Appendix II: Notes on specific states

Alabama

- # Least progressive personal income tax in the country. This is the result of little rate graduation, plus a deduction for federal personal income tax paid that greatly reduces the tax for higher income groups.
- # Taxation of food increases sales tax's regressivity.
- # Homestead exemptions lessens regressivity of individual property tax.

Alabama's hardly progressive (by some measures, regressive) income tax provides only a minimal offset to the regressivity of the state's other taxes, making Alabama's tax system one of the ten most regressive in the country.

Alaska

- # No personal income tax.
- # No statewide sales tax. Some local governments impose a sales tax.

Oil industry tax payments allow for relatively low taxes for all income groups.

Arizona

Heavy reliance on consumption taxes and low reliance on personal income taxes contributes to a regressive tax system.

Arkansas

- # Taxation of food increases regressivity of sales tax.

Heavy reliance on consumption taxes contributes to a regressive tax system.

California

- # Steeply graduated rates in 1995 made the personal income tax the most progressive in the country. The top rates, however, are scheduled to expire in 1996.

Very progressive income tax made California's tax system one of the nation's least regressive (by some measures sightly progressive) in 1995. But top income tax rate will fall in 1996.

Colorado

- # Flat rate makes personal income tax not very progressive.

Colorado's only slightly progressive income tax provides only a minimal offset to the regressivity of the state's other taxes.

Connecticut

- # Flat rate income tax with generous exemptions and credits. This causes the tax to be progressive in the low to middle-income range, but flat from the middle to the top.

Heavy reliance on homeowner property taxes coupled with a not-very-progressive income tax contributes to a regressive tax structure.

Delaware

- # No general sales tax.

Delaware's heavy reliance on a progressive personal income tax and very low reliance on consumption taxes makes it one of the least regressive (by some measures, slightly progressive) tax states in the country.

District of Columbia

Personal income tax is only slightly graduated.
Homestead exemption and income-based credit lessen the regressivity of the property tax.

Very heavy reliance on the District's slightly progressive personal income tax partially offsets regressive taxes to make the overall system less regressive than many.

Florida

No personal income tax.
Homestead exemption and tax on intangible assets makes the property tax less regressive than it would otherwise be, but property tax still hits renters hard.

Exclusive reliance on consumption and property taxes causes Florida's tax system to be one of the ten most regressive in the country.

Georgia

Taxation of food increases sales tax regressivity (but the tax on food is being phased out).
Homestead exemption and taxation of intangible assets lessens the regressivity of the property tax.

Typically regressive tax structure.

Hawaii

Taxation of food increases sales tax regressivity.
Homestead exemption and income-based credit lessen the regressivity of the property tax.

Heavy reliance on progressive personal income tax offsets regressive taxes to a greater degree than in many states.

Idaho

Graduated rates and refundable credits make for one of the most progressive personal income taxes in the country.
Taxation of food increases sales tax regressivity.
Homestead exemption decreases regressivity of property tax.

Idaho's heavy reliance on a very progressive income tax offsets state's regressive taxes to a greater degree than in many states.

Illinois

Flat rate and low exemptions make Illinois's personal income tax one of the least progressive in the country.
Homestead exemption lessens the regressivity of the property tax.

Illinois's barely progressive income tax provides only a minimal offset to the regressivity of its other taxes; the state's tax system is one of the ten most regressive in the country.

Indiana

Flat rates and low exemptions make Indiana's state and local personal income taxes among the least progressive in the country.
Homestead exemption lessens property tax's regressivity.

Indiana's barely progressive income tax provides only a minimal offset to the regressivity of the state's other taxes.

Iowa

- # Deduction for federal taxes paid greatly lessens the progressivity of the personal income tax.
- # Homestead exemption lessens property tax regressivity.

Iowa's slightly progressive income tax provides only a minimal offset to the regressivity of the state's other taxes.

Kansas

- # Taxation of food increases sales tax regressivity.

Typically regressive tax system.

Kentucky

- # State personal income tax is only slightly graduated. Local personal income taxes apply to wages and other earned income only.
- # Taxation of intangibles lessens regressivity of the property tax.

Personal income tax's flatness from middle to upper incomes prevents it from offsetting the regressivity of the state's other taxes.

Louisiana

- # Deduction for federal taxes paid greatly lessens the progressivity of the personal income tax (which otherwise would be quite progressive due to graduated rates).
- # Generous homestead exemption makes overall property tax progressive.
- # Taxation of food increases sales tax regressivity.

Extremely heavy reliance on regressive consumption taxes makes Louisiana's tax system one of the ten most regressive in the country.

Maine

- # Graduated rates make state's personal income tax one of the more progressive in the country.
- # Income-based credit lessens regressivity of individual property tax.

Progressive income tax offsets state's regressive taxes to a greater degree than in many other states.

Maryland

- # Rate structure that is only slightly graduated makes personal income tax one of the least progressive in the country.
- # Income-based credit lessens regressivity of individual property tax.

Only slightly progressive personal income tax fails to offset regressivity of other taxes.

Massachusetts

- # Flat rate personal income tax is one of the least progressive in the country.

Only slightly progressive personal income tax fails to offset regressivity of other taxes.

Michigan

- # Flat rate personal income tax is one of the least progressive in the country.
- # Income-based credit lessens regressivity of individual property tax.

Michigan's barely progressive income tax provides only a minimal offset to the regressivity of the state's other taxes, making the state's tax system one of the ten most regressive in the country.

Minnesota

- # Property tax assessments that increase with value of home and income-based credit lessen property tax regressivity.

Heavy reliance on progressive personal income tax offsets regressive taxes to a greater degree than in many states.

Mississippi

- # Personal income tax rates are only slightly graduated.
- # Homestead exemption lessens property tax regressivity.
- # Taxation of food increases sales tax regressivity.

Heavy reliance on consumption taxes, coupled with an only slightly graduated personal income tax, makes Mississippi's tax system very regressive

Missouri

Typically regressive tax system.

Montana

- # Deduction for federal income taxes paid makes Montana's personal income tax less progressive than it would otherwise be. Steeply graduated rates offset this to make for a typically progressive personal income tax.
- # No general sales tax.
- # Income-based credit lessens the regressivity of the individual property tax.

Low consumption taxes makes Montana one of the least regressive tax states in the country. Taxes from extraction industries help keep taxes relatively low.

Nebraska

Typically regressive tax system.

Nevada

- # No personal income tax.

Heavy reliance on consumption taxes makes system very regressive. Revenues from tourism lowers overall level of taxation on residents.

New Hampshire

- # No broad-based personal income tax.
- # No general sales tax.

Lack of broad-based personal income tax and heavy reliance on a regressive property tax yield a very regressive tax system.

New Jersey

- # Income-based credit lessens regressivity of individual property tax, but property tax relief has been scaled back in recent years.

Personal income tax is insufficiently progressive to offset regressivity of heavily relied upon regressive property tax.

New Mexico

- # Low-income credits and graduated rates make New Mexico's personal income tax among the most progressive in the country.
- # Taxation of food increases sales tax regressivity.

Very heavy reliance on consumption taxes ensures a regressive tax system despite very progressive income tax.

New York

Typically regressive tax system, despite some moderately progressive elements.

North Carolina

- # Taxation of food increases sales tax regressivity.

Heavy reliance on progressive income tax offsets state's regressive taxes to a greater degree than in many other states.

North Dakota

Heavy reliance on consumption taxes makes system regressive.

Ohio

Typically regressive tax system.

Oklahoma

- # Taxation of food increases sales tax regressivity.
- # Homestead exemption lessens property tax regressivity.

Typically regressive tax system.

Oregon

- # No general sales tax.

Low reliance on consumption taxes and high reliance on somewhat progressive income taxes results in a tax system less regressive than many.

Pennsylvania

- # Flat rate and no exemptions in state and local income taxes makes for one of the least progressive income tax systems in the country.

Pennsylvania's barely progressive (by some measures, regressive) income tax provides only a minimal offset to the regressivity of the state's other taxes, making Pennsylvania's tax system one of the ten most regressive in the country.

Rhode Island

- # Very progressive personal income tax is calculated by taking a percentage of federal liability.

Even Rhode Island's very progressive income tax is not sufficiently progressive to offset fully the regressivity of the state's other taxes.

South Carolina

- # Taxation of food increases sales tax regressivity.
- # Substantial homestead exemption from school taxes makes property tax system one of the least regressive in the country.

Heavy reliance on a progressive income tax and relatively flat property tax structure makes for an overall tax system that is less regressive than many.

South Dakota

- # No personal income tax.
- # Taxation of food increases sales tax regressivity.

Lack of a personal income tax to offset the regressivity of other taxes makes South Dakota's tax system one of the ten most regressive in the country.

Tennessee

- No broad-based personal income tax.
- Taxation of food increases sales tax regressivity.

Lack of a broad-based personal income tax to offset the regressivity of other taxes makes Tennessee's tax system one of the ten most regressive in the country.

Texas

- No personal income tax.
- Homestead exemptions lessen property tax regressivity.

Lack of a personal income tax to offset the regressivity of other taxes makes Texas's tax system one of the ten most regressive in the country.

Utah

- Deduction for half of federal taxes paid makes the personal income tax not very progressive.
- Taxation of food increases sales tax regressivity.

Typically regressive tax system.

Vermont

- Very progressive personal income tax is calculated by taking a percentage of federal liability.
- Income-based credit lessens regressivity of individual property tax.

High reliance on a very progressive income tax and relatively low reliance on consumption taxes makes Vermont's tax system one of the least regressive in the country.

Virginia

- Personal income tax rates are only slightly graduated.
- Taxation of food increases sales tax regressivity.

Typically regressive tax system.

Washington

- No personal income tax.

Heavy reliance on consumption taxes and lack of personal income tax make for the most regressive tax system in the country.

West Virginia

- Taxation of food increases sales tax regressivity.
- Taxation of individually owned intangibles lessens regressivity of property tax.

Typically regressive tax system.

Wisconsin

- Capital gains exclusion and only slightly graduated rates make for a not-very-progressive personal income tax.
- Income-based credit lessens regressivity of individual property tax.

Typically regressive tax system.

Wyoming

- No personal income tax.
- Taxation of food increases sales tax regressivity.

Lack of a personal income tax to offset the regressivity of other taxes makes for a very regressive tax system. Taxes from extraction industries help keep taxes relatively low.

Appendix III: How much do regressive taxes hurt ordinary families—an experiment

Choosing to have a regressive tax system has very real consequences. Imagine, for example, that the effective tax rates in the ten states with the most regressive tax systems were reversed. In other words, suppose the poor were to pay the rate the rich now pay, the rich had to pay the current average rate of the bottom 40 percent, and so forth. That would raise considerably more revenues than existing law, so the tentative new effective rates could be cut across the board and still break even. By so turning these regressive tax systems into progressive ones, middle- and low-income families in the ten states would see their taxes reduced significantly—on average by almost a third for the bottom 80 percent of families. The average tax cut for these four-fifths of all families would be about $1,100 a year.

Of course, by definition, the best-off families in these ten states would have to pay more under such a reversal of regressivity. But almost 90 percent of the higher taxes required to offset the middle- and low-income tax cuts would come from the top five

Turning the Ten Most Regressive State Tax Systems on Their Heads **Total Taxes as Shares of Family Income (after Federal Itemized Offsets)**								**Tax Changes for the Bottom 80%**
	Low 20%	**2nd 20%**	**Mid 20%**	**4th 20%**	**Next 15%**	**Next 4%**	**Top 1%**	
ALL TEN	**$ 14,800**	**$ 31,800**	**$ 45,800**	**$ 61,900**	**$ 90,700**	**$ 187,000**	**$ 801,000**	
Current Law	13.6%	10.6%	9.1%	7.9%	6.7%	5.2%	4.1%	**–30%**
Reversed	4.9%	6.0%	6.9%	6.9%	7.1%	7.2%	7.7%	**$ –1,090**
Washington	**$ 17,800**	**$ 35,700**	**$ 49,600**	**$ 64,700**	**$ 92,100**	**$ 170,000**	**$ 717,000**	
Current Law	17.0%	12.2%	10.4%	8.9%	7.2%	5.4%	3.6%	**–39%**
Reversed	3.8%	5.8%	7.2%	7.5%	8.3%	8.9%	9.7%	**$ –1,780**
Florida	**$ 12,600**	**$ 28,400**	**$ 42,300**	**$ 58,500**	**$ 88,200**	**$ 219,000**	**$ 1,149,000**	
Current Law	14.0%	9.8%	7.6%	6.4%	5.3%	4.1%	3.2%	**–42%**
Reversed	3.2%	4.2%	5.0%	5.1%	5.4%	5.8%	7.0%	**$ –1,210**
Texas	**$ 10,900**	**$ 26,300**	**$ 41,400**	**$ 59,200**	**$ 89,500**	**$ 173,000**	**$ 743,000**	
Current Law	13.8%	10.4%	8.5%	7.3%	6.1%	4.9%	4.0%	**–36%**
Reversed	4.0%	5.0%	5.9%	5.9%	6.3%	6.9%	7.5%	**$ –1,090**
South Dakota	**$ 17,400**	**$ 31,200**	**$ 43,000**	**$ 56,500**	**$ 77,000**	**$ 142,000**	**$ 600,000**	
Current Law	11.7%	8.9%	7.8%	6.6%	5.7%	4.0%	2.6%	**–34%**
Reversed	2.8%	4.4%	5.9%	6.1%	6.3%	6.7%	7.3%	**$ –1,020**
Tennessee	**$ 12,600**	**$ 28,800**	**$ 41,800**	**$ 57,200**	**$ 83,000**	**$ 159,000**	**$ 674,000**	
Current Law	12.3%	9.3%	7.6%	6.4%	5.3%	3.9%	3.2%	**–38%**
Reversed	3.4%	4.1%	5.1%	5.4%	5.8%	6.4%	6.9%	**$ –1,070**
Louisiana	**$ 11,300**	**$ 26,400**	**$ 39,700**	**$ 55,600**	**$ 80,700**	**$ 151,000**	**$ 551,000**	
Current Law	13.4%	11.2%	10.4%	8.8%	7.4%	5.6%	4.8%	**–30%**
Reversed	5.8%	6.1%	7.4%	7.7%	8.1%	8.4%	8.9%	**$ –1,010**
Pennsylvania	**$ 17,800**	**$ 35,400**	**$ 48,400**	**$ 62,500**	**$ 90,700**	**$ 179,000**	**$ 728,000**	
Current Law	13.2%	10.7%	9.8%	8.9%	7.7%	6.2%	4.5%	**–21%**
Reversed	5.9%	7.5%	8.5%	8.4%	8.3%	7.6%	8.0%	**$ –860**
Illinois	**$ 18,400**	**$ 38,700**	**$ 53,200**	**$ 69,100**	**$ 101,500**	**$ 239,000**	**$ 1,134,000**	
Current Law	13.5%	10.3%	9.4%	8.3%	7.3%	5.7%	4.9%	**–24%**
Reversed	5.8%	6.7%	7.8%	7.6%	7.6%	7.3%	7.6%	**$ –1,040**
Alabama	**$ 12,200**	**$ 26,500**	**$ 40,100**	**$ 54,800**	**$ 79,000**	**$ 140,000**	**$ 580,000**	
Current Law	11.5%	10.3%	9.0%	7.8%	6.5%	5.2%	3.6%	**–27%**
Reversed	4.6%	6.0%	6.9%	7.1%	7.2%	7.5%	7.6%	**$ –810**
Michigan	**$ 19,700**	**$ 39,300**	**$ 53,700**	**$ 70,500**	**$ 98,600**	**$ 176,000**	**$ 724,000**	
Current Law	13.2%	11.4%	10.2%	9.1%	7.8%	6.5%	5.0%	**–22%**
Reversed	6.8%	7.8%	8.6%	8.2%	8.5%	8.8%	8.4%	**$ –1,050**

percent of all families—with almost 60 percent coming from the top one percent. Families in the top one percent would pay considerably more, but their effective tax rate (after federal itemized deduction offsets) would still average only 7.8% of income (up from the 4.1% rate they now pay).

Although these states offer the most dramatic illustration of the value of progressive taxation for most families, in every state, the majority of families would pay lower taxes if their states improved the fairness of their tax laws.

NOTE: The specific details for this reversal-of-tax rates experiment are: (a) the lowest 20% pays the current rate of the top 1%; (b) the second 20% pays the current rate of the next 4% (the group just below the top 1%); (c) the middle 20% pays the current rate of the next 15% (the group just below the top 5%); (d) the fourth 20% pays the average of its current rate and the rate of the next 15%; (e) the next 15% pays the average rate of the third and fourth quintiles; (f) the next 4% pays the average rate of the second and third quintiles; and (g) the top 1% pays the average rate of the bottom two quintiles.