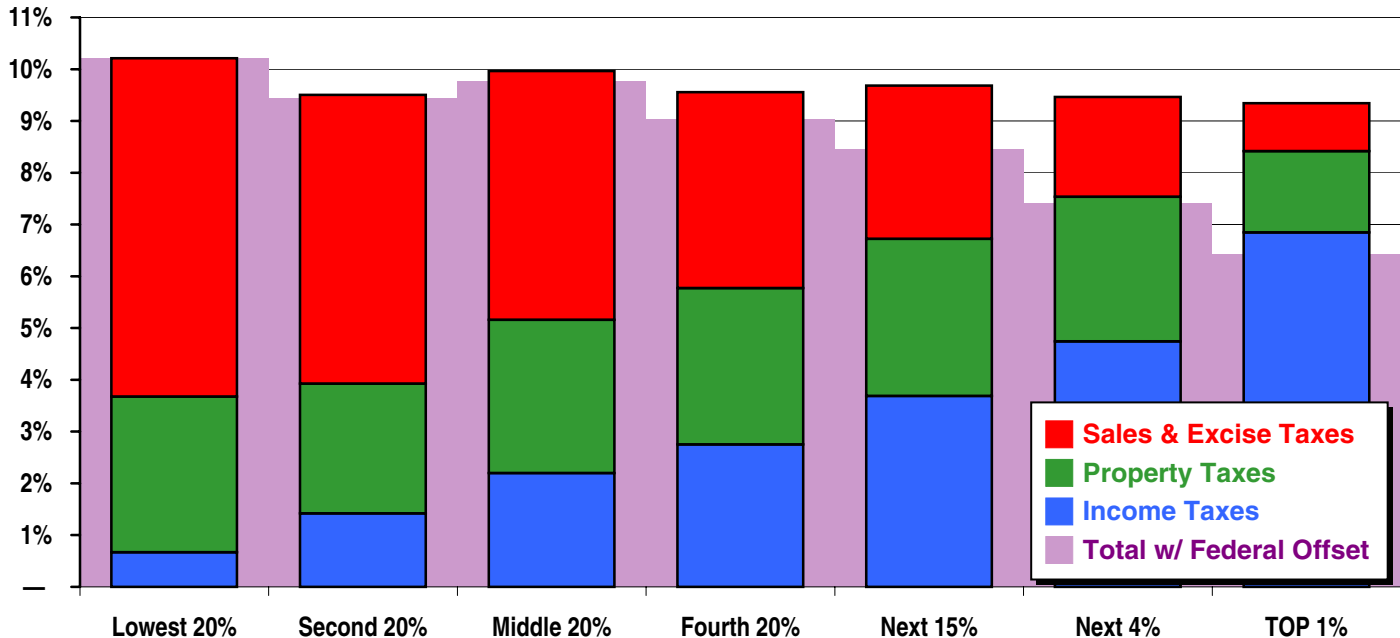


Source: Government Finances, US Department of Census

# Nebraska

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$17,000	\$17,000 – \$28,000	\$28,000 – \$42,000	\$42,000 – \$64,000	\$64,000 – \$111,000	\$111,000 – \$299,000	\$299,000 or more
Average Income in Group	\$8,800	\$21,500	\$34,300	\$52,300	\$81,500	\$165,300	\$800,100
<b>Sales &amp; Excise Taxes</b>	<b>6.5%</b>	<b>5.6%</b>	<b>4.8%</b>	<b>3.8%</b>	<b>3.0%</b>	<b>1.9%</b>	<b>0.9%</b>
General Sales—Individuals	3.7%	3.3%	2.9%	2.4%	1.9%	1.3%	0.6%
Other Sales & Excise—Ind.	1.0%	0.6%	0.6%	0.4%	0.3%	0.2%	0.0%
Sales & Excise on Business	1.9%	1.6%	1.3%	1.0%	0.8%	0.5%	0.3%
<b>Property Taxes</b>	<b>3.0%</b>	<b>2.5%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>2.8%</b>	<b>1.6%</b>
Property Taxes on Families	2.9%	2.3%	2.8%	2.9%	2.7%	2.4%	0.7%
Other Property Taxes	0.1%	0.2%	0.1%	0.1%	0.3%	0.4%	0.8%
<b>Income Taxes</b>	<b>0.7%</b>	<b>1.4%</b>	<b>2.2%</b>	<b>2.7%</b>	<b>3.7%</b>	<b>4.7%</b>	<b>6.8%</b>
Personal Income Tax	0.7%	1.4%	2.2%	2.7%	3.6%	4.7%	6.7%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
<b>TOTAL TAXES</b>	<b>10.2%</b>	<b>9.5%</b>	<b>10.0%</b>	<b>9.6%</b>	<b>9.7%</b>	<b>9.5%</b>	<b>9.3%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.2%	–0.5%	–1.2%	–2.0%	–2.9%
<b>TOTAL AFTER OFFSET</b>	<b>10.2%</b>	<b>9.4%</b>	<b>9.8%</b>	<b>9.0%</b>	<b>8.5%</b>	<b>7.4%</b>	<b>6.4%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Nebraska Tax Trends

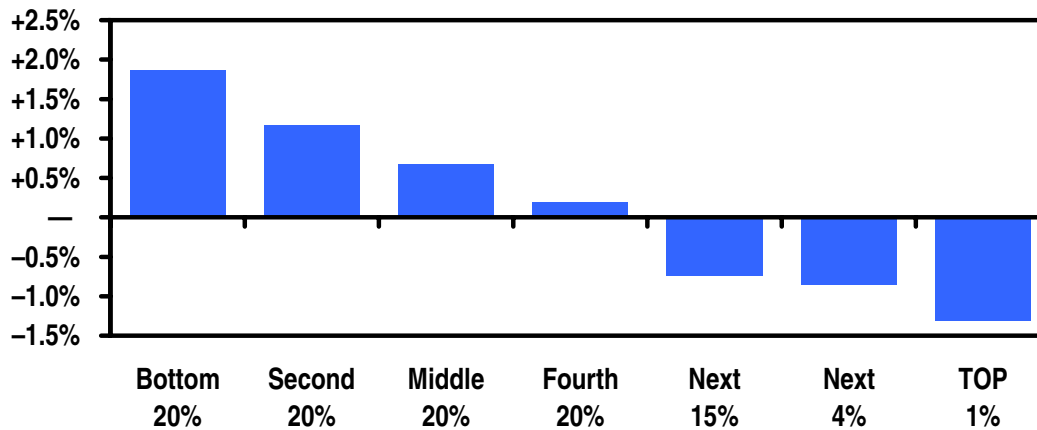
## Progressive Features

- ✓ Income tax breaks phased out at high incomes
- ✓ Refundable child care credit

## Regressive Features

- ✗ Consumption taxes relatively high

## Changes in Taxes as Shares of Income, 1989 – 2002

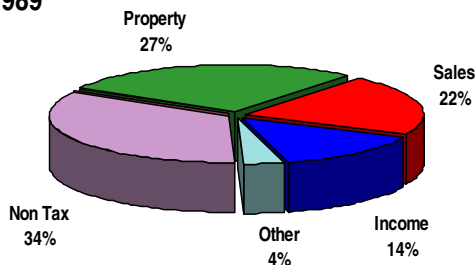


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.3%	+1.0%	+0.8%	+0.7%	+0.5%	+0.3%	+0.2%
Property	+0.5%	-0.0%	-0.4%	-0.5%	-1.2%	-0.4%	-0.5%
Income	+0.1%	+0.2%	+0.3%	+0.1%	+0.2%	-0.1%	+0.4%
Federal Offset	+0.0%	-0.0%	-0.1%	-0.1%	-0.3%	-0.7%	-1.5%
Overall Change	+1.9%	+1.2%	+0.7%	+0.2%	-0.7%	-0.9%	-1.3%

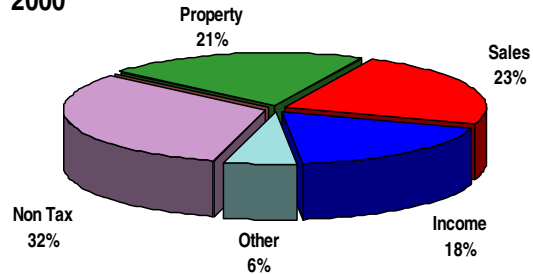
Nebraska's income tax is one of the most progressive in the nation. Standard deductions and personal exemption credits are phased out completely for high-income taxpayers, as are the benefits of the lower tax rates. All of these progressive features were added during the 1990s. However, the state has also raised its regressive sales tax 1.5 percent since 1989.

## Composition of Revenues

1989



2000

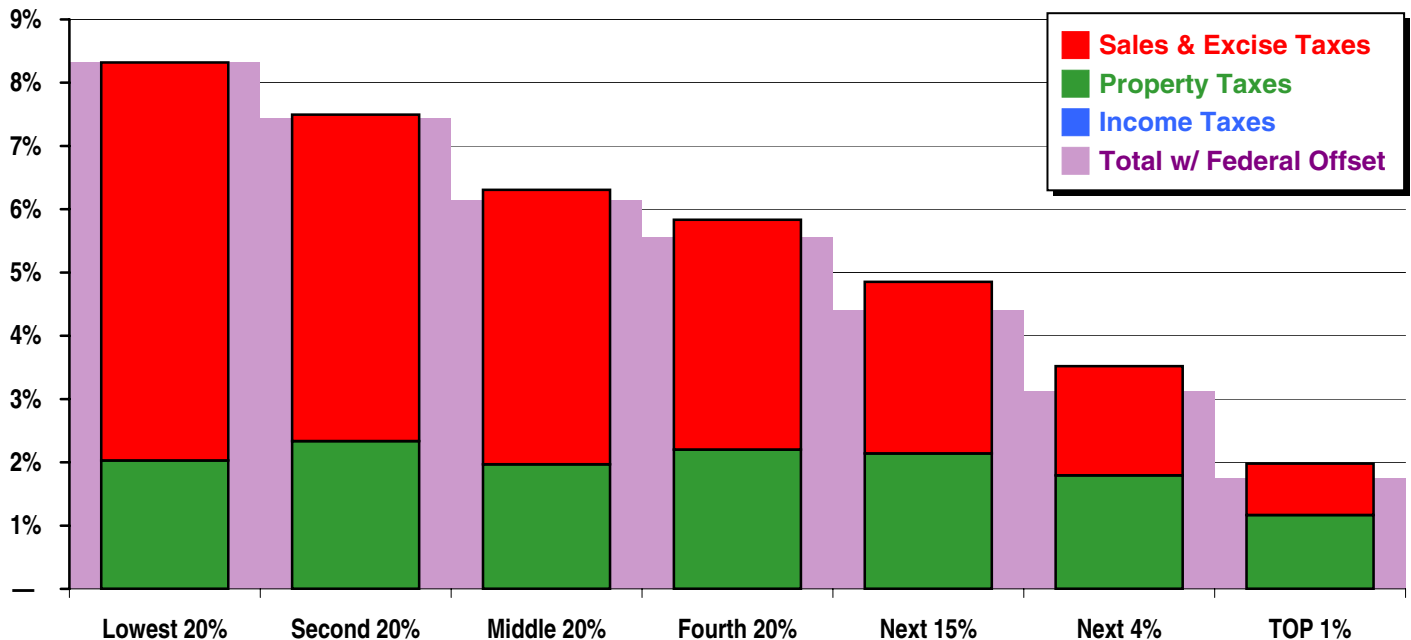


Source: Government Finances, US Department of Census

# Nevada

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$17,000	\$17,000 – \$27,000	\$27,000 – \$42,000	\$42,000 – \$67,000	\$67,000 – \$125,000	\$125,000 – \$297,000	\$297,000 or more
Average Income in Group	\$11,000	\$21,200	\$33,600	\$53,500	\$87,000	\$178,400	\$1,186,300
<b>Sales &amp; Excise Taxes</b>	<b>6.3%</b>	<b>5.2%</b>	<b>4.3%</b>	<b>3.6%</b>	<b>2.7%</b>	<b>1.7%</b>	<b>0.8%</b>
General Sales—Individuals	3.4%	3.0%	2.6%	2.3%	1.7%	1.2%	0.6%
Other Sales & Excise—Ind.	1.3%	0.8%	0.7%	0.6%	0.4%	0.2%	0.0%
Sales & Excise on Business	1.6%	1.3%	1.0%	0.8%	0.6%	0.4%	0.2%
<b>Property Taxes</b>	<b>2.0%</b>	<b>2.3%</b>	<b>2.0%</b>	<b>2.2%</b>	<b>2.1%</b>	<b>1.8%</b>	<b>1.2%</b>
Property Taxes on Families	2.0%	2.3%	1.9%	2.1%	2.0%	1.6%	0.7%
Other Property Taxes	0.1%	0.0%	0.0%	0.1%	0.1%	0.2%	0.5%
<b>Income Taxes</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	—	—	—	—	—	—	—
<b>TOTAL TAXES</b>	<b>8.3%</b>	<b>7.5%</b>	<b>6.3%</b>	<b>5.8%</b>	<b>4.9%</b>	<b>3.5%</b>	<b>2.0%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.2%	–0.3%	–0.4%	–0.4%	–0.2%
<b>TOTAL AFTER OFFSET</b>	<b>8.3%</b>	<b>7.4%</b>	<b>6.1%</b>	<b>5.6%</b>	<b>4.4%</b>	<b>3.1%</b>	<b>1.8%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Nevada Tax Trends

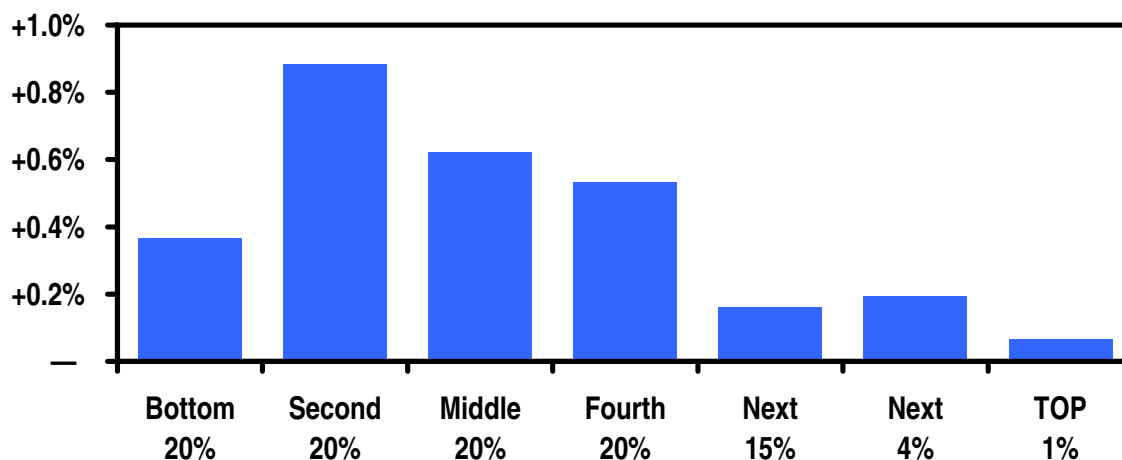
## Progressive Features

- ✓ Groceries exempt from sales tax

## Regressive Features

- ✗ No income tax
- ✗ Heavy reliance on sales taxes

## Changes in Taxes as Shares of Income, 1989 – 2002

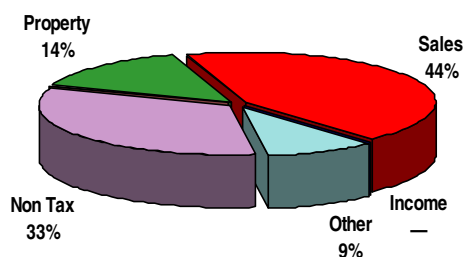


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.0%	+0.1%	+0.1%	+0.1%	+0.1%	+0.1%	+0.0%
Property	+0.4%	+0.8%	+0.6%	+0.5%	+0.2%	+0.2%	+0.1%
Income	—	—	—	—	—	—	—
Federal Offset	+0.0%	-0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Overall Change	+0.4%	+0.9%	+0.6%	+0.5%	+0.2%	+0.2%	+0.1%

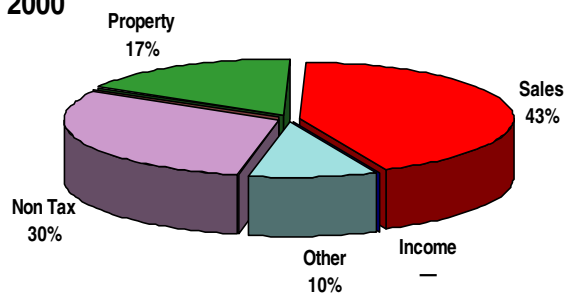
Nevada general sales taxes were increased at both the state and local levels in the 1990s but the pressure of this regressive change was offset by the inflationary erosion of excise taxes.

## Composition of Revenues

1989



2000

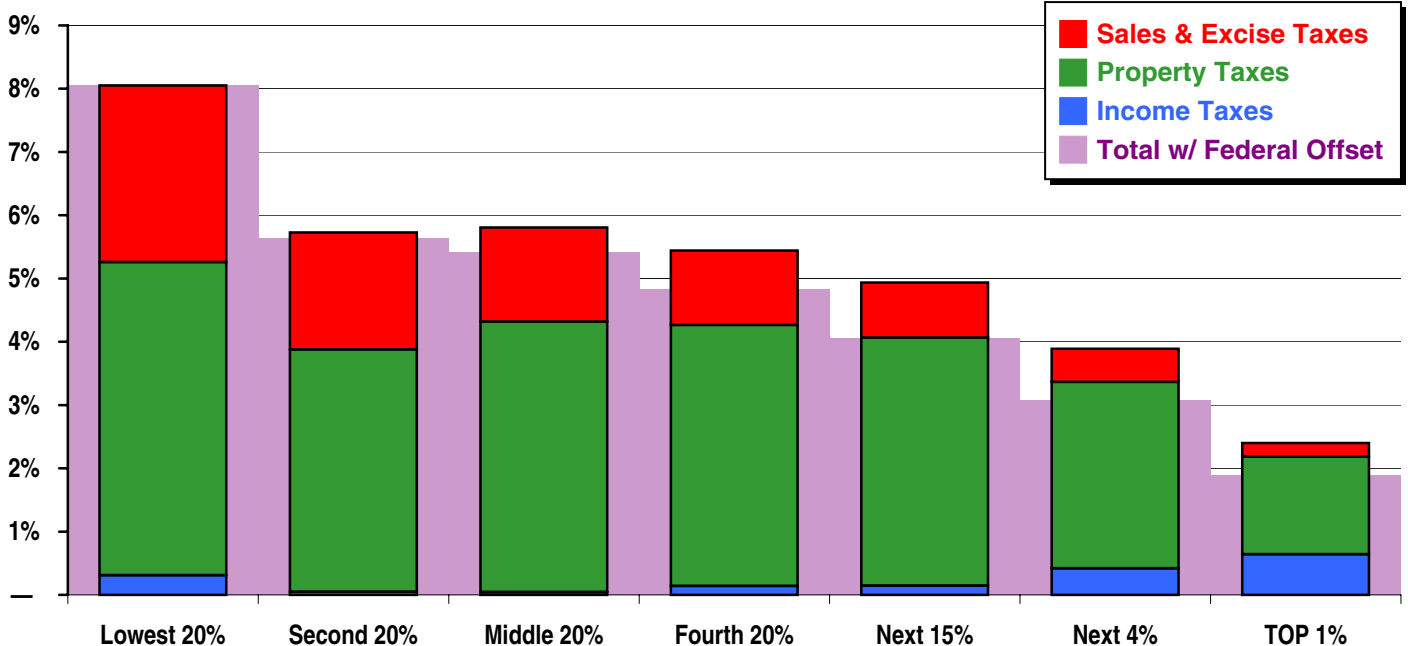


Source: Government Finances, US Department of Census

# New Hampshire

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$20,000	\$20,000 – \$34,000	\$34,000 – \$55,000	\$55,000 – \$84,000	\$84,000 – \$159,000	\$159,000 – \$474,000	\$474,000 or more
Average Income in Group	\$11,700	\$27,000	\$44,000	\$68,100	\$109,800	\$226,700	\$1,079,300
<b>Sales &amp; Excise Taxes</b>	<b>2.8%</b>	<b>1.8%</b>	<b>1.5%</b>	<b>1.2%</b>	<b>0.9%</b>	<b>0.5%</b>	<b>0.2%</b>
General Sales—Individuals	—	—	—	—	—	—	—
Other Sales & Excise—Ind.	2.4%	1.5%	1.2%	1.0%	0.7%	0.4%	0.2%
Sales & Excise on Business	0.4%	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%
<b>Property Taxes</b>	<b>4.9%</b>	<b>3.8%</b>	<b>4.3%</b>	<b>4.1%</b>	<b>3.9%</b>	<b>2.9%</b>	<b>1.5%</b>
Property Taxes on Families	4.7%	3.8%	4.2%	4.0%	3.8%	2.7%	1.1%
Other Property Taxes	0.2%	0.1%	0.1%	0.1%	0.1%	0.3%	0.5%
<b>Income Taxes</b>	<b>0.3%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.4%</b>	<b>0.6%</b>
Personal Income Tax	0.3%	0.0%	0.0%	0.1%	0.1%	0.3%	0.4%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>8.1%</b>	<b>5.7%</b>	<b>5.8%</b>	<b>5.4%</b>	<b>4.9%</b>	<b>3.9%</b>	<b>2.4%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.4%	–0.6%	–0.9%	–0.8%	–0.5%
<b>TOTAL AFTER OFFSET</b>	<b>8.1%</b>	<b>5.6%</b>	<b>5.4%</b>	<b>4.8%</b>	<b>4.1%</b>	<b>3.1%</b>	<b>1.9%</b>

Note: Table shows 2002 tax law at 2000 income levels.



# New Hampshire Tax Trends

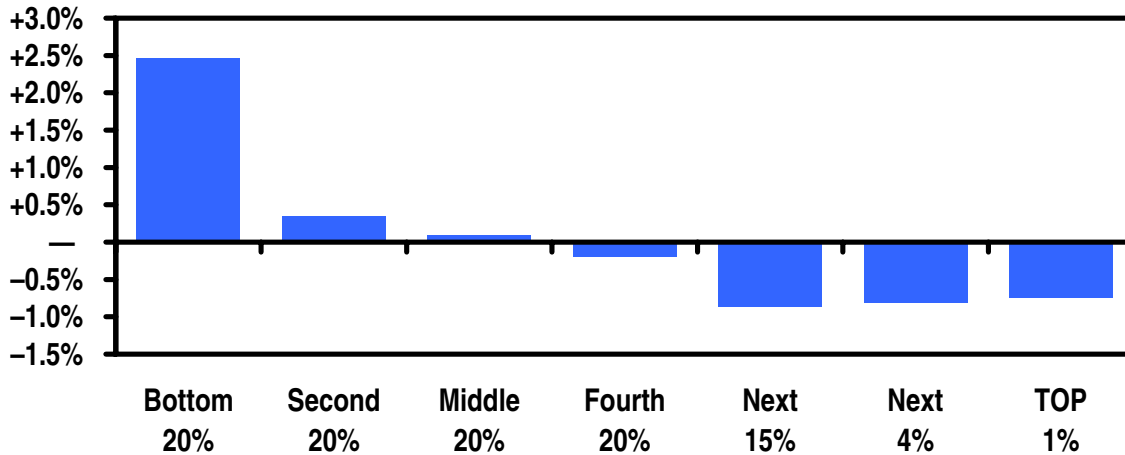
## Progressive Features

- ✓ No statewide sales tax

## Regressive Features

- ✗ No broad-based personal income tax
- ✗ Heavy reliance on property tax

## Changes in Taxes as Shares of Income, 1989 – 2002

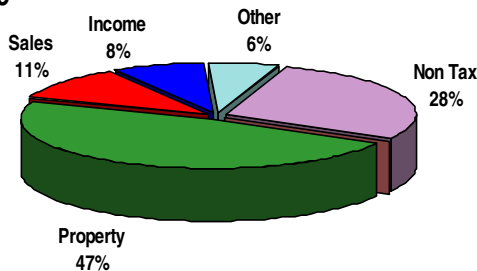


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.5%	+0.2%	+0.1%	+0.1%	+0.0%	+0.0%	-0.0%
Property	+1.8%	+0.2%	+0.2%	-0.2%	-0.9%	-0.9%	-0.6%
Income	+0.2%	-0.1%	-0.1%	+0.1%	-0.0%	-0.0%	-0.1%
Federal Offset	+0.0%	+0.0%	-0.1%	-0.1%	+0.0%	+0.1%	-0.0%
Overall Change	+2.5%	+0.4%	+0.1%	-0.2%	-0.9%	-0.8%	-0.7%

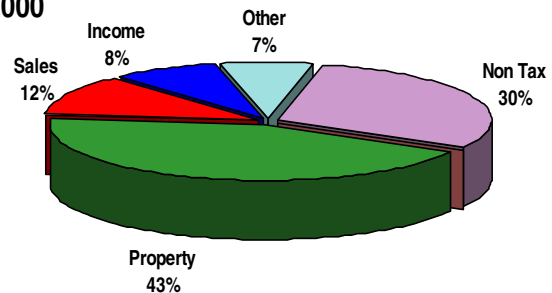
New Hampshire relies heavily on property taxes to pay for government services which makes New Hampshire one of the most regressive states. Changes to the property tax including low income tax relief and a statewide cut to 5.8 were largely undone by economic conditions driving home values. Adding a regressive 31 cent hike in the cigarette tax affected low-income residents the most.

## Composition of Revenues

1989



2000

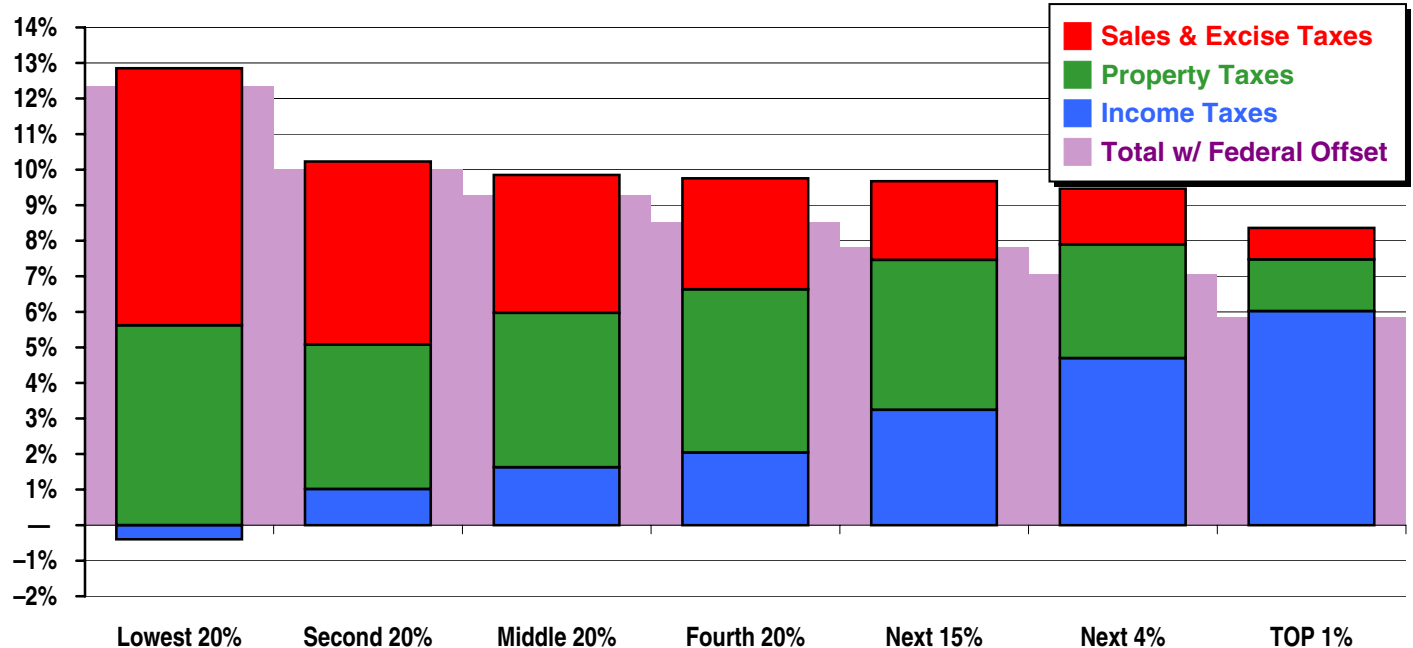


Source: Government Finances, US Department of Census

# New Jersey

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$19,000	\$19,000 – \$34,000	\$34,000 – \$56,000	\$56,000 – \$94,000	\$94,000 – \$193,000	\$193,000 – \$571,000	\$571,000 or more
Average Income in Group	\$11,000	\$26,100	\$44,000	\$72,900	\$126,900	\$275,500	\$1,447,100
<b>Sales &amp; Excise Taxes</b>	<b>7.2%</b>	<b>5.2%</b>	<b>3.9%</b>	<b>3.1%</b>	<b>2.2%</b>	<b>1.6%</b>	<b>0.9%</b>
General Sales—Individuals	2.7%	2.2%	1.8%	1.5%	1.1%	0.9%	0.5%
Other Sales & Excise—Ind.	2.8%	1.6%	1.1%	0.8%	0.5%	0.3%	0.1%
Sales & Excise on Business	1.7%	1.3%	1.0%	0.8%	0.6%	0.4%	0.3%
<b>Property Taxes</b>	<b>5.6%</b>	<b>4.1%</b>	<b>4.3%</b>	<b>4.6%</b>	<b>4.2%</b>	<b>3.2%</b>	<b>1.5%</b>
Property Taxes on Families	5.6%	4.0%	4.3%	4.5%	4.1%	3.0%	1.0%
Other Property Taxes	0.0%	0.1%	0.1%	0.1%	0.1%	0.2%	0.5%
<b>Income Taxes</b>	<b>-0.4%</b>	<b>1.0%</b>	<b>1.6%</b>	<b>2.0%</b>	<b>3.2%</b>	<b>4.7%</b>	<b>6.0%</b>
Personal Income Tax	-0.4%	1.0%	1.6%	2.0%	3.2%	4.6%	5.6%
Corporate Income Tax	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.4%
<b>TOTAL TAXES</b>	<b>12.5%</b>	<b>10.2%</b>	<b>9.9%</b>	<b>9.8%</b>	<b>9.7%</b>	<b>9.5%</b>	<b>8.4%</b>
Federal Deduction Offset	-0.1%	-0.2%	-0.6%	-1.2%	-1.9%	-2.4%	-2.5%
<b>TOTAL AFTER OFFSET</b>	<b>12.4%</b>	<b>10.0%</b>	<b>9.3%</b>	<b>8.5%</b>	<b>7.8%</b>	<b>7.1%</b>	<b>5.9%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# New Jersey Tax Trends

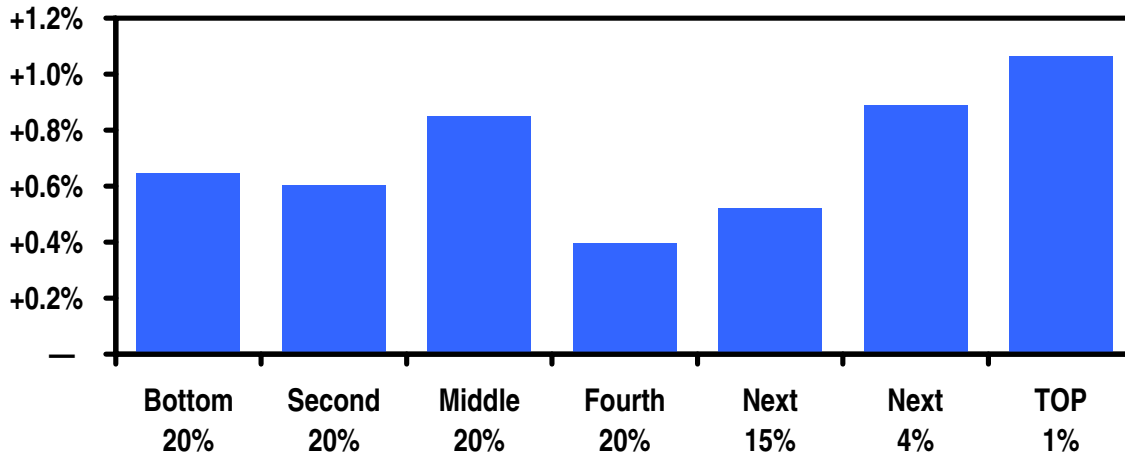
## Progressive Features

- ✓ Refundable EITC
- ✓ Graduated income tax rates

## Regressive Features

- ✗ High reliance on property taxes
- ✗ One of the highest cigarette taxes in the nation

## Changes in Taxes as Shares of Income, 1989 – 2002

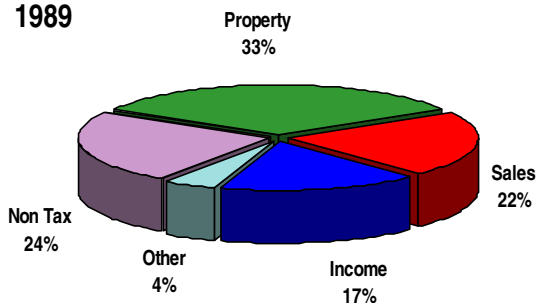


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.3%	+0.6%	+0.4%	+0.2%	+0.1%	+0.1%	+0.0%
Property	+0.9%	+0.6%	+0.8%	+0.5%	-0.1%	-0.4%	-0.4%
Income	-1.5%	-0.5%	-0.1%	+0.1%	+0.9%	+1.9%	+2.7%
Federal Offset	-0.1%	-0.1%	-0.2%	-0.4%	-0.4%	-0.6%	-1.3%
Overall Change	+0.6%	+0.6%	+0.8%	+0.4%	+0.5%	+0.9%	+1.1%

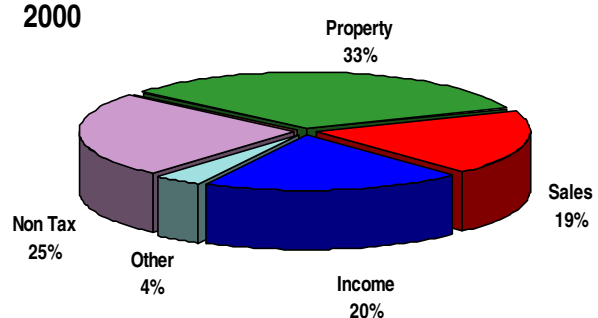
A 1990 education funding reform sharply increased the progressivity of the income tax and hiked sales taxes. The sales tax hike and a portion of the income tax rate hikes were subsequently repealed, but the introduction of a 20 percent refundable EITC further increased income tax progressivity. These progressive changes were countered in the bottom 60% by a \$1.23 hike in cigarette taxes--the third largest cigarette tax hike in the nation over the decade. Still, New Jersey remains a state which taxes its poorest citizens far more heavily than its wealthiest ones.

## Composition of Revenues

1989



2000

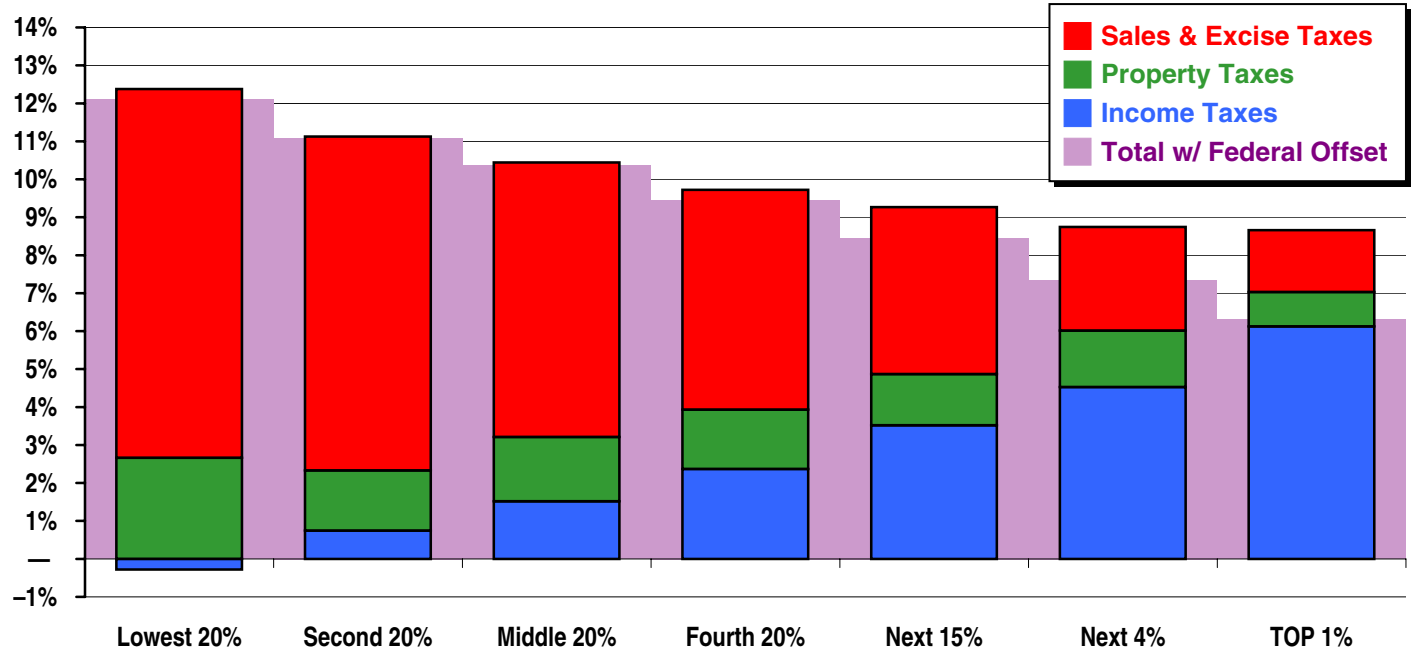


Source: Government Finances, US Department of Census

# New Mexico

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$13,000	\$13,000 – \$23,000	\$23,000 – \$36,000	\$36,000 – \$60,000	\$60,000 – \$112,000	\$112,000 – \$243,000	\$243,000 or more
Average Income in Group	\$7,800	\$18,300	\$28,700	\$46,000	\$79,100	\$148,600	\$610,900
<b>Sales &amp; Excise Taxes</b>	<b>9.7%</b>	<b>8.8%</b>	<b>7.2%</b>	<b>5.8%</b>	<b>4.4%</b>	<b>2.7%</b>	<b>1.6%</b>
General Sales—Individuals	6.3%	5.7%	4.8%	3.9%	3.0%	1.9%	1.2%
Other Sales & Excise—Ind.	1.3%	1.2%	1.0%	0.7%	0.6%	0.3%	0.1%
Sales & Excise on Business	2.1%	1.9%	1.5%	1.2%	0.9%	0.5%	0.3%
<b>Property Taxes</b>	<b>2.7%</b>	<b>1.6%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>1.4%</b>	<b>1.5%</b>	<b>0.9%</b>
Property Taxes on Families	2.6%	1.5%	1.6%	1.5%	1.2%	1.2%	0.5%
Other Property Taxes	0.0%	0.1%	0.1%	0.1%	0.1%	0.3%	0.4%
<b>Income Taxes</b>	<b>-0.3%</b>	<b>0.7%</b>	<b>1.5%</b>	<b>2.4%</b>	<b>3.5%</b>	<b>4.5%</b>	<b>6.1%</b>
Personal Income Tax	-0.3%	0.7%	1.5%	2.3%	3.5%	4.4%	5.9%
Corporate Income Tax	0.0%	0.1%	0.0%	0.0%	0.1%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>12.1%</b>	<b>11.1%</b>	<b>10.4%</b>	<b>9.7%</b>	<b>9.3%</b>	<b>8.7%</b>	<b>8.7%</b>
Federal Deduction Offset	-0.0%	-0.0%	-0.1%	-0.3%	-0.8%	-1.4%	-2.4%
<b>TOTAL AFTER OFFSET</b>	<b>12.1%</b>	<b>11.1%</b>	<b>10.4%</b>	<b>9.5%</b>	<b>8.5%</b>	<b>7.3%</b>	<b>6.3%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# New Mexico Tax Trends

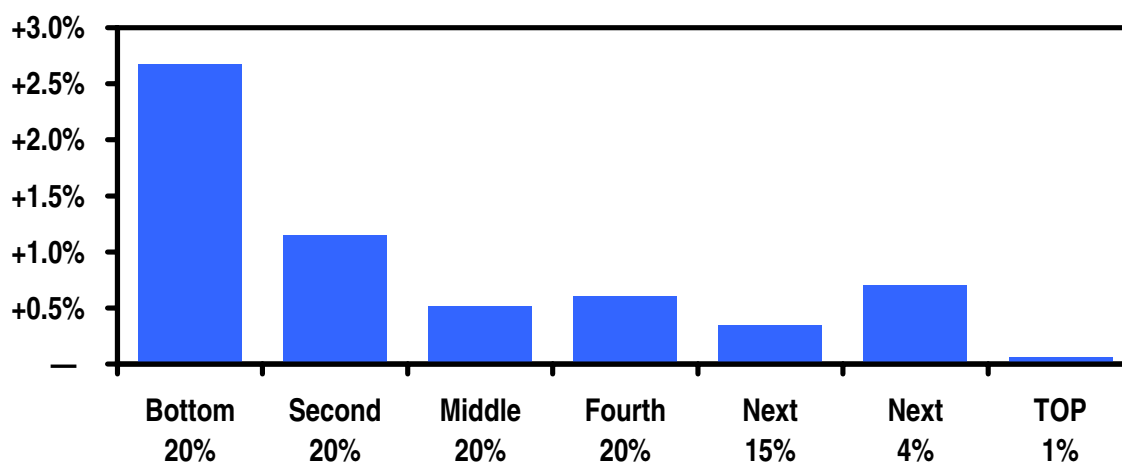
## Progressive Features

- ✓ Refundable low income credit
- ✓ Graduated income tax rates
- ✓ Small head of household exemption for property tax

## Regressive Features

- ✗ Groceries subject to sales tax
- ✗ High reliance on sales tax
- ✗ Deduction for state income taxes

## Changes in Taxes as Shares of Income, 1989 – 2002

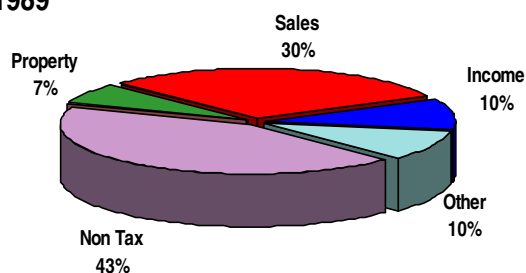


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.0%	+0.0%	+0.0%	+0.0%	+0.0%	+0.0%	-0.0%
Property	+0.3%	+0.4%	+0.4%	+0.4%	+0.0%	+0.2%	-0.0%
Income	+2.4%	+0.8%	+0.0%	+0.2%	+0.5%	+0.7%	+0.8%
Federal Offset	-0.0%	-0.0%	-0.0%	-0.1%	-0.2%	-0.2%	-0.7%
Overall Change	+2.7%	+1.2%	+0.5%	+0.6%	+0.3%	+0.7%	+0.1%

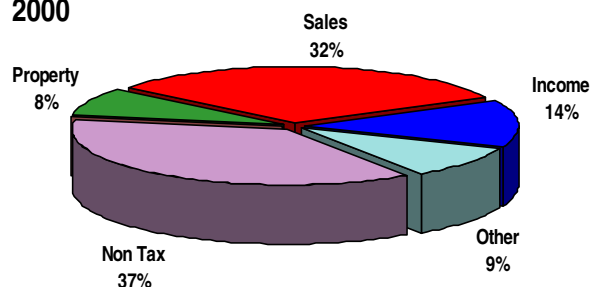
The elimination of a generous food tax credit in 93 was not matched by the expansion of the Low Income Comprehensive credit, raising the burden on the lowest-income New Mexicans. The gross receipts tax increased a quarter percent.

## Composition of Revenues

1989



2000

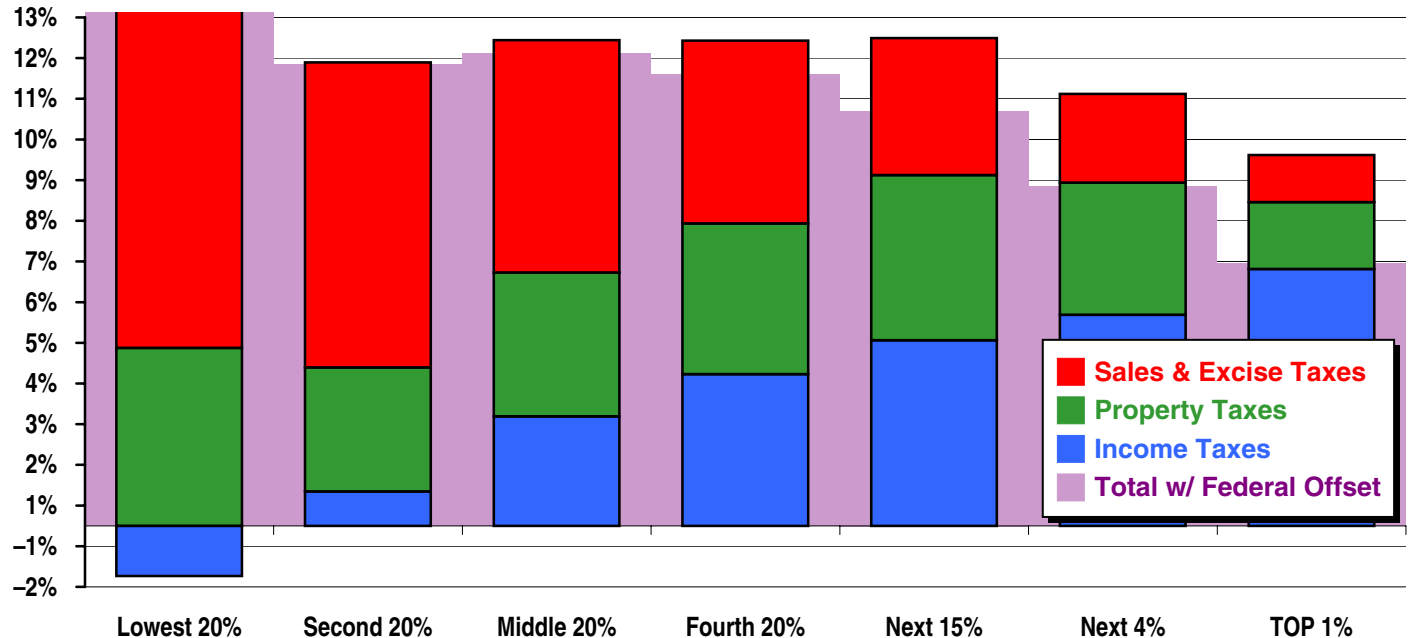


Source: Government Finances, US Department of Census

# New York

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$27,000	\$27,000 – \$44,000	\$44,000 – \$74,000	\$74,000 – \$160,000	\$160,000 – \$634,000	\$634,000 or more
Average Income in Group	\$8,700	\$20,700	\$34,900	\$56,800	\$101,700	\$250,200	\$1,663,000
<b>Sales &amp; Excise Taxes</b>	<b>9.5%</b>	<b>7.5%</b>	<b>5.7%</b>	<b>4.5%</b>	<b>3.4%</b>	<b>2.2%</b>	<b>1.2%</b>
General Sales—Individuals	3.9%	3.6%	2.9%	2.5%	1.9%	1.3%	0.7%
Other Sales & Excise—Ind.	2.7%	1.6%	1.1%	0.7%	0.5%	0.3%	0.1%
Sales & Excise on Business	2.9%	2.3%	1.7%	1.3%	0.9%	0.6%	0.4%
<b>Property Taxes</b>	<b>4.4%</b>	<b>3.0%</b>	<b>3.5%</b>	<b>3.7%</b>	<b>4.1%</b>	<b>3.2%</b>	<b>1.6%</b>
Property Taxes on Families	3.9%	2.7%	3.1%	3.2%	3.5%	2.7%	0.7%
Other Property Taxes	0.5%	0.4%	0.4%	0.5%	0.5%	0.6%	0.9%
<b>Income Taxes</b>	<b>-1.2%</b>	<b>0.8%</b>	<b>2.7%</b>	<b>3.7%</b>	<b>4.6%</b>	<b>5.2%</b>	<b>6.3%</b>
Personal Income Tax	-1.3%	0.8%	2.6%	3.7%	4.5%	5.1%	6.0%
Corporate Income Tax	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%	0.3%
<b>TOTAL TAXES</b>	<b>12.7%</b>	<b>11.4%</b>	<b>11.9%</b>	<b>11.9%</b>	<b>12.0%</b>	<b>10.6%</b>	<b>9.1%</b>
Federal Deduction Offset	-0.0%	-0.1%	-0.3%	-0.8%	-1.8%	-2.3%	-2.7%
<b>TOTAL AFTER OFFSET</b>	<b>12.6%</b>	<b>11.3%</b>	<b>11.6%</b>	<b>11.1%</b>	<b>10.2%</b>	<b>8.4%</b>	<b>6.5%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# New York Tax Trends

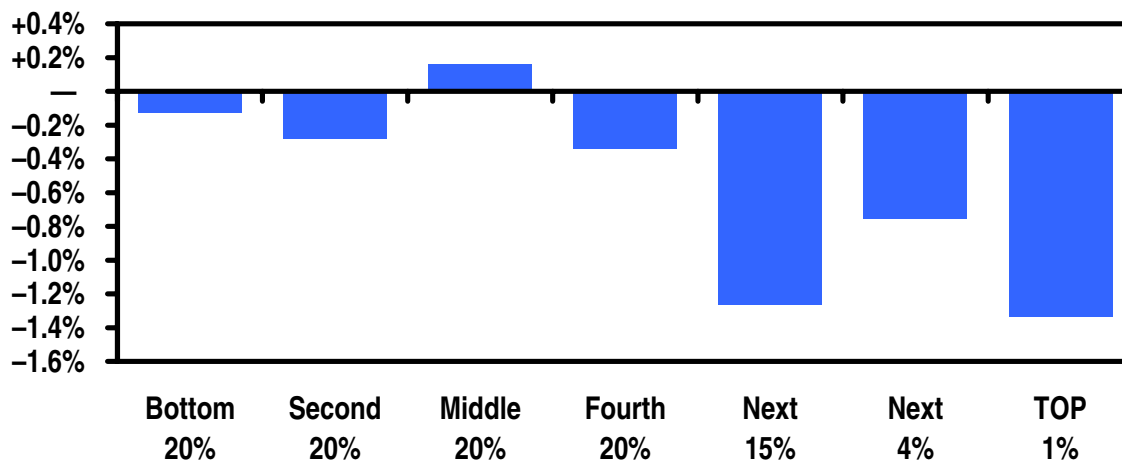
## Progressive Features

- ✓ Graduated income tax rates
- ✓ Refundable EITC

## Regressive Features

- ✗ Significant combined state and local sales taxes
- ✗ One of the highest cigarette tax nationwide

## Changes in Taxes as Shares of Income, 1989 – 2002

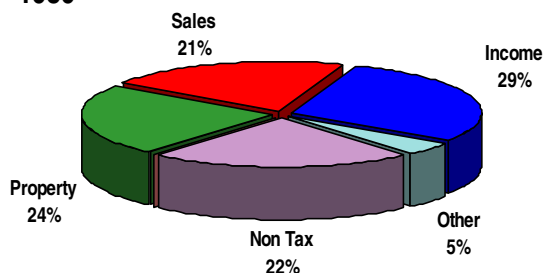


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.9%	+0.2%	+0.1%	-0.0%	-0.1%	-0.1%	-0.1%
Property	+0.5%	+0.2%	+0.5%	+0.0%	-0.8%	-0.6%	-0.3%
Income	-1.5%	-0.8%	-0.3%	-0.3%	-0.4%	-0.3%	-0.4%
Federal Offset	-0.0%	+0.0%	-0.1%	-0.1%	-0.0%	+0.1%	-0.6%
Overall Change	-0.1%	-0.3%	+0.2%	-0.3%	-1.3%	-0.7%	-1.3%

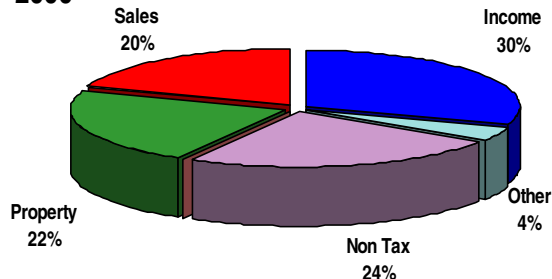
Created in 1994, the New York EITC has become one of the most generous in the nation at 30 percent of the federal credit. The top income tax rate was cut from 7.875 to 6.85 percent. While clothing under \$110 was exempted from the sales tax, an average half cent hike in local sales taxes and a substantial rise in cigarette taxes yield sales and excise tax hikes for lower income New Yorkers.

## Composition of Revenues

1989



2000

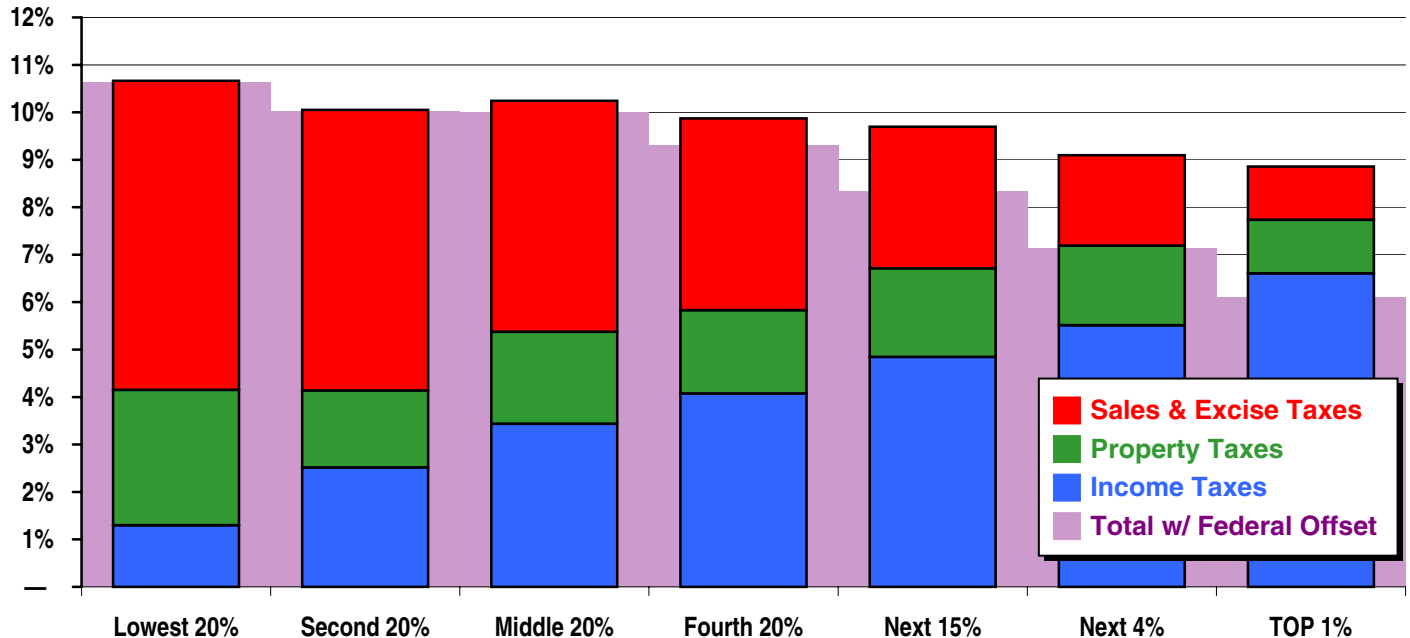


Source: Government Finances, US Department of Census

# North Carolina

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$25,000	\$25,000 – \$39,000	\$39,000 – \$64,000	\$64,000 – \$124,000	\$124,000 – \$333,000	\$333,000 or more
Average Income in Group	\$9,100	\$19,700	\$31,300	\$50,100	\$84,800	\$176,800	\$813,800
<b>Sales &amp; Excise Taxes</b>	<b>6.5%</b>	<b>5.9%</b>	<b>4.9%</b>	<b>4.0%</b>	<b>3.0%</b>	<b>1.9%</b>	<b>1.1%</b>
General Sales—Individuals	3.6%	3.3%	2.9%	2.5%	1.9%	1.2%	0.8%
Other Sales & Excise—Ind.	1.3%	1.1%	0.9%	0.7%	0.5%	0.3%	0.1%
Sales & Excise on Business	1.7%	1.5%	1.1%	0.9%	0.7%	0.4%	0.3%
<b>Property Taxes</b>	<b>2.9%</b>	<b>1.6%</b>	<b>1.9%</b>	<b>1.8%</b>	<b>1.9%</b>	<b>1.7%</b>	<b>1.1%</b>
Property Taxes on Families	2.8%	1.6%	1.9%	1.7%	1.8%	1.5%	0.7%
Other Property Taxes	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.4%
<b>Income Taxes</b>	<b>1.3%</b>	<b>2.5%</b>	<b>3.4%</b>	<b>4.1%</b>	<b>4.8%</b>	<b>5.5%</b>	<b>6.6%</b>
Personal Income Tax	1.3%	2.5%	3.4%	4.0%	4.8%	5.4%	6.3%
Corporate Income Tax	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.3%
<b>TOTAL TAXES</b>	<b>10.7%</b>	<b>10.1%</b>	<b>10.2%</b>	<b>9.9%</b>	<b>9.7%</b>	<b>9.1%</b>	<b>8.9%</b>
Federal Deduction Offset	–0.0%	–0.0%	–0.2%	–0.6%	–1.4%	–2.0%	–2.8%
<b>TOTAL AFTER OFFSET</b>	<b>10.6%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>9.3%</b>	<b>8.3%</b>	<b>7.1%</b>	<b>6.1%</b>

Note: Table shows 2002 tax law at 2000 income levels.



# North Carolina Tax Trends

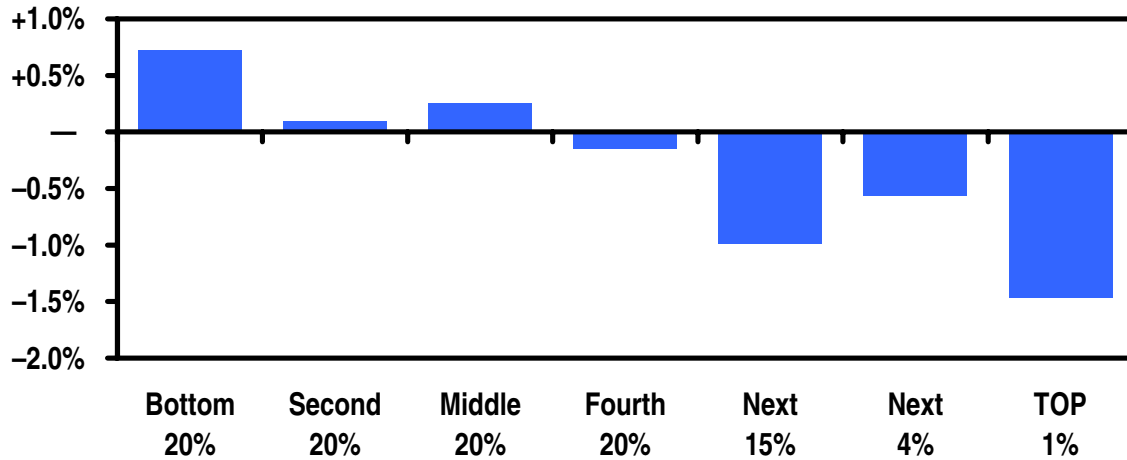
## Progressive Features

- ✓ Per-person credit
- ✓ Dependent care credit
- ✓ Groceries exempt from state sales tax

## Regressive Features

- ✗ Credits not refundable

## Changes in Taxes as Shares of Income, 1989 – 2002

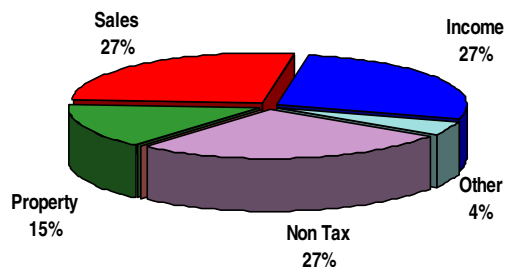


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	-0.6%	-0.5%	-0.4%	-0.3%	-0.3%	-0.2%	-0.0%
Property	+0.8%	+0.2%	+0.5%	+0.1%	-0.8%	-0.7%	-1.1%
Income	+0.5%	+0.4%	+0.3%	+0.3%	+0.4%	+0.6%	+0.6%
Federal Offset	-0.0%	-0.0%	-0.1%	-0.2%	-0.3%	-0.3%	-0.9%
Overall Change	+0.7%	+0.1%	+0.2%	-0.1%	-1.0%	-0.6%	-1.5%

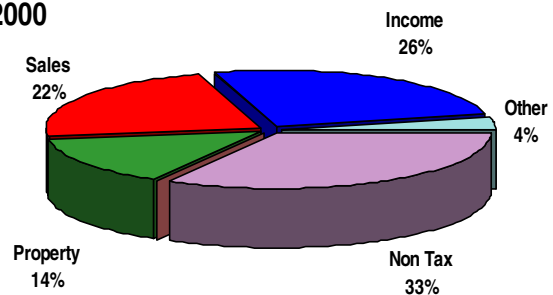
The exemption of groceries from the state sales tax was a progressive cut that offset hikes of 1% in the state sales tax and .5% in most local sales taxes. A new top income tax bracket added in 1991, targeted at those making over \$50,000 (\$100,000 married), was a progressive rate hike, while the lack of indexing of the personal exemption was an implicit regressive tax increase.

## Composition of Revenues

1989



2000

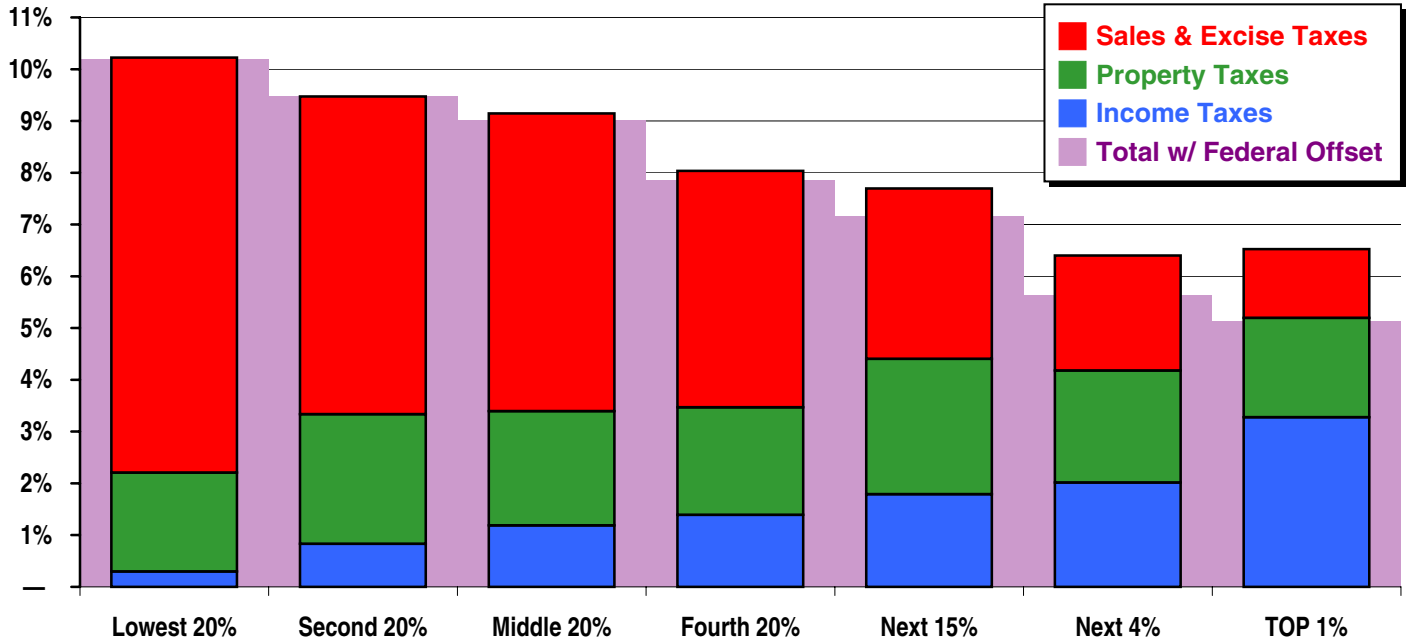


Source: Government Finances, US Department of Census

# North Dakota

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$14,000	\$14,000 – \$25,000	\$25,000 – \$40,000	\$40,000 – \$64,000	\$64,000 – \$114,000	\$114,000 – \$229,000	\$229,000 or more
Average Income in Group	\$8,900	\$19,400	\$32,000	\$50,100	\$80,400	\$156,400	\$393,000
<b>Sales &amp; Excise Taxes</b>	<b>8.0%</b>	<b>6.1%</b>	<b>5.8%</b>	<b>4.6%</b>	<b>3.3%</b>	<b>2.2%</b>	<b>1.3%</b>
General Sales—Individuals	3.5%	2.8%	2.8%	2.3%	1.7%	1.2%	0.8%
Other Sales & Excise—Ind.	1.6%	1.1%	1.0%	0.7%	0.5%	0.3%	0.1%
Sales & Excise on Business	2.9%	2.2%	2.0%	1.6%	1.1%	0.7%	0.5%
<b>Property Taxes</b>	<b>1.9%</b>	<b>2.5%</b>	<b>2.2%</b>	<b>2.1%</b>	<b>2.6%</b>	<b>2.2%</b>	<b>1.9%</b>
Property Taxes on Families	1.7%	2.4%	2.0%	1.9%	2.2%	1.6%	1.3%
Other Property Taxes	0.2%	0.1%	0.2%	0.2%	0.4%	0.6%	0.6%
<b>Income Taxes</b>	<b>0.3%</b>	<b>0.8%</b>	<b>1.2%</b>	<b>1.4%</b>	<b>1.8%</b>	<b>2.0%</b>	<b>3.3%</b>
Personal Income Tax	0.3%	0.8%	1.1%	1.4%	1.7%	1.9%	3.2%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
<b>TOTAL TAXES</b>	<b>10.2%</b>	<b>9.5%</b>	<b>9.1%</b>	<b>8.0%</b>	<b>7.7%</b>	<b>6.4%</b>	<b>6.5%</b>
Federal Deduction Offset	–0.0%	–0.0%	–0.1%	–0.2%	–0.5%	–0.8%	–1.4%
<b>TOTAL AFTER OFFSET</b>	<b>10.2%</b>	<b>9.5%</b>	<b>9.0%</b>	<b>7.8%</b>	<b>7.2%</b>	<b>5.6%</b>	<b>5.1%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# North Dakota Tax Trends

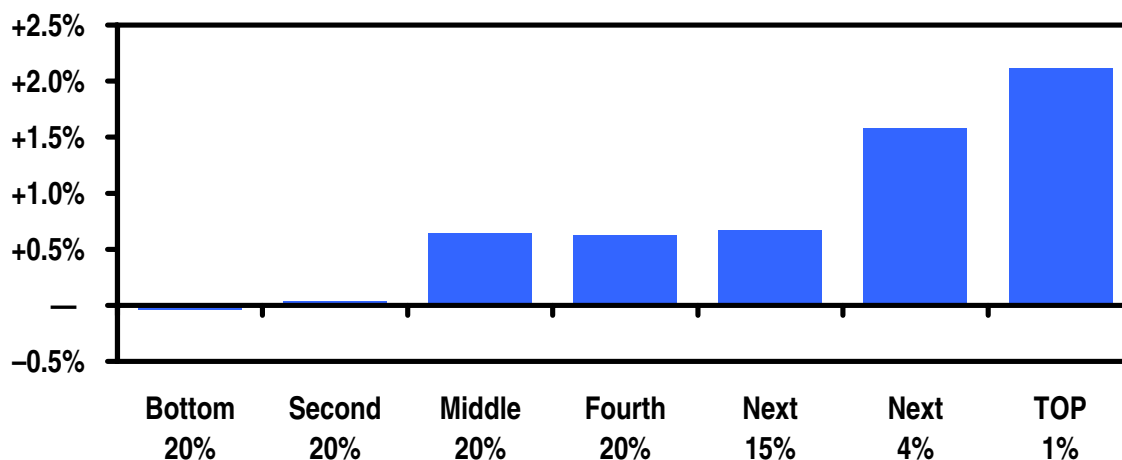
## Progressive Features

- ✓ Graduated income tax rates

## Regressive Features

- ✗ Deduction for federal income taxes paid
- ✗ No indexing

## Changes in Taxes as Shares of Income, 1989 – 2002

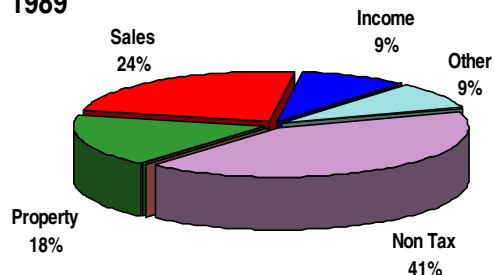


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	-0.4%	-0.4%	-0.2%	-0.2%	-0.2%	-0.1%	-0.1%
Property	+0.5%	+0.4%	+0.5%	+0.2%	-0.2%	+0.2%	+0.2%
Income	-0.1%	-0.0%	+0.4%	+0.7%	+1.1%	+1.6%	+2.4%
Federal Offset	-0.0%	+0.0%	-0.1%	-0.0%	-0.1%	-0.1%	-0.4%
Overall Change	-0.0%	+0.0%	+0.6%	+0.6%	+0.7%	+1.6%	+2.1%

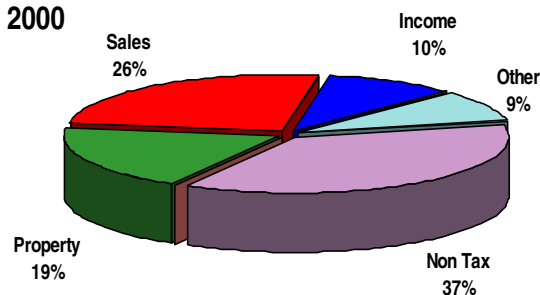
Local sales tax rates rose on average .5% over the decade, not enough to offset inflationary declines in excise taxes. As most North Dakotans pay a state income tax based on a percent of their federal income tax, progressive changes in federal rates since 1989 are reflected in state income tax rates.

## Composition of Revenues

1989



2000

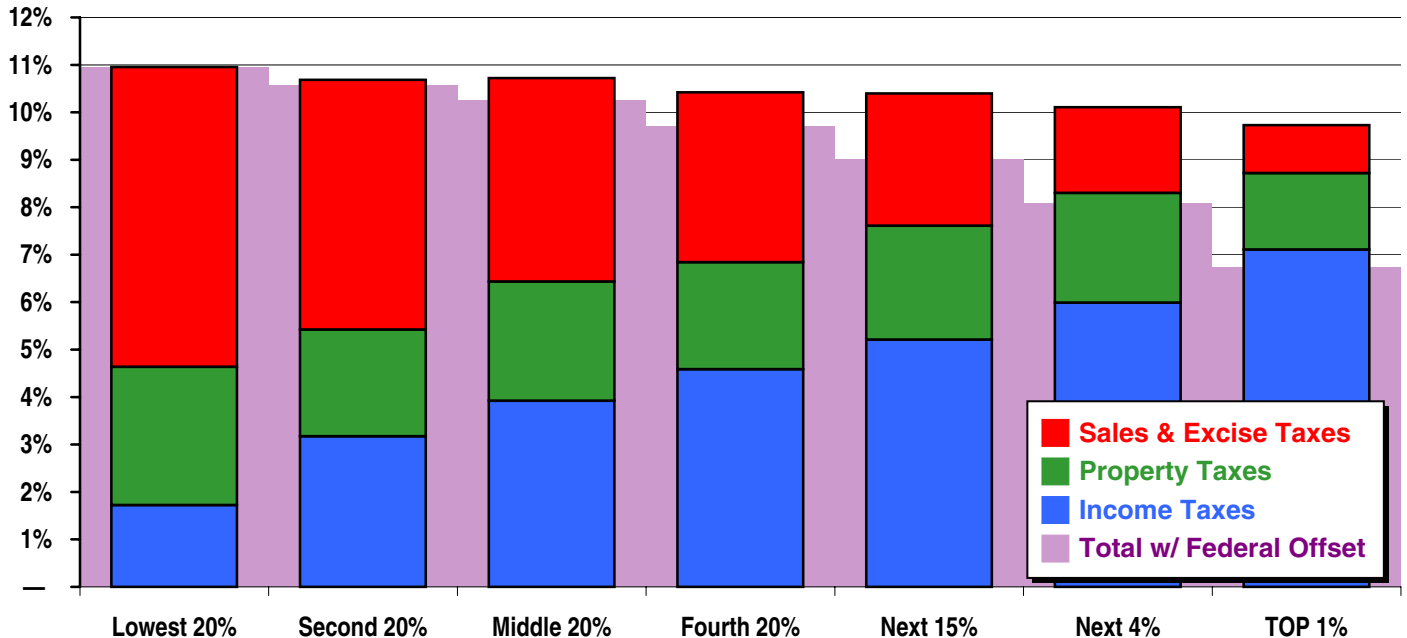


Source: Government Finances, US Department of Census

# Ohio

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$27,000	\$27,000 – \$41,000	\$41,000 – \$65,000	\$65,000 – \$117,000	\$117,000 – \$261,000	\$261,000 or more
Average Income in Group	\$8,800	\$20,800	\$33,600	\$51,900	\$82,500	\$160,300	\$660,200
<b>Sales &amp; Excise Taxes</b>	<b>6.3%</b>	<b>5.3%</b>	<b>4.3%</b>	<b>3.6%</b>	<b>2.8%</b>	<b>1.8%</b>	<b>1.0%</b>
General Sales—Individuals	2.9%	2.7%	2.3%	2.0%	1.6%	1.1%	0.6%
Other Sales & Excise—Ind.	1.8%	1.2%	0.9%	0.7%	0.5%	0.3%	0.1%
Sales & Excise on Business	1.6%	1.3%	1.0%	0.8%	0.6%	0.4%	0.3%
<b>Property Taxes</b>	<b>2.9%</b>	<b>2.2%</b>	<b>2.5%</b>	<b>2.3%</b>	<b>2.4%</b>	<b>2.3%</b>	<b>1.6%</b>
Property Taxes on Families	2.8%	2.2%	2.4%	2.1%	2.2%	1.9%	0.9%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.4%	0.7%
<b>Income Taxes</b>	<b>1.7%</b>	<b>3.2%</b>	<b>3.9%</b>	<b>4.6%</b>	<b>5.2%</b>	<b>6.0%</b>	<b>7.1%</b>
Personal Income Tax	1.7%	3.2%	3.9%	4.5%	5.2%	5.9%	6.9%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>11.0%</b>	<b>10.7%</b>	<b>10.7%</b>	<b>10.4%</b>	<b>10.4%</b>	<b>10.1%</b>	<b>9.7%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.5%	–0.7%	–1.4%	–2.0%	–3.0%
<b>TOTAL AFTER OFFSET</b>	<b>10.9%</b>	<b>10.6%</b>	<b>10.3%</b>	<b>9.7%</b>	<b>9.0%</b>	<b>8.1%</b>	<b>6.7%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Ohio Tax Trends

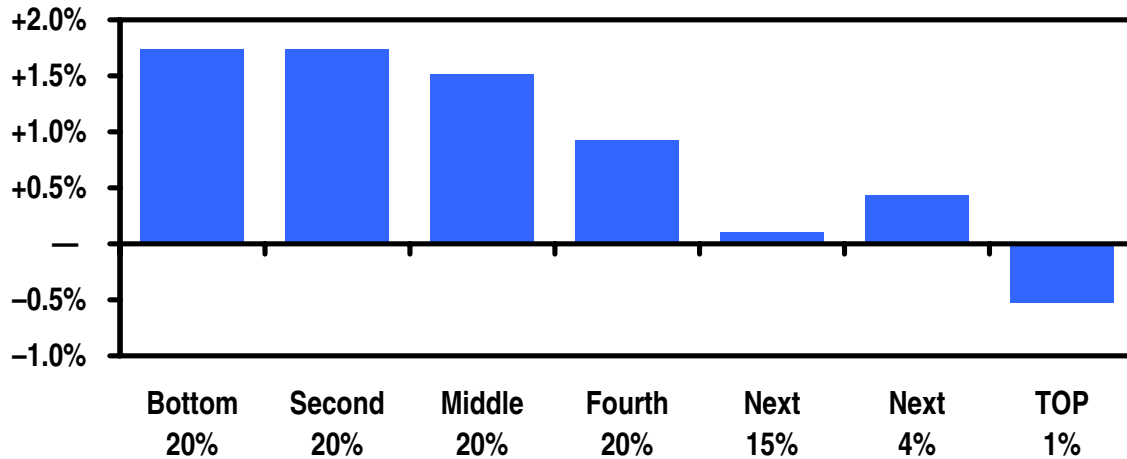
## Progressive Features

- ✓ Graduated income tax rates
- ✓ Dependent care credit
- ✓ Personal exemption indexed

## Regressive Features

- ✗ Credits are not refundable

## Changes in Taxes as Shares of Income, 1989 – 2002

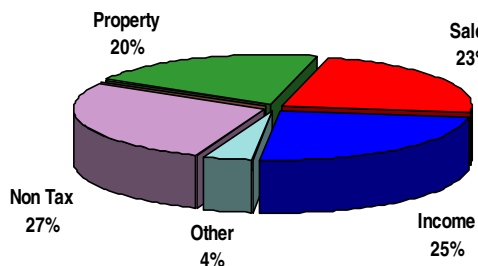


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.8%	+0.5%	+0.4%	+0.3%	+0.2%	+0.1%	+0.1%
Property	+0.7%	+0.6%	+0.8%	+0.3%	-0.2%	+0.0%	-0.2%
Income	+0.2%	+0.7%	+0.7%	+0.6%	+0.7%	+0.9%	+0.8%
Federal Offset	-0.0%	-0.1%	-0.3%	-0.4%	-0.6%	-0.6%	-1.3%
Overall Change	+1.7%	+1.7%	+1.5%	+0.9%	+0.1%	+0.4%	-0.5%

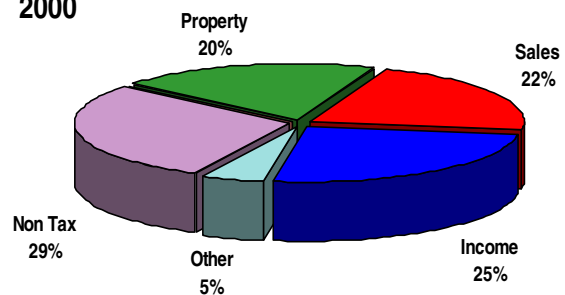
Ohio has a 7.5% top tax bracket, enacted in 1993, that is contingent on state finances. Although not effective for much of the 1990s, it was effective in 2002, making the income tax more progressive. Lack of indexing caused an implicit hike on low- and middle-income taxpayers. Local sales taxes increased somewhat during the decade.

## Composition of Revenues

1989



2000

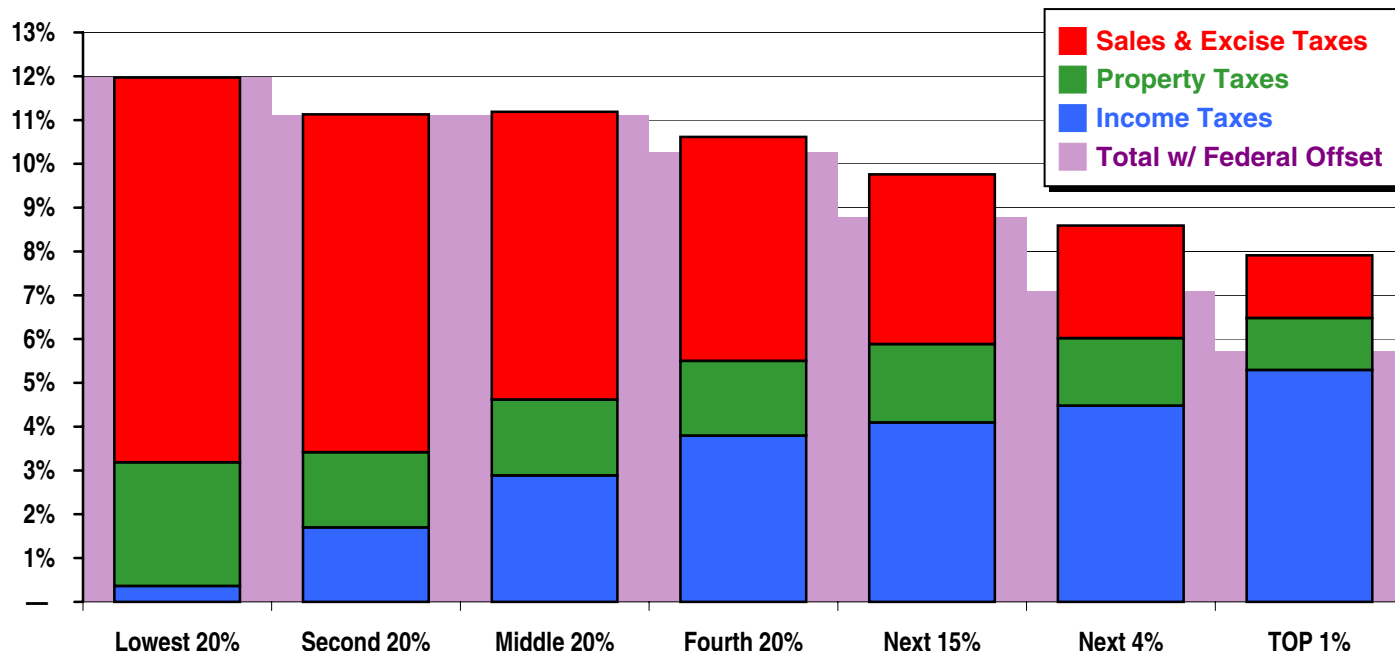


Source: Government Finances, US Department of Census

# Oklahoma

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$12,000	\$12,000 – \$22,000	\$22,000 – \$37,000	\$37,000 – \$60,000	\$60,000 – \$110,000	\$110,000 – \$252,000	\$252,000 or more
Average Income in Group	\$7,400	\$17,000	\$28,100	\$47,100	\$78,100	\$148,500	\$518,700
<b>Sales &amp; Excise Taxes</b>	<b>8.8%</b>	<b>7.7%</b>	<b>6.6%</b>	<b>5.1%</b>	<b>3.9%</b>	<b>2.6%</b>	<b>1.4%</b>
General Sales—Individuals	5.3%	4.7%	4.1%	3.3%	2.5%	1.7%	1.0%
Other Sales & Excise—Ind.	1.1%	0.9%	0.7%	0.5%	0.3%	0.2%	0.1%
Sales & Excise on Business	2.3%	2.2%	1.8%	1.3%	1.0%	0.7%	0.4%
<b>Property Taxes</b>	<b>2.8%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.8%</b>	<b>1.5%</b>	<b>1.2%</b>
Property Taxes on Families	2.8%	1.7%	1.7%	1.6%	1.7%	1.4%	0.8%
Other Property Taxes	0.1%	0.0%	0.1%	0.1%	0.1%	0.2%	0.4%
<b>Income Taxes</b>	<b>0.4%</b>	<b>1.7%</b>	<b>2.9%</b>	<b>3.8%</b>	<b>4.1%</b>	<b>4.5%</b>	<b>5.3%</b>
Personal Income Tax	0.3%	1.7%	2.9%	3.8%	4.1%	4.4%	5.2%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
<b>TOTAL TAXES</b>	<b>12.0%</b>	<b>11.1%</b>	<b>11.2%</b>	<b>10.6%</b>	<b>9.8%</b>	<b>8.6%</b>	<b>7.9%</b>
Federal Deduction Offset	—	–0.0%	–0.1%	–0.4%	–1.0%	–1.5%	–2.2%
<b>TOTAL AFTER OFFSET</b>	<b>12.0%</b>	<b>11.1%</b>	<b>11.1%</b>	<b>10.3%</b>	<b>8.8%</b>	<b>7.1%</b>	<b>5.7%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Oklahoma Tax Trends

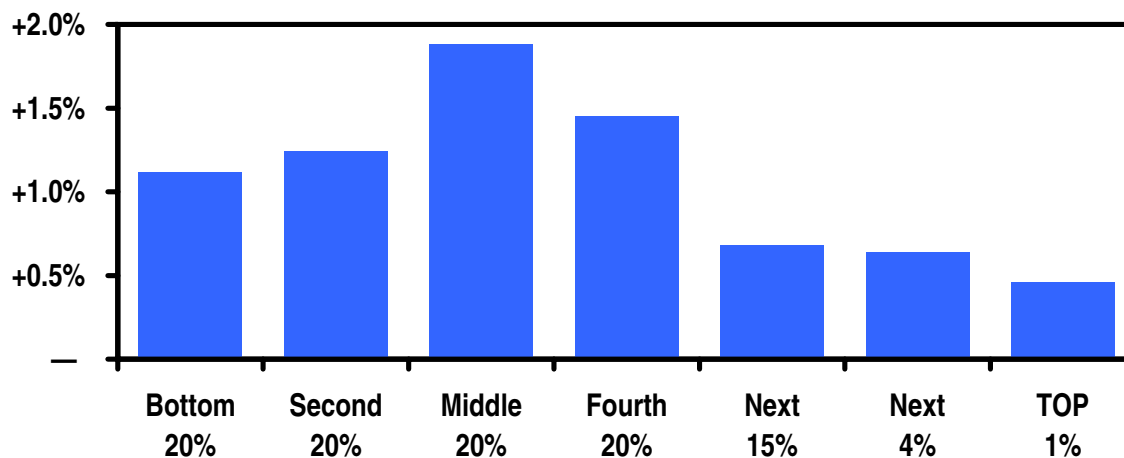
## Progressive Features

- ✓ Refundable "Food Sales Tax Credit"
- ✓ Property tax homestead exemption
- ✓ Refundable EITC

## Regressive Features

- ✗ Sales tax applies to groceries
- ✗ Deduction for federal income taxes paid
- ✗ No indexing of brackets or exemptions

## Changes in Taxes as Shares of Income, 1989 – 2002

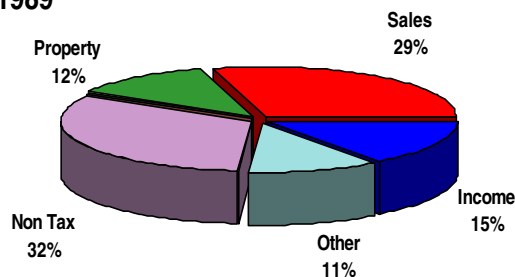


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
<b>Sales &amp; Excise</b>	+0.4%	+0.2%	+0.3%	+0.2%	+0.2%	+0.1%	+0.1%
<b>Property</b>	+0.6%	+0.1%	+0.3%	+0.1%	+0.0%	-0.1%	+0.2%
<b>Income</b>	+0.2%	+0.9%	+1.3%	+1.2%	+0.7%	+0.9%	+1.0%
<b>Federal Offset</b>	+0.0%	-0.0%	-0.0%	-0.1%	-0.2%	-0.3%	-0.8%
<b>Overall Change</b>	+1.1%	+1.2%	+1.9%	+1.5%	+0.7%	+0.6%	+0.5%

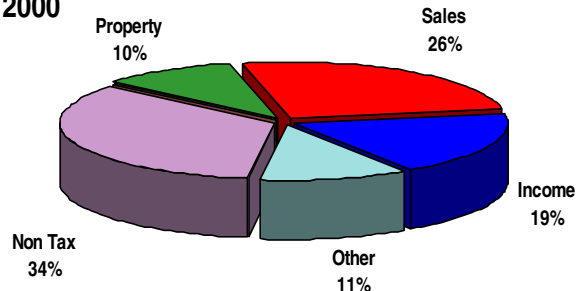
The erosion of the value of exemptions, deductions and tax brackets due to inflation, combined with a new top rate, caused income taxes to rise. This was mitigated for the bottom 20% only through the introduction of new refundable credits, including an EITC and a grocery sales tax credit. The general sales tax rate went up by 0.5%, a regressive change.

## Composition of Revenues

1989



2000

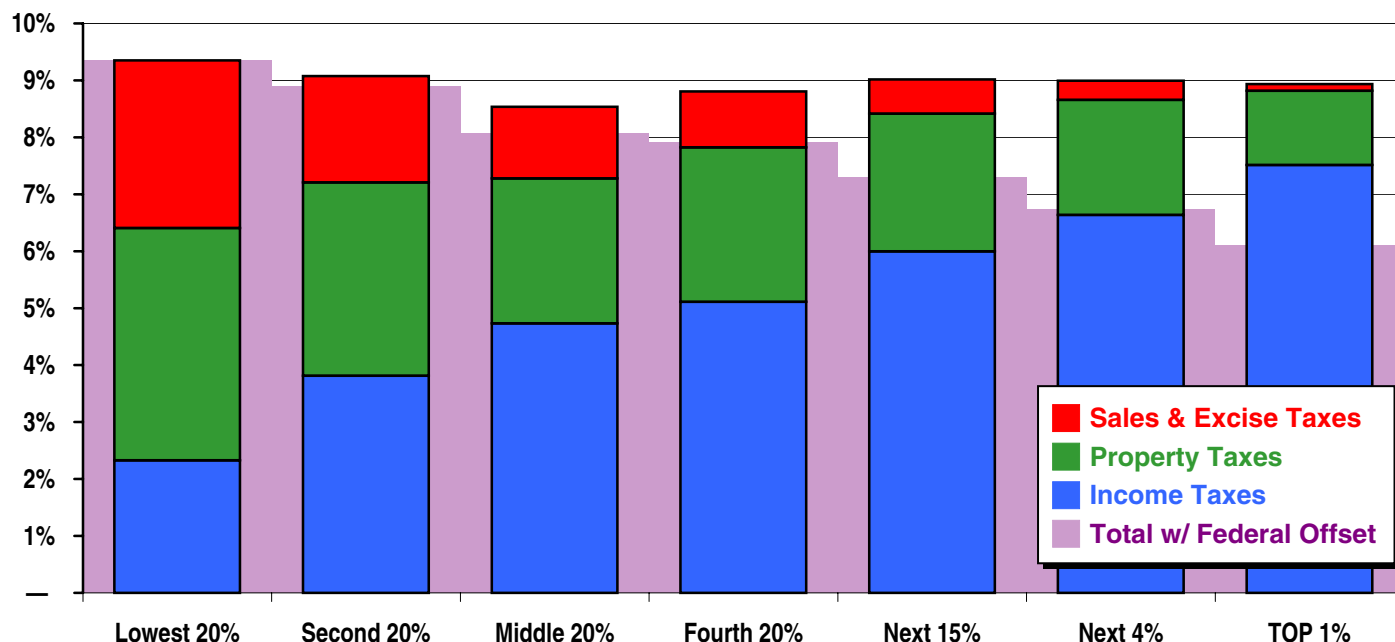


Source: Government Finances, US Department of Census

# Oregon

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$27,000	\$27,000 – \$44,000	\$44,000 – \$71,000	\$71,000 – \$132,000	\$132,000 – \$308,000	\$308,000 or more
Average Income in Group	\$9,300	\$21,100	\$34,200	\$56,100	\$90,900	\$182,200	\$672,400
<b>Sales &amp; Excise Taxes</b>	<b>2.9%</b>	<b>1.9%</b>	<b>1.3%</b>	<b>1.0%</b>	<b>0.6%</b>	<b>0.3%</b>	<b>0.1%</b>
General Sales—Individuals	—	—	—	—	—	—	—
Other Sales & Excise—Ind.	2.8%	1.7%	1.1%	0.9%	0.5%	0.3%	0.1%
Sales & Excise on Business	0.2%	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%
<b>Property Taxes</b>	<b>4.1%</b>	<b>3.4%</b>	<b>2.5%</b>	<b>2.7%</b>	<b>2.4%</b>	<b>2.0%</b>	<b>1.3%</b>
Property Taxes on Families	4.0%	3.3%	2.5%	2.6%	2.2%	1.8%	0.8%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.5%
<b>Income Taxes</b>	<b>2.3%</b>	<b>3.8%</b>	<b>4.7%</b>	<b>5.1%</b>	<b>6.0%</b>	<b>6.6%</b>	<b>7.5%</b>
Personal Income Tax	2.3%	3.8%	4.7%	5.1%	6.0%	6.6%	7.3%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>9.4%</b>	<b>9.1%</b>	<b>8.5%</b>	<b>8.8%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>8.9%</b>
Federal Deduction Offset	—	–0.2%	–0.5%	–0.9%	–1.7%	–2.3%	–2.8%
<b>TOTAL AFTER OFFSET</b>	<b>9.4%</b>	<b>8.9%</b>	<b>8.1%</b>	<b>7.9%</b>	<b>7.3%</b>	<b>6.7%</b>	<b>6.1%</b>

Note: Table shows 2002 tax law at 2000 income levels.



# Oregon Tax Trends

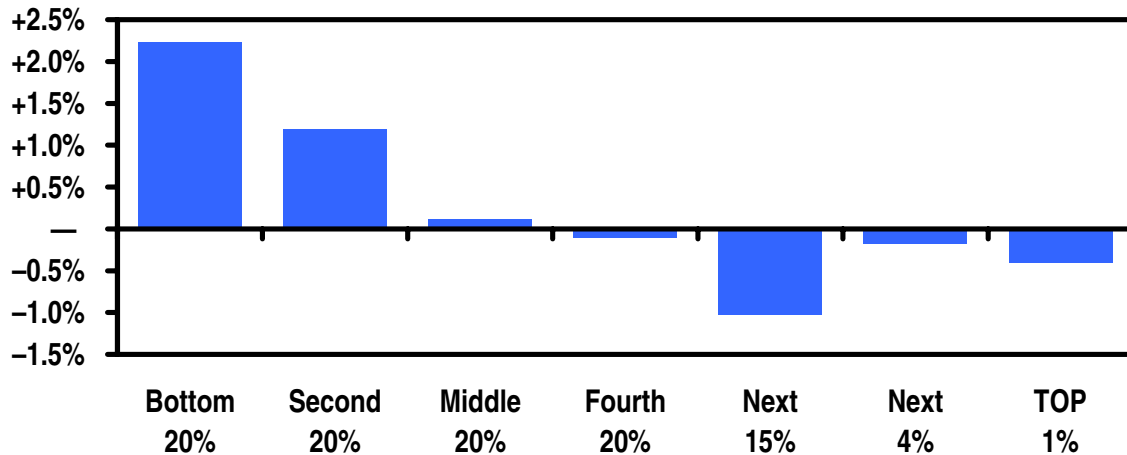
## Progressive Features

- ✓ No sales tax
- ✓ Non-refundable EITC
- ✓ Tax brackets and exemptions indexed

## Regressive Features

- ✗ Deduction for federal income taxes paid

## Changes in Taxes as Shares of Income, 1989 – 2002

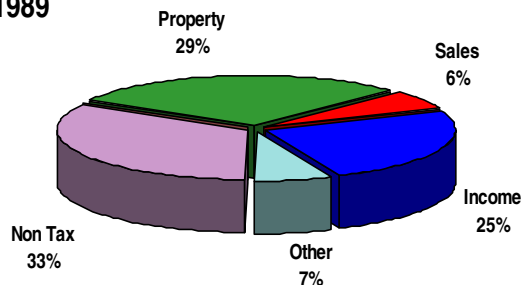


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.6%	+0.8%	+0.5%	+0.4%	+0.2%	+0.1%	+0.0%
Property	+0.4%	+0.5%	-0.3%	-0.4%	-1.4%	-0.9%	-0.4%
Income	+0.2%	+0.0%	+0.1%	-0.0%	+0.2%	+0.7%	+0.5%
Federal Offset	—	-0.1%	-0.2%	-0.1%	+0.0%	-0.0%	-0.5%
Overall Change	+2.2%	+1.2%	+0.1%	-0.1%	-1.0%	-0.2%	-0.4%

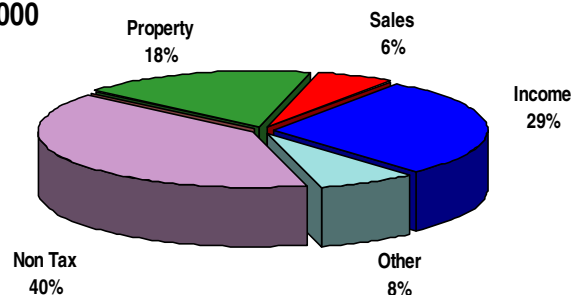
The cap for Oregon's relatively uncommon income tax deduction for federal income taxes paid was increased to \$5,000. Oregon's brackets are indexed, but income grew faster than the index factor letting inflation cause an implicit income tax hike. The small, nonrefundable EITC was not sufficient to offset inflationary effects and a series of cigarette tax hikes.

## Composition of Revenues

1989



2000

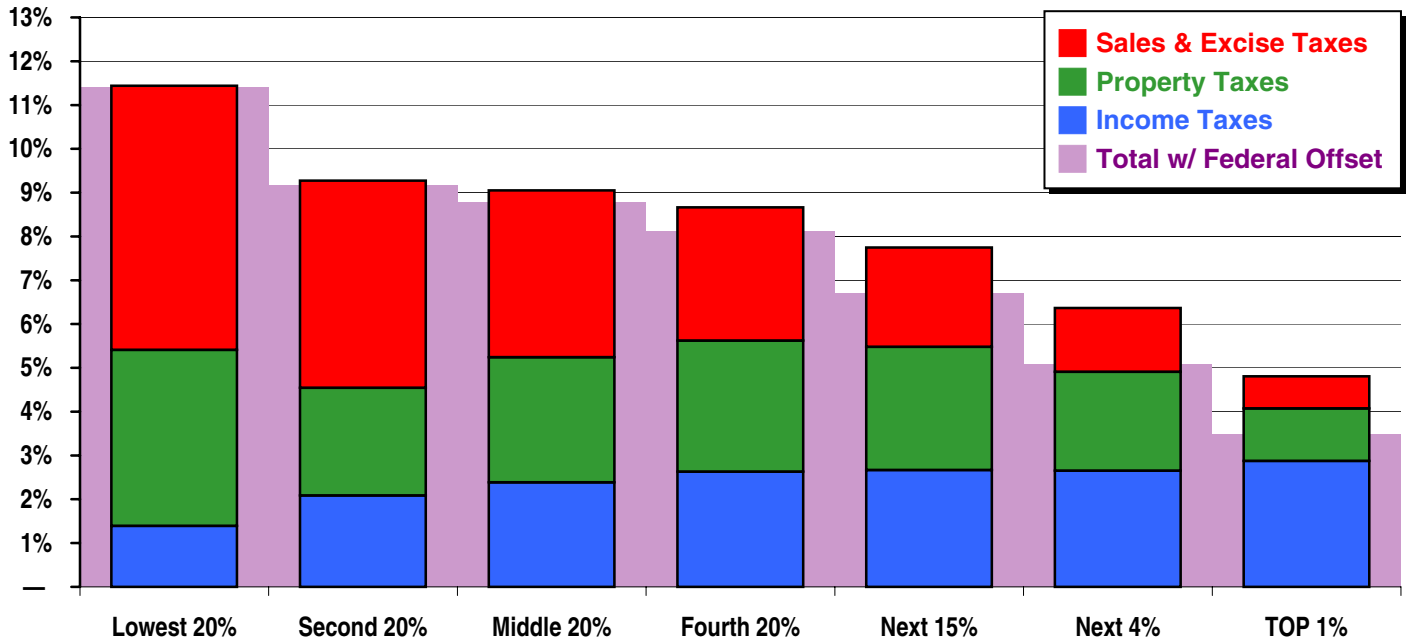


Source: Government Finances, US Department of Census

# Pennsylvania

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$28,000	\$28,000 – \$45,000	\$45,000 – \$71,000	\$71,000 – \$133,000	\$133,000 – \$301,000	\$301,000 or more
Average Income in Group	\$9,100	\$21,900	\$36,200	\$56,400	\$92,900	\$190,800	\$897,200
<b>Sales &amp; Excise Taxes</b>	<b>6.0%</b>	<b>4.7%</b>	<b>3.8%</b>	<b>3.0%</b>	<b>2.3%</b>	<b>1.5%</b>	<b>0.7%</b>
General Sales—Individuals	2.4%	2.2%	1.9%	1.6%	1.2%	0.8%	0.4%
Other Sales & Excise—Ind.	2.0%	1.1%	0.8%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	1.7%	1.4%	1.1%	0.9%	0.6%	0.4%	0.2%
<b>Property Taxes</b>	<b>4.0%</b>	<b>2.5%</b>	<b>2.9%</b>	<b>3.0%</b>	<b>2.8%</b>	<b>2.3%</b>	<b>1.2%</b>
Property Taxes on Families	4.0%	2.4%	2.8%	2.9%	2.7%	2.1%	0.9%
Other Property Taxes	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.3%
<b>Income Taxes</b>	<b>1.4%</b>	<b>2.1%</b>	<b>2.4%</b>	<b>2.6%</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.9%</b>
Personal Income Tax	1.4%	2.0%	2.3%	2.6%	2.6%	2.5%	2.5%
Corporate Income Tax	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.4%
<b>TOTAL TAXES</b>	<b>11.4%</b>	<b>9.3%</b>	<b>9.1%</b>	<b>8.7%</b>	<b>7.7%</b>	<b>6.4%</b>	<b>4.8%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.3%	–0.5%	–1.1%	–1.3%	–1.3%
<b>TOTAL AFTER OFFSET</b>	<b>11.4%</b>	<b>9.2%</b>	<b>8.8%</b>	<b>8.1%</b>	<b>6.7%</b>	<b>5.1%</b>	<b>3.5%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Pennsylvania Tax Trends

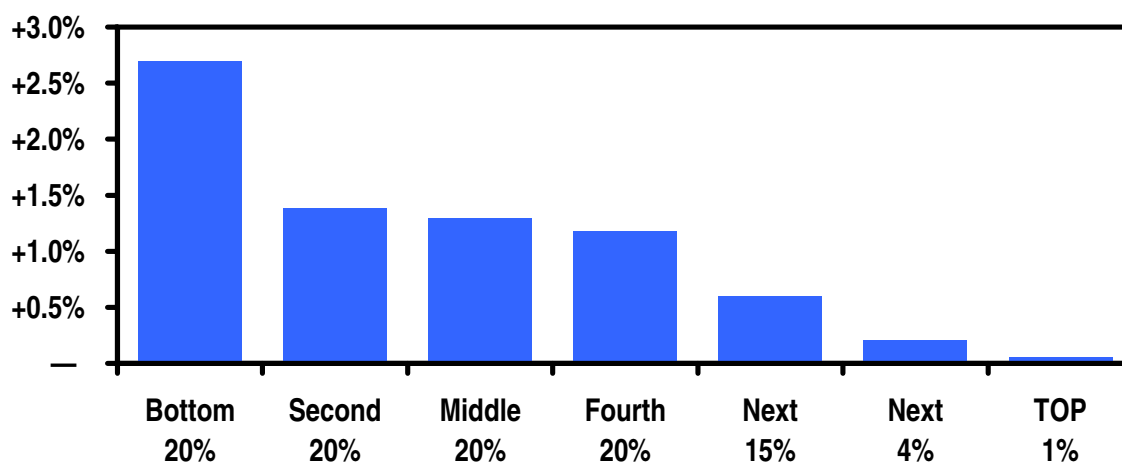
## Progressive Features

- ✓ "Tax forgiveness" credit

## Regressive Features

- ✗ Flat-rate income tax
- ✗ Relatively high cigarette tax

## Changes in Taxes as Shares of Income, 1989 – 2002

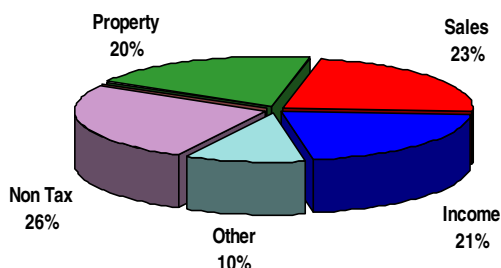


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.2%	+0.5%	+0.3%	+0.2%	+0.2%	+0.1%	+0.0%
Property	+1.2%	+0.7%	+0.7%	+0.6%	+0.1%	-0.3%	-0.0%
Income	+0.3%	+0.2%	+0.4%	+0.6%	+0.6%	+0.5%	+0.6%
Federal Offset	-0.0%	-0.1%	-0.1%	-0.2%	-0.3%	-0.1%	-0.5%
Overall Change	+2.7%	+1.4%	+1.3%	+1.2%	+0.6%	+0.2%	+0.1%

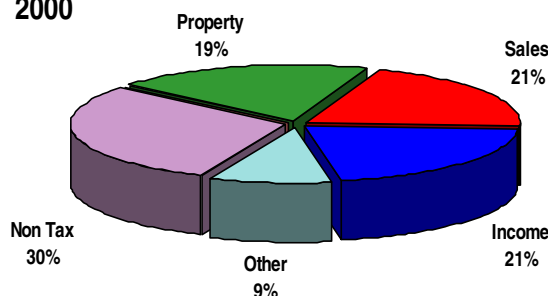
Pennsylvania's income tax was made slightly more progressive by the expansion of the low-income tax threshold, which partially offset the rate hike for the low-income taxpayers. The 1999 repeal of the gross receipts tax on residential natural gas was a progressive change. However, cigarette excise taxes were hiked by 82 cents since 1989--a regressive hike. The gradual repeal of the capital stock franchise tax will make the tax system even more regressive if it is fully implemented (as currently scheduled) in 2010.

## Composition of Revenues

1989



2000

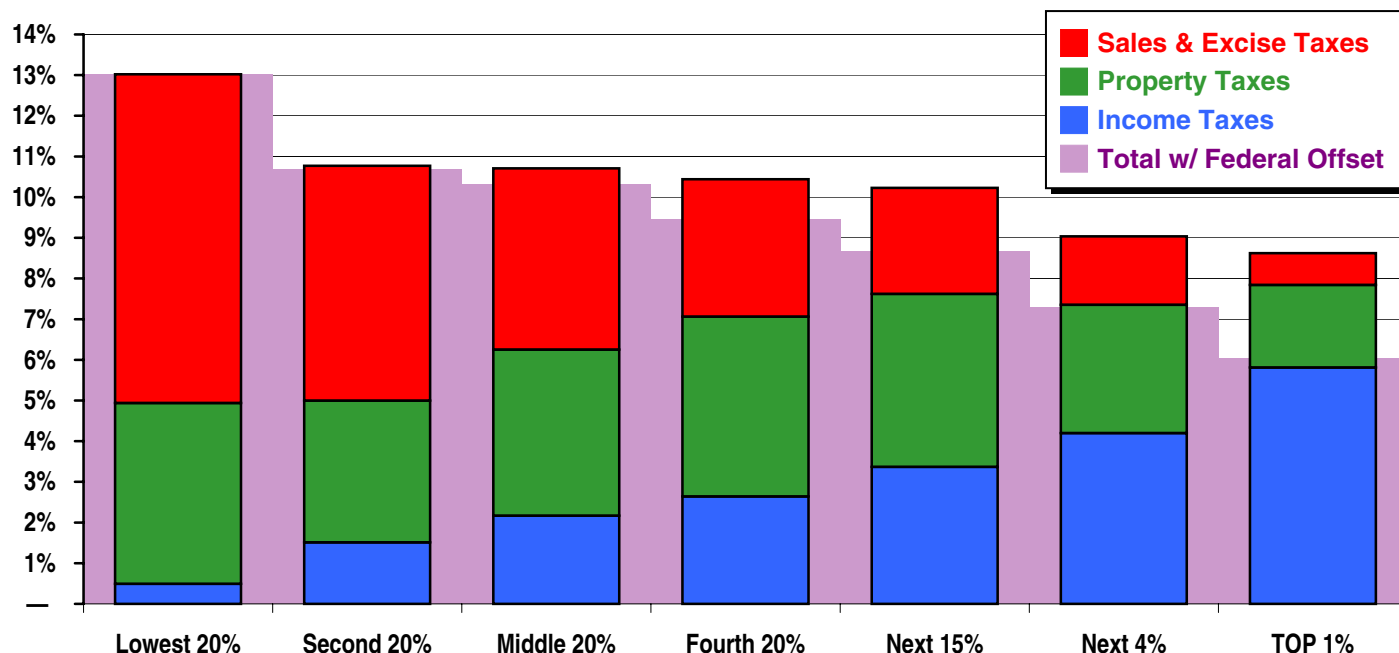


Source: Government Finances, US Department of Census

# Rhode Island

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$29,000	\$29,000 – \$47,000	\$47,000 – \$71,000	\$71,000 – \$144,000	\$144,000 – \$272,000	\$272,000 or more
Average Income in Group	\$8,400	\$21,500	\$36,000	\$57,900	\$96,100	\$189,000	\$757,400
<b>Sales &amp; Excise Taxes</b>	<b>8.1%</b>	<b>5.8%</b>	<b>4.5%</b>	<b>3.4%</b>	<b>2.6%</b>	<b>1.7%</b>	<b>0.8%</b>
General Sales—Individuals	3.2%	2.6%	2.1%	1.7%	1.4%	0.9%	0.4%
Other Sales & Excise—Ind.	3.0%	1.7%	1.3%	0.9%	0.6%	0.4%	0.1%
Sales & Excise on Business	1.9%	1.5%	1.1%	0.8%	0.6%	0.4%	0.2%
<b>Property Taxes</b>	<b>4.4%</b>	<b>3.5%</b>	<b>4.1%</b>	<b>4.4%</b>	<b>4.3%</b>	<b>3.2%</b>	<b>2.0%</b>
Property Taxes on Families	4.3%	3.3%	3.9%	4.2%	4.0%	2.7%	1.3%
Other Property Taxes	0.1%	0.2%	0.1%	0.2%	0.3%	0.4%	0.7%
<b>Income Taxes</b>	<b>0.5%</b>	<b>1.5%</b>	<b>2.2%</b>	<b>2.6%</b>	<b>3.4%</b>	<b>4.2%</b>	<b>5.8%</b>
Personal Income Tax	0.5%	1.5%	2.2%	2.6%	3.3%	4.1%	5.7%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
<b>TOTAL TAXES</b>	<b>13.0%</b>	<b>10.8%</b>	<b>10.7%</b>	<b>10.4%</b>	<b>10.2%</b>	<b>9.0%</b>	<b>8.6%</b>
Federal Deduction Offset	—	–0.1%	–0.4%	–1.0%	–1.6%	–1.8%	–2.6%
<b>TOTAL AFTER OFFSET</b>	<b>13.0%</b>	<b>10.7%</b>	<b>10.3%</b>	<b>9.5%</b>	<b>8.7%</b>	<b>7.3%</b>	<b>6.0%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Rhode Island Tax Trends

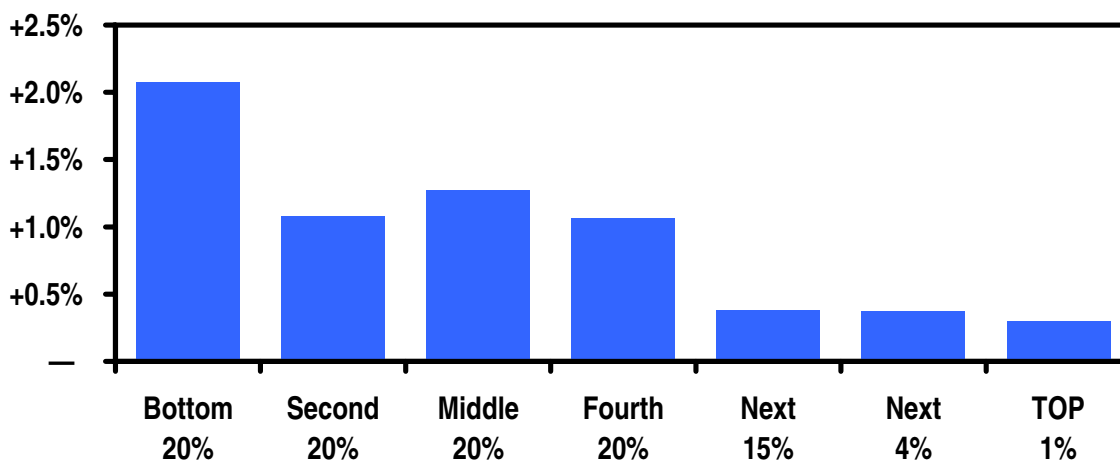
## Progressive Features

- ✓ Income tax based on progressive federal tax

## Regressive Features

- ✗ High sales tax rate
- ✗ One of the highest cigarette taxes in the nation

## Changes in Taxes as Shares of Income, 1989 – 2002

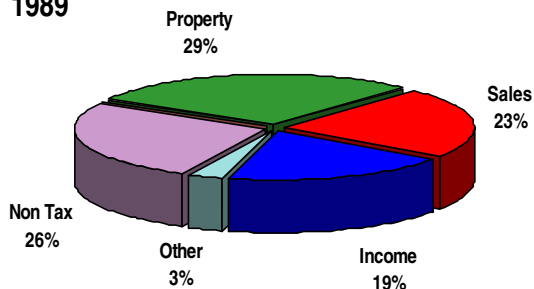


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.6%	+0.8%	+0.6%	+0.4%	+0.3%	+0.2%	+0.0%
Property	+0.6%	+0.5%	+0.7%	+0.9%	-0.0%	-0.5%	+0.1%
Income	-0.1%	-0.2%	+0.1%	+0.3%	+0.5%	+0.6%	+1.0%
Federal Offset	—	-0.0%	-0.2%	-0.5%	-0.3%	+0.0%	-0.9%
Overall Change	+2.1%	+1.1%	+1.3%	+1.1%	+0.4%	+0.4%	+0.3%

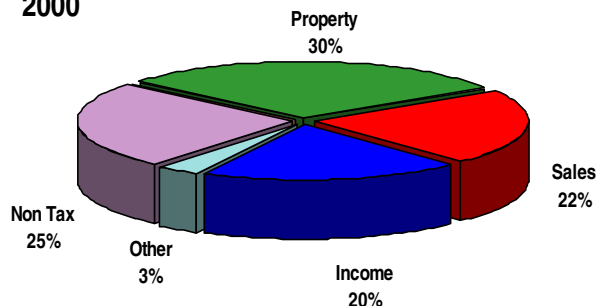
Until the state decoupled from the federal system in 2001, Rhode Island state income tax was calculated as a percentage of federal income tax. This simple tax system became more progressive in the 1990s as the federal tax became more progressive, and Rhode Island maintained its strong progressivity by using the tax brackets as they stood before the regressive 2001 rate reductions. Unfortunately these progressive changes in the income tax were not enough to offset a regressive 1% hike of the general sales tax and an enormous cigarette tax hike of \$1.24.

## Composition of Revenues

1989



2000

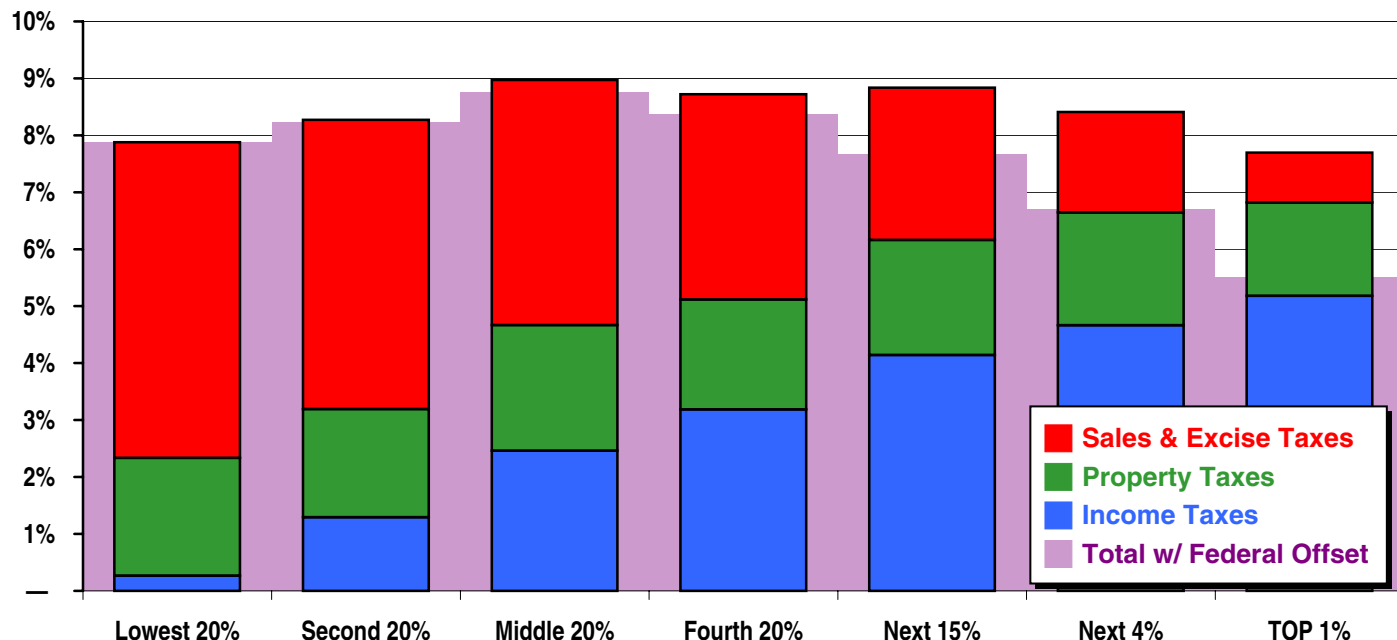


Source: Government Finances, US Department of Census

# South Carolina

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$13,000	\$13,000 – \$22,000	\$22,000 – \$35,000	\$35,000 – \$59,000	\$59,000 – \$110,000	\$110,000 – \$232,000	\$232,000 or more
Average Income in Group	\$8,000	\$17,600	\$27,800	\$45,900	\$77,300	\$147,000	\$626,500
<b>Sales &amp; Excise Taxes</b>	<b>5.5%</b>	<b>5.1%</b>	<b>4.3%</b>	<b>3.6%</b>	<b>2.7%</b>	<b>1.8%</b>	<b>0.9%</b>
General Sales—Individuals	3.7%	3.4%	2.9%	2.4%	1.8%	1.2%	0.6%
Other Sales & Excise—Ind.	1.0%	1.0%	0.8%	0.7%	0.5%	0.3%	0.1%
Sales & Excise on Business	0.8%	0.7%	0.6%	0.5%	0.3%	0.2%	0.1%
<b>Property Taxes</b>	<b>2.1%</b>	<b>1.9%</b>	<b>2.2%</b>	<b>1.9%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>1.6%</b>
Property Taxes on Families	2.0%	1.8%	2.1%	1.8%	1.8%	1.6%	0.8%
Other Property Taxes	0.1%	0.0%	0.1%	0.1%	0.2%	0.4%	0.8%
<b>Income Taxes</b>	<b>0.3%</b>	<b>1.3%</b>	<b>2.5%</b>	<b>3.2%</b>	<b>4.1%</b>	<b>4.7%</b>	<b>5.2%</b>
Personal Income Tax	0.2%	1.3%	2.4%	3.2%	4.1%	4.6%	5.1%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
<b>TOTAL TAXES</b>	<b>7.9%</b>	<b>8.3%</b>	<b>9.0%</b>	<b>8.7%</b>	<b>8.8%</b>	<b>8.4%</b>	<b>7.7%</b>
Federal Deduction Offset	–0.0%	–0.0%	–0.2%	–0.3%	–1.2%	–1.7%	–2.2%
<b>TOTAL AFTER OFFSET</b>	<b>7.9%</b>	<b>8.2%</b>	<b>8.8%</b>	<b>8.4%</b>	<b>7.7%</b>	<b>6.7%</b>	<b>5.5%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# South Carolina Tax Trends

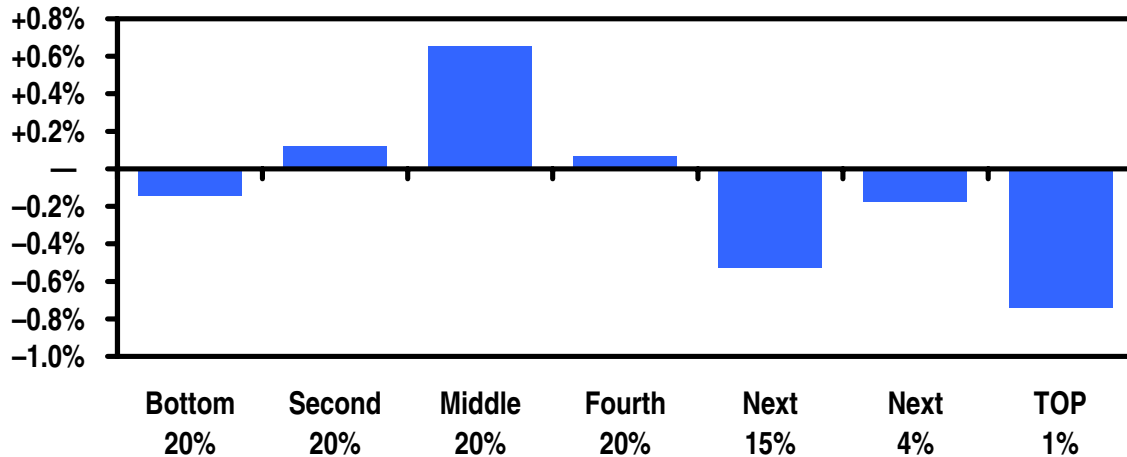
## Progressive Features

- ✓ Tax brackets indexed

## Regressive Features

- ✗ Sales tax applies to groceries
- ✗ Capital gains exclusion

## Changes in Taxes as Shares of Income, 1989 – 2002

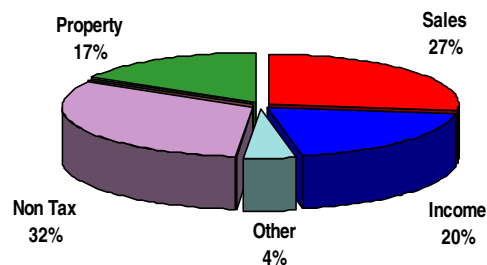


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	-0.4%	-0.3%	-0.2%	-0.2%	-0.1%	-0.1%	-0.1%
Property	+0.3%	+0.3%	+0.7%	+0.3%	-0.2%	-0.0%	-0.0%
Income	-0.1%	+0.1%	+0.2%	+0.0%	+0.0%	+0.1%	-0.3%
Federal Offset	-0.0%	-0.0%	-0.1%	-0.1%	-0.2%	-0.1%	-0.4%
Overall Change	-0.1%	+0.1%	+0.7%	+0.1%	-0.5%	-0.2%	-0.7%

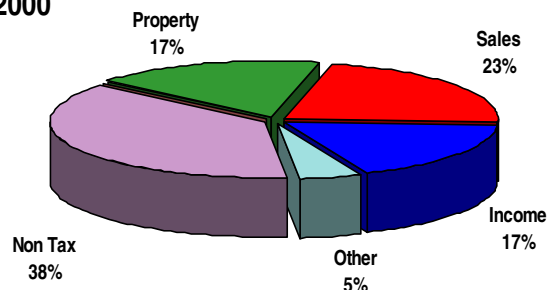
Tax reform in 1991 introduced a 2.5% bottom bracket, a small progressive change that was matched with a regressive capital gains exclusion. Even though the brackets are indexed, they still don't increase enough to keep pace with rising incomes, pushing lower-income residents into the upper brackets over time. Also effective in 1991, counties were allowed to enact local sales taxes. The cumulative impact of these local sales taxes over the decade has been nearly a half cent hike. These hikes in the general sales tax were offset by inflationary erosion of excise taxes.

## Composition of Revenues

1989



2000

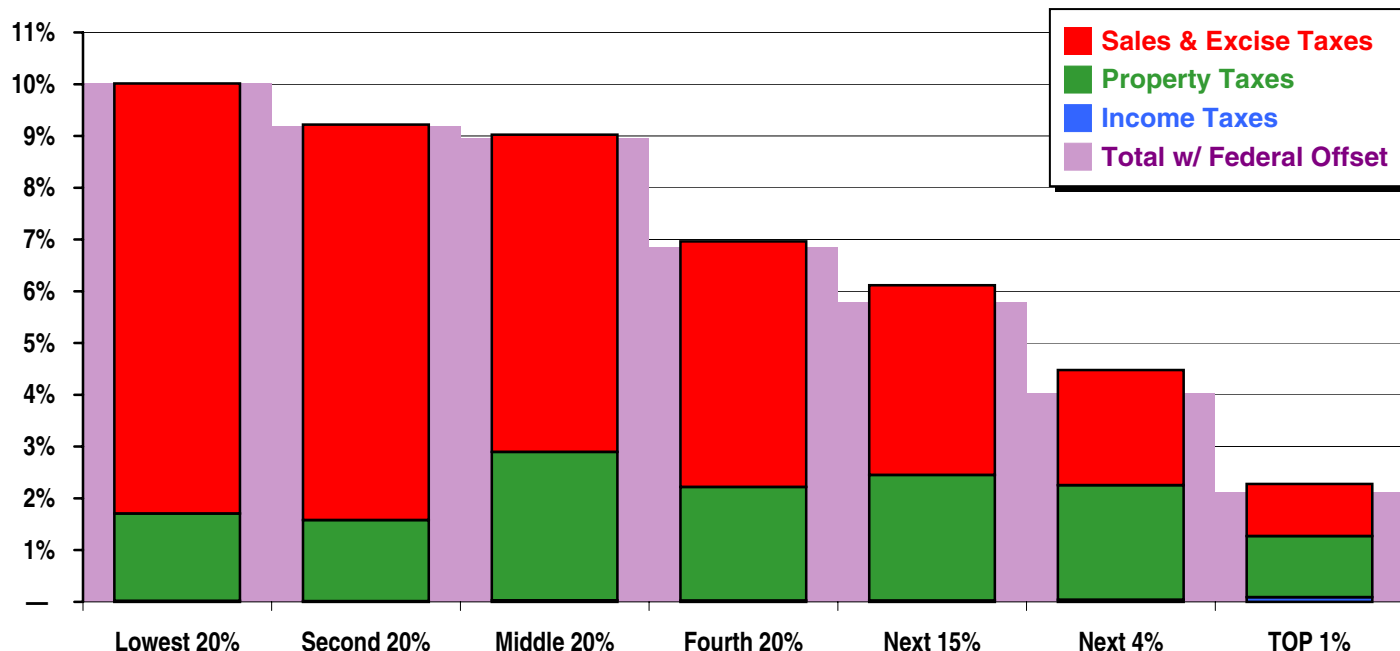


Source: Government Finances, US Department of Census

# South Dakota

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$25,000	\$25,000 – \$40,000	\$40,000 – \$64,000	\$64,000 – \$112,000	\$112,000 – \$291,000	\$291,000 or more
Average Income in Group	\$9,000	\$19,400	\$31,900	\$50,900	\$79,600	\$160,700	\$714,000
<b>Sales &amp; Excise Taxes</b>	<b>8.3%</b>	<b>7.6%</b>	<b>6.1%</b>	<b>4.7%</b>	<b>3.7%</b>	<b>2.2%</b>	<b>1.0%</b>
General Sales—Individuals	4.1%	3.7%	3.0%	2.5%	1.9%	1.2%	0.6%
Other Sales & Excise—Ind.	1.7%	1.6%	1.3%	1.0%	0.7%	0.4%	0.1%
Sales & Excise on Business	2.4%	2.3%	1.8%	1.3%	1.0%	0.6%	0.3%
<b>Property Taxes</b>	<b>1.7%</b>	<b>1.6%</b>	<b>2.9%</b>	<b>2.2%</b>	<b>2.4%</b>	<b>2.2%</b>	<b>1.2%</b>
Property Taxes on Families	1.6%	1.5%	2.7%	2.0%	2.2%	1.8%	0.5%
Other Property Taxes	0.1%	0.1%	0.2%	0.2%	0.3%	0.4%	0.6%
<b>Income Taxes</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
<b>TOTAL TAXES</b>	<b>10.0%</b>	<b>9.2%</b>	<b>9.0%</b>	<b>7.0%</b>	<b>6.1%</b>	<b>4.5%</b>	<b>2.3%</b>
Federal Deduction Offset	—	–0.0%	–0.1%	–0.1%	–0.3%	–0.5%	–0.2%
<b>TOTAL AFTER OFFSET</b>	<b>10.0%</b>	<b>9.2%</b>	<b>9.0%</b>	<b>6.8%</b>	<b>5.8%</b>	<b>4.0%</b>	<b>2.1%</b>

Notes: Table shows 2002 tax law at 2000 income levels; Corporate income tax consists of miscellaneous taxes and fees levied on businesses



# South Dakota Tax Trends

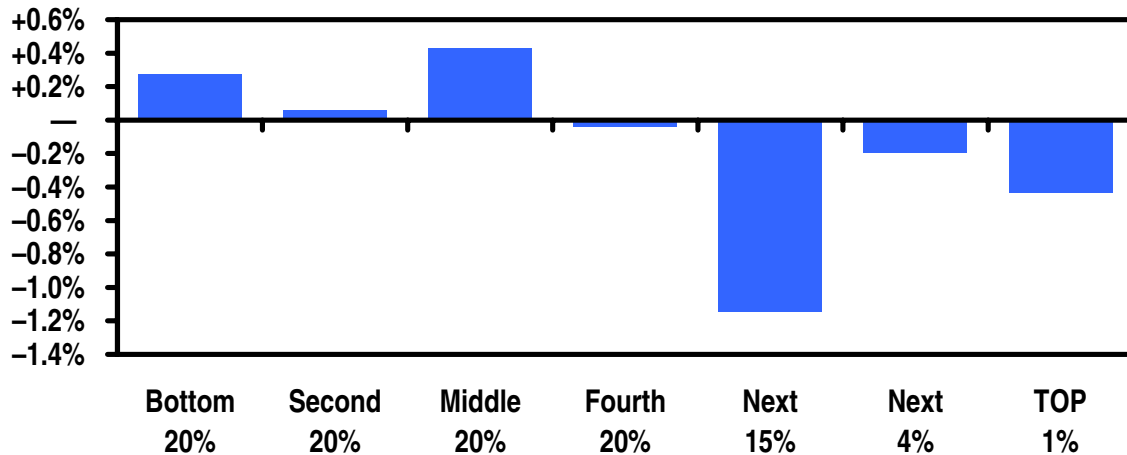
## Progressive Features

✗ None

## Regressive Features

- ✗ Sales tax applies to groceries
- ✗ No broad-based personal income tax
- ✗ No corporate income tax

## Changes in Taxes as Shares of Income, 1989 – 2002

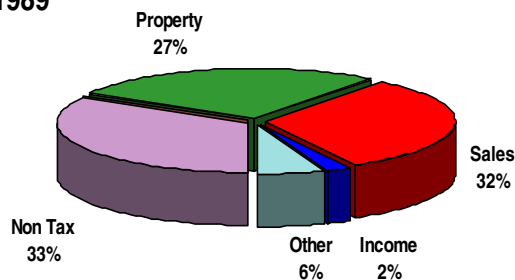


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.5%	+0.5%	+0.4%	+0.3%	+0.2%	+0.1%	+0.0%
Property	-0.2%	-0.4%	+0.0%	-0.3%	-1.2%	-0.3%	-0.5%
Income	-0.0%	-0.0%	+0.0%	-0.0%	-0.0%	-0.0%	-0.0%
Federal Offset	+0.0%	-0.0%	+0.0%	+0.0%	-0.1%	-0.0%	+0.1%
Overall Change	+0.3%	+0.1%	+0.4%	-0.0%	-1.1%	-0.2%	-0.4%

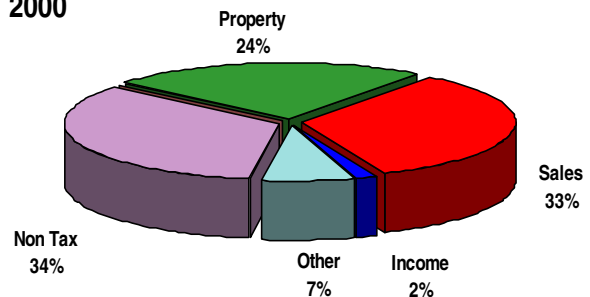
The 30% drop in residential property taxes was a largely flat cut, but since expansions in the sales tax were used to pay for the cut, low income residents saw most of their tax savings disappear.

## Composition of Revenues

1989



2000

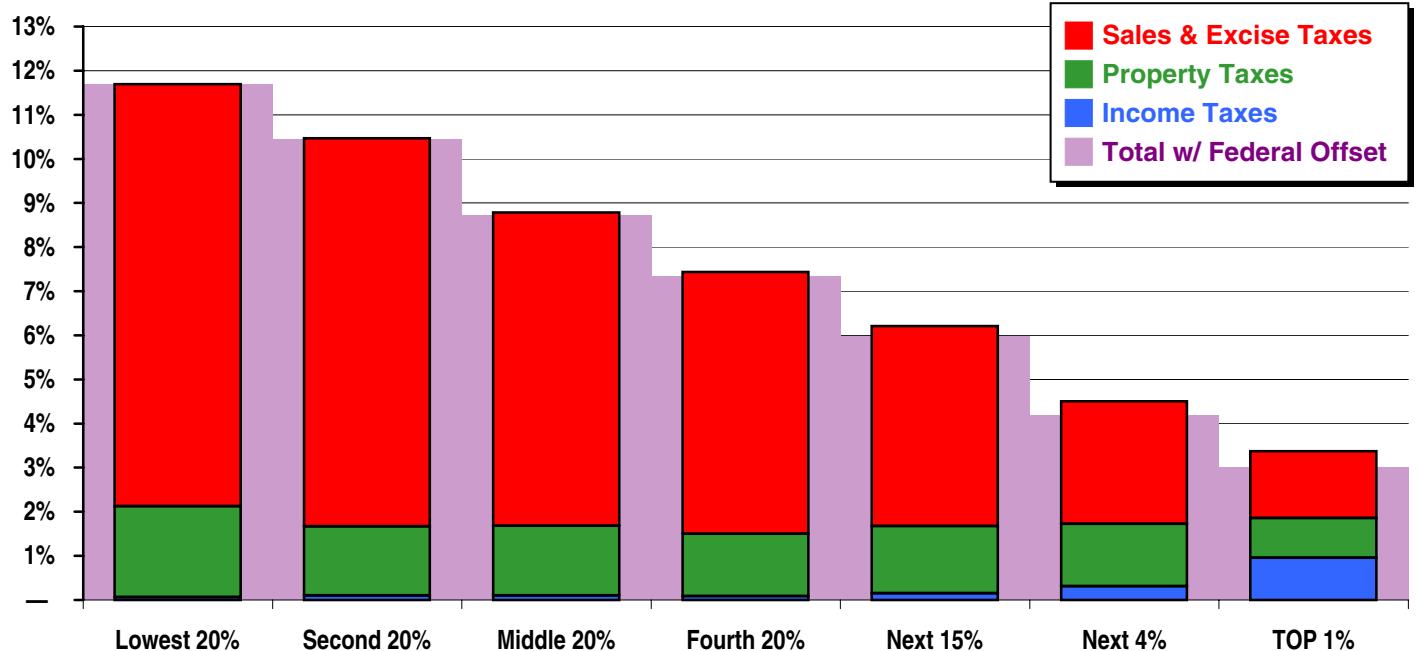


Source: Government Finances, US Department of Census

# Tennessee

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$14,000	\$14,000 – \$24,000	\$24,000 – \$38,000	\$38,000 – \$61,000	\$61,000 – \$119,000	\$119,000 – \$269,000	\$269,000 or more
Average Income in Group	\$8,700	\$19,000	\$30,400	\$47,600	\$80,200	\$167,000	\$828,400
<b>Sales &amp; Excise Taxes</b>	<b>9.6%</b>	<b>8.8%</b>	<b>7.1%</b>	<b>5.9%</b>	<b>4.5%</b>	<b>2.8%</b>	<b>1.5%</b>
General Sales—Individuals	6.1%	5.9%	4.9%	4.2%	3.2%	1.9%	1.0%
Other Sales & Excise—Ind.	0.9%	0.6%	0.4%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	2.5%	2.3%	1.8%	1.5%	1.1%	0.7%	0.5%
<b>Property Taxes</b>	<b>2.1%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.4%</b>	<b>1.5%</b>	<b>1.4%</b>	<b>0.9%</b>
Property Taxes on Families	2.0%	1.5%	1.5%	1.4%	1.4%	1.2%	0.5%
Other Property Taxes	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.4%
<b>Income Taxes</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>1.0%</b>
Personal Income Tax	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.5%
Corporate Income Tax	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.5%
<b>TOTAL TAXES</b>	<b>11.7%</b>	<b>10.5%</b>	<b>8.8%</b>	<b>7.4%</b>	<b>6.2%</b>	<b>4.5%</b>	<b>3.4%</b>
Federal Deduction Offset	–0.0%	–0.0%	–0.1%	–0.1%	–0.2%	–0.3%	–0.4%
<b>TOTAL AFTER OFFSET</b>	<b>11.7%</b>	<b>10.4%</b>	<b>8.7%</b>	<b>7.3%</b>	<b>6.0%</b>	<b>4.2%</b>	<b>3.0%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Tennessee Tax Trends

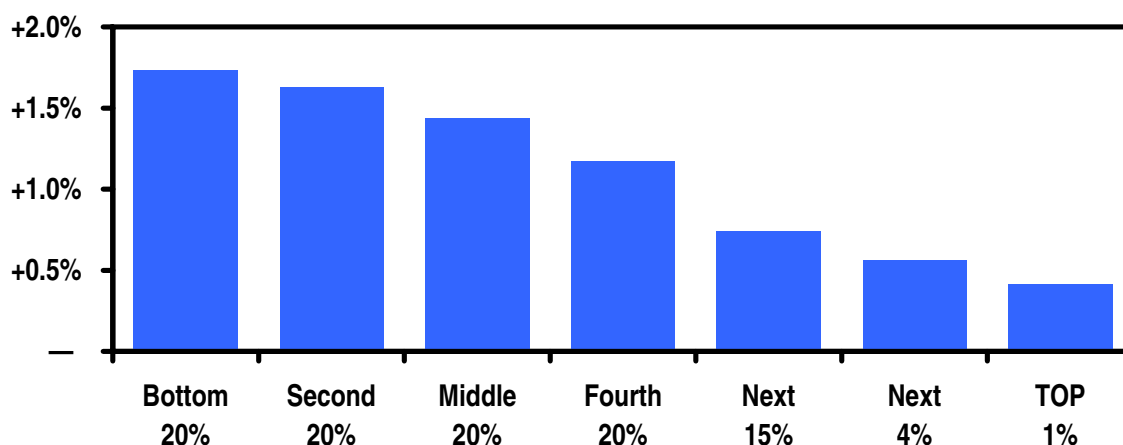
## Progressive Features

- ✓ Tax on unearned income

## Regressive Features

- ✗ No broad-based income tax
- ✗ Sales tax applies to groceries, though at a slightly lower rate

## Changes in Taxes as Shares of Income, 1989 – 2002

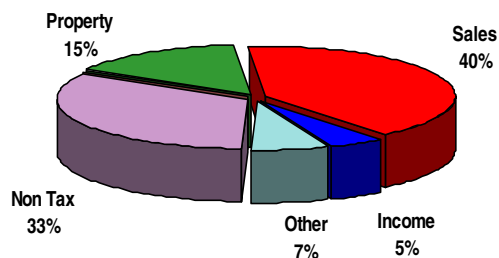


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.3%	+1.2%	+1.0%	+0.9%	+0.6%	+0.4%	+0.2%
Property	+0.4%	+0.4%	+0.4%	+0.3%	+0.1%	+0.0%	+0.0%
Income	+0.0%	+0.1%	+0.1%	+0.1%	+0.1%	+0.1%	+0.2%
Federal Offset	-0.0%	-0.0%	-0.0%	-0.0%	-0.1%	-0.0%	-0.1%
Overall Change	+1.7%	+1.6%	+1.4%	+1.2%	+0.7%	+0.6%	+0.4%

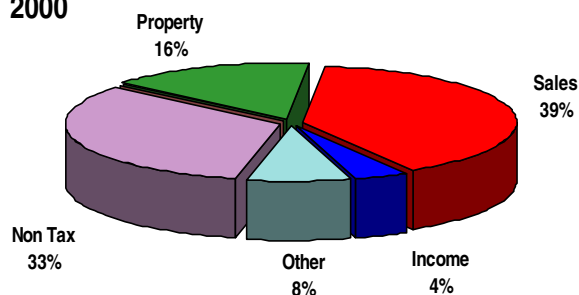
Tennessee increased its state sales tax by 1.5% over the decade. In combination with hikes in alcohol and tobacco excise taxes, these tax hikes made Tennessee's revenue structure even more regressive despite exempting the tax on groceries from the latest increase.

## Composition of Revenues

1989



2000

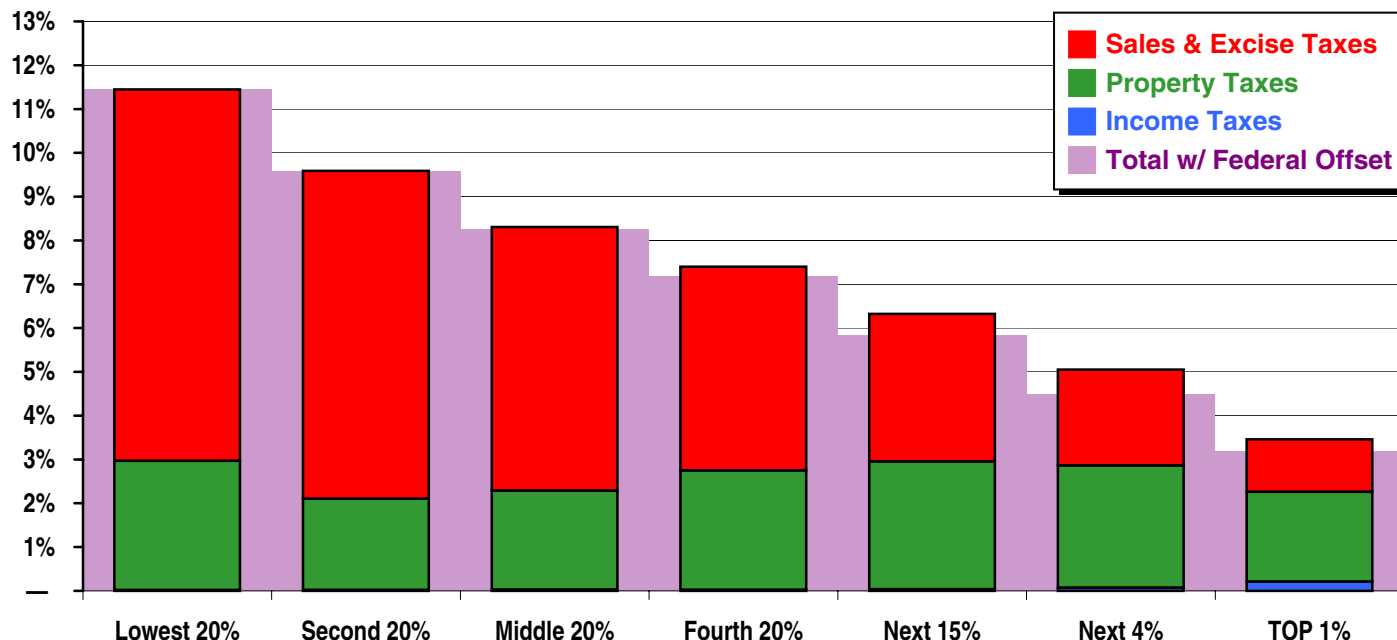


Source: Government Finances, US Department of Census

# Texas

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$25,000	\$25,000 – \$40,000	\$40,000 – \$69,000	\$69,000 – \$147,000	\$147,000 – \$304,000	\$304,000 or more
Average Income in Group	\$9,300	\$19,700	\$31,900	\$52,500	\$95,300	\$202,300	\$1,080,900
<b>Sales &amp; Excise Taxes</b>	<b>8.5%</b>	<b>7.5%</b>	<b>6.0%</b>	<b>4.7%</b>	<b>3.4%</b>	<b>2.2%</b>	<b>1.2%</b>
General Sales—Individuals	4.1%	3.8%	3.1%	2.5%	1.9%	1.3%	0.7%
Other Sales & Excise—Ind.	1.2%	0.9%	0.7%	0.5%	0.3%	0.2%	0.0%
Sales & Excise on Business	3.1%	2.8%	2.2%	1.7%	1.2%	0.8%	0.4%
<b>Property Taxes</b>	<b>3.0%</b>	<b>2.1%</b>	<b>2.3%</b>	<b>2.7%</b>	<b>2.9%</b>	<b>2.8%</b>	<b>2.1%</b>
Property Taxes on Families	2.8%	1.9%	2.1%	2.4%	2.5%	2.2%	0.8%
Other Property Taxes	0.2%	0.2%	0.2%	0.3%	0.4%	0.6%	1.2%
<b>Income Taxes</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.2%</b>
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>11.4%</b>	<b>9.6%</b>	<b>8.3%</b>	<b>7.4%</b>	<b>6.3%</b>	<b>5.1%</b>	<b>3.5%</b>
Federal Deduction Offset	–0.0%	–0.0%	–0.1%	–0.2%	–0.5%	–0.6%	–0.3%
<b>TOTAL AFTER OFFSET</b>	<b>11.4%</b>	<b>9.6%</b>	<b>8.2%</b>	<b>7.2%</b>	<b>5.8%</b>	<b>4.5%</b>	<b>3.2%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Texas Tax Trends

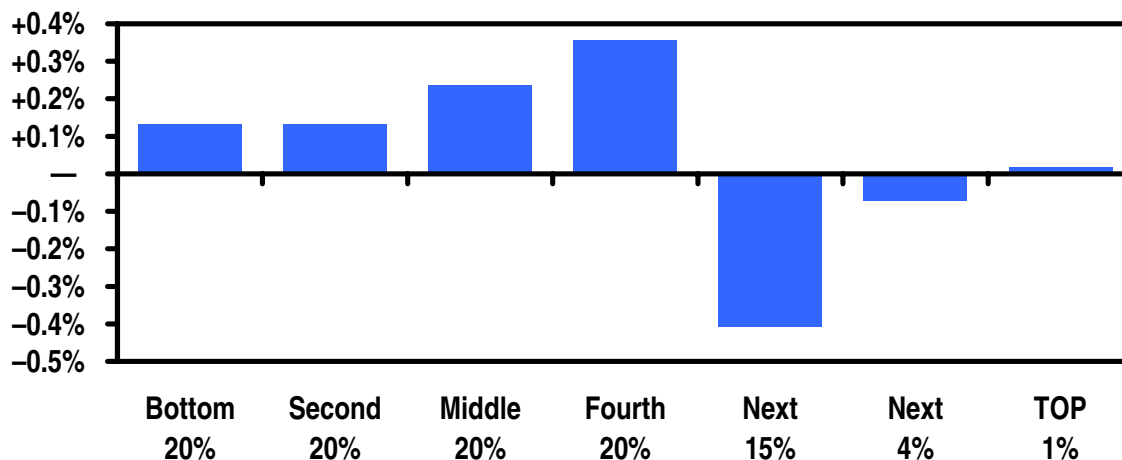
## Progressive Features

- ✓ Property tax homestead exemption

## Regressive Features

- ✗ No Income tax

## Changes in Taxes as Shares of Income, 1989 – 2002

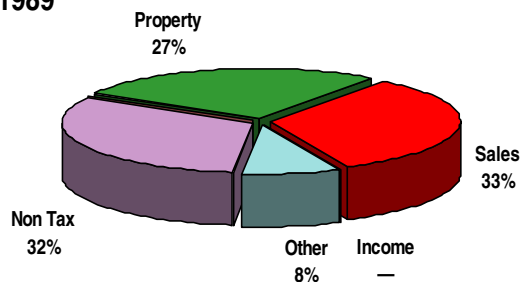


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	-0.1%	-0.1%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%
Property	+0.2%	+0.2%	+0.3%	+0.4%	-0.3%	-0.0%	-0.0%
Income	+0.0%	+0.0%	+0.0%	+0.0%	+0.0%	+0.0%	+0.1%
Federal Offset	+0.0%	+0.0%	+0.0%	-0.0%	-0.1%	-0.0%	-0.0%
Overall Change	+0.1%	+0.1%	+0.2%	+0.4%	-0.4%	-0.1%	+0.0%

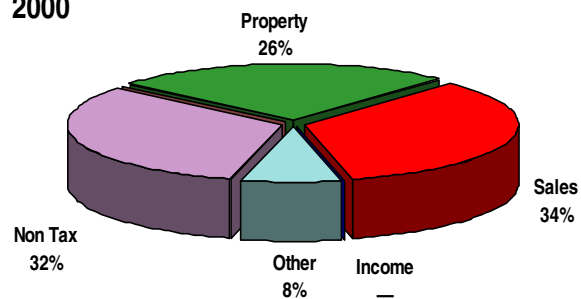
Texas raised the general sales tax rate .25% in the 1990s which was offset by inflationary declines in excise taxes.

## Composition of Revenues

1989



2000

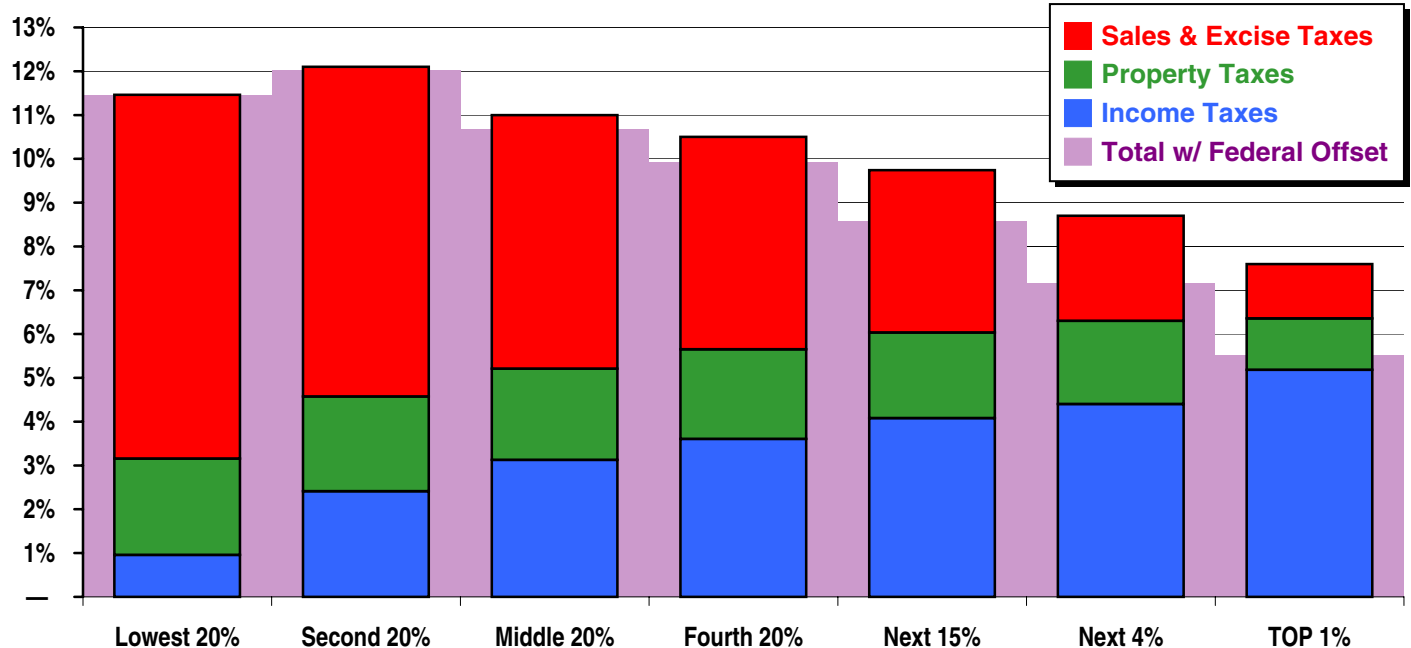


Source: Government Finances, US Department of Census

# Utah

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$27,000	\$27,000 – \$43,000	\$43,000 – \$67,000	\$67,000 – \$122,000	\$122,000 – \$280,000	\$280,000 or more
Average Income in Group	\$9,600	\$20,700	\$34,600	\$54,400	\$86,300	\$167,800	\$826,100
<b>Sales &amp; Excise Taxes</b>	<b>8.3%</b>	<b>7.5%</b>	<b>5.8%</b>	<b>4.9%</b>	<b>3.7%</b>	<b>2.4%</b>	<b>1.2%</b>
General Sales—Individuals	4.5%	4.3%	3.4%	3.0%	2.3%	1.5%	0.8%
Other Sales & Excise—Ind.	1.1%	0.9%	0.6%	0.5%	0.3%	0.2%	0.1%
Sales & Excise on Business	2.6%	2.3%	1.7%	1.4%	1.0%	0.7%	0.4%
<b>Property Taxes</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.1%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>1.9%</b>	<b>1.2%</b>
Property Taxes on Families	2.1%	2.1%	2.0%	1.9%	1.8%	1.6%	0.6%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.6%
<b>Income Taxes</b>	<b>1.0%</b>	<b>2.4%</b>	<b>3.1%</b>	<b>3.6%</b>	<b>4.1%</b>	<b>4.4%</b>	<b>5.2%</b>
Personal Income Tax	0.9%	2.4%	3.1%	3.6%	4.0%	4.3%	5.0%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>11.5%</b>	<b>12.1%</b>	<b>11.0%</b>	<b>10.5%</b>	<b>9.7%</b>	<b>8.7%</b>	<b>7.6%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.3%	–0.6%	–1.2%	–1.6%	–2.1%
<b>TOTAL AFTER OFFSET</b>	<b>11.4%</b>	<b>12.0%</b>	<b>10.7%</b>	<b>9.9%</b>	<b>8.6%</b>	<b>7.1%</b>	<b>5.5%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Utah Tax Trends

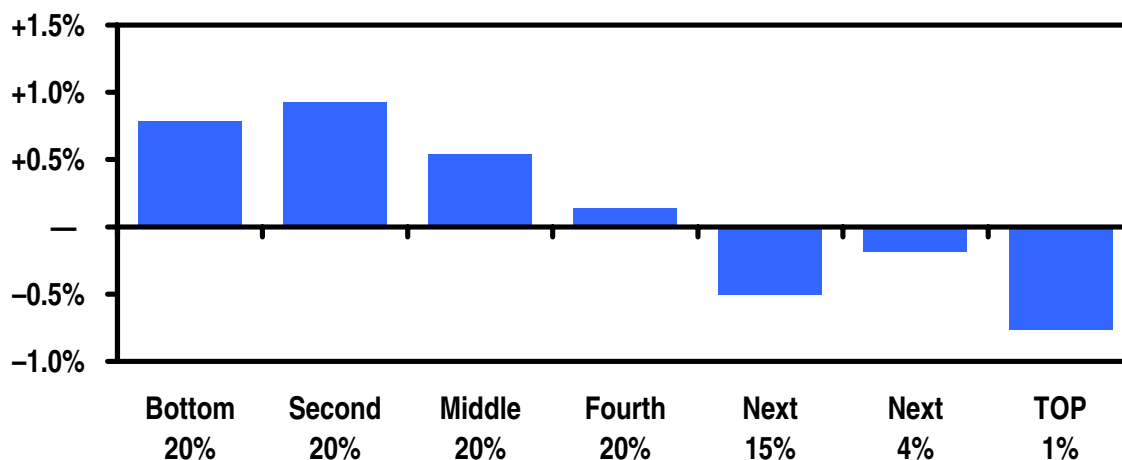
## Progressive Features

- ✓ Standard deduction indexed
- ✓ Personal exemption indexed

## Regressive Features

- ✗ Sales tax applies to groceries
- ✗ Partial deduction for federal income taxes paid

## Changes in Taxes as Shares of Income, 1989 – 2002

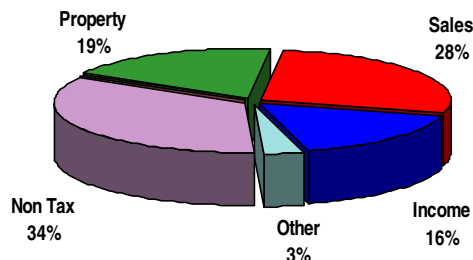


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.6%	+0.5%	+0.3%	+0.2%	+0.2%	+0.1%	+0.0%
Property	-0.1%	+0.2%	+0.1%	-0.3%	-0.7%	-0.5%	-0.6%
Income	+0.2%	+0.3%	+0.2%	+0.2%	+0.1%	+0.2%	+0.3%
Federal Offset	-0.0%	-0.0%	-0.0%	-0.0%	-0.1%	-0.0%	-0.5%
Overall Change	+0.8%	+0.9%	+0.5%	+0.1%	-0.5%	-0.2%	-0.8%

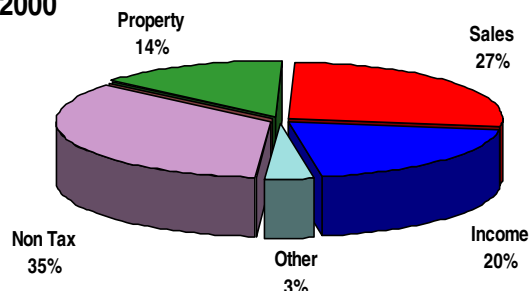
Even though Utah cut its sales tax slightly, expansions to the base netted a regressive hike that was compounded by a 47 cent rise in the cigarette tax and a tax on utilities. Since Utah defines income as federal adjusted gross income, changes in the definition including the exemption phase-out and itemized deduction phase-outs have exposed high income taxpayers to more tax. The lack of indexing until recently has caused implicit hikes for low and middle-income taxpayers.

## Composition of Revenues

1989



2000

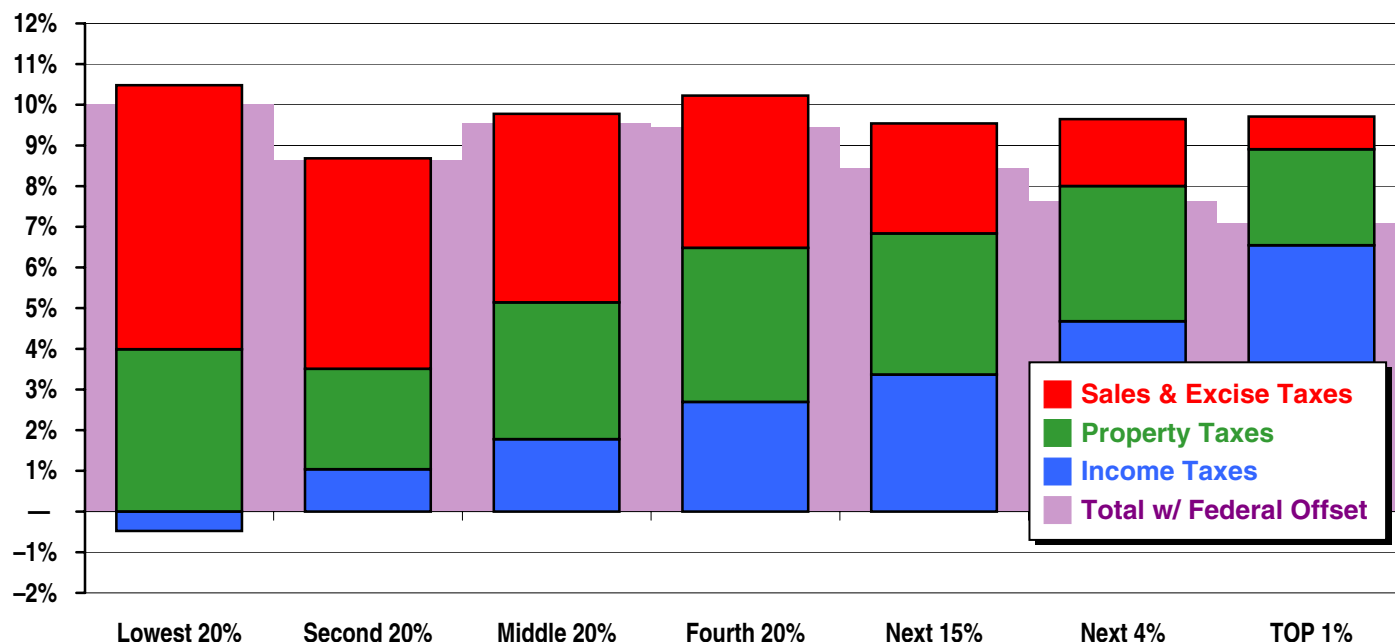


Source: Government Finances, US Department of Census

# Vermont

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$27,000	\$27,000 – \$44,000	\$44,000 – \$68,000	\$68,000 – \$122,000	\$122,000 – \$260,000	\$260,000 or more
Average Income in Group	\$9,200	\$21,200	\$35,800	\$55,100	\$87,900	\$171,600	\$686,200
<b>Sales &amp; Excise Taxes</b>	<b>6.5%</b>	<b>5.2%</b>	<b>4.6%</b>	<b>3.7%</b>	<b>2.7%</b>	<b>1.6%</b>	<b>0.8%</b>
General Sales—Individuals	2.0%	2.1%	2.1%	1.8%	1.3%	0.8%	0.4%
Other Sales & Excise—Ind.	3.3%	2.0%	1.6%	1.3%	0.9%	0.6%	0.2%
Sales & Excise on Business	1.2%	1.0%	0.9%	0.7%	0.5%	0.3%	0.2%
<b>Property Taxes</b>	<b>4.0%</b>	<b>2.5%</b>	<b>3.4%</b>	<b>3.8%</b>	<b>3.5%</b>	<b>3.3%</b>	<b>2.4%</b>
Property Taxes on Families	3.7%	2.3%	3.1%	3.4%	2.9%	2.7%	1.0%
Other Property Taxes	0.3%	0.2%	0.2%	0.4%	0.6%	0.7%	1.3%
<b>Income Taxes</b>	<b>-0.5%</b>	<b>1.0%</b>	<b>1.8%</b>	<b>2.7%</b>	<b>3.4%</b>	<b>4.7%</b>	<b>6.5%</b>
Personal Income Tax	-0.5%	1.0%	1.8%	2.7%	3.3%	4.6%	6.4%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
<b>TOTAL TAXES</b>	<b>10.0%</b>	<b>8.7%</b>	<b>9.8%</b>	<b>10.2%</b>	<b>9.5%</b>	<b>9.6%</b>	<b>9.7%</b>
Federal Deduction Offset	-0.0%	-0.0%	-0.2%	-0.8%	-1.1%	-2.0%	-2.6%
<b>TOTAL AFTER OFFSET</b>	<b>10.0%</b>	<b>8.6%</b>	<b>9.5%</b>	<b>9.5%</b>	<b>8.4%</b>	<b>7.6%</b>	<b>7.1%</b>

Note: Table shows 2002 tax law at 2000 income levels.



# Vermont Tax Trends

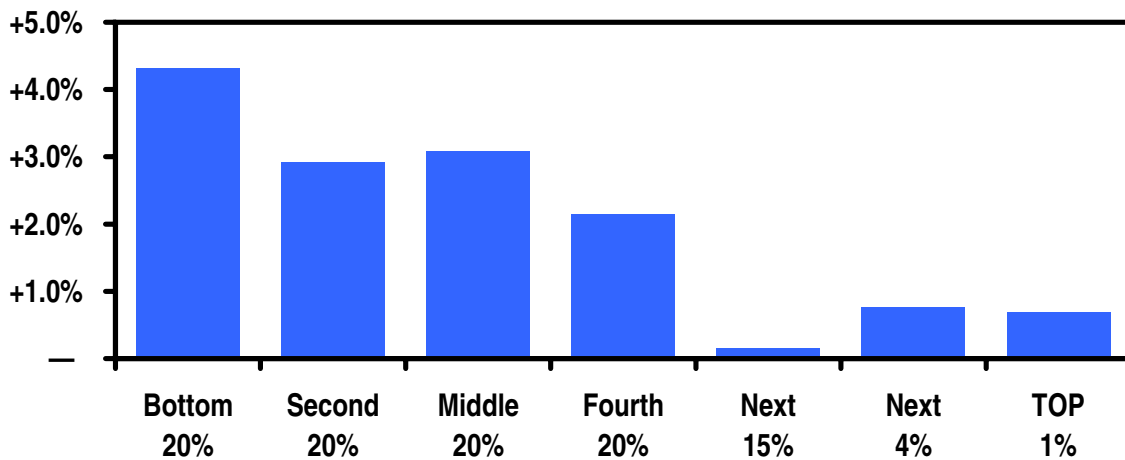
## Progressive Features

- ✓ Income tax based on federal rates
- ✓ Below-average consumption tax reliance
- ✓ Property tax circuit breaker

## Regressive Features

- ✗ Relatively high cigarette tax

## Changes in Taxes as Shares of Income, 1989 – 2002

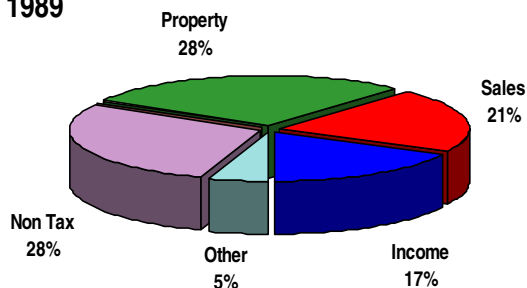


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+2.2%	+1.1%	+0.9%	+0.7%	+0.5%	+0.3%	+0.1%
Property	+1.7%	+0.3%	+0.8%	+0.5%	-0.8%	-0.0%	+0.0%
Income	+0.4%	+1.5%	+1.6%	+1.3%	+0.6%	+0.8%	+1.4%
Federal Offset	-0.0%	-0.0%	-0.2%	-0.4%	-0.1%	-0.3%	-0.9%
Overall Change	+4.3%	+2.9%	+3.1%	+2.1%	+0.1%	+0.8%	+0.7%

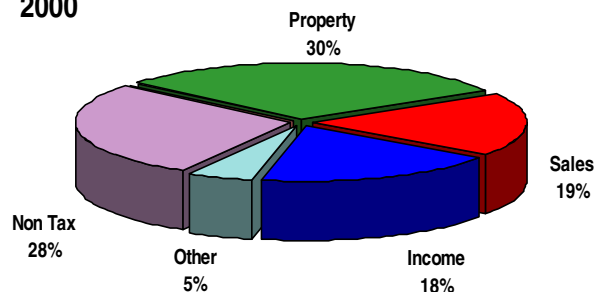
Vermont's personal income tax is a percentage of the federal tax, so the progressive changes in the federal tax in the 90s translated to progressive changes for Vermont's income tax. The state also expanded the EITC (up to 32% of federal—one of the nation's most generous) but these progressive changes were not enough to counter the regressive sales and excise tax hikes. The general sale tax was hiked one percent and the cigarette tax was hiked by one dollar.

## Composition of Revenues

1989



2000

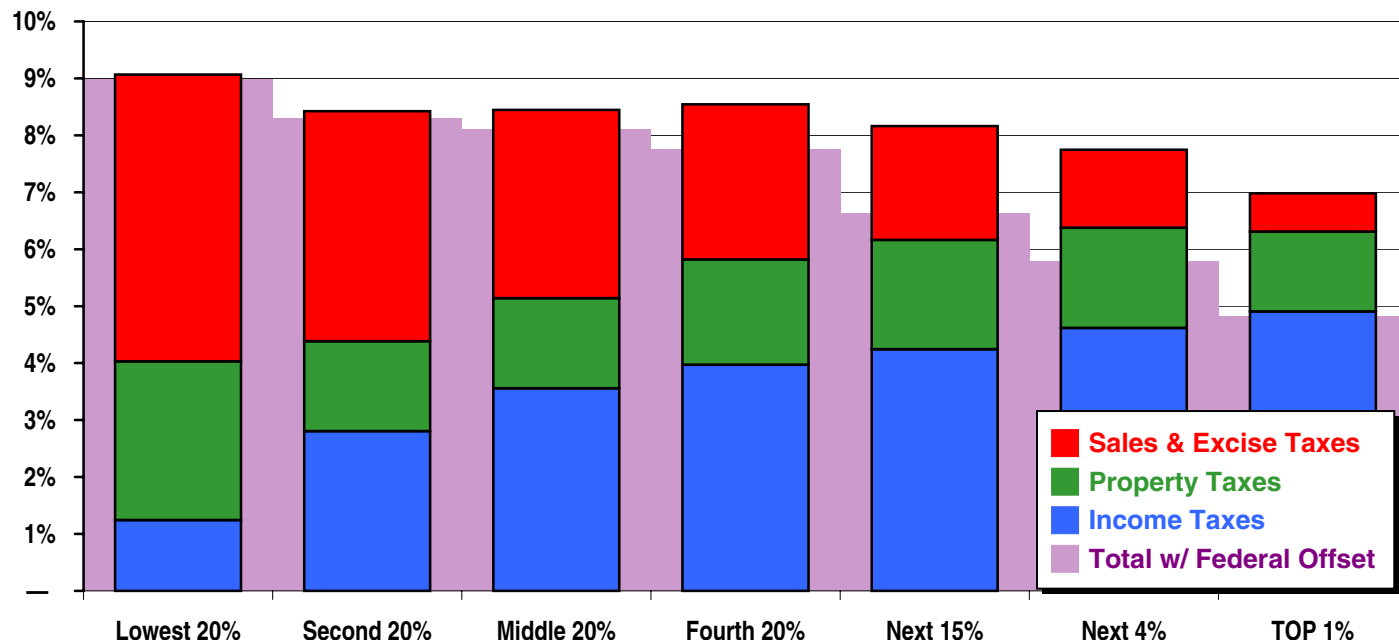


Source: Government Finances, US Department of Census

# Virginia

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$28,000	\$28,000 – \$48,000	\$48,000 – \$80,000	\$80,000 – \$159,000	\$159,000 – \$407,000	\$407,000 or more
Average Income in Group	\$9,200	\$21,700	\$36,000	\$60,800	\$103,400	\$216,300	\$989,300
<b>Sales &amp; Excise Taxes</b>	<b>5.0%</b>	<b>4.0%</b>	<b>3.3%</b>	<b>2.7%</b>	<b>2.0%</b>	<b>1.4%</b>	<b>0.7%</b>
General Sales—Individuals	2.4%	1.9%	1.5%	1.3%	1.0%	0.7%	0.4%
Other Sales & Excise—Ind.	1.4%	1.2%	1.0%	0.9%	0.6%	0.4%	0.2%
Sales & Excise on Business	1.2%	0.9%	0.7%	0.6%	0.4%	0.3%	0.2%
<b>Property Taxes</b>	<b>2.8%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.8%</b>	<b>1.9%</b>	<b>1.8%</b>	<b>1.4%</b>
Property Taxes on Families	2.7%	1.5%	1.5%	1.7%	1.7%	1.5%	0.6%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.8%
<b>Income Taxes</b>	<b>1.2%</b>	<b>2.8%</b>	<b>3.6%</b>	<b>4.0%</b>	<b>4.2%</b>	<b>4.6%</b>	<b>4.9%</b>
Personal Income Tax	1.2%	2.8%	3.5%	4.0%	4.2%	4.6%	4.8%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
<b>TOTAL TAXES</b>	<b>9.1%</b>	<b>8.4%</b>	<b>8.4%</b>	<b>8.5%</b>	<b>8.2%</b>	<b>7.7%</b>	<b>7.0%</b>
Federal Deduction Offset	–0.1%	–0.1%	–0.3%	–0.8%	–1.5%	–2.0%	–2.2%
<b>TOTAL AFTER OFFSET</b>	<b>9.0%</b>	<b>8.3%</b>	<b>8.1%</b>	<b>7.8%</b>	<b>6.6%</b>	<b>5.8%</b>	<b>4.8%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Virginia Tax Trends

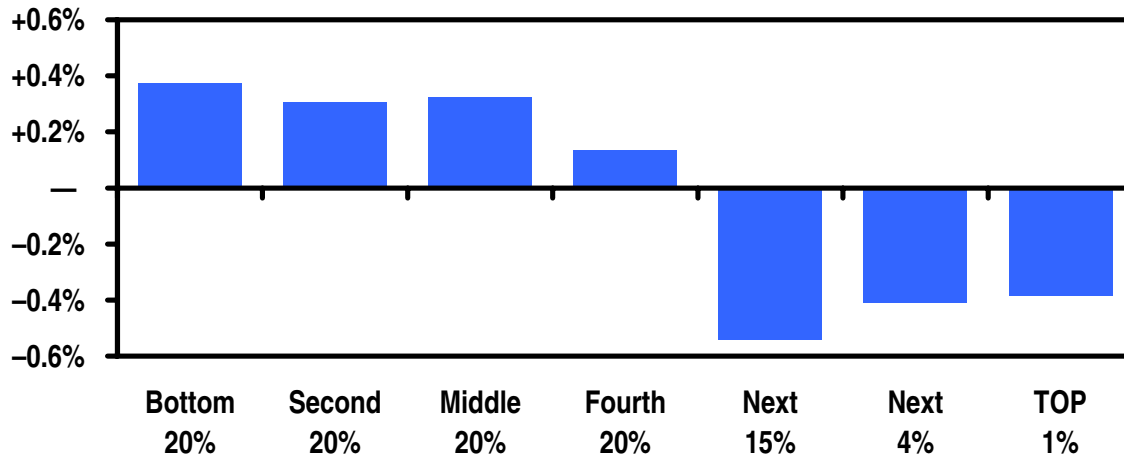
## Progressive Features

- ✓ Non-refundable income tax poverty credit
- ✓ Low excise taxes

## Regressive Features

- ✗ Only slightly graduated income tax
- ✗ Income tax not indexed for inflation
- ✗ Groceries subject to sales tax, though at a lower rate

## Changes in Taxes as Shares of Income, 1989 – 2002

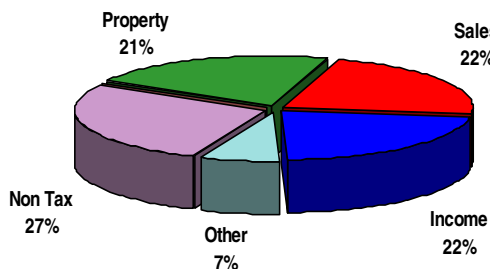


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	-0.3%	-0.3%	-0.2%	-0.2%	-0.1%	-0.1%	-0.0%
Property	+0.1%	-0.4%	-0.3%	-0.4%	-0.9%	-0.8%	-0.2%
Income	+0.7%	+1.0%	+1.0%	+1.0%	+0.7%	+0.7%	+0.5%
Federal Offset	-0.1%	-0.1%	-0.1%	-0.2%	-0.2%	-0.2%	-0.6%
Overall Change	+0.4%	+0.3%	+0.3%	+0.1%	-0.5%	-0.4%	-0.4%

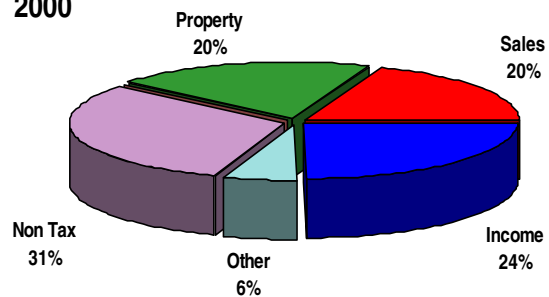
Virginia reduced the sales tax on groceries and eliminated the car tax. The lack of indexing the rate structure and exemption caused implicit hikes in income taxes for all Virginians, including low-income residents despite a \$300 poverty credit.

## Composition of Revenues

1989



2000

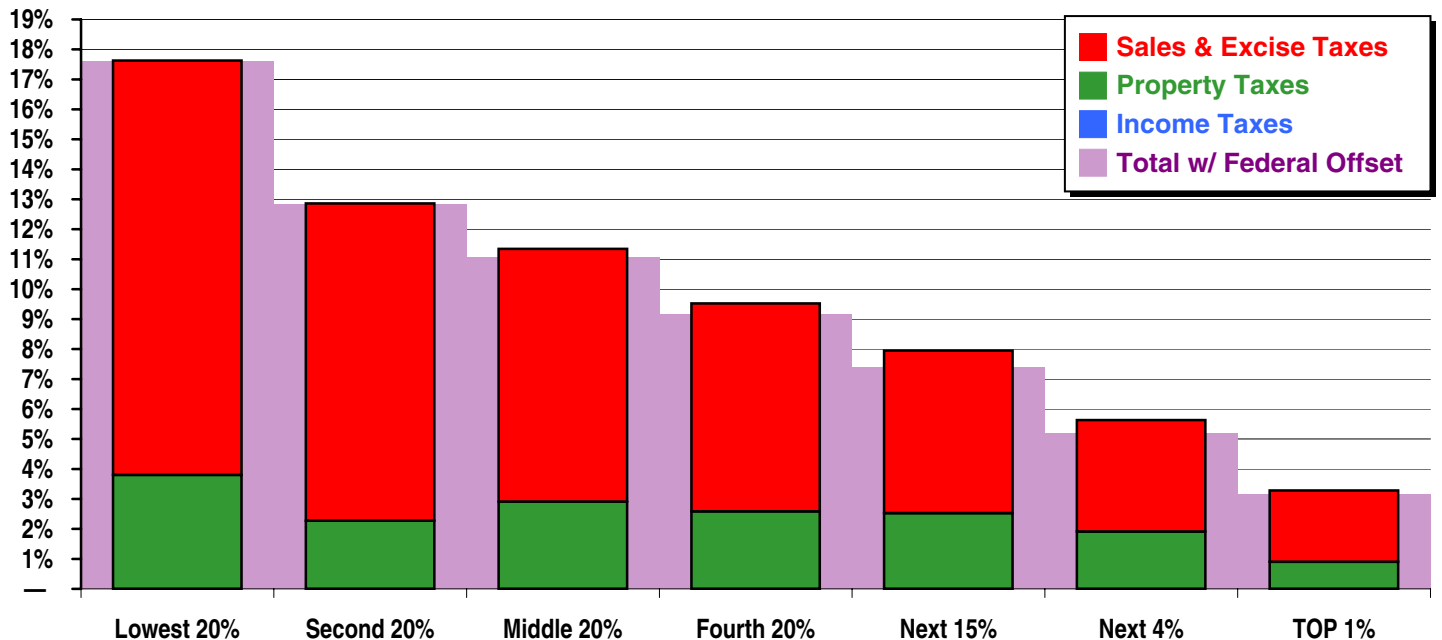


Source: Government Finances, US Department of Census

# Washington

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$17,000	\$17,000 – \$31,000	\$31,000 – \$48,000	\$48,000 – \$75,000	\$75,000 – \$143,000	\$143,000 – \$922,000	\$922,000 or more
Average Income in Group	\$9,600	\$23,200	\$38,500	\$60,000	\$98,700	\$225,100	\$1,655,400
<b>Sales &amp; Excise Taxes</b>	<b>13.8%</b>	<b>10.6%</b>	<b>8.4%</b>	<b>6.9%</b>	<b>5.4%</b>	<b>3.7%</b>	<b>2.4%</b>
General Sales—Individuals	4.9%	4.2%	3.5%	2.9%	2.3%	1.6%	0.9%
Other Sales & Excise—Ind.	4.1%	2.7%	2.0%	1.6%	1.2%	0.8%	0.4%
Sales & Excise on Business	4.8%	3.8%	3.0%	2.4%	1.9%	1.4%	1.1%
<b>Property Taxes</b>	<b>3.8%</b>	<b>2.3%</b>	<b>2.9%</b>	<b>2.6%</b>	<b>2.5%</b>	<b>1.9%</b>	<b>0.9%</b>
Property Taxes on Families	3.7%	2.2%	2.8%	2.5%	2.4%	1.6%	0.5%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%	0.4%
<b>Income Taxes</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	—	—	—	—	—	—	—
<b>TOTAL TAXES</b>	<b>17.6%</b>	<b>12.9%</b>	<b>11.3%</b>	<b>9.5%</b>	<b>7.9%</b>	<b>5.6%</b>	<b>3.3%</b>
Federal Deduction Offset	–0.0%	–0.0%	–0.3%	–0.4%	–0.5%	–0.4%	–0.1%
<b>TOTAL AFTER OFFSET</b>	<b>17.6%</b>	<b>12.8%</b>	<b>11.1%</b>	<b>9.2%</b>	<b>7.4%</b>	<b>5.2%</b>	<b>3.1%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Washington Tax Trends

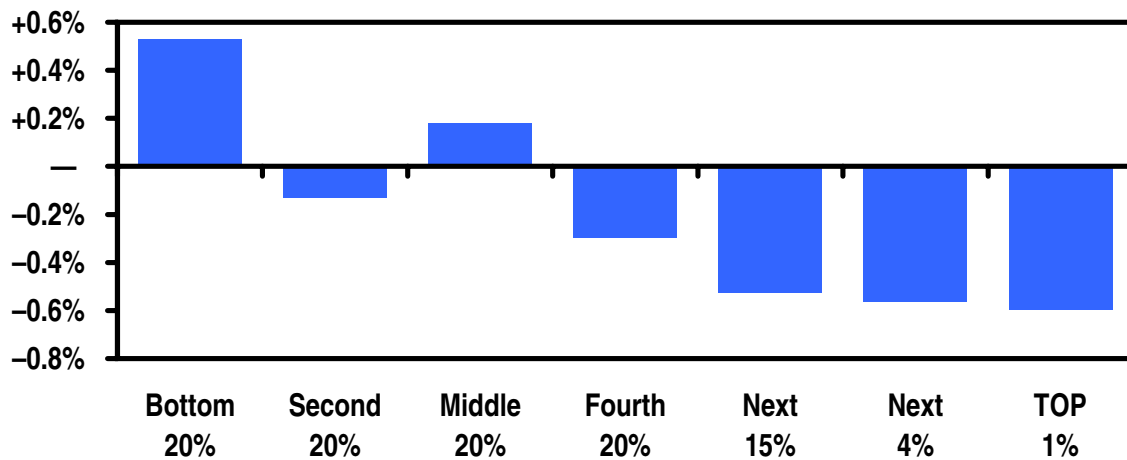
## Progressive Features

✓ None

## Regressive Features

- ✗ No income taxes
- ✗ High reliance on sales tax
- ✗ One of the highest cigarette taxes nationwide

## Changes in Taxes as Shares of Income, 1989 – 2002

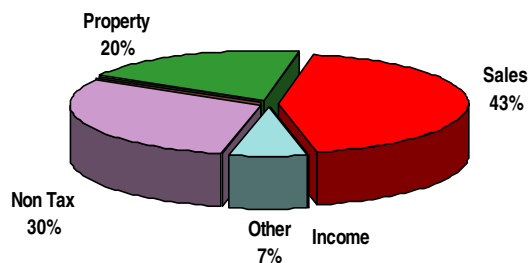


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.0%	-0.3%	-0.3%	-0.2%	-0.2%	-0.2%	-0.1%
Property	+0.5%	+0.1%	+0.6%	+0.0%	-0.2%	-0.5%	-0.6%
Income	—	—	—	—	—	—	—
Federal Offset	+0.0%	-0.0%	-0.1%	-0.1%	-0.1%	+0.1%	+0.1%
Overall Change	+0.5%	-0.1%	+0.2%	-0.3%	-0.5%	-0.6%	-0.6%

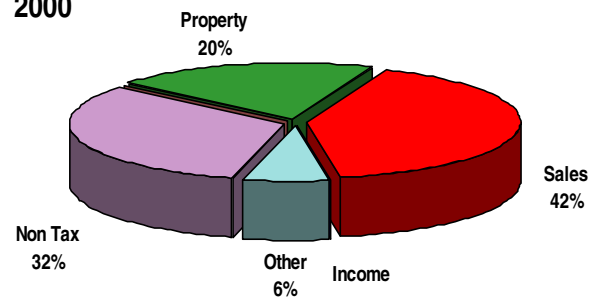
Washington has increased its cigarette tax by \$1.09 per pack since 1989. The repeal of the 2.2 percent vehicle license represented a slightly progressive, yet expensive, tax cut. Since the state has no income tax and consumption taxes are the major source of funding for government services, these changes collectively made the nation's most regressive tax system even more burdensome for the lowest income Washingtonians.

## Composition of Revenues

1989



2000

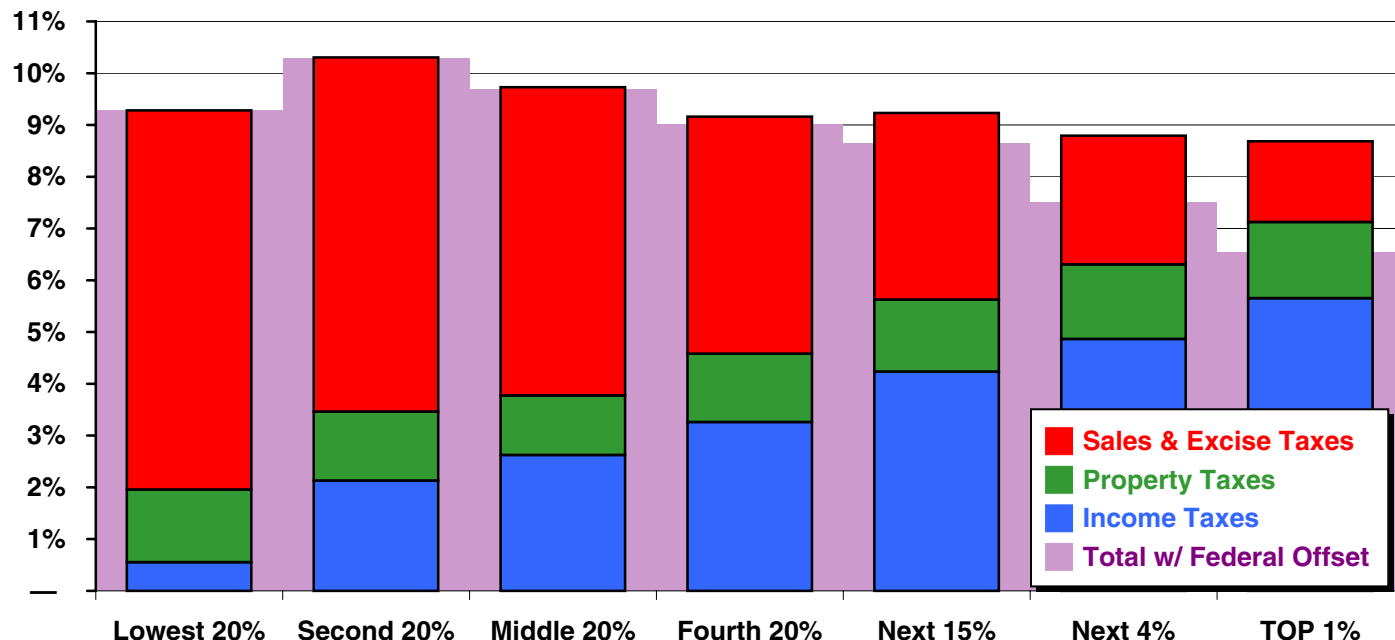


Source: Government Finances, US Department of Census

# West Virginia

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$12,000	\$12,000 – \$20,000	\$20,000 – \$33,000	\$33,000 – \$55,000	\$55,000 – \$96,000	\$96,000 – \$207,000	\$207,000 or more
Average Income in Group	\$6,900	\$16,100	\$26,900	\$43,700	\$70,200	\$123,300	\$447,900
<b>Sales &amp; Excise Taxes</b>	<b>7.3%</b>	<b>6.8%</b>	<b>6.0%</b>	<b>4.6%</b>	<b>3.6%</b>	<b>2.5%</b>	<b>1.6%</b>
General Sales—Individuals	4.5%	4.4%	4.0%	3.1%	2.5%	1.7%	1.0%
Other Sales & Excise—Ind.	1.5%	1.2%	1.0%	0.7%	0.5%	0.3%	0.1%
Sales & Excise on Business	1.3%	1.2%	1.0%	0.8%	0.6%	0.5%	0.5%
<b>Property Taxes</b>	<b>1.4%</b>	<b>1.3%</b>	<b>1.1%</b>	<b>1.3%</b>	<b>1.4%</b>	<b>1.4%</b>	<b>1.5%</b>
Property Taxes on Families	1.3%	1.2%	1.0%	1.2%	1.1%	0.9%	0.6%
Other Property Taxes	0.1%	0.1%	0.2%	0.1%	0.3%	0.5%	0.9%
<b>Income Taxes</b>	<b>0.6%</b>	<b>2.1%</b>	<b>2.6%</b>	<b>3.3%</b>	<b>4.2%</b>	<b>4.9%</b>	<b>5.7%</b>
Personal Income Tax	0.5%	2.1%	2.6%	3.2%	4.2%	4.8%	5.5%
Corporate Income Tax	0.1%	0.1%	0.1%	0.0%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>9.3%</b>	<b>10.3%</b>	<b>9.7%</b>	<b>9.2%</b>	<b>9.2%</b>	<b>8.8%</b>	<b>8.7%</b>
Federal Deduction Offset	–0.0%	–0.0%	–0.0%	–0.2%	–0.6%	–1.3%	–2.1%
<b>TOTAL AFTER OFFSET</b>	<b>9.3%</b>	<b>10.3%</b>	<b>9.7%</b>	<b>9.0%</b>	<b>8.7%</b>	<b>7.5%</b>	<b>6.5%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# West Virginia Tax Trends

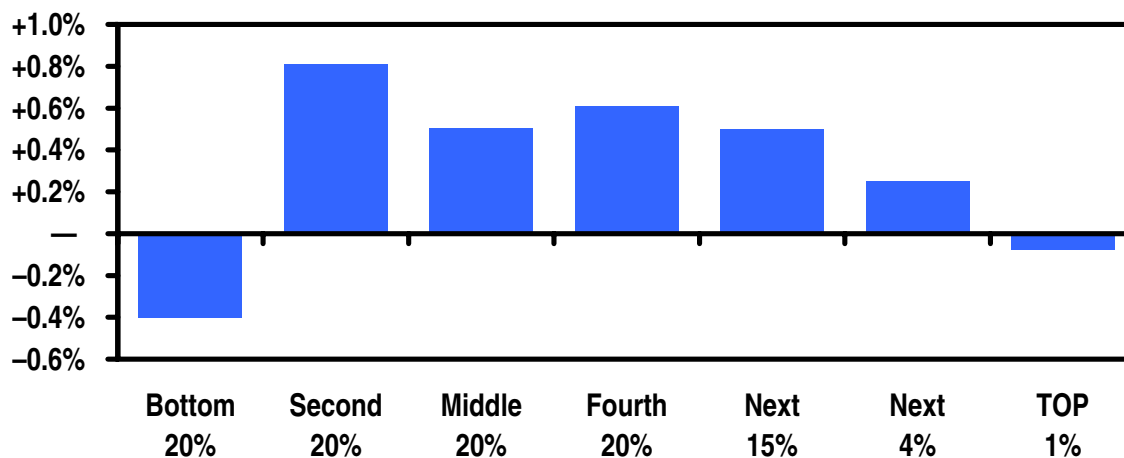
## Progressive Features

- ✓ Earned income exclusion
- ✓ Alternative minimum tax
- ✓ Graduated income tax rates

## Regressive Features

- ✗ Sales tax applies to groceries
- ✗ Brackets and personal exemption not indexed

## Changes in Taxes as Shares of Income, 1989 – 2002

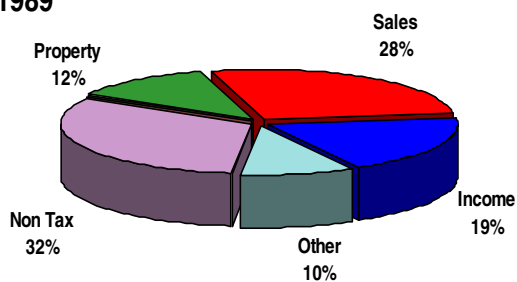


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	-0.2%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.0%
Property	+0.2%	+0.4%	+0.2%	+0.3%	+0.0%	+0.1%	+0.2%
Income	-0.4%	+0.6%	+0.4%	+0.4%	+0.8%	+0.6%	+0.4%
Federal Offset	-0.0%	-0.0%	-0.0%	-0.1%	-0.2%	-0.3%	-0.6%
Overall Change	-0.4%	+0.8%	+0.5%	+0.6%	+0.5%	+0.2%	-0.1%

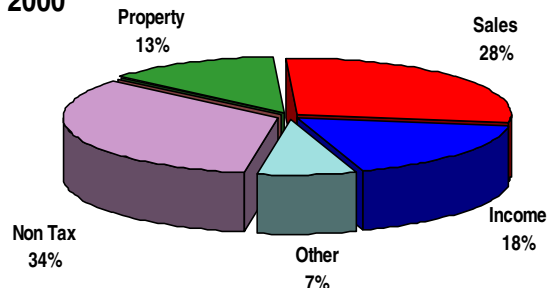
Low-income taxpayers benefited when West Virginia enacted an earned income exclusion in 1999. Inflation caused an implicit tax hike for other income groups as it reduced the value of exemptions and pushed many taxpayers into higher tax brackets. Inflation caused an opposite effect of reducing excise tax burdens.

## Composition of Revenues

1989



2000

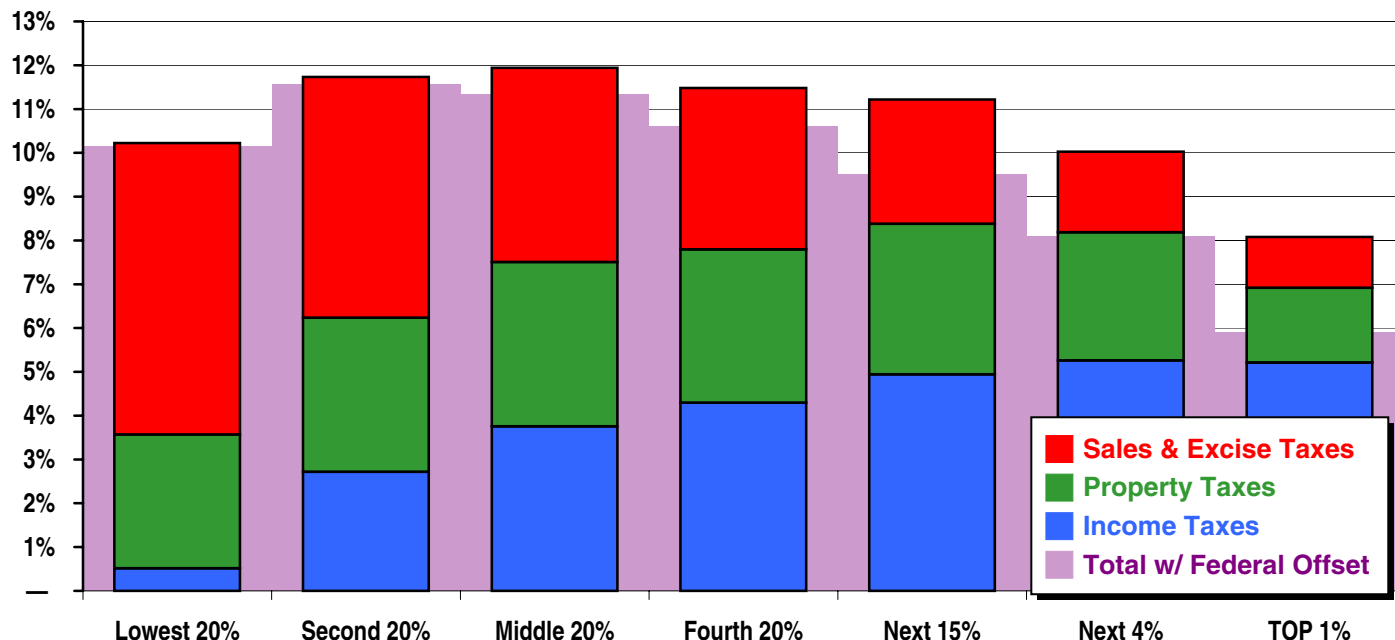


Source: Government Finances, US Department of Census

# Wisconsin

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$18,000	\$18,000 – \$30,000	\$30,000 – \$48,000	\$48,000 – \$70,000	\$70,000 – \$121,000	\$121,000 – \$263,000	\$263,000 or more
Average Income in Group	\$11,300	\$23,600	\$38,900	\$58,000	\$88,500	\$167,000	\$776,900
<b>Sales &amp; Excise Taxes</b>	<b>6.7%</b>	<b>5.5%</b>	<b>4.4%</b>	<b>3.7%</b>	<b>2.8%</b>	<b>1.8%</b>	<b>1.2%</b>
General Sales—Individuals	2.9%	2.6%	2.3%	2.0%	1.6%	1.1%	0.7%
Other Sales & Excise—Ind.	2.2%	1.6%	1.2%	0.9%	0.6%	0.4%	0.2%
Sales & Excise on Business	1.6%	1.3%	1.0%	0.8%	0.6%	0.4%	0.3%
<b>Property Taxes</b>	<b>3.1%</b>	<b>3.5%</b>	<b>3.8%</b>	<b>3.5%</b>	<b>3.4%</b>	<b>2.9%</b>	<b>1.7%</b>
Property Taxes on Families	2.9%	3.4%	3.6%	3.4%	3.2%	2.5%	1.0%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.5%	0.7%
<b>Income Taxes</b>	<b>0.5%</b>	<b>2.7%</b>	<b>3.8%</b>	<b>4.3%</b>	<b>4.9%</b>	<b>5.3%</b>	<b>5.2%</b>
Personal Income Tax	0.5%	2.7%	3.7%	4.2%	4.9%	5.2%	5.0%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
<b>TOTAL TAXES</b>	<b>10.2%</b>	<b>11.7%</b>	<b>11.9%</b>	<b>11.5%</b>	<b>11.2%</b>	<b>10.0%</b>	<b>8.1%</b>
Federal Deduction Offset	–0.1%	–0.2%	–0.6%	–0.9%	–1.7%	–1.9%	–2.2%
<b>TOTAL AFTER OFFSET</b>	<b>10.2%</b>	<b>11.6%</b>	<b>11.3%</b>	<b>10.6%</b>	<b>9.5%</b>	<b>8.1%</b>	<b>5.9%</b>

Note: Table shows 2002 tax law at 2000 income levels.



# Wisconsin Tax Trends

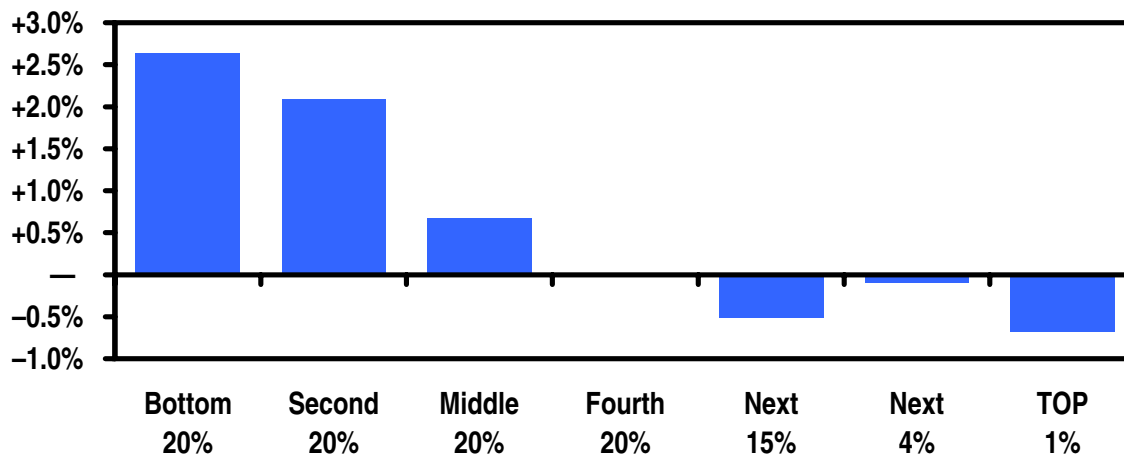
## Progressive Features

- ✓ Refundable low-income tax credits
- ✓ Property tax credit
- ✓ Tax brackets and standard deduction indexed

## Regressive Features

- ✗ 60% capital gains exclusion

## Changes in Taxes as Shares of Income, 1989 – 2002

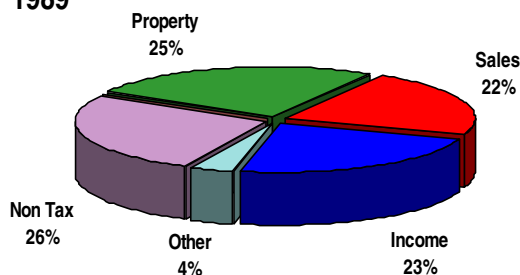


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.8%	+0.6%	+0.4%	+0.3%	+0.2%	+0.1%	+0.1%
Property	+2.0%	+1.2%	+0.3%	+0.0%	-0.4%	-0.3%	-0.1%
Income	-0.1%	+0.4%	+0.2%	-0.1%	-0.2%	-0.1%	-0.2%
Federal Offset	-0.1%	-0.1%	-0.3%	-0.2%	-0.2%	+0.2%	-0.4%
Overall Change	+2.6%	+2.1%	+0.7%	-0.0%	-0.5%	-0.1%	-0.7%

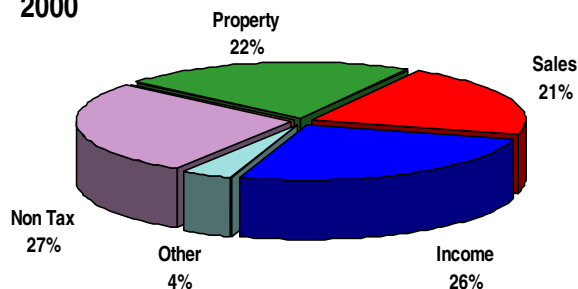
A series of income tax cuts in the late 1990s had a slightly progressive impact on the Wisconsin income tax. However, the progressive impact of low-income tax credit expansions were largely offset by a 47 cent increase in the cigarette tax and a 4 cent hike in the gasoline tax.

## Composition of Revenues

1989



2000

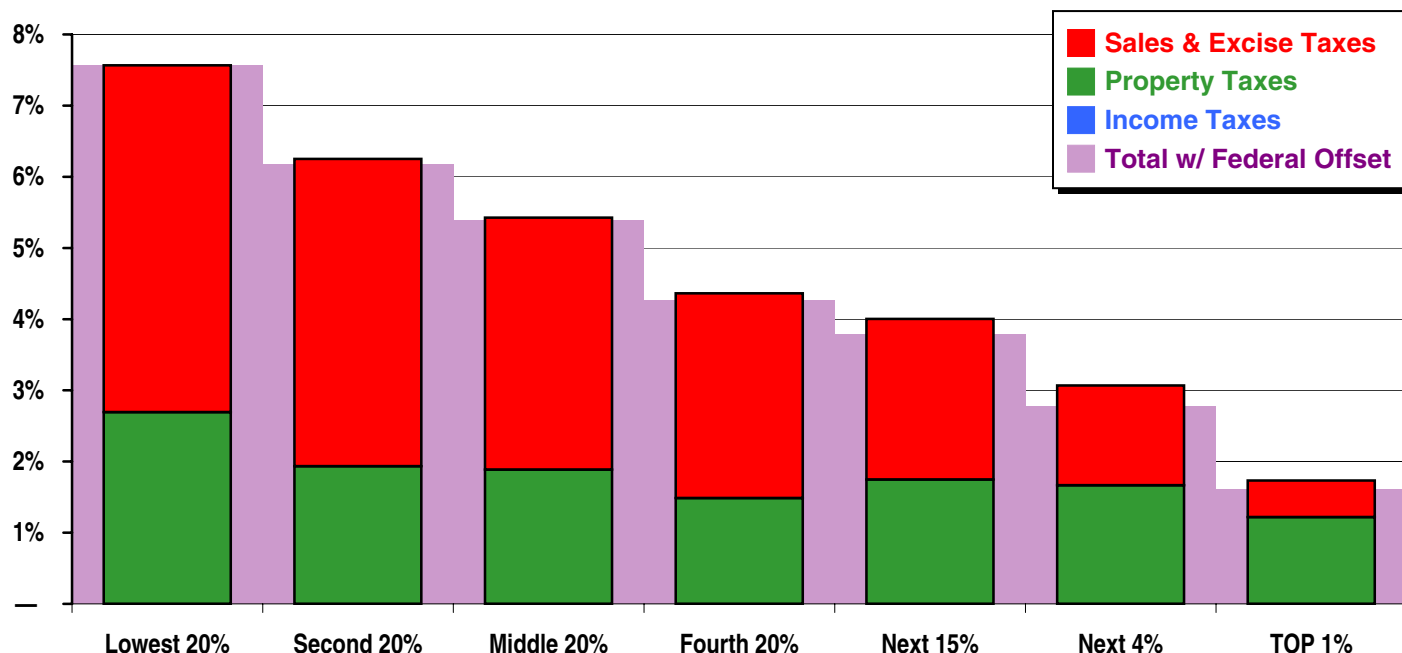


Source: Government Finances, US Department of Census

# Wyoming

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$17,000	\$17,000 – \$26,000	\$26,000 – \$40,000	\$40,000 – \$66,000	\$66,000 – \$122,000	\$122,000 – \$400,000	\$400,000 or more
Average Income in Group	\$9,500	\$20,700	\$33,300	\$52,800	\$84,300	\$174,900	\$1,104,400
<b>Sales &amp; Excise Taxes</b>	<b>4.9%</b>	<b>4.3%</b>	<b>3.5%</b>	<b>2.9%</b>	<b>2.3%</b>	<b>1.4%</b>	<b>0.5%</b>
General Sales—Individuals	4.1%	3.7%	3.0%	2.5%	2.0%	1.3%	0.5%
Other Sales & Excise—Ind.	0.6%	0.4%	0.4%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	0.2%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%
<b>Property Taxes</b>	<b>2.7%</b>	<b>1.9%</b>	<b>1.9%</b>	<b>1.5%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.2%</b>
Property Taxes on Families	2.5%	1.8%	1.7%	1.3%	1.4%	1.1%	0.5%
Other Property Taxes	0.2%	0.2%	0.2%	0.2%	0.4%	0.5%	0.8%
<b>Income Taxes</b>	—	—	—	—	—	—	—
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	—	—	—	—	—	—	—
<b>TOTAL TAXES</b>	<b>7.6%</b>	<b>6.3%</b>	<b>5.4%</b>	<b>4.4%</b>	<b>4.0%</b>	<b>3.1%</b>	<b>1.7%</b>
Federal Deduction Offset	—	–0.1%	–0.0%	–0.1%	–0.2%	–0.3%	–0.1%
<b>TOTAL AFTER OFFSET</b>	<b>7.6%</b>	<b>6.2%</b>	<b>5.4%</b>	<b>4.3%</b>	<b>3.8%</b>	<b>2.8%</b>	<b>1.6%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Wyoming Tax Trends

## Progressive Features

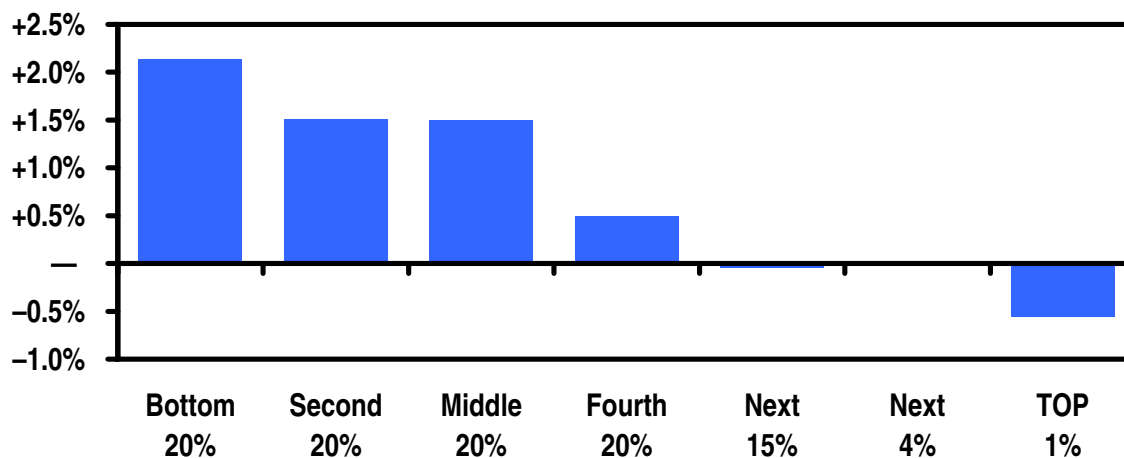
✗ None

## Regressive Features

✗ No income tax

✗ Sales tax applies to groceries

## Changes in Taxes as Shares of Income, 1989 – 2002

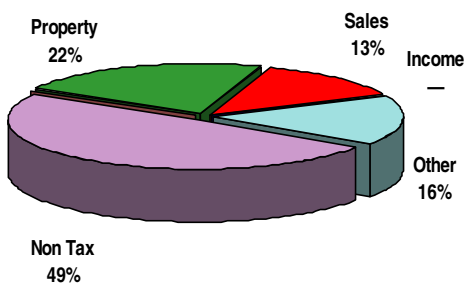


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.3%	+1.1%	+0.9%	+0.7%	+0.6%	+0.3%	+0.1%
Property	+0.8%	+0.5%	+0.6%	-0.3%	-0.6%	-0.3%	-0.7%
Income	—	—	—	—	—	—	—
Federal Offset	+0.0%	-0.1%	+0.0%	+0.0%	-0.0%	-0.1%	-0.0%
Overall Change	+2.1%	+1.5%	+1.5%	+0.5%	-0.0%	+0.0%	-0.6%

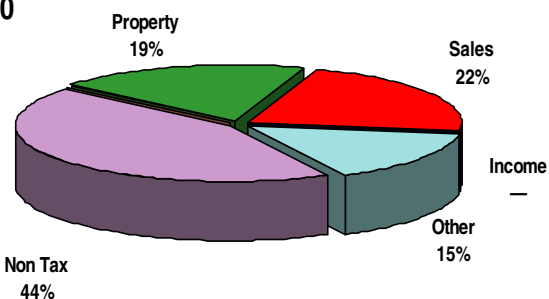
Wyoming increased its sales tax during the 1990s, hiking the state rate by 1 percent and the average local rate by 0.25 percent. These changes combined with hikes in excise taxes made Wyoming's tax structure more regressive.

## Composition of Revenues

1989



2000

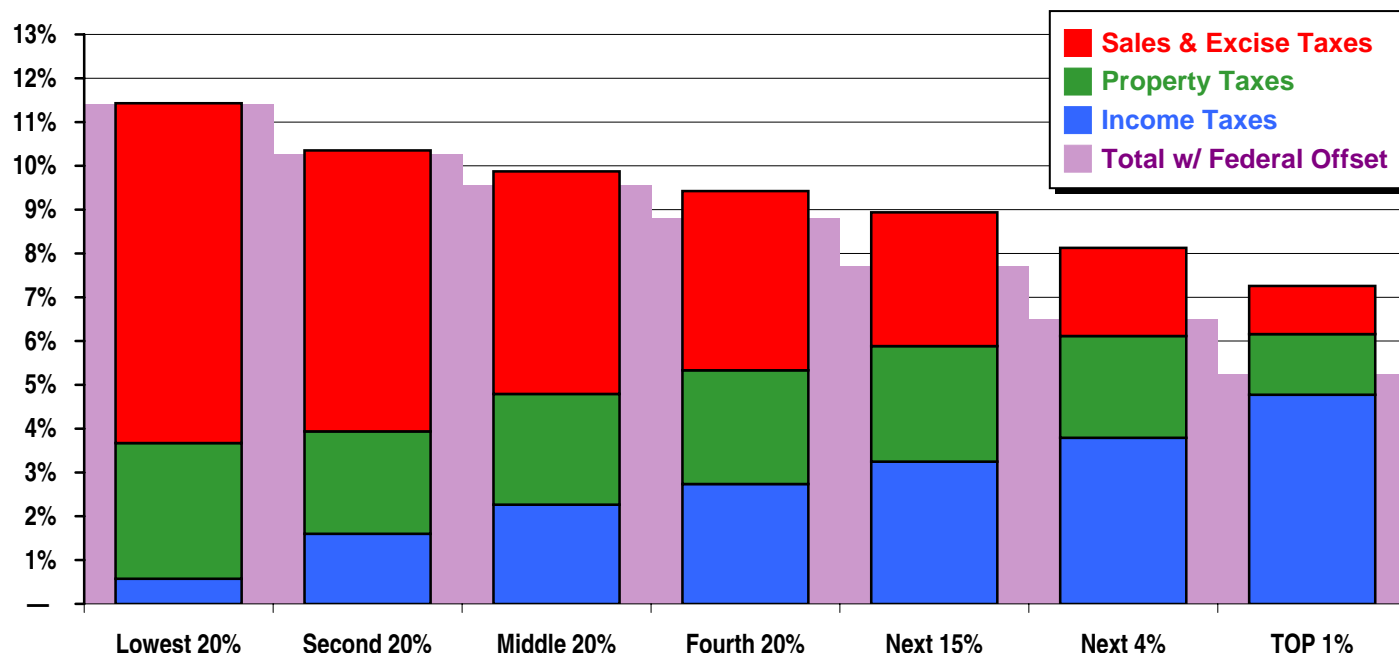


Source: Government Finances, US Department of Census

# U.S. Averages

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers

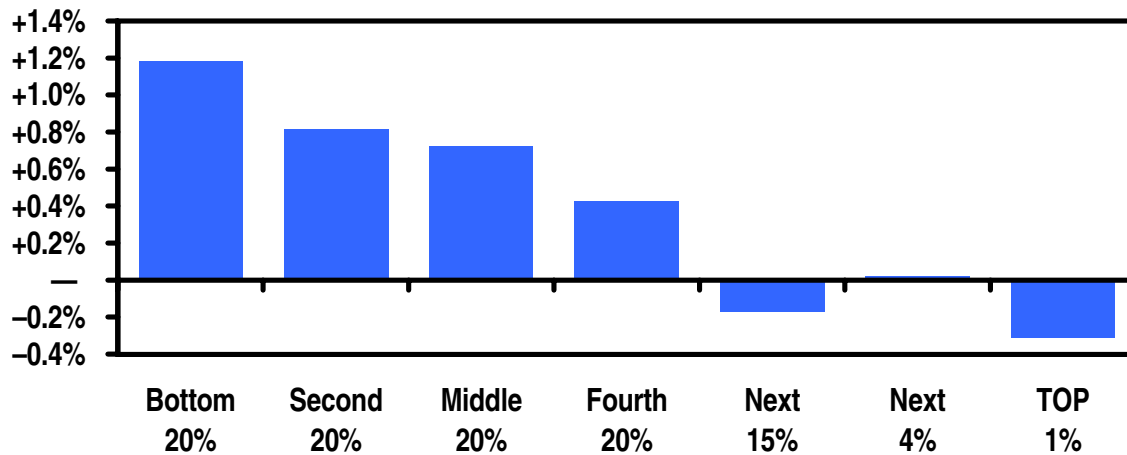


Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$25,000	\$25,000 – \$40,000	\$40,000 – \$69,000	\$69,000 – \$147,000	\$147,000 – \$304,000	\$304,000 or more
Average Income in Group	\$9,300	\$19,700	\$31,900	\$52,500	\$95,300	\$202,300	\$1,080,900
<b>Sales &amp; Excise Taxes</b>	<b>7.8%</b>	<b>6.4%</b>	<b>5.1%</b>	<b>4.1%</b>	<b>3.1%</b>	<b>2.0%</b>	<b>1.1%</b>
General Sales—Individuals	3.6%	3.3%	2.7%	2.3%	1.8%	1.2%	0.6%
Other Sales & Excise—Ind.	1.9%	1.3%	0.9%	0.7%	0.5%	0.3%	0.1%
Sales & Excise on Business	2.3%	1.9%	1.4%	1.1%	0.8%	0.6%	0.4%
<b>Property Taxes</b>	<b>3.1%</b>	<b>2.3%</b>	<b>2.5%</b>	<b>2.6%</b>	<b>2.6%</b>	<b>2.3%</b>	<b>1.4%</b>
Property Taxes on Families	3.0%	2.2%	2.4%	2.4%	2.4%	2.0%	0.8%
Other Property Taxes	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.6%
<b>Income Taxes</b>	<b>0.6%</b>	<b>1.6%</b>	<b>2.3%</b>	<b>2.7%</b>	<b>3.2%</b>	<b>3.8%</b>	<b>4.8%</b>
Personal Income Tax	0.5%	1.6%	2.2%	2.7%	3.2%	3.7%	4.5%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
<b>TOTAL TAXES</b>	<b>11.4%</b>	<b>10.4%</b>	<b>9.9%</b>	<b>9.4%</b>	<b>8.9%</b>	<b>8.1%</b>	<b>7.3%</b>
Federal Deduction Offset	–0.0%	–0.1%	–0.3%	–0.6%	–1.2%	–1.6%	–2.0%
<b>TOTAL AFTER OFFSET</b>	<b>11.4%</b>	<b>10.3%</b>	<b>9.6%</b>	<b>8.8%</b>	<b>7.7%</b>	<b>6.5%</b>	<b>5.2%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# U.S. Tax Trends

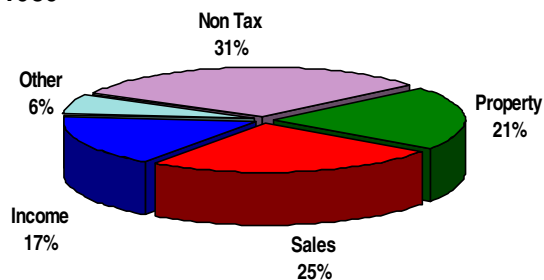
Changes in Taxes as Shares of Income, 1989 – 2002



	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.8%	+0.5%	+0.4%	+0.3%	+0.2%	+0.1%	+0.0%
Property	+0.5%	+0.3%	+0.4%	+0.2%	-0.4%	-0.3%	-0.2%
Income	-0.1%	+0.0%	+0.1%	+0.2%	+0.2%	+0.4%	+0.5%
Federal Offset	-0.0%	-0.0%	-0.1%	-0.2%	-0.2%	-0.1%	-0.6%
Overall Change	+1.2%	+0.8%	+0.7%	+0.4%	-0.2%	+0.0%	-0.3%

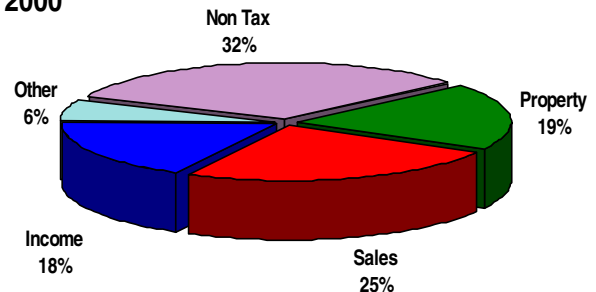
## Composition of Revenues

1989



Source: Government Finances, US Department of Census

2000



The Institute on Taxation & Economic Policy has engaged in research on tax issues since 1980, with a focus on the distributional consequences of both current law and proposed changes. ITEP's research has often been used by other private groups in their work, and ITEP is frequently consulted by government estimators in performing their official analyses. Over the past several years, ITEP has built a microsimulation model of the tax systems of the U.S. government and of all 50 states and the District of Columbia.

### What the ITEP Model Does

The ITEP model is a tool for calculating revenue yield and incidence, by income group, of federal, state and local taxes. It calculates revenue yield for current tax law and proposed amendments to current law. Separate incidence analyses can be done for categories of taxpayers specified by marital status, the presence of children and age.

In computing its estimates, the ITEP model relies on one of the largest databases of tax returns and supplementary data in existence, encompassing close to three quarters of a million records. To forecast revenues and incidence, the model relies on government or other widely respected economic projections.

The ITEP model's federal tax calculations are very similar to those produced by the congressional Joint Committee on Taxation, the U.S. Treasury Department and the Congressional Budget Office (although each of these four models differs in varying degrees as to how the results are presented). The ITEP model, however, adds state-by-state estimating capabilities not found in those government models.

Below is an outline of each area of the ITEP model and what its capabilities are:

***The Personal Income Tax Model*** analyzes the revenue and incidence of current federal and state personal income taxes and amendment options including changes in:

- rates—including special rates on capital gains,
- inclusion or exclusion of various types of income,
- inclusion or exclusion of all federal and state adjustments,
- exemption amounts and a broad variety of exemption types and, if relevant, phase-out methods,
- standard deduction amounts and a broad variety of standard deduction types and phase-outs,
- itemized deductions and deduction phase-outs, and
- credits, such as earned-income and child-care credits.

***The Consumption Tax Model*** analyzes the revenue yield and incidence of current sales and excise taxes. It also has the capacity to analyze the revenue and incidence implications of a broad range of base and rate changes in general sales taxes, special sales taxes, gasoline excise taxes and tobacco excise taxes. There are more than 250 base items available to amend in the model, reflecting, for example, sales tax base differences among states and most possible changes that might occur.

***The Property Tax Model*** analyzes revenue yield and incidence of current state and local property taxes. It can also analyze the revenue and incidence impacts of statewide policy changes in property tax—including the effect of circuit breakers, homestead exemptions, and rate and assessment caps.

***The Corporate Income Tax Model*** analyzes revenue yield and incidence of current corporate income tax law, possible rate changes and certain base changes.

***Local taxes:*** The model can analyze the statewide revenue and incidence of aggregate local taxes (not, however, broken down by individual localities).

## Addendum 1: Data Sources

The ITEP model is a “microsimulation model.” That is, it works on a very large stratified sample of tax returns and other data, aged to the year being analyzed. This is the same kind of tax model used by the U.S. Treasury Department, the congressional Joint Committee on Taxation and the Congressional Budget Office. The ITEP model uses the following micro-data sets and aggregate data:

### *Micro-Data Sets:*

IRS 1988 Individual Public Use Tax File, Level III Sample; IRS Individual Public Use Tax Files 1990 and later; Current Population Survey: 1988-93; Consumer Expenditure Survey, 1988-90 and 1992-93; U.S. Census, 1990.

### *Partial List of Aggregated Data Sources:*

Miscellaneous IRS data; Congressional Budget Office and Joint Committee on Taxation forecasts; other economic data (Commerce Department, WEFA, etc.); state tax department data; data on overall levels of consumption for specific goods (Commerce Department, Census of Services, etc.); state specific consumption and consumption tax data (Census data, Government Finances, etc.); state specific property tax data (Govt. Finances, etc.); American Housing Survey 1990; 1990 Census of Population Housing; etc.

## Addendum 2: The ITEP Tax Inequality Index

The ITEP tax inequality index measures the effects of each state’s tax system on income inequality. Essentially, it answers the following question: Are incomes more or less equal after state taxes than before taxes? For each state, the index compares incomes by income group before and after state and local taxes (not counting the tax savings from deducting state and local taxes on federal tax returns).

The index for each state equals one minus the average of the following ratios: (1) the after-tax income of the richest one percent as a share of pretax income over the after-tax income of the poorest 20 percent as a share of pretax income; (2) the after-tax income of the richest one percent as a share of pretax income over the after-tax income of the middle 60 percent as a share of pretax income; and (3) the after-tax income of the best-off 20 percent as a share of pretax income over the after-tax income of the poorest 40 percent as a share of pretax income, half-weighted.

States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before. States with progressive tax structures have positive tax inequality indexes; incomes are more equal after state and local taxes than before.

*A more detailed description of the ITEP Microsimulation Tax Model can be found on the ITEP internet site at [www.itepnet.org](http://www.itepnet.org).*