Who Pays?

A Distributional Analysis of the Tax Systems in All 50 States

Fifth Edition

Institute on Taxation & Economic Policy

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The Institute on Taxation and Economic Policy (ITEP) is a non-profit, non-partisan research organization that works on federal, state, and local tax policy issues. ITEP's mission is to ensure that elected officials, the media, and the general public have access to accurate, timely, and straightforward information that allows them to understand the effects of current and proposed tax policies. ITEP's work focuses particularly on issues of tax fairness and sustainability.

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EXECUTIVE SUMMARY

The 2015 *Who Pays: A Distributional Analysis of the Tax Systems in All Fifty States* (the fifth edition of the report) assesses the fairness of state and local tax systems by measuring the state and local taxes that will be paid in 2015 by different income groups as a share of their incomes.[1] The report examines every state and the District of Columbia. It discusses important features of each state's tax system and includes detailed state-by-state profiles that provide essential baseline data to help lawmakers understand the effect tax reform proposals will have on constituents at all income levels.

The report includes these main findings:

- **Virtually every state tax system is fundamentally unfair,** taking a much greater share of income from low- and middle-income families than from wealthy families. The absence of a graduated personal income tax and overreliance on consumption taxes exacerbate this problem.

- **The lower one's income, the higher one's overall effective state and local tax rate.** Combining all state and local income, property, sales and excise taxes that Americans pay, the nationwide average effective state and local tax rates by income group are 10.9 percent for the poorest 20 percent of individuals and families, 9.4 percent for the middle 20 percent and 5.4 percent for the top 1 percent.

- In the **10 states with the most regressive tax structures** (the Terrible 10) the bottom 20 percent pay up to seven times as much of their income in taxes as their wealthy counterparts. Washington State is the most regressive, followed by Florida, Texas, South Dakota, Illinois, Pennsylvania, Tennessee, Arizona, Kansas, and Indiana.

- **Heavy reliance on sales and excise taxes are characteristics of the most regressive state tax systems.** Six of the 10 most regressive states derive roughly half to two-thirds of their tax revenue from sales and excise taxes, compared to a national average of roughly one-third . Five of these states do not levy a broad-based personal income tax (four do not have any taxes on personal income and one state only applies its personal income tax to interest and dividends) while four have a personal income tax rate structure that is flat or virtually flat.

- **State personal income taxes are typically more progressive than the other taxes that states levy** (e.g property, consumption). Sales and excise taxes are the most regressive, with poor families paying almost eight times more of their income in these taxes than wealthy families, and middle income families paying five times more. Property taxes are typically regressive as well, but less so than sales and excise taxes.

- **Personal income taxes vary in fairness due to differences in rates, deductions, and exemptions across states**. For example, the Earned Income Tax Credit improves progressivity in 25 states and the

[1]The 5th edition of *Who Pays?* shows the impact of permanent tax laws on non-elderly taxpayers, including the impact of all tax changes enacted through December 31, 2014, at 2012 income levels.

District of Columbia, while nine states undermine progressivity by allowing taxpayers to pay a reduced rate on capital gains income, which primarily benefits higher-income households.

- **State consumption tax structures are highly regressive** with an average 7 percent rate on sales and excise taxes for the poor, a 4.7 percent rate for middle-income people, and a 0.8 percent rate for the wealthiest taxpayers. Because food is one of the largest expenses for low-income families, taxing food is particularly regressive; five of the ten most regressive states tax food at the state or local level.

- **Taxes on personal and business property are a significant revenue source** for both states and localities and are generally regressive in their overall effect, particularly for middle-income households. A homestead exemption (exempting a flat dollar or percentage amount of property value from a property tax) lessens regressivity. A property tax circuit breaker that caps the amount a property owner pays in property taxes based on their personal income can also reduce regressivity; none of the 10 most regressive states offer this tax break to low-income families of all ages.

- **States commended as "low tax" are often high tax states for low- and middle-income families.** The 10 states with the highest taxes on the poor are Arizona, Arkansas, Florida, Hawaii, Illinois, Indiana, Pennsylvania, Rhode Island, Texas, and Washington. Seven of these are also among the "terrible ten" because they are not only high tax for the poorest, but low tax for the wealthiest.

INTRODUCTION

Economists have widely discredited trickle-down economic theories espoused for more than three decades, but that hasn't stopped new generations of supply-side theorists from repackaging those philosophies and pushing for lower state tax rates for wealthy individuals, businesses and corporations. In fact, recent years have brought tax proposals and changes in multiple states that would overwhelmingly benefit the highest income households under the guise of stimulating economic growth. This report doesn't seek to rebut ideological claims; rather it is an in-depth analysis of all taxes that all people pay at the state and local level.

This study assesses the fairness of each state's tax system by measuring state and local taxes paid by non-elderly taxpayers in different income groups in 2015 as shares of income for every state and the District of Columbia. The report provides valuable comparisons among the states, showing which states have done the best — and the worst — job of providing a modicum of fairness in their overall tax systems. The Tax Inequality Index (Appendix B) measures the effects of each state's tax system on income inequality and is used to rank the states from the most regressive to the least regressive.

The bottom line is that every state fails the basic test of tax fairness. The District of Columbia is the only tax system that requires its best-off citizens to pay as much of their incomes in state and local taxes as the very poorest taxpayers, but middle-income taxpayers in DC pay far more than the top one percent. In other words, every single state and local tax system is regressive and even the states that do better than others have much room for improvement.

Overall, effective state and local tax rates by income group nationwide are 10.9 percent for the bottom 20 percent, 9.4 percent for the middle 20 percent and 5.4 percent for the top 1 percent (see chart below). This means the poorest Americans are paying two times more of their income in taxes than the top 1 percent.

There are moral and practical reasons to be concerned about this. Unfair tax systems not only exacerbate widening income inequality in the short term, but they also will leave states struggling to raise enough revenue to meet their basic needs in the long term.

In fact, a September 2014 Standard and Poor's (S&P) study concludes that rising income inequality can make it more difficult for state tax systems to pay for needed services over time. The more income that goes to the wealthy, the slower a state's revenue grows. Digging deeper, S&P also found that not all states have been affected in the same way by rising inequality. States that rely heavily on sales taxes tend to be hardest hit by growing income inequality, while states that rely heavily on personal income taxes don't experience the same negative effect.

Averages for All States in 2015

Total State and Local Taxes Imposed on Non-Elderly Residents

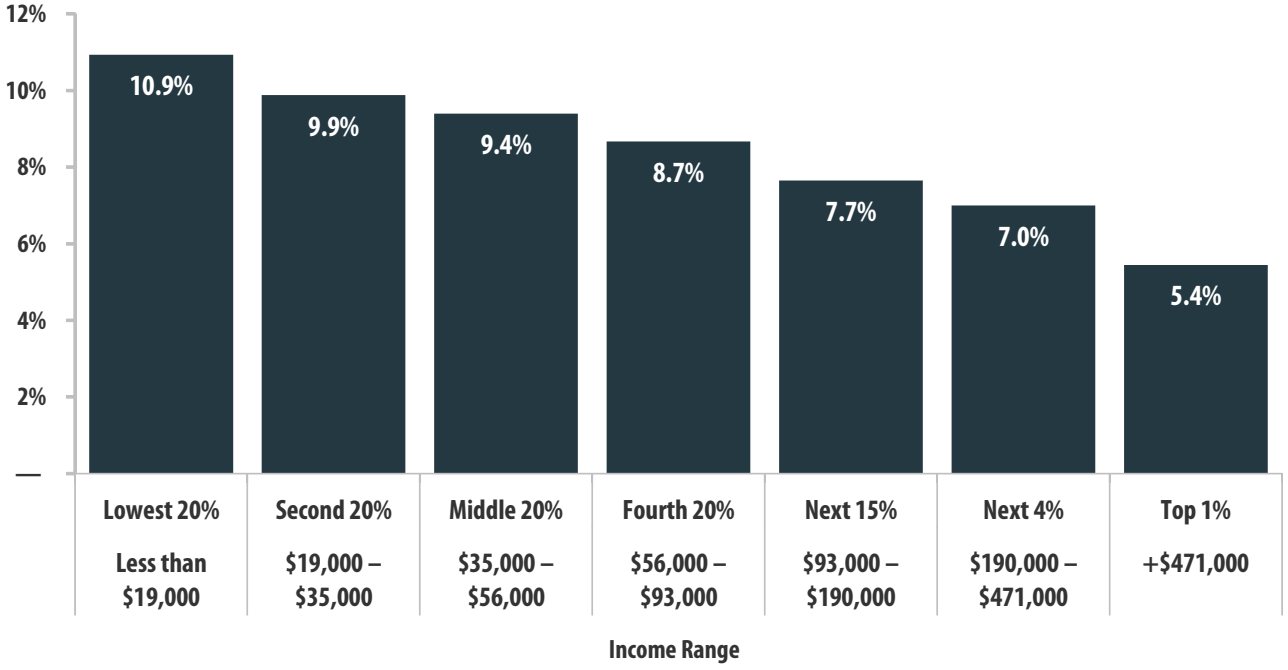


Figure represents 50 state (and District of Columbia) average for total state and local taxes paid as a share of 2012 income, post- federal offset

THE 10 MOST REGRESSIVE STATE AND LOCAL TAX SYSTEMS

Ten states — **Washington, Florida, Texas, South Dakota, Illinois, Pennsylvania, Tennessee, Arizona, Kansas, and Indiana** — are particularly regressive. These "Terrible Ten" states tax their poorest residents — those in the bottom 20 percent of the income scale — at rates up to seven times higher than the wealthy. Middle-income families in these states pay a rate up to three times higher as a share of their income as the wealthiest families.

ITEP's Terrible 10 Most Regressive State & Local Tax Systems

Taxes as shares of income by income for non-elderly residents

		Taxes as a % of Income on			*Ratio of*	
Rank	State	Poorest 20%	Middle 60%	Top 1%	Poor to Top 1%	Middle to Top 1%
1	**Washington**	16.8%	10.1%	2.4%	686%	412%
2	**Florida**	12.9%	8.3%	1.9%	666%	429%
3	**Texas**	12.5%	8.8%	2.9%	435%	307%
4	**South Dakota**	11.3%	7.9%	1.8%	616%	431%
5	**Illinois**	13.2%	10.9%	4.6%	289%	238%
6	**Pennsylvania**	12.0%	10.1%	4.2%	286%	241%
7	**Tennessee**	10.9%	8.4%	3.0%	365%	280%
8	**Arizona**	12.5%	9.5%	4.6%	272%	207%
9	**Kansas**	11.1%	9.2%	3.6%	310%	258%
10	**Indiana**	12.0%	10.6%	5.2%	231%	204%

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 134 for a full description of the Index. Total taxes as a share of income are post-federal offset.

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

- Four of the ten states do not levy a personal income tax — Florida, South Dakota, Texas, and Washington. An additional state, Tennessee, only applies its personal income tax to interest and dividend income.

- Five states do levy personal income taxes, but have structured them in a way that makes them much less progressive than in other states. Pennsylvania , Illinois and Indiana use a flat rate which taxes the income of the wealthiest family at the same marginal rate as the poorest wage earner. Arizona has a graduated rate structure, however there is little difference between the bottom marginal rate and top marginal rate. Kansas' graduated rate structure only has two brackets, applying the top rate starting at $30,000 for married couples.

- Six of the ten most regressive tax systems — those of Washington, South Dakota, Tennessee, Texas, Arizona and Florida — rely very heavily on regressive sales and excise taxes. These states derive roughly half to two-thirds of their tax revenue from these taxes, compared to the national average of 34 percent in fiscal year 2011-2012.

THE LEAST REGRESSIVE STATE AND LOCAL TAX SYSTEMS

Just as the combination of flat (or non-existent) income taxes and high sales and excise taxes leads to very regressive tax systems, the least regressive tax systems have highly progressive income taxes and rely less on sales and excise taxes. For example:

- Vermont's tax system is among the least regressive in the nation because it has a highly progressive income tax and low sales and excise taxes. Vermont's tax system is also made less unfair by the size of the state's refundable Earned Income Tax Credit (EITC) — 32 percent of the federal credit.

- Delaware's income tax is not very progressive, but its high reliance on income taxes and low use of consumption taxes nevertheless results in a tax system that is only slightly regressive overall. Similarly, Oregon relies highly on income taxes and very little on consumption taxes. The state also offers a refundable EITC and has a fairly progressive personal income tax rate structure. Montana also relies very little on consumption taxes (like Oregon, the state does not have a sales tax).

- The District of Columbia and Minnesota each achieve a close-to-flat tax system overall through the use of generous refundable EITCs and an income tax with relatively high top rates and limits on tax breaks for upper-income taxpayers. California has one of the least regressive tax systems due to its heavy reliance on a very progressive income tax.

It should be noted that even these least regressive states fail to meet what most people would consider minimal standards of tax fairness. In each of these states, at least some low- or middle-income groups pay more of their income in state and local taxes than wealthy families. In other words, every single state and local tax system is regressive and even these states that do better than others have much room for improvement.

Characteristics of the Least Regressive Tax Systems

	Personal Income Tax			Low Use of Sales & Excise Taxes
	Very Progressive	High Reliance on PIT	Use of Refundable Credits	
California	✓	✓		
Delaware	✓	✓		✓
District of Columbia	✓	✓	✓	✓
Minnesota	✓	✓	✓	
Montana				✓
Oregon	✓	✓	✓	✓
Vermont	✓		✓	

THE KIND OF TAX MATTERS

State and local governments seeking to fund public services have historically relied on three broad types of taxes — personal income, property, and consumption (sales and excise) taxes. (States also rely on non-tax revenue sources such as user fees, charges, and gambling revenues. 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. See Appendix C for trends in both tax and "non-tax" revenues as shares of total state and local own-source revenues.)

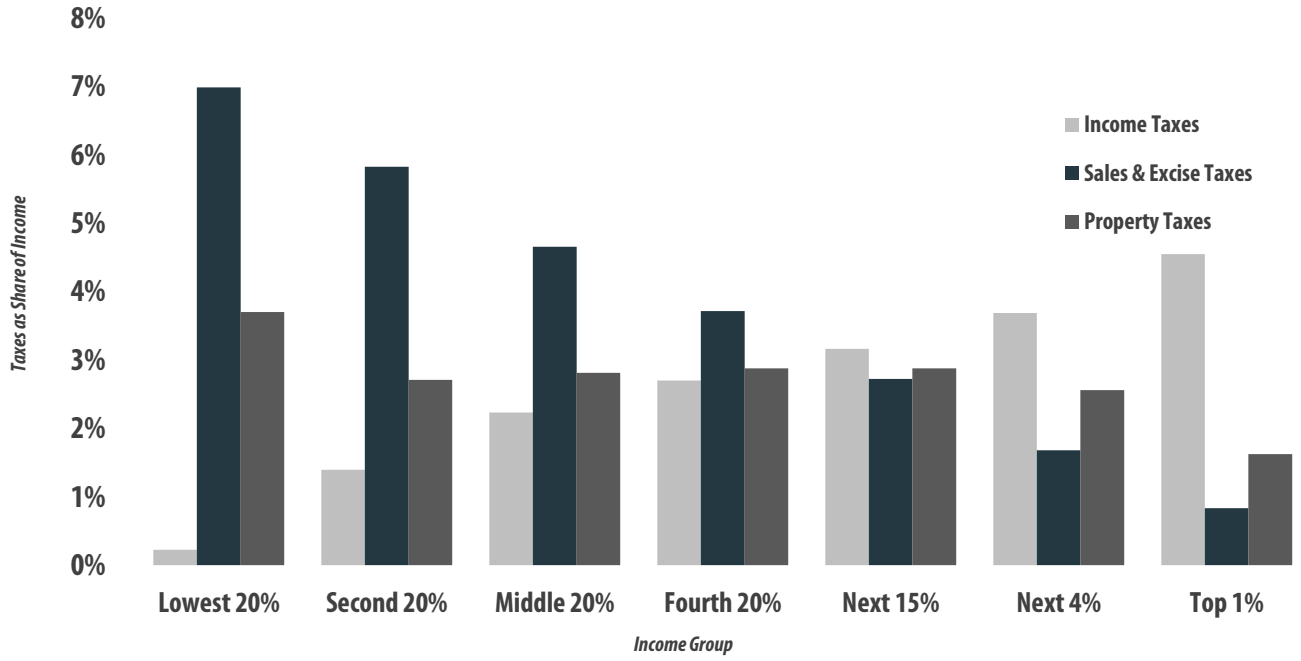
As ITEP's analysis of the most and least regressive tax states shows, the fairness of state tax systems depends primarily on how heavily states rely on each tax. Each of these taxes has a distinct distributional impact, as the table on this page illustrates:

- State income taxes are typically progressive — that is, as incomes go up, effective tax rates go up. 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 of the well-off. Of the three major taxes used by states, the personal income tax is the only one for which effective tax rates rise with income levels.

- Property taxes, including both taxes on individuals and business taxes, are usually somewhat regressive. On average, poor homeowners and renters pay more of their incomes in property taxes than do any other income group — and the wealthiest taxpayers pay the least.

- Sales and excise taxes are very regressive. Poor families pay almost eight times more of their incomes in these taxes than the best-off families, and middle-income families pay more than five times the rate of the wealthy.

Comparing Types of Taxes: Averages for All States by Tax
(before federal offset)



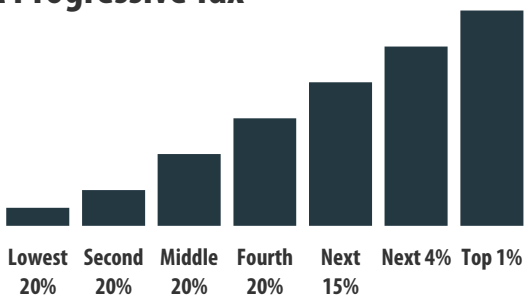
A state's tax fairness is only partially determined by the mix of these three broad tax types. Equally important is how states design the structure of each tax. Some personal income taxes are far more progressive than others, simply because lawmakers chose to design them that way. The same is true, to a lesser extent, of property and sales taxes; while any state that relies heavily on these taxes is likely to have a regressive tax structure, lawmakers can take steps to make these taxes less regressive. 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 least regressive 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.

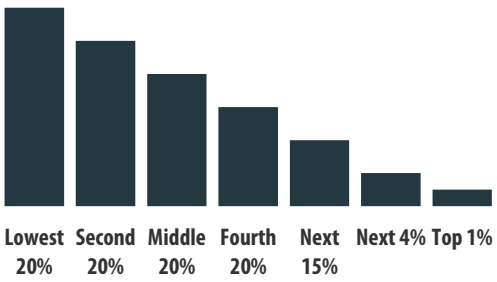
Progressive, Regressive, or Proportional?

A Progressive Tax



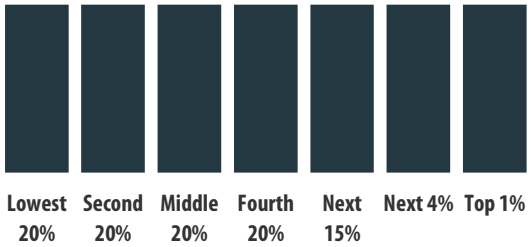
A **progressive tax** is one in which upper-income families pay a larger share of their incomes in tax than do those with lower incomes.

A Regressive Tax



A **regressive tax** requires the poor and middle-income to pay a larger share of their incomes in taxes than the rich.

A Proportional Tax



A **proportional tax** takes the same percentage of income from everyone, regardless of how much or how little they earn.

INCOME TAXES

State personal income taxes — and their counterpart, corporate income taxes — are the main progressive element of state and local tax systems. In 2015, 41 states and the District of Columbia have broad-based personal income taxes that partially offset the regressivity of consumption taxes and property taxes. Yet some states have been 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. Very few states, such as Alabama and Pennsylvania, actually have effectively regressive income taxes.

These differences in the fairness of state income taxes are due to three broad policy choices: a graduated or flat-rate tax structure; use of exemptions and tax credits that benefit low-income taxpayers, and use of regressive tax loopholes that benefit the wealthiest taxpayers.

Personal Income Tax Rate Structure

Of the states currently levying a broad-based personal income tax, all but eight apply graduated tax rates (higher tax rates applied at higher income levels). The remaining eight states — Colorado, Illinois, Indiana, Massachusetts, Michigan, North Carolina, Pennsylvania, and Utah — tax income at one flat rate. While most of the "Terrible Ten" states achieve membership in this club by having no income taxes at all, three of them — Pennsylvania, Indiana and Illinois — achieve this dubious honor through their use of a flat-rate tax.

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

State	Little or No Income Tax	Flat-Rate Tax	Low Top Rate	Lack of Refundable Credits
Washington	✓			✓
Florida	✓			✓
Texas	✓			✓
South Dakota	✓			✓
Illinois		✓		
Pennsylvania		✓		✓
Tennessee	✓			✓
Arizona			✓	
Kansas			✓	
Indiana		✓		

However, using a graduated rate structure is not enough to guarantee an overall progressive income tax; some graduated-rate income taxes are about as fair or less fair as some flat-rate taxes. The level of graduation in state income tax rates varies widely. The chart below shows three state income taxes — Alabama, Louisiana, and California — that apply graduated rate structures with very different distributional impacts.

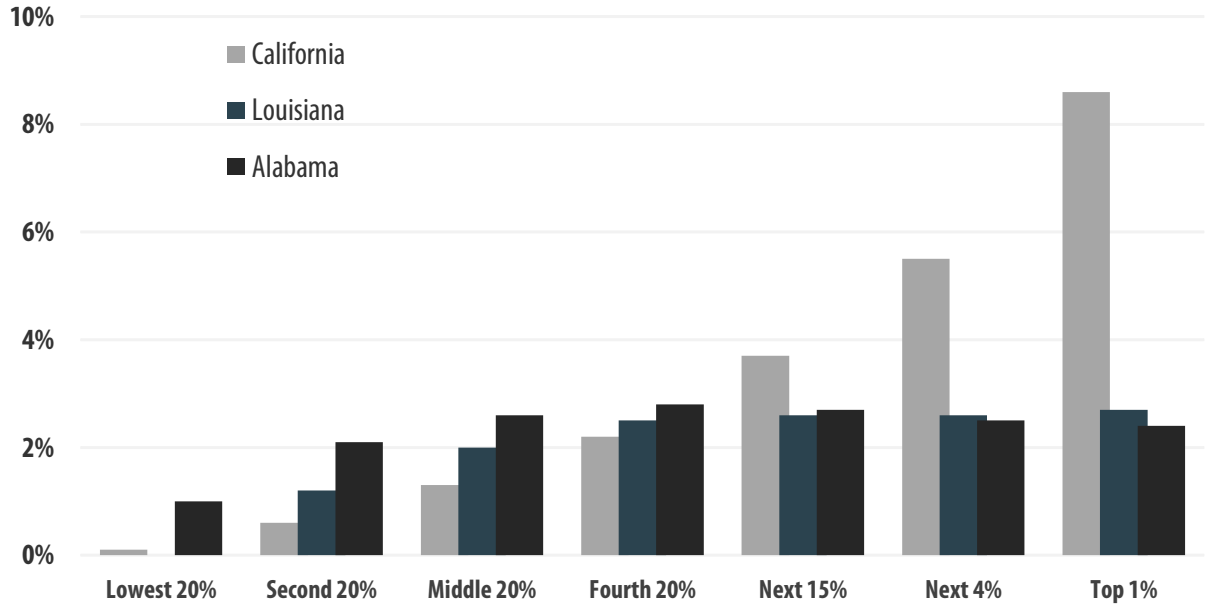
California's income tax is quite progressive. Its ten graduated tax rates range from 1 percent to 13.3 percent. (Temporary legislation enacted in 2012 added three top brackets and increased top rates.) Because the top tax rate of 13.3 percent is a "millionaire's tax," most Californians pay a much lower rate.

Louisiana's personal income tax has fewer tax brackets (three) over a narrower range (2 to 6 percent), and the top rate begins at $100,000 of taxable income for a married couple. The tax is progressive for low- and middle-income families, but is basically flat across the top 20 percent of the income distribution, so a family earning a million dollars a year pays the same top rate as a family earning $100,000. (The use of a small Earned Income Tax Credit results in an effective tax rate that is slightly negative for low-income Louisianans.)

Alabama 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 5 percent is not much lower than Louisiana's top rate — but the top rate kicks in at just $6,000 of taxable income for married couples. As a result, 70 percent of Alabama's non-elderly families will pay at the top rate in 2015. In combination with special tax breaks targeted to upper-income families, this essentially flat-rate structure results in an effective income tax rate that actually declines slightly at upper income levels, making this income tax less progressive than even some flat taxes.

Not All Income Taxes are Created Equal

Distribution of Personal Income Taxes in California, Louisiana, and Alabama



Income Tax Provisions that Benefit Low- and Moderate-Income Families

Perhaps the most important factor enhancing income tax fairness in recent years has been the proliferation of low-income tax credits. These credits are most effective when they are refundable — that is, they allow a taxpayer to have a negative income tax liability which offsets sales and property taxes — and are adjusted for inflation so they do not erode over time.

Twenty-five states and the District of Columbia have enacted state Earned Income Tax Credits based on the federal EITC. Calculating a state EITC as a percentage of the federal credit makes the credit easy for state taxpayers to claim (since they have already calculated the amount of their federal credit) and easy for state tax administrators to monitor.

Refundability is a vital component of state EITCs to ensure deserving families get the full benefit of the credit. Refundable credits do not depend on the amount of income taxes paid: if the credit exceeds income tax liability, the taxpayer receives the excess as a refund. Thus, refundable credits usefully offset regressive sales and property taxes and can provide a much needed income boost to help families pay for basic necessities. In all but four states (Delaware, Maine, Ohio and Virginia), the EITC is fully refundable. The use of low-income tax credits such as the EITC is an important indicator of tax progressivity: only three of the ten most regressive state income taxes have a permanent EITC, while seven of the ten most progressive state income taxes currently provide a permanent EITC.

Because the Earned Income Tax Credit is targeted to low-income working families with children, it typically offers little or no benefits to older adults and adults without children. Thus, refundable low-income credits available to all residents regardless of family status are a good complementary policy to state EITCs. Ten states offer targeted income tax credits to reduce (or zero out) low-income families' personal income tax contributions. For example, Ohio offers a nonrefundable credit that ensures that families with incomes less than $10,000 aren't subject to the income tax. Kentucky offers a nonrefundable credit based on family size to ensure that families at or below the poverty level aren't subject to state income taxes. Making these targeted low-income credits refundable would increase their effectiveness for low-income families.

Six states offer an income tax credit to help offset the sales and excise taxes that low-income families pay. Some of the credits are specifically intended to offset the impact of sales taxes on groceries. These credits are normally a flat dollar amount for each family member, and are available only to taxpayers with income below a certain threshold. They are usually administered on state income tax forms, and are refundable — meaning that the full credit is given even if it exceeds the amount of income tax a claimant owes.

Undermining Progressivity with Tax Breaks for Wealthy Taxpayers

In contrast to states that improve tax fairness with tax credits for low-income families, more than a dozen states currently allow substantial tax breaks for the wealthy that undermine tax progressivity. Two of the most regressive state income tax loopholes are capital gains tax breaks (Arizona, Arkansas, Hawaii, Montana, New Mexico, North Dakota, South Carolina, Vermont, and Wisconsin) and deductions for federal income taxes paid (Alabama, Iowa, Louisiana, Missouri, Montana, and Oregon).

In combination with a flat (or only nominally graduated) rate structure, these tax breaks can create an odd — and unfair — situation where the highest income taxpayers devote a lower percentage of their income to income taxes than their middle-income neighbors.

For example, Alabama allows a deduction for federal income taxes. 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. Despite 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; three other states have a partial deduction .

Wisconsin allows a deduction for 30 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. Eight other states allow substantial capital gains tax breaks.

THE FEDERAL OFFSET OF STATE AND LOCAL TAXES

Federal income tax rules allow taxpayers to claim itemized deductions for state and local personal income and property taxes (and, temporarily, general sales taxes). The ability to deduct these taxes on your federal tax forms means that if you itemize (rather than take the standard deduction) on your federal taxes, some of your state taxes are offset by lower federal taxes. This feature of the federal income tax is what ITEP refers to as the "federal offset."

The practical impact of being able to write off these state and local taxes is that if you itemize your federal income taxes, your state income tax and property tax bills are never really as big as they appear. Some portion of the state taxes you pay initially will be directly offset by lower federal taxes when you file your federal tax forms. For example, if a wealthy family pays $5,000 in state personal income tax, they get a deduction from federal taxable income of $5,000. This means that as much as $5,000 of their income will be exempt from federal income tax. How good a deal this is depends on how much income you have and whether or not you itemize on your federal returns. Lower-income taxpayers who don't itemize their federal income taxes will not be able to take advantage of the federal offset at all. On average, a fifth of all state personal income and individually-paid property taxes are shifted to the federal government (and to taxpayers nationwide) as a result of the deductibility of state and local taxes from the federal tax. For the very best-off taxpayers, more than one-third of their state and local income and property tax bills are effectively paid by the federal government.

The federal offset has a significant impact on the bottom-line state and local taxes better-off taxpayers pay, and on cross-state differences in total effective taxes. For this reason, the *Who Pays* results are presented after applying the federal offset to average total state and local taxes. The detailed state summaries include data for each state pre- federal offset as well.

SALES AND EXCISE TAXES

Sales and excise taxes are the most regressive element in most state and local tax systems. Sales taxes inevitably take a larger share of income from low- and middle-income families than from rich families because sales taxes are levied at a flat rate and spending as a share of income falls as income rises. 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 spent income and exempts saved income. Since high earners 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 4.7 percent rate for the middle class, and a 0.8 percent rate for the wealthiest taxpayers. Few policymakers would intentionally design an income tax that looks like this, but many have done so by relying heavily on consumption taxes as a revenue source.

The treatment of groceries is the most important factor affecting sales tax fairness. Taxing food is a particularly regressive policy because poor families spend most of their income on groceries and other necessities. Of the 10 most regressive sales taxes in the country, five apply the tax to groceries in some form. 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.

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

Sales & Excise Taxes in the 10 Most Regressive States

State	Heavy Reliance on Sales & Excise Taxes	Groceries in State Tax Base
Washington	✓	
Florida	✓	
Texas	✓	
South Dakota	✓	✓
Illinois		Taxed at Lower Rate
Pennsylvania	✓	
Tennessee	✓	Taxed at Lower Rate
Arizona	✓	
Kansas	✓	✓ (nonrefundable credit offered)
Indiana	✓	

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.

Overall, state excise taxes on items such as gasoline, cigarettes and beer take about 1.6 percent of the income of the poorest families, 0.8 percent of the income of middle-income families, and just 0.1 percent of the income of the very best-off. In other words, these excise taxes are 16 times harder on the poor than the rich, and 8 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 by inflation. That means excise tax rates 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 relying 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

Property 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 applies mainly to homes and exempts most other forms of wealth, the tax applies to most of the wealth of middle-income families and 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 three times as much as 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 rental property is passed through to renters in the form of higher rent — and these taxes represent a much larger share of income for poor families than for the wealthy. This adds to the regressivity of the property tax.

The business tax component reduces the regressivity of the property tax as it generally falls on owners of capital and to a significant degree is "exported" to residents of other states. On average, this study finds that about 40 percent of a typical state's property taxes fall on business (excluding the portion of apartment taxes that is assigned to renters).

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

Homestead Exemptions

The most common form of broad-based state property tax relief for homeowners is the homestead exemption, which usually exempts a flat dollar amount or 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 systems apart from the most regressive. While several states have increased the value of their homestead exemptions in recent years, many others have allowed the real value of their homestead exemptions to diminish, as increasing home values made fixed-dollar exemptions less valuable.

Property Taxes in the 10 Most Regressive States

State	Heavy Reliance on Property Tax	Homestead Exemption?
Washington		
Florida	✓	✓
Texas	✓	✓
South Dakota		
Illinois	✓	✓
Pennsylvania		
Tennessee		
Arizona		✓
Kansas	✓	✓
Indiana		✓

Low-Income Property Tax Credits

A majority of states now offer some kind of credit designed to assist low-income taxpayers in paying their property tax bills. The most effective and targeted property tax credits are "circuit breaker" programs made available to low-income homeowners and renters regardless of age. Circuit breaker credits take effect when property tax bills exceed a certain percentage of a person's income. Unfortunately, most circuit breaker credits are made available only to elderly taxpayers, a feature that reduces the impact of many low-income property tax credits. Only nine states offer substantial circuit breakers to all low-income property taxpayers regardless of age or disability. Notably, not a single one of the ten most regressive states has a low-income circuit breaker available to low-income homeowners and renters of all ages (Arizona, Kansas, Pennsylvania, South Dakota, and Washington provide less targeted property tax credits to elderly taxpayers based only on income without a priovison requiring property taxes to exceed a set percentage of income to qualify).

LOW TAXES OR JUST REGRESSIVE TAXES?

This report focuses on the most regressive state and local tax systems and the factors that make them so. Many of the most regressive states have another trait in common: they are frequently hailed as "low-tax" states, 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. However, they are far from "low-tax" for poor families. 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 10 States with the Highest Taxes on the Poor

State	Taxes Paid by Bottom 20%
Washington	16.8%
Hawaii	13.4%
Illinois	13.2%
Florida	12.9%
Rhode Island	12.5%
Arizona	12.5%
Texas	12.5%
Indiana	12.0%
Pennsylvania	12.0%
Arkansas	11.9%

The table to the left shows the 10 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, Washington's poor families pay 16.8 percent of their total income in state and local taxes. Compare that to neighboring Idaho and Oregon, where the poor pay 8.5 percent and 8.1 percent, respectively, of their incomes in state and local taxes — far less than in Washington .

Hawaii, which relies heavily on consumption taxes, ranks second in its taxes on the poor, at 13.4 percent. Illinois taxes its poor families at a rate of 13.2 percent, ranking third in this dubious category.

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

THE ECONOMIC CASE FOR TAX FAIRNESS

Putting basic moral concerns aside, creating more fair state tax systems is an economic imperative. Over the last four decades the share of income and wealth accruing to those at the top of the income scale has skyrocketed, while wages and income for working and middle-class families have stagnated; today, the top 20 percent of Americans as a group earn more income than the bottom 80 percent combined. As a result, states that rely on regressive sales, excise and property taxes rather than income taxes have experienced faster revenue decline than states with more progressive tax structures according to *Income Inequality Weighs on State Tax Revenues*, a September 2014 report from Standard and Poor's.

The vast majority of states allow their very best-off residents to pay much lower effective tax rates than their middle- and low-income families must pay — so when the richest taxpayers grow even richer, these exploding incomes hardly make a ripple in state tax collections. And when the same states see incomes stagnate or even decline at the bottom of the income distribution it has a palpable, devastating effect on state revenue. A recent Standard & Poor's report found that the more income growth goes to the wealthy and incomes stagnate or decline at the bottom, the slower a state's revenue grows, especially if the state relies more heavily on taxes that disproportionately fall on low- and middle-income households. Hitching your state's funding of investments to those with a shrinking share income is not a path to a sustainable, growing revenue stream.

Moreover, shrinking revenues and overreliance on regressive taxes prevent states from investing in the priorities that will bolster the prospects of low- and middle-income residents: education, workforce development, infrastructure improvements, and adequate healthcare. State tax structures that rely on trickle-down theories of economic growth, balance budgets on the backs of working families rather than asking the wealthy to do more, and fail to improve the wellbeing of the majority of that state's residents will fail to be competitive in the long run. Shortsighted tax cuts can be a long-term drag on development.

HOW HAVE RECENT TAX CHANGES AFFECTED STATE TAX FAIRNESS?

State lawmakers have enacted a wide variety of tax changes in the two years since the last publication of *Who Pays* (January 2013). Many of these changes have dramatically reshaped state and local tax fairness — for better or worse. There are several prominent changes and trends worth noting:

Major Tax Overhauls

- Kansas enacted more changes to its personal income tax on top of those already passed in 2012. Tax rates are gradually reduced to 2.3 and 3.9 percent and both standard and itemized deductions are pared back. The food sales tax rebate was reinstated, but made nonrefundable. If revenue targets are reached in future years, the income tax could be repealed entirely. Kansas also increased its sales tax from 5.7 to 6.15 percent.

- North Carolina replaced its graduated personal income tax rate structure with a flat rate of 5.75 percent and enacted several other changes to the tax including: the elimination of all credits except for the child tax credit (this included allowing the state's Earned Income Tax Credit to expire), elimination of personal exemptions, elimination of a $50,000 deduction for business pass-through income, an increased standard deduction, eliminating most itemized deductions and subjecting property taxes and mortgage interest to a $20,000 cap and allowing unlimited charitable contribution deductions. The package also expanded the sales tax base, increased sales taxes on electricity, and phases-in a corporate income tax rate cut that will eventually bring the rate from 6.9 to 3 percent.

- Ohio reduced personal income tax rates across the board and exempted 50 percent of business pass-through income from the tax (capped at the first $250,000). The state also enacted a very limited non-refundable EITC equal to 5 percent of the federal credit in 2013 and expanded it to 10 percent in 2014. At the same time, the state's sales tax was increased from 5.5 to 5.75 percent and its base was expanded.

- The District of Columbia cut income tax rates for middle-income residents and increased the standard deduction. Further rate cuts, as well as additional increases in the standard deduction and personal exemption, could take effect if revenue grows sufficiently. The District of Columbia also phased-out its personal exemption for high-income taxpayers and made permanent its 8.95 percent income tax bracket on high-income earners. The city's EITC was expanded for childless workers and its property tax circuit breaker was enhanced. The business franchise tax rate was cut from 9.975 to 9.4 percent, and could see further cuts to 8.25 percent contingent on revenue growth. DC's sales tax base was also expanded, while its rate was lowered from 6.0 to 5.75 percent. The city also reformed its gas tax so that the rate can grow alongside gas prices in the future.

Personal Income Tax Cuts

- Arkansas, Indiana and North Dakota enacted across-the-board reductions in personal income tax rates.

- Missouri enacted a law that could eventually reduce its top personal income tax rate from 6 to 5.5 percent and exclude 50 percent of pass-through business income from taxation, if revenue targets are reached.

- Oklahoma enacted a law that could eventually reduce its top personal income tax rate from 5.25 to 4.85 percent, if revenue targets are reached.

- Oregon enacted an alternative personal income tax rate structure which applies lower rates to some pass-through business income.

- Wisconsin reduced personal income tax rates in all brackets in 2013 and further reduced the bottom bracket rate from 4.4 to 4 percent in 2014. Wisconsin also enacted significant property tax cuts.

Reduced Taxes for Low- and Moderate-Income Families

- Colorado made its dependent care tax credit refundable for families making less than $25,000, and enacted laws that could create a permanent EITC and Child Tax Credit if certain conditions are met.

- Iowa increased its EITC to 15 percent of the federal level.

- Maryland increased the refundable portion of its EITC from 25 to 28 percent of the federal credit.

- Minnesota increased the working families credit, dependent care credits, and property tax credits for renters and homeowners.

- Oregon increased its EITC from 6 to 8 percent of the federal level.

- Rhode Island made its EITC fully refundable but also eliminated a low-income property tax credit for people under age 65.

Personal Income Tax Increases

- Delaware increased its top personal income tax rate from 5.9 to 6.6 percent on all income over $60,000.
- Maine placed a $27,500 cap on itemized deductions in 2013. Deductions for medical expenses and charitable contributions were removed from the cap in 2014.
- Minnesota increased personal income tax rates from 7.85 to 9.85 percent on incomes over $250,000 (or $150,000 for single taxpayers).
- Oregon phased-out its personal exemption credit for high-income taxpayers.

Tax Cuts for Businesses

- Idaho exempted the first $100,000 of business equipment from the property tax.
- Indiana is gradually reducing its corporate income tax rate from 7.5 to 4.9 percent.
- Iowa enacted significant reductions in business property taxes.
- Michigan is gradually phasing-out the property tax on business equipment
- New Hampshire increased the Business Profits tax credit.
- New Mexico cut corporate income taxes from 7.6 to 5.9 percent.
- New York cut the corporate income tax rate from 7.1 to 6.5 percent and cut the rate to zero for manufacturers in the state.
- North Dakota decreased its corporate income tax rate by 19 percent.
- Rhode Island reduced its corporate income tax rate from 9 to 7 percent, adopted mandatory combined reporting, and moved to single-sales factor apportionment.
- West Virginia reduced its corporate income tax rate from 7 to 6.5 percent

Sales Tax Increases

- Virginia increased its general sales tax from 5.0 to 5.3 percent, and its sales tax on automobiles from 3.0 to 4.15 percent.

Cigarette Tax Increases

- The following states increased excise taxes on cigarettes and tobacco: Massachusetts, Minnesota, New Hampshire, Oregon, and Vermont.

Gasoline Tax Increases and Reforms

- Maryland increased its gas tax and indexed it to both inflation and fuel prices.
- Massachusetts increased its gas tax by 3 cents.
- New Hampshire increased its gas tax by 4.2 cents.
- Pennsylvania increased its gas tax and tied it to fuel prices.
- Rhode Island increased its gas tax by 1 cent and indexed it to inflation.
- Vermont increased its gas tax and tied it more closely to fuel prices.
- Virginia reformed its gas and diesel taxes by tying them to fuel prices.
- Wyoming increased its gas tax by 10 cents.

WHY THE SCOPE OF THE STUDY IS LIMITED TO NON-ELDERLY TAXPAYERS

The analyses contained in this report show the tax incidence of singles and couples, with and without children who are under the age of 65. State tax structures are notorious for treating elderly families very differently from other families and these differences cloud the incidence of state tax structures.

Virtually every state conforms to at least one of the federal government's elderly tax breaks. All 41 states and the District of Columbia that levy broad-based income taxes follow the federal exemption for Social Security benefits, with many states exempting them altogether. Ten states allow their seniors to claim the same higher federal standard deduction.

But most income tax states go beyond these tax preferences inherited from federal income tax rules to allow special elderly-only tax breaks of their own. Thirty-six states allow an exemption for private or public pension benefits. These range from fully exempting all pension benefits for adults above a certain age (three states — Illinois, Mississippi, and Pennsylvania) to only exempting very specific benefits such as those for military veterans. Twenty-one states allow senior citizens an extra personal exemption or exemption credit, allowing these taxpayers to shelter twice as much of their income from tax as similar non-elderly taxpayers can claim.

For example, Illinois exempts all pension and retirement income from their tax base which costs the state more than $1 billion annually. If retirement income were taxed, the middle twenty percent of Illinoisans would see a tax increase equivalent to 0.2 percent of their income on average. Those in the next quintile would see their taxes increased by 0.3 percent of their income.

Because so many states offer special consideration for elderly taxpayers, including elderly families in the *Who Pays* analysis would not give an accurate depiction of how the tax structure treats the majority of taxpayers.

CONCLUSION

The main finding of this report is that virtually every state's tax system is fundamentally unfair. The overreliance on consumption taxes and the absence of a progressive personal income tax in many states neutralize whatever benefits the working poor receive from low-income tax credits. The bleak reality is that even among the 25 states and the District of Columbia that have taken steps to reduce the working poor's tax share by enacting state EITCs, most still require their poorest taxpayers to pay a higher effective tax rate than any other income group.

The results of this study are an important reference for lawmakers seeking to understand the inequitable tax structures enacted by their predecessors. States may ignore these lessons and continue to demand that their poorest citizens pay the highest effective tax rates. 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.

Appendix A: Who Pays Summary

Total State and Local Taxes as a Share of Family Income for Non-Elderly Taxpayers in All 50 States and DC

State	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Alabama	10.0%	10.2%	9.5%	8.1%	6.6%	4.9%	3.8%
Alaska	7.0%	5.1%	4.5%	3.3%	3.1%	2.4%	2.5%
Arizona	12.5%	11.2%	9.2%	8.2%	6.9%	5.8%	4.6%
Arkansas	11.9%	12.0%	11.4%	9.8%	8.8%	7.0%	5.6%
California	10.5%	9.0%	8.2%	7.7%	7.4%	8.7%	8.7%
Colorado	8.2%	8.5%	8.1%	7.6%	6.4%	5.7%	4.6%
Connecticut	10.5%	8.9%	10.7%	10.5%	9.2%	7.6%	5.3%
Delaware	5.5%	5.3%	5.3%	5.2%	5.3%	5.0%	4.8%
DC	5.6%	8.9%	10.3%	8.9%	8.2%	7.4%	6.4%
Florida	12.9%	9.6%	8.5%	6.9%	5.5%	4.0%	1.9%
Georgia	10.4%	10.2%	9.4%	9.2%	7.9%	7.1%	5.0%
Hawaii	13.4%	12.2%	11.4%	10.0%	8.3%	7.3%	7.0%
Idaho	8.5%	8.5%	7.6%	8.2%	7.5%	6.6%	6.4%
Illinois	13.2%	11.8%	10.8%	10.1%	8.7%	7.4%	4.6%
Indiana	12.0%	11.1%	10.8%	9.9%	8.3%	6.7%	5.2%
Iowa	10.4%	10.2%	9.7%	9.5%	8.4%	7.0%	6.0%
Kansas	11.1%	9.3%	9.5%	8.9%	7.7%	6.0%	3.6%
Kentucky	9.0%	10.6%	10.8%	9.9%	8.9%	7.4%	6.0%
Louisiana	10.0%	10.0%	9.5%	8.6%	6.9%	5.4%	4.2%
Maine	9.4%	9.2%	9.4%	9.2%	9.0%	8.0%	7.5%
Maryland	9.7%	9.5%	10.3%	9.7%	8.5%	8.8%	6.7%
Massachusetts	10.4%	9.8%	9.3%	8.7%	7.4%	7.1%	4.9%
Michigan	9.2%	9.4%	9.2%	9.0%	7.7%	6.8%	5.1%
Minnesota	8.8%	9.7%	9.6%	9.7%	8.5%	8.4%	7.5%
Mississippi	10.4%	10.8%	10.6%	9.2%	7.6%	5.8%	5.3%
Missouri	9.5%	9.4%	9.0%	8.7%	7.6%	6.8%	5.5%

Note: Table shows total state and local taxes paid as a share of 2012 income, post- federal offset.

Appendix A: Who Pays Summary

Total State and Local Taxes as a Share of Family Income for Non-Elderly Taxpayers in All 50 States and DC

continued

State	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Montana	6.1%	6.1%	6.4%	6.1%	5.8%	5.2%	4.7%
Nebraska	10.9%	9.9%	10.3%	9.3%	8.1%	7.6%	6.3%
Nevada	8.4%	6.9%	6.6%	5.8%	4.8%	3.4%	1.4%
New Hampshire	8.3%	7.4%	6.6%	6.2%	5.1%	4.1%	2.6%
New Jersey	10.7%	9.2%	9.1%	9.0%	8.2%	8.9%	7.1%
New Mexico	10.9%	10.3%	9.9%	9.3%	8.0%	6.3%	4.8%
New York	10.4%	11.0%	12.0%	11.4%	10.9%	10.8%	8.1%
North Carolina	9.2%	9.1%	9.2%	8.8%	7.8%	6.8%	5.3%
North Dakota	9.3%	8.2%	7.5%	6.6%	5.3%	4.2%	3.0%
Ohio	11.7%	10.6%	10.3%	9.6%	8.8%	7.2%	5.5%
Oklahoma	10.5%	9.9%	9.4%	8.6%	7.5%	5.6%	4.3%
Oregon	8.1%	7.3%	7.6%	7.8%	7.2%	7.4%	6.5%
Pennsylvania	12.0%	10.8%	10.3%	9.3%	8.2%	6.8%	4.2%
Rhode Island	12.5%	9.7%	10.5%	9.5%	8.5%	8.6%	6.3%
South Carolina	7.5%	6.9%	7.6%	7.6%	7.2%	5.8%	4.5%
South Dakota	11.3%	9.1%	7.7%	6.9%	5.5%	3.8%	1.8%
Tennessee	10.9%	9.7%	8.6%	6.8%	5.5%	4.1%	3.0%
Texas	12.5%	10.4%	8.7%	7.4%	6.1%	4.7%	2.9%
Utah	8.6%	8.5%	8.5%	8.0%	7.2%	6.3%	4.8%
Vermont	8.9%	9.5%	10.5%	9.4%	8.7%	8.3%	7.7%
Virginia	8.9%	8.4%	8.4%	8.1%	7.0%	6.8%	5.1%
Washington	16.8%	11.7%	10.1%	8.5%	6.6%	4.6%	2.4%
West Virginia	8.7%	8.6%	9.0%	8.6%	8.2%	6.6%	6.5%
Wisconsin	8.9%	10.0%	10.2%	10.2%	9.2%	7.8%	6.2%
Wyoming	8.2%	6.9%	5.9%	4.7%	4.0%	2.7%	1.2%
All States	**10.9%**	**9.9%**	**9.4%**	**8.7%**	**7.7%**	**7.0%**	**5.4%**

Note: Table shows total state and local taxes paid as a share of 2012 income, post- federal offset.

Appendix B: ITEP's Tax Inequality Index

Rank	State	Index	Lowest 20%	Middle 60%	Top 1%	Ratio of Poorest 20% to Top 1%	Ratio of Middle 60% to Top 1%
1	**Washington**	–12.6%	16.8%	10.1%	2.4%	687%	412%
2	**Florida**	–9.5%	12.9%	8.3%	1.9%	664%	429%
3	**Texas**	–8.5%	12.5%	8.8%	2.9%	433%	307%
4	**South Dakota**	–8.4%	11.3%	7.9%	1.8%	619%	431%
5	**Illinois**	–8.1%	13.2%	10.9%	4.6%	289%	238%
6	**Pennsylvania**	–7.3%	12.0%	10.1%	4.2%	286%	241%
7	**Tennessee**	–7.3%	10.9%	8.4%	3.0%	366%	280%
8	**Arizona**	–7.1%	12.5%	9.5%	4.6%	272%	207%
9	**Kansas**	–6.9%	11.1%	9.2%	3.6%	310%	258%
10	**Indiana**	–6.6%	12.0%	10.6%	5.2%	231%	204%
11	**Arkansas**	–6.4%	11.9%	11.1%	5.6%	212%	197%
12	**Alabama**	–6.3%	10.0%	9.3%	3.8%	263%	244%
13	**Nevada**	–6.2%	8.4%	6.5%	1.4%	593%	455%
14	**Wyoming**	–6.1%	8.2%	5.8%	1.2%	697%	494%
15	**Hawaii**	–6.0%	13.4%	11.2%	7.0%	191%	160%
16	**Oklahoma**	–5.9%	10.5%	9.3%	4.3%	244%	217%
17	**New Mexico**	–5.9%	10.9%	9.9%	4.8%	225%	204%
18	**Ohio**	–5.8%	11.7%	10.2%	5.5%	213%	185%
19	**Louisiana**	–5.8%	10.0%	9.4%	4.2%	235%	221%
20	**North Dakota**	–5.7%	9.3%	7.4%	3.0%	309%	245%
21	**Mississippi**	–5.5%	10.4%	10.2%	5.3%	198%	193%
22	**Georgia**	–5.3%	10.4%	9.6%	5.0%	207%	191%
23	**Rhode Island**	–5.2%	12.5%	9.9%	6.3%	200%	158%
24	**Massachusetts**	–5.2%	10.4%	9.2%	4.9%	213%	190%
25	**New Hampshire**	–5.2%	8.3%	6.7%	2.6%	324%	263%
26	**Connecticut**	–5.0%	10.5%	10.0%	5.3%	199%	189%

Appendix B: ITEP's Tax Inequality Index

continued

Rank	State	Index	Lowest 20%	Middle 60%	Top 1%	Ratio of Poorest 20% to Top 1%	Ratio of Middle 60% to Top 1%
27	**Iowa**	–4.4%	10.4%	9.8%	6.0%	174%	163%
28	**Nebraska**	–4.3%	10.9%	9.9%	6.3%	172%	156%
29	**Michigan**	–4.3%	9.2%	9.2%	5.1%	182%	182%
30	**Missouri**	–3.9%	9.5%	9.0%	5.5%	173%	164%
31	**North Carolina**	–3.9%	9.2%	9.1%	5.3%	173%	170%
32	**Colorado**	–3.9%	8.4%	8.1%	4.6%	184%	178%
33	**Kentucky**	–3.8%	9.0%	10.4%	6.0%	149%	174%
34	**Utah**	–3.8%	8.6%	8.4%	4.8%	180%	174%
35	**Virginia**	–3.6%	8.9%	8.3%	5.1%	174%	163%
36	**Alaska**	–3.4%	7.0%	4.3%	2.5%	281%	173%
37	**Wisconsin**	–3.3%	8.9%	10.1%	6.2%	143%	163%
38	**Maryland**	–3.1%	9.7%	9.8%	6.7%	145%	147%
39	**New Jersey**	–2.9%	10.7%	9.1%	7.1%	150%	128%
40	**South Carolina**	–2.8%	7.5%	7.4%	4.5%	165%	164%
41	**New York**	–2.7%	10.4%	11.4%	8.1%	128%	141%
42	**West Virginia**	–2.3%	8.7%	8.7%	6.5%	134%	135%
43	**Idaho**	–2.0%	8.5%	8.1%	6.4%	133%	126%
44	**Maine**	–1.9%	9.4%	9.2%	7.5%	125%	123%
45	**Minnesota**	–1.7%	8.8%	9.7%	7.5%	117%	128%
46	**Vermont**	–1.7%	8.9%	9.8%	7.7%	115%	127%
47	**Montana**	–1.4%	6.1%	6.2%	4.7%	129%	131%
48	**Oregon**	–1.3%	8.1%	7.6%	6.5%	125%	117%
49	**California**	–1.0%	10.5%	8.3%	8.7%	121%	96%
50	**District of Columbia**	–0.9%	5.6%	9.3%	6.4%	87%	146%
51	**Delaware**	–0.5%	5.5%	5.3%	4.8%	113%	110%

Note: See page 134 for a description of ITEP's Tax Inequality Index

Appendix C: Changes in the Composition of State & Local General Own-Source Revenue

Fiscal Years 2000 & 2012, Including Non-Tax Revenues

	Fiscal Year 2000						Fiscal Year 2012						
	Property	*Sales & Excise*	*Income (Personal & Corp.)*	*Other Taxes*	Total Taxes	Total Non-Tax Sources	*Property*	*Sales & Excise*	*Income (Personal & Corp.)*	*Other Taxes*	Total Taxes	Total Non-Tax Sources	Change in Non-Tax Share
Alabama	8.4%	28.8%	15.1%	6.9%	**59.1%**	**40.9%**	10.4%	27.6%	14.3%	5.4%	**57.7%**	**42.3%**	**1.4%**
Alaska	10.0%	3.7%	5.7%	10.9%	**30.3%**	**69.7%**	10.8%	3.9%	4.7%	42.5%	**61.9%**	**38.1%**	**–31.6%**
Arizona	21.2%	33.0%	15.3%	3.0%	**72.5%**	**27.5%**	21.4%	33.6%	11.7%	2.6%	**69.2%**	**30.8%**	**3.3%**
Arkansas	11.0%	33.6%	19.5%	4.1%	**68.1%**	**31.9%**	13.1%	34.3%	18.8%	3.5%	**69.8%**	**30.2%**	**–1.7%**
California	15.4%	23.4%	27.2%	4.8%	**70.7%**	**29.3%**	19.3%	20.9%	23.5%	4.9%	**68.7%**	**31.3%**	**2.0%**
Colorado	18.7%	24.6%	20.1%	3.7%	**67.0%**	**33.0%**	20.9%	22.9%	16.2%	3.8%	**63.9%**	**36.1%**	**3.1%**
Connecticut	27.8%	26.0%	22.6%	4.2%	**80.5%**	**19.5%**	31.7%	22.5%	26.9%	2.8%	**84.0%**	**16.0%**	**–3.5%**
Delaware	8.7%	6.8%	23.2%	21.1%	**59.9%**	**40.1%**	10.1%	7.3%	22.0%	21.4%	**60.8%**	**39.2%**	**–0.9%**
Dist. of Col.	17.4%	25.1%	33.6%	4.7%	**80.7%**	**19.3%**	24.5%	20.1%	25.5%	7.3%	**77.4%**	**22.6%**	**3.3%**
Florida	22.0%	34.7%	1.8%	7.0%	**65.4%**	**34.6%**	23.2%	30.8%	1.9%	5.0%	**60.9%**	**39.1%**	**4.5%**
Georgia	18.2%	28.5%	21.7%	3.0%	**71.3%**	**28.7%**	21.6%	25.7%	18.2%	1.9%	**67.3%**	**32.7%**	**4.0%**
Hawaii	10.4%	36.9%	19.7%	3.8%	**70.7%**	**29.3%**	12.9%	39.1%	15.9%	5.0%	**72.9%**	**27.1%**	**–2.1%**
Idaho	17.6%	21.7%	22.2%	5.5%	**66.9%**	**33.1%**	18.6%	22.5%	18.7%	4.9%	**64.6%**	**35.4%**	**2.2%**
Illinois	27.1%	24.9%	18.5%	4.7%	**75.1%**	**24.9%**	29.7%	21.4%	22.1%	4.2%	**77.4%**	**22.6%**	**–2.3%**
Indiana	22.6%	20.8%	21.1%	2.1%	**66.6%**	**33.4%**	17.7%	27.6%	18.8%	2.8%	**66.9%**	**33.1%**	**–0.3%**
Iowa	21.2%	22.0%	17.5%	5.4%	**66.1%**	**33.9%**	21.3%	21.3%	16.6%	4.3%	**63.5%**	**36.5%**	**2.5%**
Kansas	19.9%	26.5%	19.6%	4.0%	**69.8%**	**30.2%**	20.4%	25.0%	16.7%	2.9%	**64.9%**	**35.1%**	**4.9%**
Kentucky	11.6%	24.9%	25.3%	6.9%	**68.6%**	**31.4%**	14.0%	25.1%	23.8%	4.3%	**67.2%**	**32.8%**	**1.4%**
Louisiana	10.1%	36.0%	10.4%	6.5%	**63.0%**	**37.0%**	13.5%	33.6%	10.2%	5.5%	**62.8%**	**37.2%**	**0.3%**
Maine	27.5%	20.6%	21.1%	4.3%	**73.4%**	**26.6%**	29.2%	21.6%	20.6%	4.1%	**75.4%**	**24.6%**	**–2.0%**
Maryland	19.7%	18.9%	31.0%	5.3%	**74.8%**	**25.2%**	20.2%	19.9%	31.0%	4.7%	**75.7%**	**24.3%**	**–1.0%**
Massachusetts	24.0%	16.2%	32.5%	3.0%	**75.5%**	**24.5%**	27.5%	15.3%	28.1%	3.6%	**74.5%**	**25.5%**	**1.0%**
Michigan	20.6%	21.5%	21.9%	4.4%	**68.3%**	**31.7%**	23.7%	23.1%	14.5%	3.3%	**64.7%**	**35.3%**	**3.6%**
Minnesota	17.4%	22.6%	24.3%	5.3%	**69.4%**	**30.6%**	20.3%	24.4%	23.4%	4.5%	**72.6%**	**27.4%**	**–3.3%**
Mississippi	14.5%	31.8%	12.3%	4.2%	**62.6%**	**37.4%**	16.3%	28.3%	11.9%	4.5%	**61.1%**	**38.9%**	**1.5%**
Missouri	16.8%	28.8%	20.3%	4.8%	**70.6%**	**29.4%**	18.8%	24.8%	19.0%	4.0%	**66.6%**	**33.4%**	**4.0%**
Montana	25.6%	9.7%	17.4%	7.5%	**60.0%**	**40.0%**	25.4%	10.2%	19.0%	12.1%	**66.8%**	**33.2%**	**–6.7%**

Source: US Census State & Local Government Finance Data (Fiscal years 2000 and 2012)

Appendix C: Changes in the Composition of State & Local General Own-Source Revenue

Fiscal Years 2000 & 2012, Including Non-Tax Revenues

continued

	Fiscal Year 2000						Fiscal Year 2012						
	Property	*Sales & Excise*	*Income (Personal & Corp.)*	*Other Taxes*	Total Taxes	Total Non-Tax Sources	*Property*	*Sales & Excise*	*Income (Personal & Corp.)*	*Other Taxes*	Total Taxes	Total Non-Tax Sources	Change in Non-Tax Share
Nebraska	21.2%	23.1%	18.0%	5.9%	**68.0%**	**32.0%**	25.0%	21.0%	17.6%	5.2%	**68.8%**	**31.2%**	**–0.8%**
Nevada	17.2%	42.9%	—	9.7%	**69.7%**	**30.3%**	19.4%	42.1%	—	10.9%	**72.4%**	**27.6%**	**–2.7%**
New Hampshire	43.2%	11.8%	8.1%	6.9%	**69.9%**	**30.1%**	45.0%	11.6%	8.0%	5.0%	**69.6%**	**30.4%**	**0.3%**
New Jersey	33.1%	18.9%	19.7%	3.7%	**75.3%**	**24.7%**	37.1%	17.4%	18.7%	3.9%	**77.1%**	**22.9%**	**–1.8%**
New Mexico	8.1%	31.8%	13.6%	9.3%	**62.6%**	**37.4%**	11.4%	29.6%	11.5%	8.1%	**60.6%**	**39.4%**	**2.0%**
New York	22.0%	19.6%	30.3%	4.0%	**75.8%**	**24.2%**	23.9%	19.1%	29.1%	4.0%	**76.1%**	**23.9%**	**–0.3%**
North Carolina	14.4%	22.4%	26.2%	4.0%	**66.8%**	**33.2%**	16.3%	22.1%	21.3%	3.5%	**63.2%**	**36.8%**	**3.6%**
North Dakota	18.9%	25.6%	9.9%	9.1%	**63.4%**	**36.6%**	9.4%	21.1%	7.7%	40.4%	**78.6%**	**21.4%**	**–15.2%**
Ohio	19.8%	21.5%	25.1%	4.8%	**71.2%**	**28.8%**	19.6%	21.9%	19.9%	6.3%	**67.7%**	**32.3%**	**3.6%**
Oklahoma	10.4%	25.8%	18.6%	11.2%	**65.9%**	**34.1%**	11.0%	27.9%	15.5%	9.5%	**64.0%**	**36.0%**	**1.9%**
Oregon	17.7%	5.8%	28.6%	7.8%	**59.8%**	**40.2%**	21.2%	7.5%	26.6%	7.0%	**62.2%**	**37.8%**	**–2.4%**
Pennsylvania	19.3%	20.8%	21.1%	9.1%	**70.2%**	**29.8%**	21.3%	23.0%	20.6%	6.4%	**71.3%**	**28.7%**	**–1.1%**
Rhode Island	29.9%	22.1%	19.9%	3.2%	**75.0%**	**25.0%**	31.9%	20.4%	16.4%	2.4%	**71.0%**	**29.0%**	**4.0%**
South Carolina	17.5%	22.7%	17.4%	4.7%	**62.2%**	**37.8%**	18.5%	18.4%	12.7%	4.5%	**54.0%**	**46.0%**	**8.2%**
South Dakota	24.1%	33.3%	1.7%	7.1%	**66.2%**	**33.8%**	23.5%	35.6%	1.4%	6.9%	**67.4%**	**32.6%**	**–1.1%**
Tennessee	15.6%	39.5%	4.3%	8.0%	**67.2%**	**32.8%**	16.8%	37.5%	4.6%	6.6%	**65.6%**	**34.4%**	**1.6%**
Texas	25.7%	34.5%	—	7.7%	**67.9%**	**32.1%**	28.1%	31.7%	—	8.4%	**68.2%**	**31.8%**	**–0.4%**
Utah	14.4%	26.9%	20.2%	3.6%	**65.0%**	**35.0%**	17.2%	23.4%	17.5%	3.2%	**61.2%**	**38.8%**	**3.8%**
Vermont	30.2%	18.7%	18.4%	5.3%	**72.3%**	**27.7%**	31.8%	22.7%	16.0%	3.6%	**74.2%**	**25.8%**	**–1.9%**
Virginia	19.7%	19.6%	24.3%	5.8%	**69.3%**	**30.7%**	22.4%	16.4%	21.9%	4.9%	**65.6%**	**34.4%**	**3.7%**
Washington	19.9%	41.6%	—	6.5%	**67.9%**	**32.1%**	20.5%	39.8%	—	5.2%	**65.5%**	**34.5%**	**2.4%**
West Virginia	13.0%	28.0%	18.0%	7.5%	**66.4%**	**33.6%**	13.2%	24.7%	17.9%	9.2%	**65.1%**	**34.9%**	**1.4%**
Wisconsin	22.3%	20.9%	25.6%	4.0%	**72.7%**	**27.3%**	27.1%	20.0%	20.7%	3.5%	**71.3%**	**28.7%**	**1.4%**
Wyoming	19.3%	21.9%	—	15.4%	**56.5%**	**43.5%**	20.4%	21.1%	—	18.0%	**59.5%**	**40.5%**	**–3.1%**
All States	***19.9%***	***24.8%***	***19.8%***	***5.4%***	**69.8%**	**30.2%**	***22.2%***	***23.7%***	***17.7%***	***5.4%***	**68.9%**	**31.1%**	**0.9%**

Source: US Census State & Local Government Finance Data (Fiscal years 2000 and 2012)

Appendix D: Alternative *Who Pays?* Results

Alternative Total State and Local Taxes as a Share of Family Income for Non-Elderly Taxpayers in Select States

State	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
California	**10.4%**	**8.9%**	**8.1%**	**7.6%**	**7.4%**	**8.6%**	**7.8%**

Figures above show permanent California tax law after expiration of temporary personal income and sales tax increases at 2012 income levels. Data represent total state and local taxes as a share of income, post- federal offset. Appendix A and Page 37 show results for temporary California law enacted in 2012.

Colorado	**7.5%**	**8.4%**	**8.0%**	**7.6%**	**6.4%**	**5.7%**	**4.6%**

Figures above show Colorado law under the assumption that current "triggers" in the law are eventually reached, thus creating a Child Tax Credit (CTC) and 10 percent refundable Earned Income Tax Credit (EITC) (Figures at 2012 income levels). Data represent total state and local taxes as a share of income, post- federal offset. Appendix A and Page 39 show permanent law in Colorado enacted through December 31, 2014.

District of Columbia	**5.3%**	**8.5%**	**9.9%**	**8.6%**	**8.1%**	**7.3%**	**6.4%**

Figures above show DC law under the assumption that current "triggers" in the law are eventually reached, causing various reductions in personal income tax and business tax rates, as well as increases in the personal exemption and standard deduction (using 2012 income levels). Data represent total state and local taxes as a share of income, post- federal offset. Appendix A and Page 45 show permanent law in DC enacted through December 31, 2014.

Hawaii	**13.4%**	**12.2%**	**11.4%**	**10.0%**	**8.3%**	**7.3%**	**7.5%**

Figures above include the impact of three temporary personal income tax brackets (levied at rates of 9, 10, and 11 percent), as well as a temporary cap on itemized deductions for high-income taxpayers at 2012 income levels. These provisions are scheduled to expire on January 1, 2016. Data represent total state and local taxes as a share of income, post- federal offset. Appendix A and Page 51 show permanent law in Hawaii starting next year.

Missouri	**9.5%**	**9.3%**	**8.9%**	**8.5%**	**7.5%**	**6.5%**	**5.3%**

Figures above show the fully phased in impact of 2014 Legislation (SB 509) which includes two personal income tax cuts dependent on meeting revenue growth targets: a reduction in the top income rate from 6 to 5.5 percent and a 25 percent exclusion for business income at 2012 income levels. Data represent total state and local taxes as a share of income, post- federal offset. Appendix A and Page 79 show permanent law in Missouri enacted through December 31, 2014.

New York	**10.6%**	**11.2%**	**12.3%**	**11.7%**	**11.2%**	**11.3%**	**8.3%**

Figures above show permanent law in New York after temporary personal income and property tax provisions expire using 2012 income levels. Data represent total state and local taxes as a share of income, post- federal offset. Appendix A and Page 93 show temporary law in place in New York through 2017 and 2018 (temporary provisions that expire in 2016 are not included).

Oklahoma	**10.5%**	**9.9%**	**9.3%**	**8.4%**	**7.3%**	**5.5%**	**4.1%**

Figures above show Oklahoma law under the assumption that current "triggers" in the law are eventually reached, thus reducing the top personal income tax rate from 5.25 to 4.85 percent at 2012 income levels. Data represent total state and local taxes as a share of income, post- federal offset. Appendix A and Page 101 show permanent law in Oklahoma enacted through December 31, 2014.

A ROADMAP TO 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. For each state, two pages of tax information are presented. The report examined an alternative tax structure in a number of states that either have temporary law in place in the next two years or that have enacted tax changes that will not go into effect until certain revenue targets are met. These alternative results can be found in Appendix D for: California, Colorado, District of Columbia, Hawaii, Missouri, New York and Oklahoma.

The first page for each state shows the distribution of state and local taxes in tax year 2015. 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. This is done because the wealthiest quintile received 60 percent of all income in 2012— and because income is distributed unequally within the top quintile. The large chart at the top of each page shows total average state and local taxes by income group, post- federal offset. Three smaller charts appear below it and show the distribution of each state's sales and excise, personal income, property taxes by income group. The fourth chart in the lower right-hand corner shows total average state and local taxes by income group. pre-federal offset.

The second page includes additional charts and information that help clarify the distribution of state and local taxes including a detailed table of *Who Pays* results, tax code features, tax changes enacted since the last publication of *Who Pays,* and ITEP's Tax Inequality Index ranking for each state .

Finally, several appendices provide more detail and information to accompany the *Who Pays* results.

Appendix A (page 21) shows a summary of the *Who Pays* results by state (totals shown are post- federal offset).

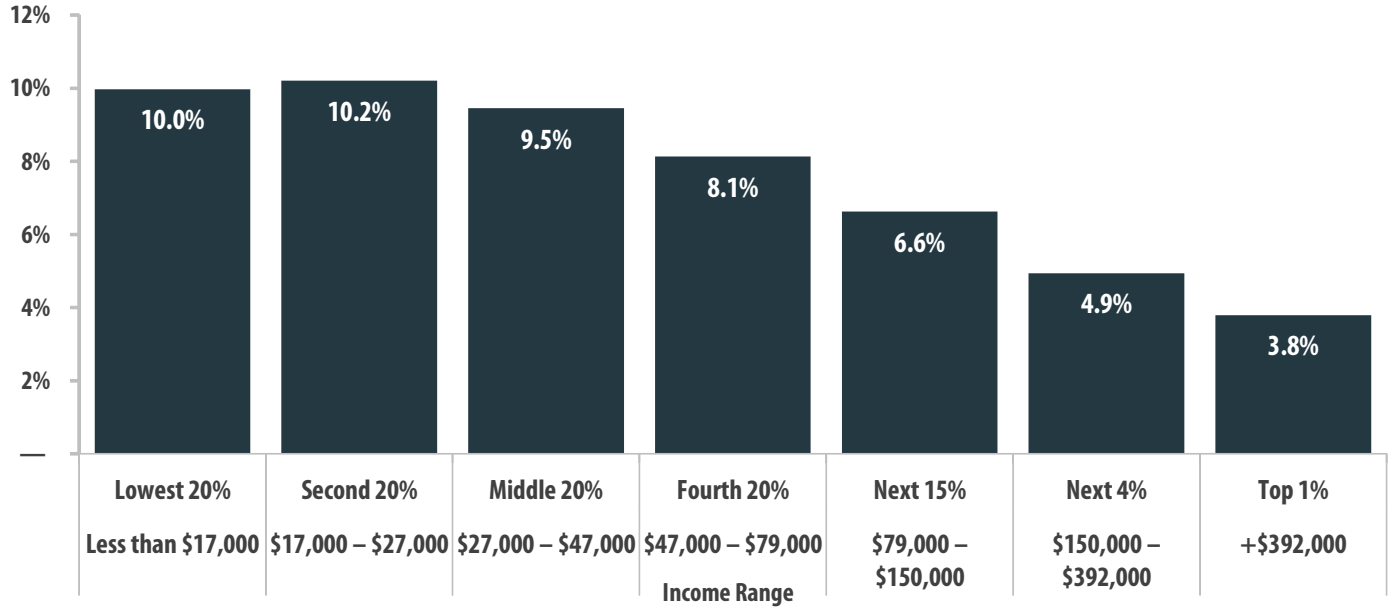
Appendix B (page 23) shows ITEP's Tax Inequality Index which measures the effects of each state's tax system on income inequality. Essentially,it answers the following question: Are incomes more or less equal after state taxes than before taxes?

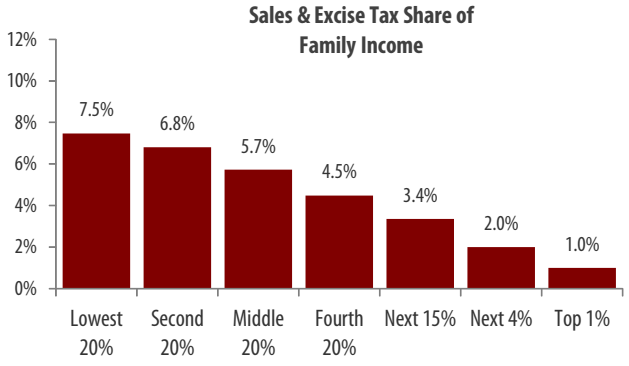
Appendix C (page 25)shows trends in both tax and "non-tax" revenues as shares of total state and local own-source revenues. This differs from the data in the rest of the report which focuses solely on taxes. The table covers the period from fiscal year 2000 to fiscal year 2012 (the latest U.S. Census data currently available). Shifts towards non-tax revenues, such as fees for state college tuition and lottery revenues, can be meaningful, because such revenue sources are usually regressive ways to pay for state and local programs.

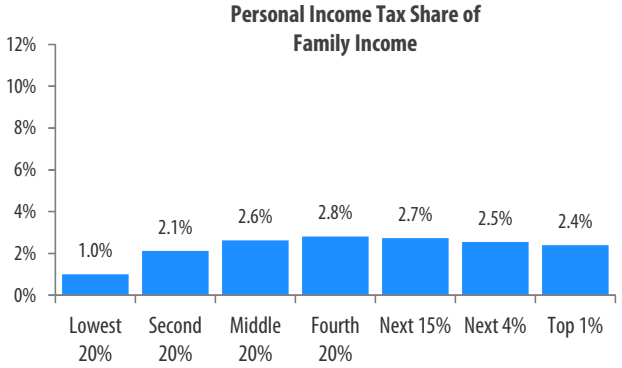
Appendix D (page 27) shows the alternative *Who Pays* results for states with temporary laws or laws dependent on revenue growth or other factors.

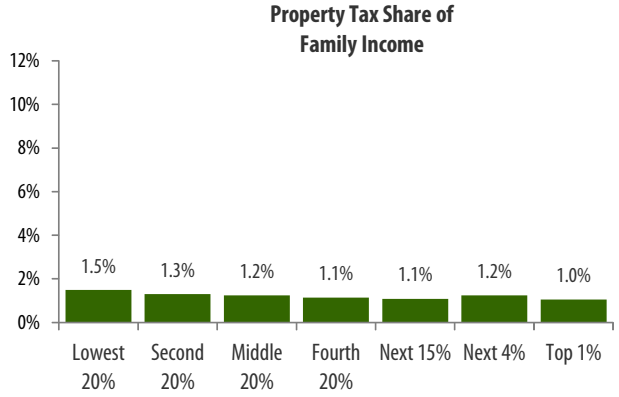
Alabama State & Local Taxes in 2015

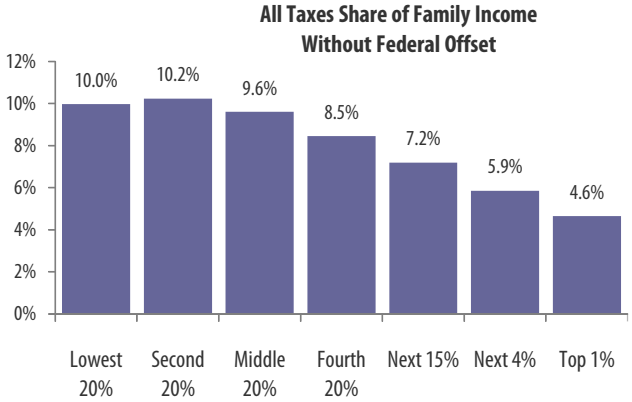
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Alabama enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Alabama State & Local Taxes in 2015

Details, Tax Code Features, & Recently Enacted Tax Code Changes

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 – $47,000	$47,000 – $79,000	$79,000 – $150,000	$150,000 – $392,000	$392,000 or more
Average Income in Group	$11,000	$21,600	$35,600	$60,700	$102,900	$206,500	$1,050,400
Sales & Excise Taxes	**7.5%**	**6.8%**	**5.7%**	**4.5%**	**3.4%**	**2.0%**	**1.0%**
General Sales—Individuals	3.9%	3.7%	3.2%	2.6%	2.0%	1.2%	0.6%
Other Sales & Excise—Ind.	1.9%	1.6%	1.3%	0.9%	0.6%	0.4%	0.2%
Sales & Excise on Business	1.7%	1.6%	1.3%	1.0%	0.7%	0.4%	0.2%
Property Taxes	**1.5%**	**1.3%**	**1.2%**	**1.1%**	**1.1%**	**1.2%**	**1.0%**
Property Taxes on Families	1.4%	1.3%	1.2%	1.1%	1.0%	1.0%	0.5%
Other Property Taxes	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.5%
Income Taxes	**1.0%**	**2.1%**	**2.6%**	**2.8%**	**2.8%**	**2.6%**	**2.6%**
Personal Income Tax	1.0%	2.1%	2.6%	2.8%	2.7%	2.5%	2.4%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**10.0%**	**10.2%**	**9.6%**	**8.5%**	**7.2%**	**5.9%**	**4.6%**
Federal Deduction Offset	*–0.0%*	*–0.0%*	*–0.2%*	*–0.3%*	*–0.6%*	*–0.9%*	*–0.9%*
OVERALL TOTAL	**10.0%**	**10.2%**	**9.5%**	**8.1%**	**6.6%**	**4.9%**	**3.8%**

Note: Table shows detailed breakout of data on previous page.

Alabama Tax Code Features

Progressive Features

- Provides a very large property tax homestead exemption
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Narrow income tax brackets mean majority of taxpayers pay top income tax rate
- Sales tax base includes groceries
- Provides an income tax deduction for federal income taxes paid
- Fails to provide refundable income tax credits to offset sales, excise, and property taxes

Tax Changes Enacted in 2013 & 2014

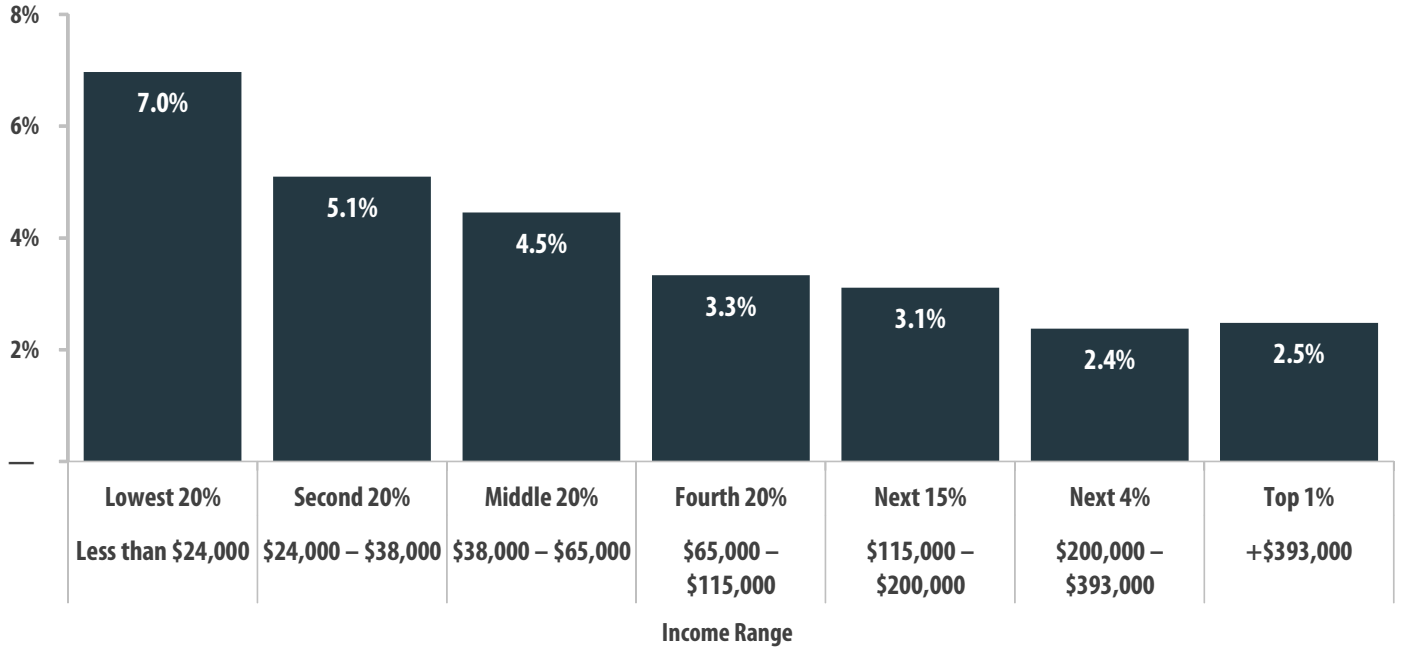
- Enacted a new income tax credit for annual donations to education scholarship organizations (not modeled in the report)

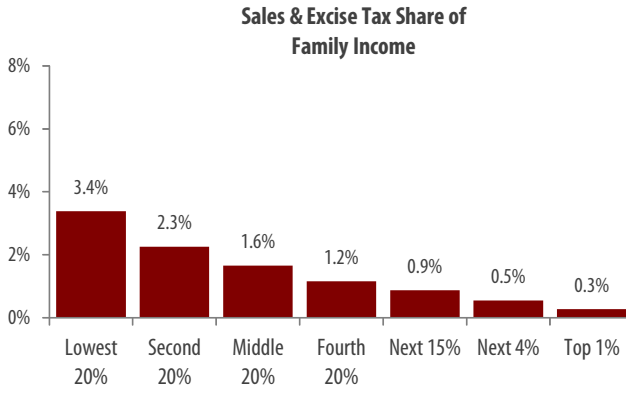
ITEP Tax Inequality Index

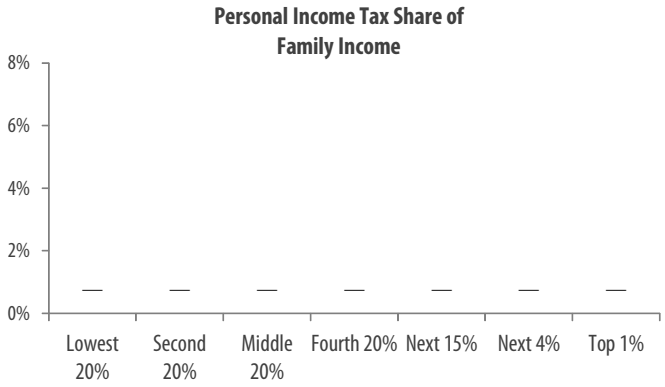
According to ITEP's Tax Inequality Index, Alabama has the **12th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

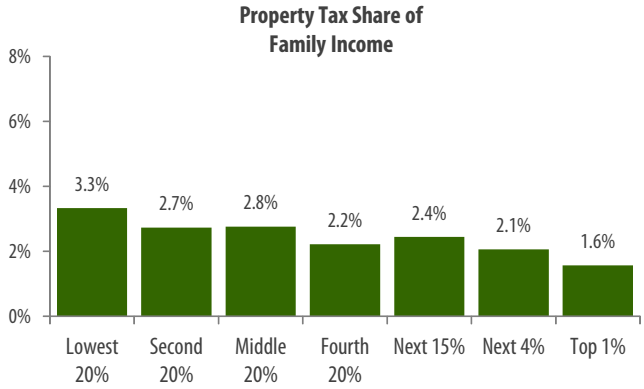
Alaska State & Local Taxes in 2015

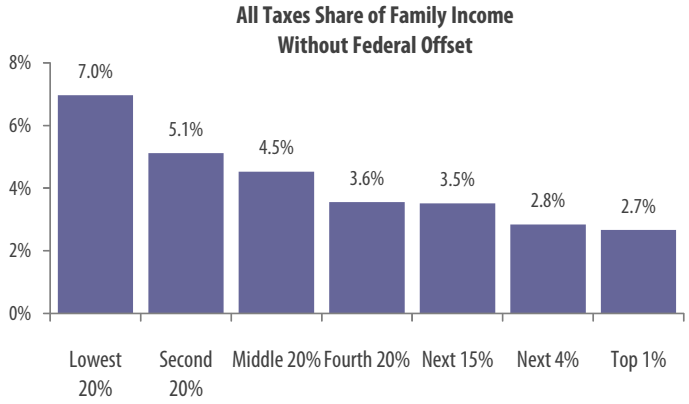
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Alaska enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Alaska State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than $24,000	$24,000 – $38,000	$38,000 – $65,000	$65,000 – $115,000	$115,000 – $200,000	$200,000 – $393,000	$393,000 or more
Average Income in Group	$15,000	$30,300	$52,100	$88,400	$145,700	$254,100	$1,289,700
Sales & Excise Taxes	**3.4%**	**2.3%**	**1.6%**	**1.2%**	**0.9%**	**0.5%**	**0.3%**
General Sales—Individuals	0.9%	0.8%	0.6%	0.5%	0.4%	0.3%	0.2%
Other Sales & Excise—Ind.	2.1%	1.2%	0.8%	0.5%	0.4%	0.2%	0.1%
Sales & Excise on Business	0.4%	0.3%	0.2%	0.2%	0.1%	0.1%	0.0%
Property Taxes	**3.3%**	**2.7%**	**2.8%**	**2.2%**	**2.4%**	**2.1%**	**1.6%**
Property Taxes on Families	2.9%	2.5%	2.5%	1.9%	2.1%	1.7%	0.4%
Other Property Taxes	0.4%	0.2%	0.2%	0.3%	0.3%	0.4%	1.1%
Income Taxes	**0.3%**	**0.1%**	**0.1%**	**0.2%**	**0.2%**	**0.2%**	**0.8%**
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.3%	0.1%	0.1%	0.2%	0.2%	0.2%	0.8%
Total Taxes	**7.0%**	**5.1%**	**4.5%**	**3.6%**	**3.5%**	**2.8%**	**2.7%**
Federal Deduction Offset	—	*–0.0%*	*–0.1%*	*–0.2%*	*–0.4%*	*–0.5%*	*–0.2%*
OVERALL TOTAL	**7.0%**	**5.1%**	**4.5%**	**3.3%**	**3.1%**	**2.4%**	**2.5%**

Note: Table shows detailed breakout of data on previous page.

Alaska Tax Code Features

Progressive Features

- No statewide sales tax
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- No personal income tax
- Local sales tax bases include groceries
- Fails to provide tax credits to offset sales, excise, and property taxes

Tax Changes Enacted in 2013 & 2014

- Revised corporate income tax structure by eliminating tax on income less than $25,000 and moved the top tax bracket from $90,000 to $222,000
- New tax break for oil and gas companies

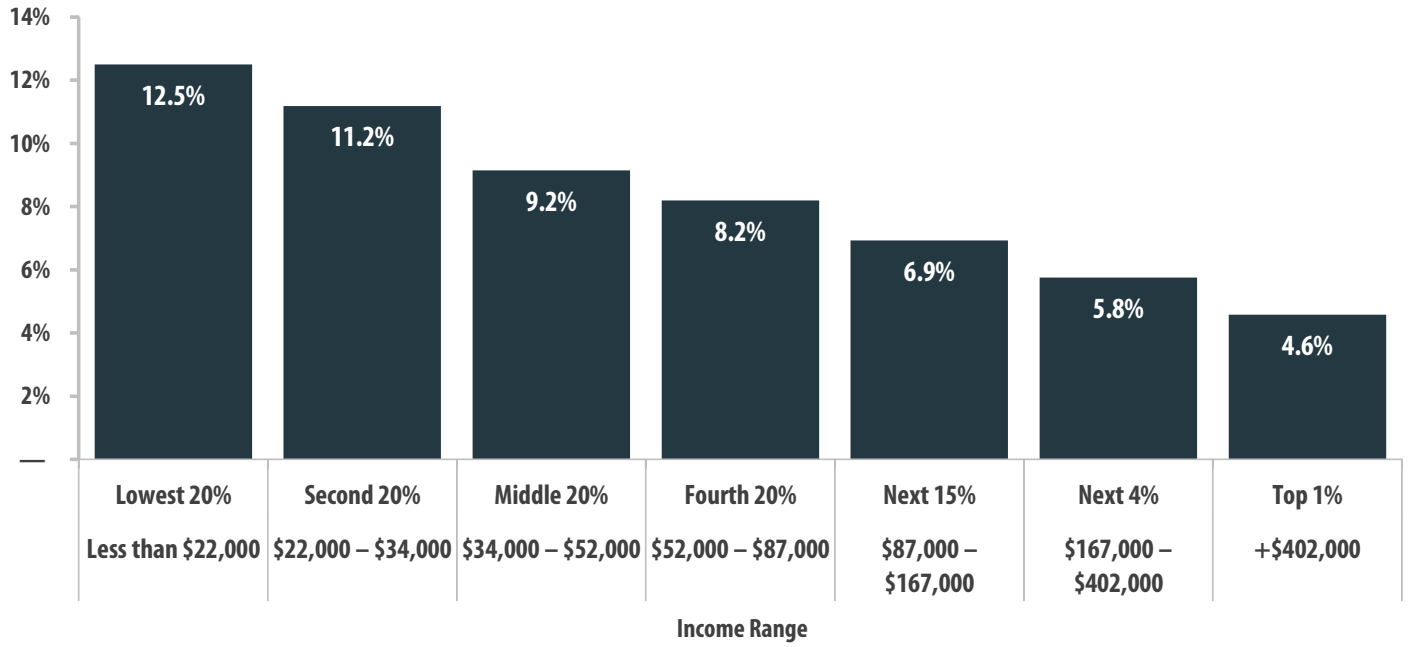
ITEP Tax Inequality Index

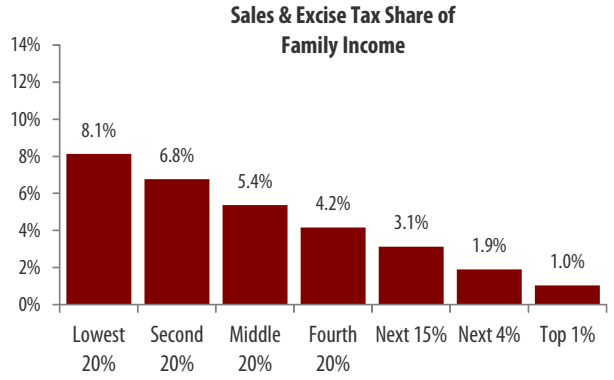
According to ITEP's Tax Inequality Index, Alaska has the **36th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

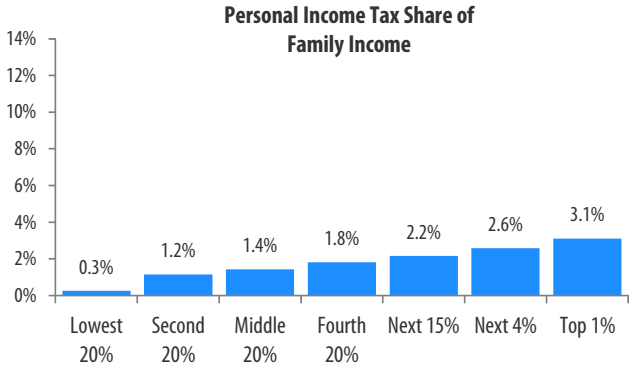
Arizona State & Local Taxes in 2015

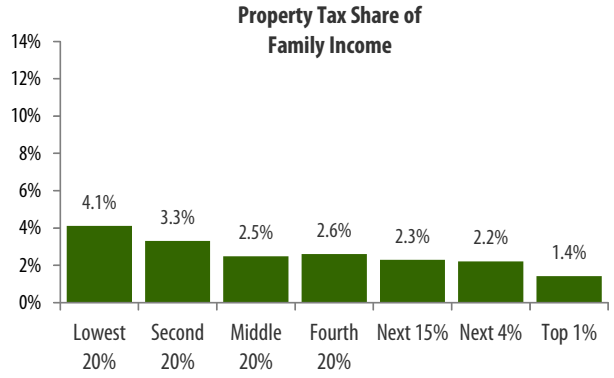
#8 of the Terrible 10

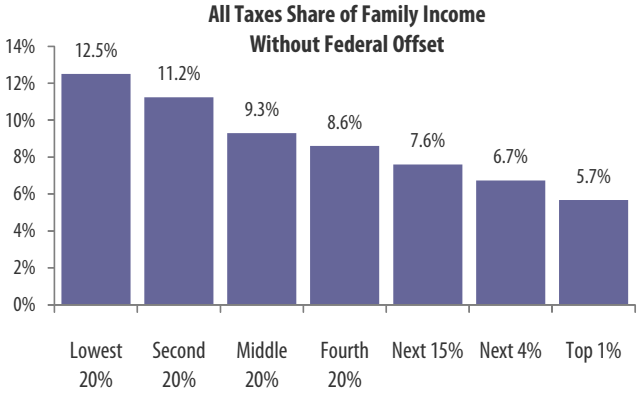
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Arizona enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Arizona State & Local Taxes in 2015

#8 of the Terrible 10

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than $22,000	$22,000 – $34,000	$34,000 – $52,000	$52,000 – $87,000	$87,000 – $167,000	$167,000 – $402,000	$402,000 or more
Average Income in Group	$13,100	$28,300	$42,000	$67,300	$114,300	$250,700	$1,239,400
Sales & Excise Taxes	**8.1%**	**6.8%**	**5.4%**	**4.2%**	**3.1%**	**1.9%**	**1.0%**
General Sales—Individuals	3.8%	3.4%	2.8%	2.2%	1.7%	1.1%	0.7%
Other Sales & Excise—Ind.	1.1%	0.7%	0.5%	0.4%	0.3%	0.1%	0.0%
Sales & Excise on Business	3.2%	2.6%	2.0%	1.5%	1.1%	0.7%	0.3%
Property Taxes	**4.1%**	**3.3%**	**2.5%**	**2.6%**	**2.3%**	**2.2%**	**1.4%**
Property Taxes on Families	3.7%	2.9%	2.1%	2.2%	1.9%	1.7%	0.6%
Other Property Taxes	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%	0.8%
Income Taxes	**0.3%**	**1.2%**	**1.4%**	**1.8%**	**2.2%**	**2.6%**	**3.2%**
Personal Income Tax	0.3%	1.2%	1.4%	1.8%	2.2%	2.6%	3.1%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total Taxes	**12.5%**	**11.2%**	**9.3%**	**8.6%**	**7.6%**	**6.7%**	**5.7%**
Federal Deduction Offset	*–0.0%*	*–0.0%*	*–0.2%*	*–0.4%*	*–0.7%*	*–1.0%*	*–1.1%*
OVERALL TOTAL	**12.5%**	**11.2%**	**9.2%**	**8.2%**	**6.9%**	**5.8%**	**4.6%**

Note: Table shows detailed breakout of data on previous page.

Arizona Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides a refundable income tax credit to offset the impact of sales taxes
- State sales tax base excludes groceries
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Provides an income tax deduction for state income taxes paid
- Provides a partial income tax exclusion for capital gains income
- Comparatively high reliance on sales taxes
- Comparatively high cigarette tax rate
- Fails to provide a refundable Earned Income Tax Credit (EITC)
- Fails to provide a property tax "circuit breaker" credit for low-income taxpayers
- Local sales tax bases include groceries

Tax Changes Enacted in 2013 & 2014

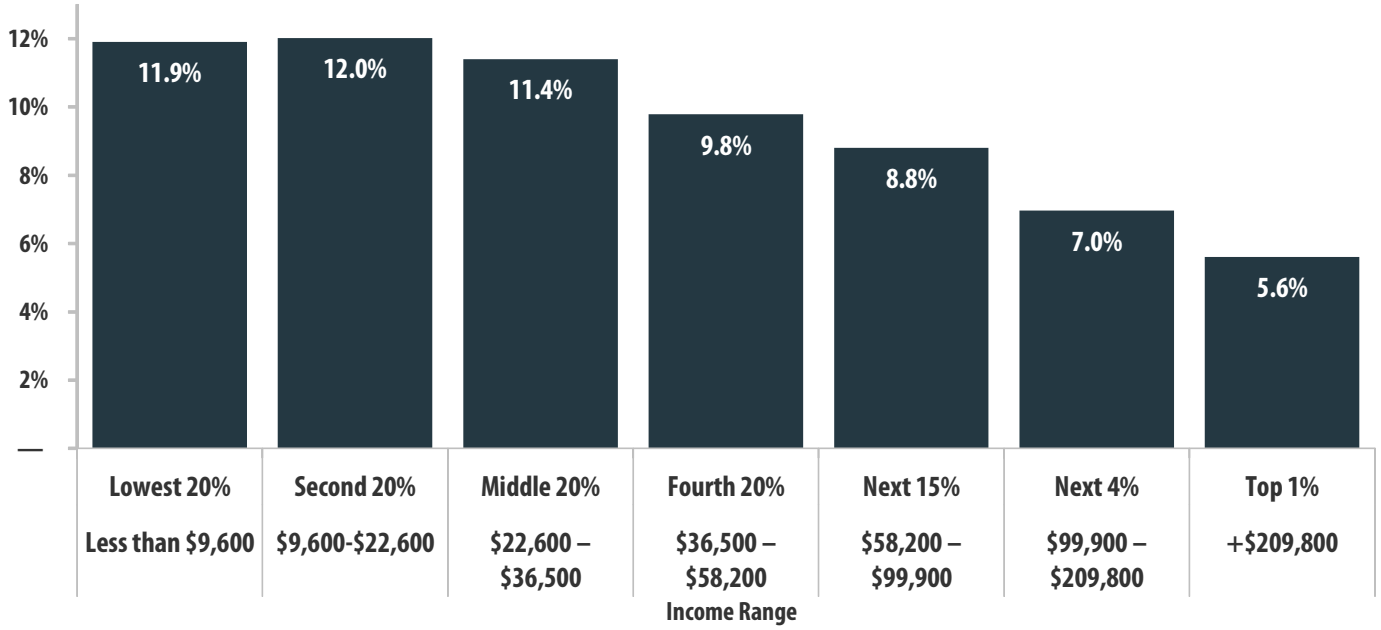
- Phased-in capital gains exclusion (for assets purchased after 2011) took full effect in 2015 at 25 percent of qualifying gains
- Corporate income tax rate is being gradually reduced and will reach final rate of 4.9 percent in 2017

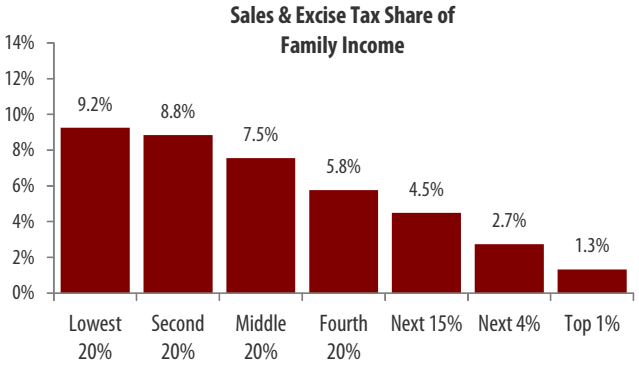
ITEP Tax Inequality Index

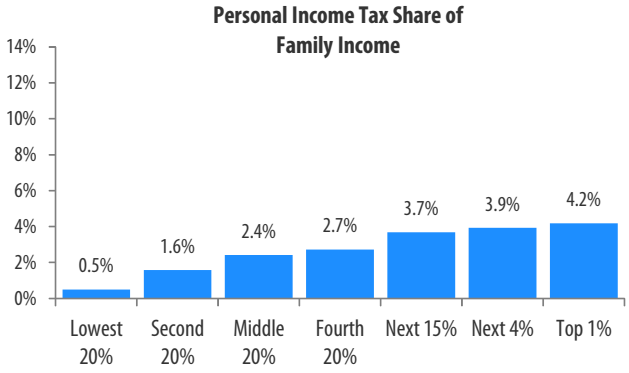
According to ITEP's Tax Inequality Index, Arizona has the **8th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

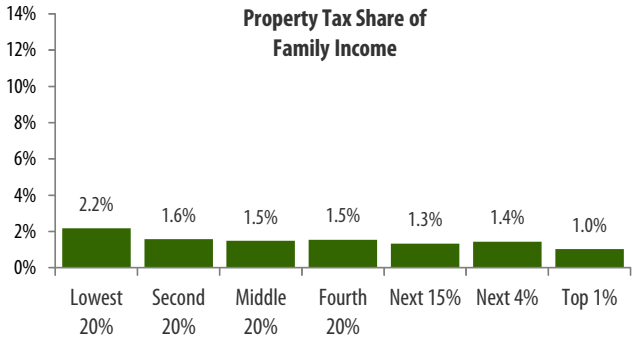
Arkansas State & Local Taxes in 2015

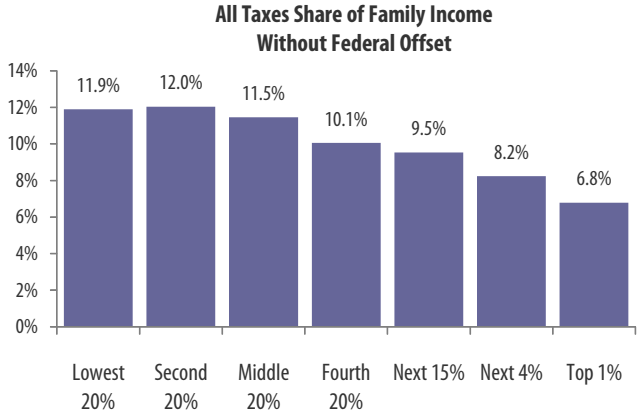
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Arkansas enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Arkansas State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $47,000	$47,000 – $75,000	$75,000 – $155,000	$155,000 – $357,000	$357,000 or more
Average Income in Group	$9,600	$22,600	$36,500	$58,200	$99,900	$209,800	$909,100
Sales & Excise Taxes	**9.2%**	**8.8%**	**7.5%**	**5.8%**	**4.5%**	**2.7%**	**1.3%**
General Sales—Individuals	5.2%	5.2%	4.7%	3.6%	2.9%	1.8%	1.0%
Other Sales & Excise—Ind.	1.8%	1.4%	1.0%	0.8%	0.5%	0.3%	0.1%
Sales & Excise on Business	2.3%	2.2%	1.9%	1.4%	1.1%	0.6%	0.3%
Property Taxes	**2.2%**	**1.6%**	**1.5%**	**1.5%**	**1.3%**	**1.4%**	**1.0%**
Property Taxes on Families	2.1%	1.5%	1.5%	1.5%	1.2%	1.1%	0.5%
Other Property Taxes	0.0%	0.1%	0.0%	0.1%	0.1%	0.4%	0.5%
Income Taxes	**0.5%**	**1.6%**	**2.4%**	**2.7%**	**3.7%**	**4.1%**	**4.4%**
Personal Income Tax	0.5%	1.6%	2.4%	2.7%	3.7%	3.9%	4.2%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**11.9%**	**12.0%**	**11.5%**	**10.1%**	**9.5%**	**8.2%**	**6.8%**
Federal Deduction Offset	—	*–0.0%*	*–0.1%*	*–0.3%*	*–0.7%*	*–1.3%*	*–1.2%*
OVERALL TOTAL	**11.9%**	**12.0%**	**11.4%**	**9.8%**	**8.8%**	**7.0%**	**5.6%**

Note: Table shows detailed breakout of data on previous page.

Arkansas Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides a low-income tax credit linked to the federal poverty level

Regressive Features

- Provides an income tax exclusion equal to 50 percent of capital gains income
- State sales tax base includes groceries, though taxed at a lower rate
- Local sales tax bases include groceries
- Fails to provide a refundable Earned Income Tax Credit (EITC)
- Fails to provide a property tax "circuit breaker" credit for low-income taxpayers
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

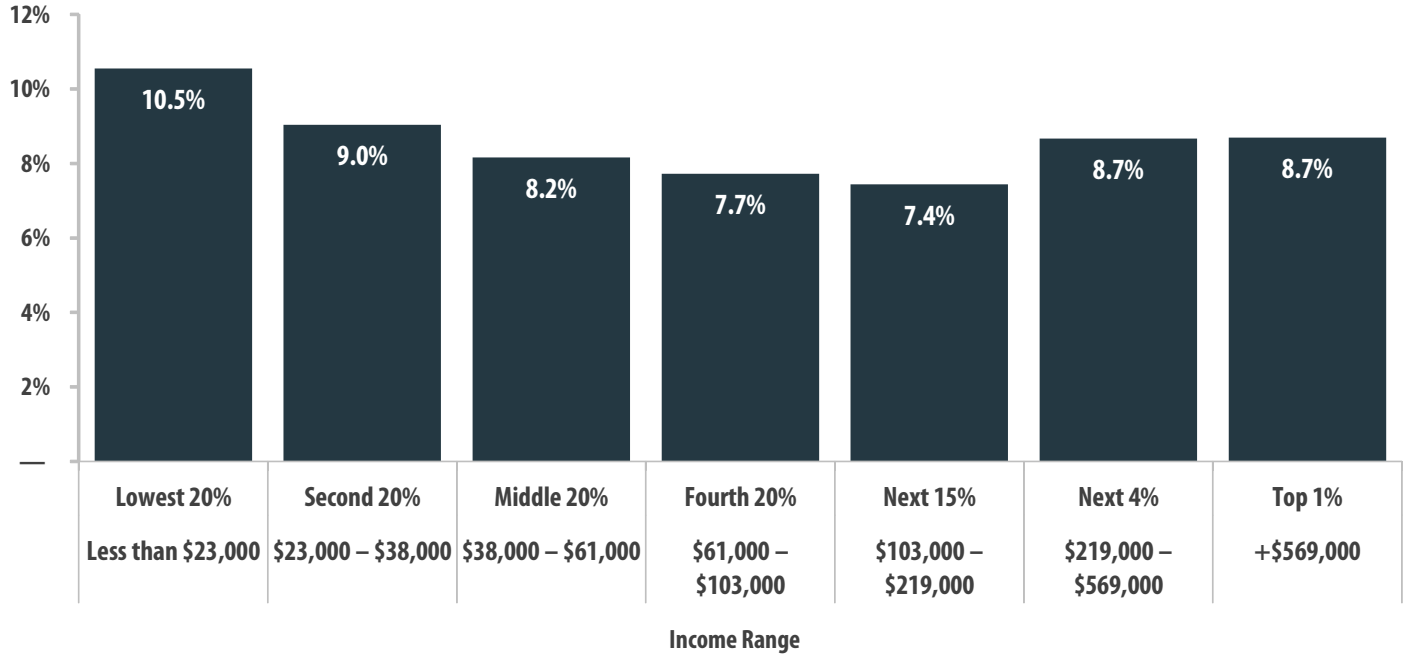
- Across the board individual income tax rate reduction
- Increased standard deduction
- Capital gains exclusion increased to 50 percent

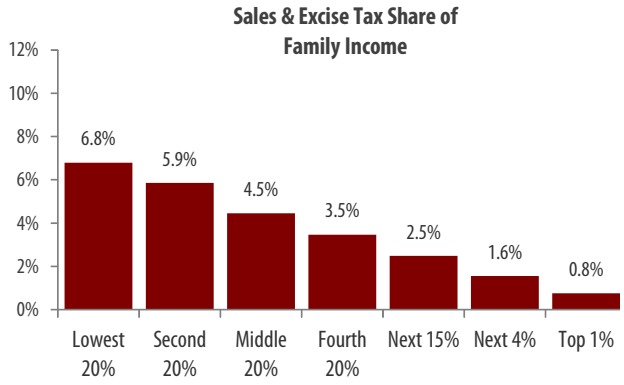
ITEP Tax Inequality Index

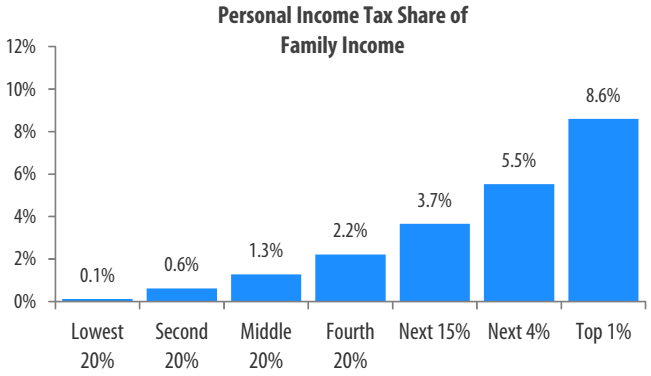
According to ITEP's Tax Inequality Index, Arkansas has the **11th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

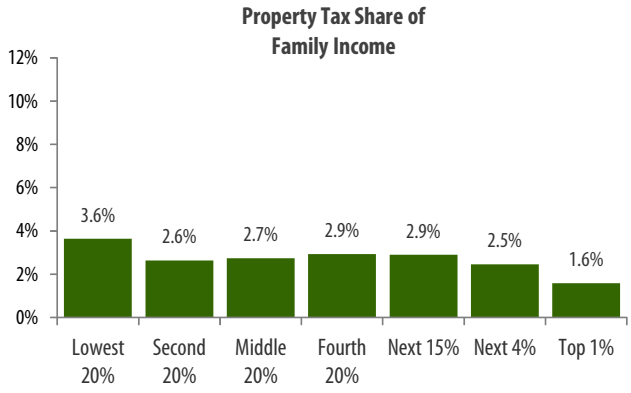
California State & Local Taxes in 2015

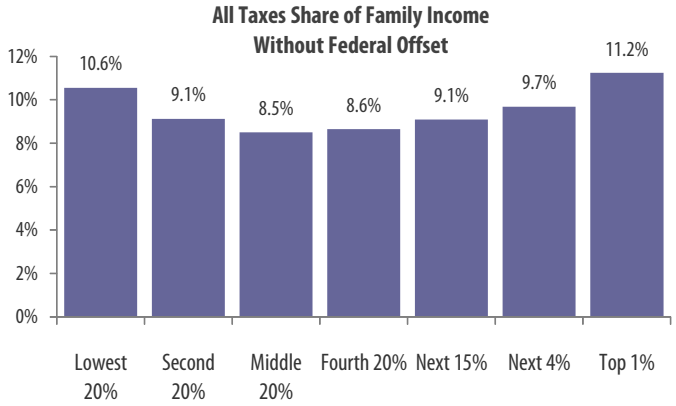
Shares of family income for non-elderly taxpayers











Note: Figures show temporary California tax law enacted in November 2012 (Proposition 30) at 2012 income levels. Temporary provisions impact the personal income tax (three upper-income brackets) through 2018 and the sales tax (.25 cent increase) through 2017. Top figure represents total state and local taxes as a share of income, post- federal offset. Figures for permanent California law can be found in Appendix D on page 27.

California State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than $23,000	$23,000 – $38,000	$38,000 – $61,000	$61,000 – $103,000	$103,000 – $219,000	$219,000 – $569,000	$569,000 or more
Average Income in Group	$13,900	$30,300	$48,600	$79,400	$143,700	$327,400	$1,966,700
Sales & Excise Taxes	**6.8%**	**5.9%**	**4.5%**	**3.5%**	**2.5%**	**1.6%**	**0.8%**
General Sales—Individuals	3.1%	2.9%	2.3%	1.8%	1.4%	0.9%	0.4%
Other Sales & Excise—Ind.	1.1%	0.8%	0.6%	0.4%	0.3%	0.2%	0.1%
Sales & Excise on Business	2.6%	2.2%	1.6%	1.2%	0.8%	0.5%	0.3%
Property Taxes	**3.6%**	**2.6%**	**2.7%**	**2.9%**	**2.9%**	**2.5%**	**1.6%**
Property Taxes on Families	3.6%	2.6%	2.7%	2.8%	2.7%	2.1%	0.8%
Other Property Taxes	0.0%	0.0%	0.1%	0.1%	0.1%	0.3%	0.7%
Income Taxes	**0.1%**	**0.6%**	**1.3%**	**2.2%**	**3.7%**	**5.7%**	**8.9%**
Personal Income Tax	0.1%	0.6%	1.3%	2.2%	3.7%	5.5%	8.6%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.3%
Total Taxes	**10.6%**	**9.1%**	**8.5%**	**8.6%**	**9.1%**	**9.7%**	**11.2%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.3%*	*–0.9%*	*–1.6%*	*–1.0%*	*–2.6%*
OVERALL TOTAL	**10.5%**	**9.0%**	**8.2%**	**7.7%**	**7.4%**	**8.7%**	**8.7%**

Note: Table shows detailed breakout of data on previous page.

California Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides personal income tax credits in place of personal and dependent exemptions
- Sales tax base excludes groceries
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Comparatively high combined state and local sales tax rate
- Fails to provide a refundable Earned Income Tax Credit (EITC)
- Fails to provide a property tax "circuit breaker" credit for low-income non-elderly taxpayers

Tax Changes Enacted in 2013 & 2014

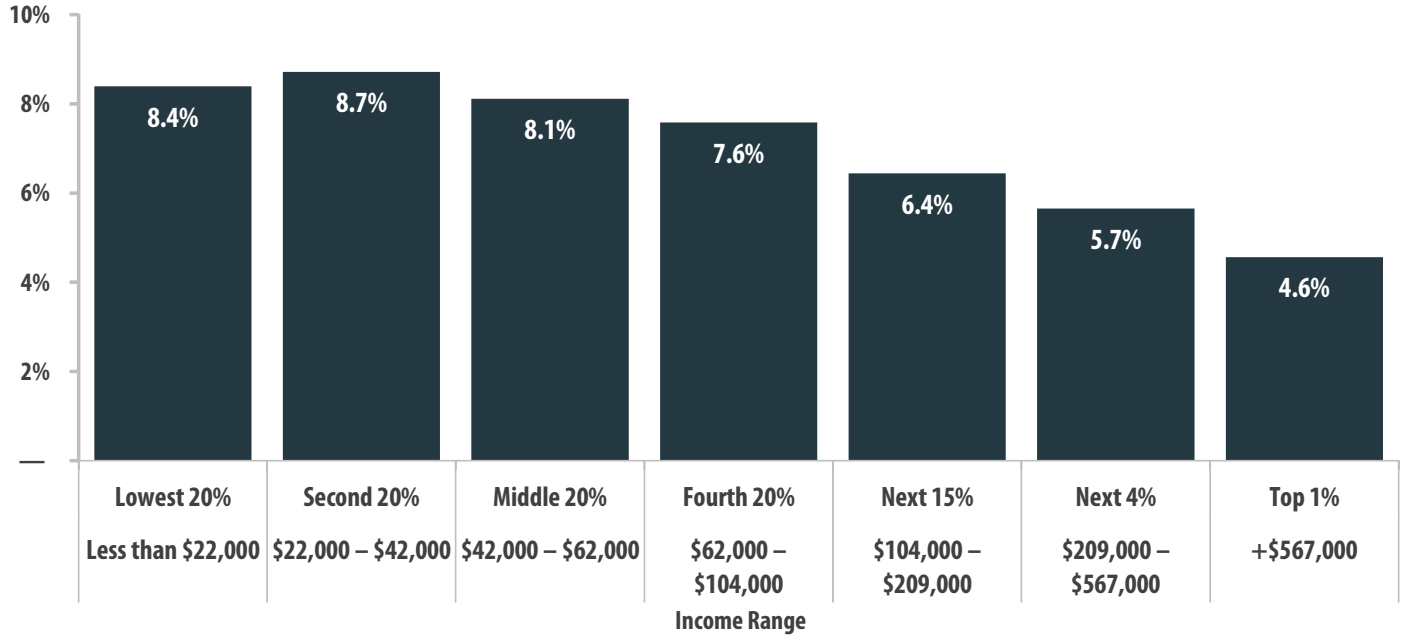
- No significant changes enacted

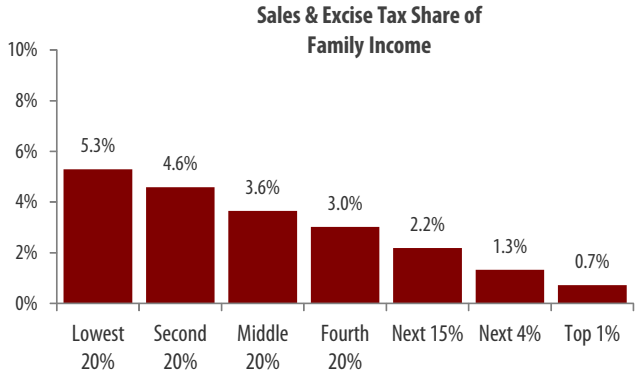
ITEP Tax Inequality Index

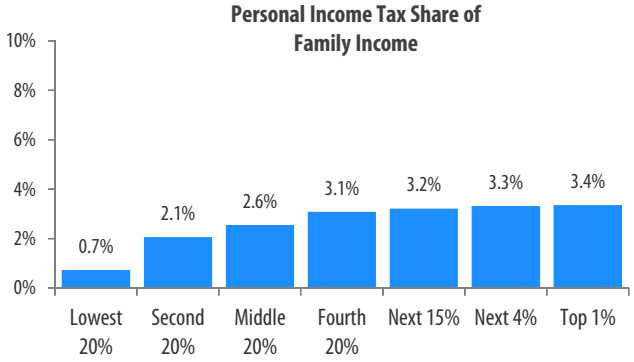
According to ITEP's Tax Inequality Index, California has the **49th** most unfair state and local tax system in the country, making it one of the least regressive tax systems. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

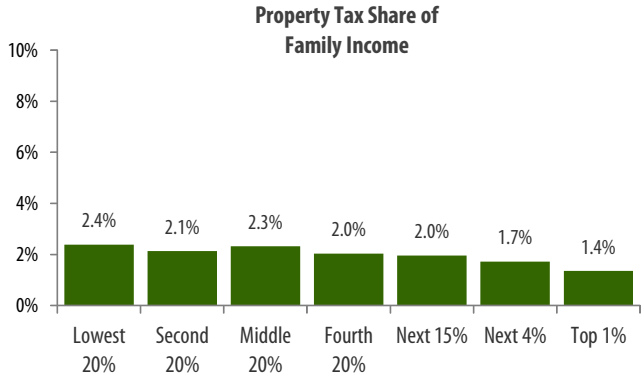
Colorado State & Local Taxes in 2015

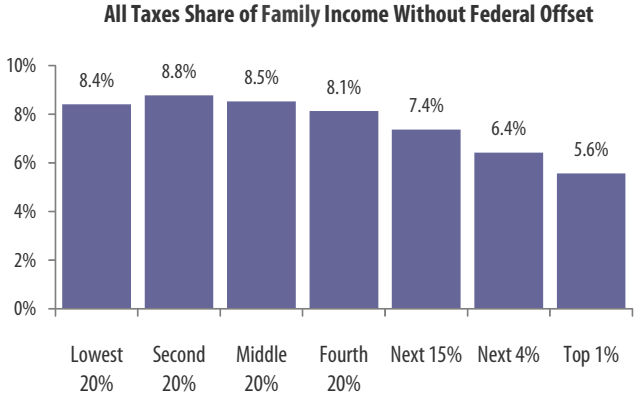
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Colorado enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset. Figures in Appendix D on page 27 show Colorado law under the assumption that current "triggers" in the law are eventually reached, thus creating a Child Tax Credit (CTC) and 10 percent refundable Earned Income Tax Credit (EITC).

Colorado State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than $22,000	$22,000 – $42,000	$42,000 – $62,000	$62,000 – $104,000	$104,000 – $209,000	$209,000 – $567,000	$567,000 or more
Average Income in Group	$12,300	$30,600	$51,300	$79,800	$140,300	$317,800	$1,779,900
Sales & Excise Taxes	**5.3%**	**4.6%**	**3.6%**	**3.0%**	**2.2%**	**1.3%**	**0.7%**
General Sales—Individuals	2.6%	2.4%	2.0%	1.7%	1.3%	0.8%	0.5%
Other Sales & Excise—Ind.	0.7%	0.5%	0.4%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	2.0%	1.6%	1.3%	1.0%	0.7%	0.4%	0.2%
Property Taxes	**2.4%**	**2.1%**	**2.3%**	**2.0%**	**2.0%**	**1.7%**	**1.4%**
Property Taxes on Families	2.3%	2.0%	2.2%	1.9%	1.8%	1.2%	0.4%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.5%	0.9%
Income Taxes	**0.7%**	**2.1%**	**2.6%**	**3.1%**	**3.2%**	**3.4%**	**3.5%**
Personal Income Tax	0.7%	2.1%	2.6%	3.1%	3.2%	3.3%	3.4%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	**8.4%**	**8.8%**	**8.5%**	**8.1%**	**7.4%**	**6.4%**	**5.6%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.4%*	*–0.6%*	*–0.9%*	*–0.8%*	*–1.0%*
OVERALL TOTAL	**8.4%**	**8.7%**	**8.1%**	**7.6%**	**6.4%**	**5.7%**	**4.6%**

Note: Table shows detailed breakout of data on previous page.

Colorado Tax Code Features

Progressive Features

- Comparatively large standard deduction and personal exemption
- Standard deduction and personal exemption indexed to inflation
- State sales tax base excludes groceries
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Personal income tax uses a flat rate
- Local sales tax bases include groceries
- Fails to provide a refundable Earned Income Tax Credit (EITC): one may eventually take effect if revenue triggers are reached
- Fails to provide a property tax "circuit breaker" credit for low-income non-elderly taxpayers

Tax Changes Enacted in 2013 & 2014

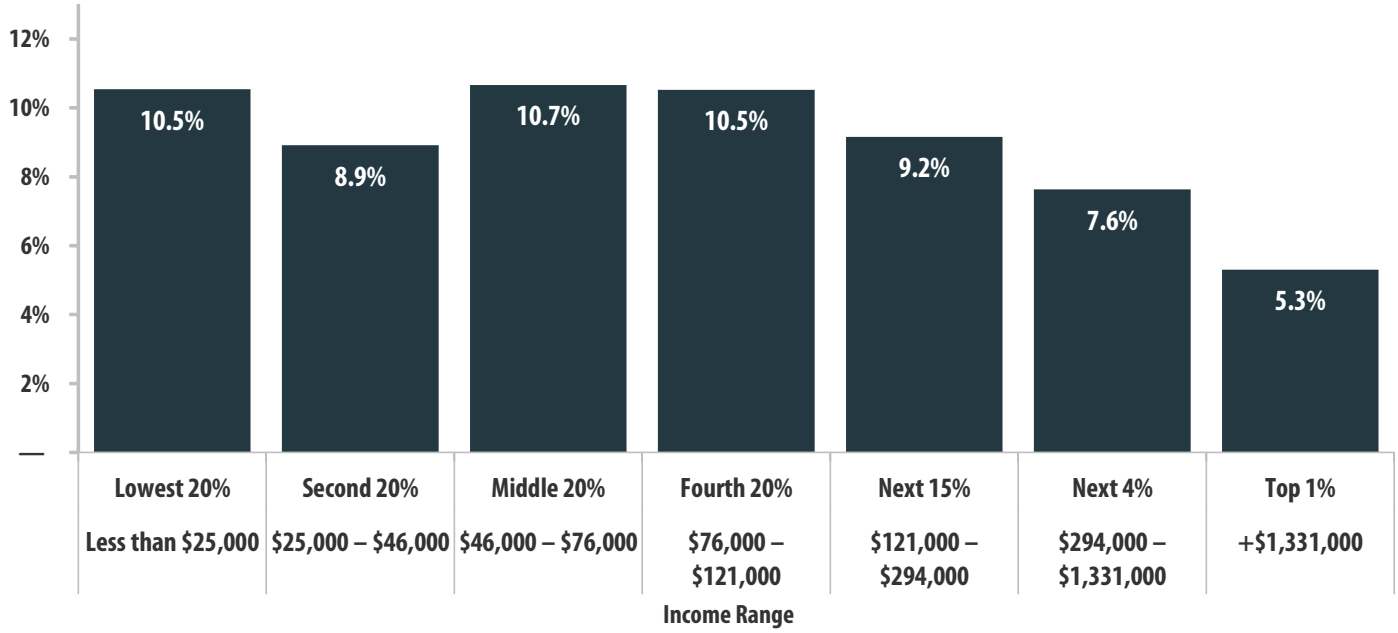
- Dependent care tax credit made refundable for families earning less than $25,000
- Enacted legislation that would create a permanent Earned Income Tax Credit (EITC) dependent on revenue growth
- Enacted legislation that could create a permanent Child Tax Credit (CTC) if the federal government allows states to enforce sales tax collection laws on e-retailers

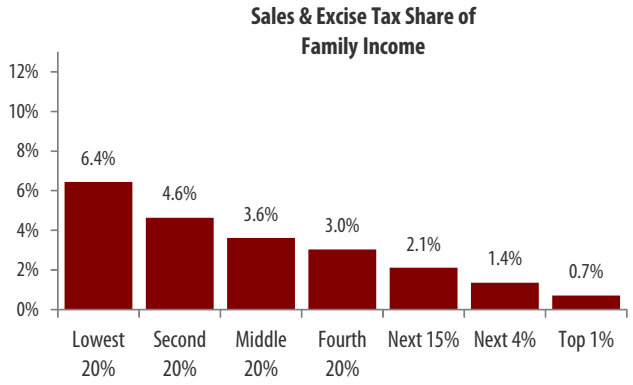
ITEP Tax Inequality Index

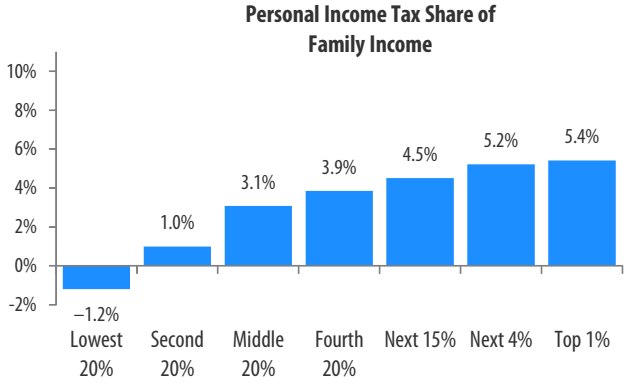
According to ITEP's Tax Inequality Index, Colorado has the **32nd** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

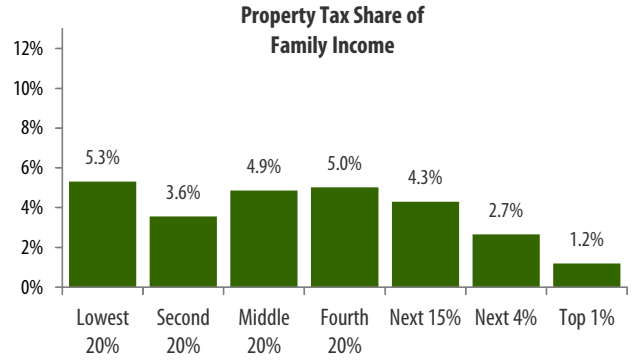
Connecticut State & Local Taxes in 2015

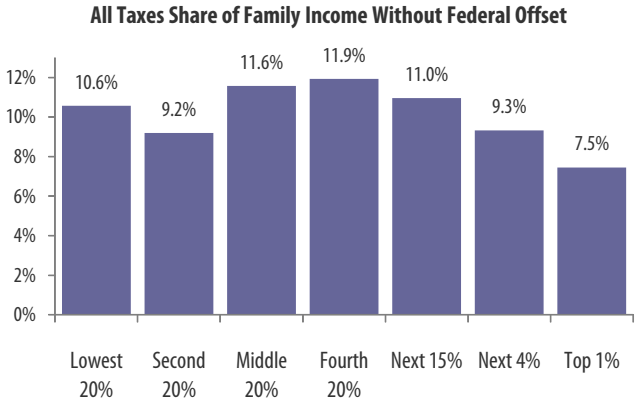
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Connecticut enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Connecticut State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than $25,000	$25,000 – $46,000	$46,000 – $76,000	$76,000 – $121,000	$121,000 – $294,000	$294,000 – $1,331,000	$1,331,000 or more
Average Income in Group	$13,000	$35,500	$59,600	$95,900	$169,700	$572,300	$3,822,000
Sales & Excise Taxes	**6.4%**	**4.6%**	**3.6%**	**3.0%**	**2.1%**	**1.4%**	**0.7%**
General Sales—Individuals	2.4%	2.1%	1.7%	1.5%	1.1%	0.8%	0.4%
Other Sales & Excise—Ind.	1.9%	1.0%	0.7%	0.6%	0.4%	0.2%	0.0%
Sales & Excise on Business	2.2%	1.6%	1.2%	1.0%	0.7%	0.4%	0.2%
Property Taxes	**5.3%**	**3.6%**	**4.9%**	**5.0%**	**4.3%**	**2.7%**	**1.2%**
Property Taxes on Families	5.3%	3.6%	4.8%	4.9%	4.1%	2.3%	0.6%
Other Property Taxes	0.1%	0.0%	0.1%	0.1%	0.2%	0.4%	0.6%
Income Taxes	**-1.2%**	**1.0%**	**3.1%**	**3.9%**	**4.5%**	**5.3%**	**5.5%**
Personal Income Tax	–1.2%	1.0%	3.1%	3.9%	4.5%	5.2%	5.4%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	**10.6%**	**9.2%**	**11.6%**	**11.9%**	**11.0%**	**9.3%**	**7.5%**
Federal Deduction Offset	*–0.0%*	*–0.3%*	*–0.9%*	*–1.4%*	*–1.8%*	*–1.7%*	*–2.2%*
OVERALL TOTAL	**10.5%**	**8.9%**	**10.7%**	**10.5%**	**9.2%**	**7.6%**	**5.3%**

Note: Table shows detailed breakout of data on previous page.

Connecticut Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides 30% refundable EITC (temporarily reduced to 27.5% but modeled at 30% in the report)
- Provides comparatively large personal exemptions and credits for low- and middle-income taxpayers
- Provides a property tax credit for low- and middle-income taxpayers
- Sales tax base excludes groceries

Regressive Features

- Comparatively high reliance on property taxes
- Comparatively high cigarette tax rate
- Fails to provide a property tax "circuit breaker" credit for low-income non-elderly taxpayers
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

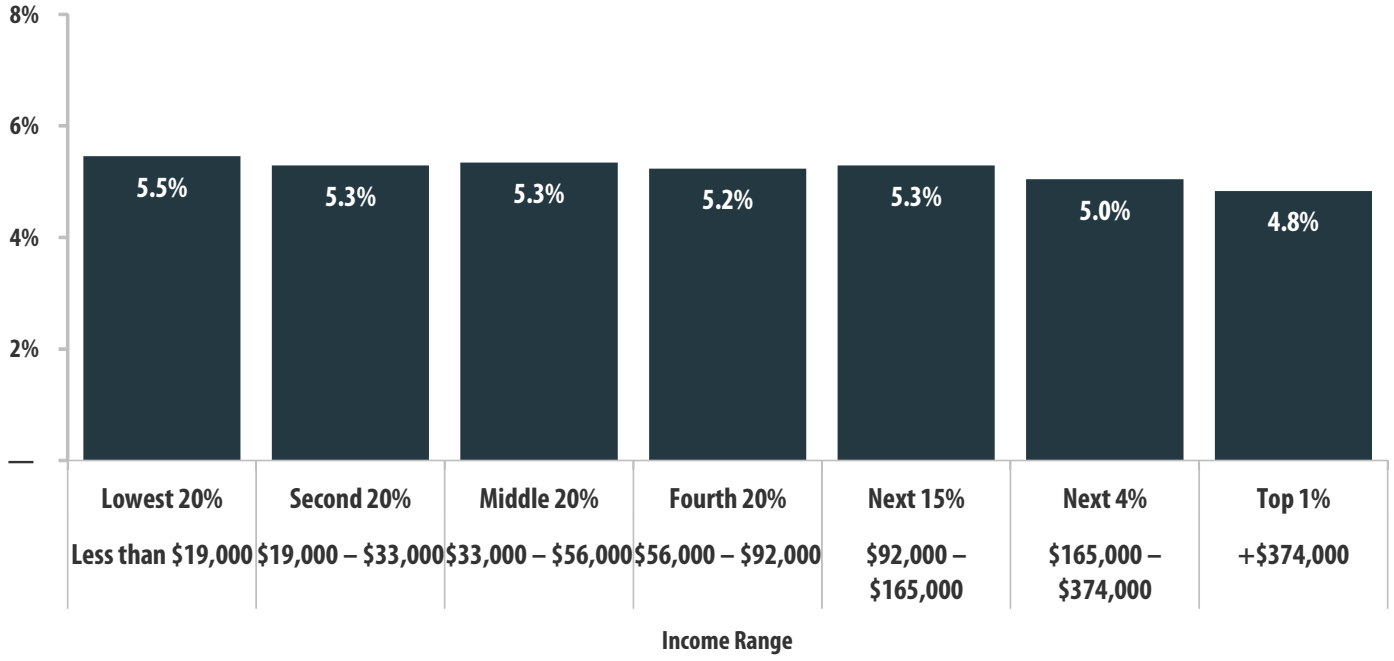
- Starting in 2015, clothing under $50 is exempt from sales tax

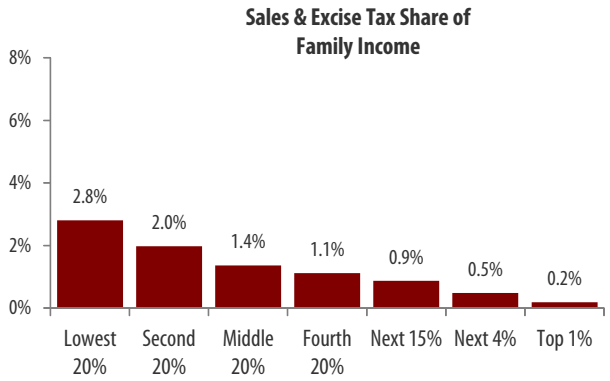
ITEP Tax Inequality Index

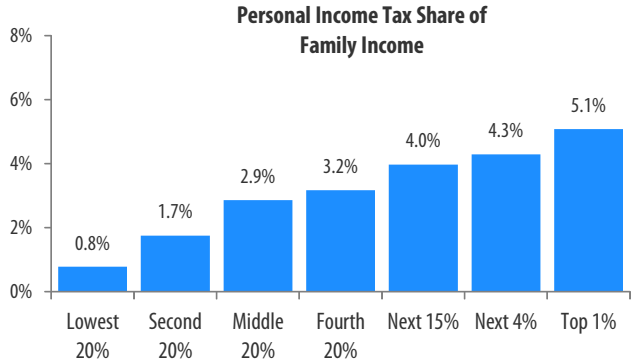
According to ITEP's Tax Inequality Index, Connecticut has the **26th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

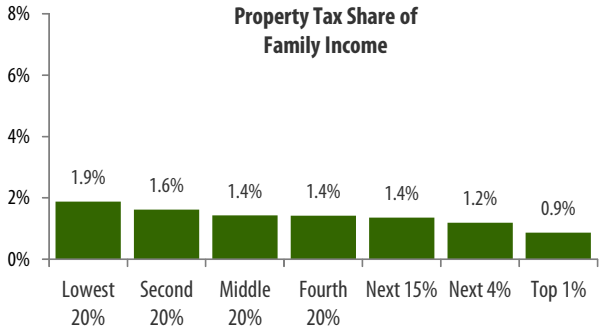
Delaware State & Local Taxes in 2015

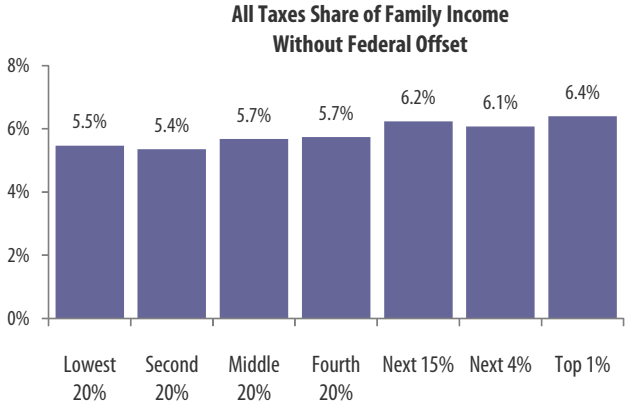
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Delaware enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Delaware State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $56,000	$56,000 – $92,000	$92,000 – $165,000	$165,000 – $374,000	$374,000 or more
Average Income in Group	$10,300	$25,100	$44,300	$72,000	$117,200	$236,300	$1,225,500
Sales & Excise Taxes	**2.8%**	**2.0%**	**1.4%**	**1.1%**	**0.9%**	**0.5%**	**0.2%**
General Sales—Individuals	—	—	—	—	—	—	—
Other Sales & Excise—Ind.	2.1%	1.4%	0.9%	0.8%	0.6%	0.3%	0.1%
Sales & Excise on Business	0.7%	0.6%	0.4%	0.4%	0.3%	0.2%	0.1%
Property Taxes	**1.9%**	**1.6%**	**1.4%**	**1.4%**	**1.4%**	**1.2%**	**0.9%**
Property Taxes on Families	1.9%	1.6%	1.4%	1.4%	1.3%	1.0%	0.5%
Other Property Taxes	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.4%
Income Taxes	**0.8%**	**1.8%**	**2.9%**	**3.2%**	**4.0%**	**4.4%**	**5.3%**
Personal Income Tax (State and Local)	0.8%	1.7%	2.9%	3.2%	4.0%	4.3%	5.1%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Total Taxes	**5.5%**	**5.4%**	**5.7%**	**5.7%**	**6.2%**	**6.1%**	**6.4%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.3%*	*–0.5%*	*–0.9%*	*–1.0%*	*–1.6%*
OVERALL TOTAL	**5.5%**	**5.3%**	**5.3%**	**5.2%**	**5.3%**	**5.0%**	**4.8%**

Note: Table shows detailed breakout of data on previous page.

Delaware Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides an exemption credit in place of personal exemption
- Provides a non-refundable 20 percent Earned Income Tax Credit (EITC)
- No statewide sales tax

Regressive Feature

- Fails to provide a property tax "circuit breaker" credit for low-income taxpayers
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

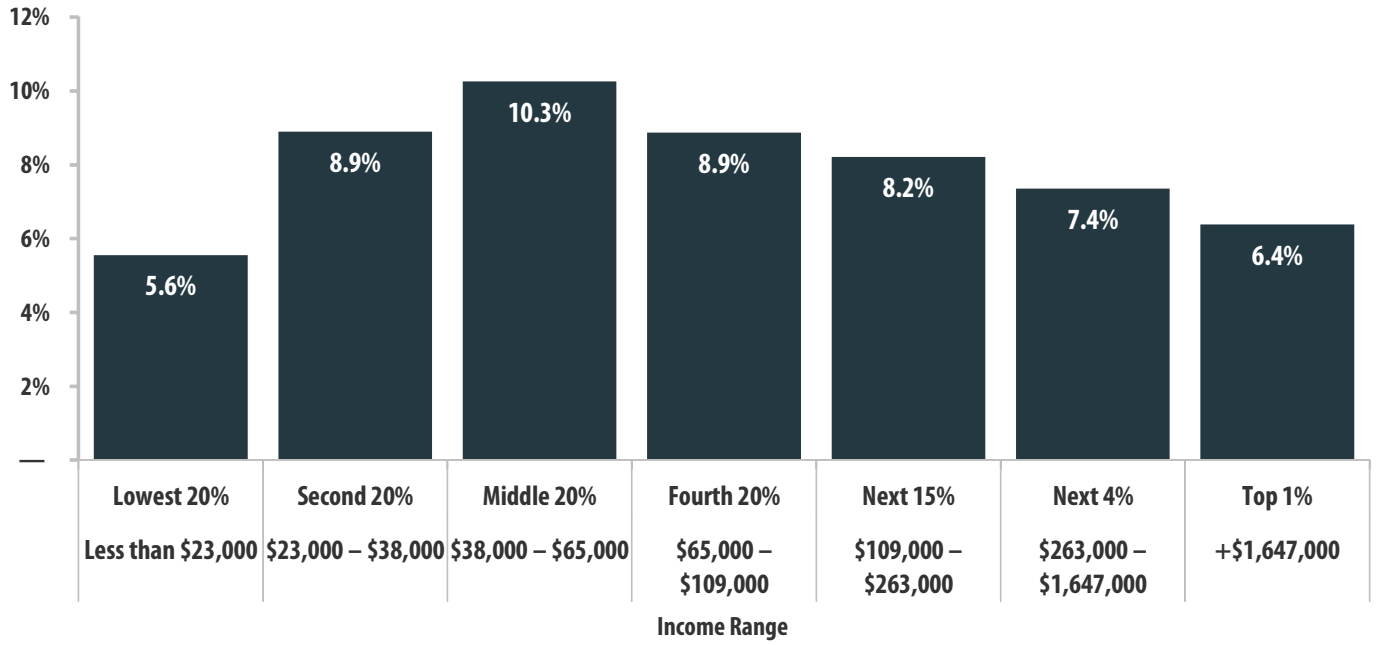
- Top personal income tax rate was increased from 5.9% to 6.6%

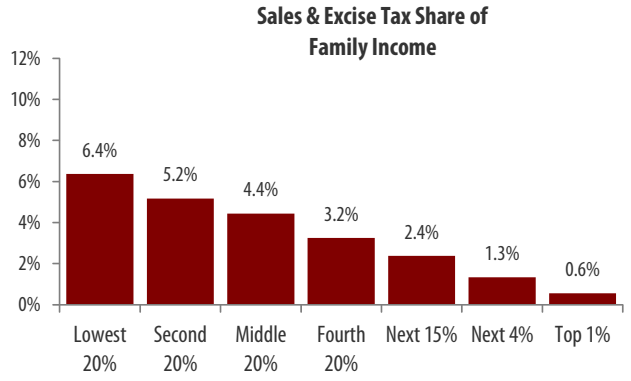
ITEP Tax Inequality Index

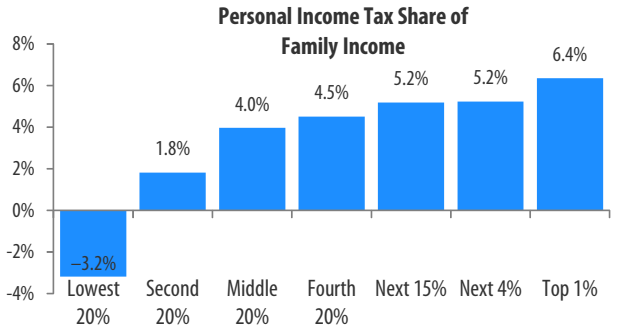
According to ITEP's Tax Inequality Index, Delaware has the **51st** most unfair state and local tax system in the country making it the least regressive tax system. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

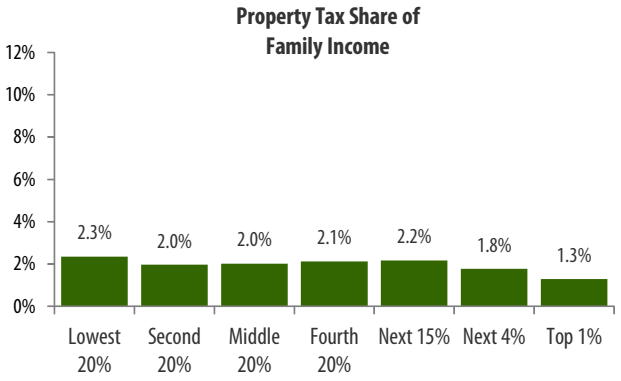
District of Columbia Taxes in 2015

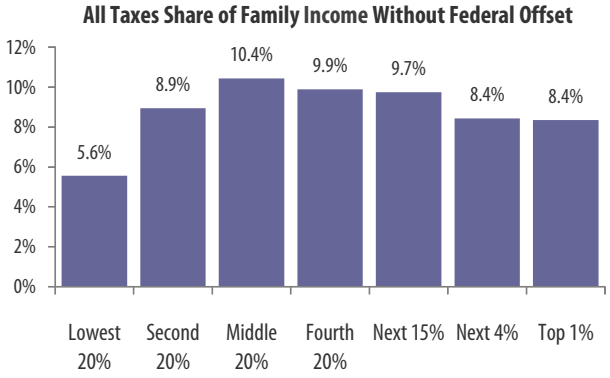
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in the District of Columbia (DC) enacted and fully funded through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset. Figures in Appendix D on page 27 show DC law under the assumption that current "triggers" in the law are eventually reached, causing various reductions in personal income tax and business tax rates, as well as increases in the personal exemption and standard deduction.

District of Columbia Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than $23,000	$23,000 – $38,000	$38,000 – $65,000	$65,000 – $109,000	$109,000 – $263,000	$263,000 – $1,647,000	$1,647,000 or more
Average Income in Group	$13,600	$30,000	$52,100	$84,200	$158,200	$490,300	$2,840,300
Sales & Excise Taxes	**6.4%**	**5.2%**	**4.4%**	**3.2%**	**2.4%**	**1.3%**	**0.6%**
General Sales—Individuals	2.8%	2.3%	2.1%	1.6%	1.3%	0.8%	0.3%
Other Sales & Excise—Ind.	0.9%	0.8%	0.6%	0.4%	0.3%	0.1%	0.0%
Sales & Excise on Business	2.6%	2.1%	1.7%	1.2%	0.8%	0.5%	0.2%
Property Taxes	**2.3%**	**2.0%**	**2.0%**	**2.1%**	**2.2%**	**1.8%**	**1.3%**
Property Taxes on Families	1.3%	1.2%	1.4%	1.7%	1.8%	1.2%	0.7%
Other Property Taxes	1.0%	0.7%	0.6%	0.4%	0.4%	0.6%	0.6%
Income Taxes	**-3.2%**	**1.8%**	**4.0%**	**4.5%**	**5.2%**	**5.3%**	**6.5%**
Personal Income Tax	–3.2%	1.8%	4.0%	4.5%	5.2%	5.2%	6.4%
Corporate Income Tax	0.0%	—	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	**5.6%**	**8.9%**	**10.4%**	**9.9%**	**9.7%**	**8.4%**	**8.4%**
Federal Deduction Offset	—	*–0.0%*	*–0.2%*	*–1.0%*	*–1.5%*	*–1.1%*	*–2.0%*
OVERALL TOTAL	**5.6%**	**8.9%**	**10.3%**	**8.9%**	**8.2%**	**7.4%**	**6.4%**

Note: Table shows detailed breakout of data on previous page.

District of Columbia Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides a 40% refundable EITC for families with children and 100% credit to childless workers (income eligibilty is higher than the federal credit)
- Limits itemized deductions for upper-income taxpayers
- Provides a refundable property tax "circuit breaker" credit for low-income and elderly taxpayers
- Sales tax base excludes groceries
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Comparatively high cigarette tax rate

Tax Changes Enacted in 2013 & 2014

- Expanded property tax "circuit breaker"
- Expanded earned income tax credit (EITC) for childless workers
- Increased the standard deduction
- Created a new middle-income tax bracket with a lower rate
- Began phasing-out personal exemptions for high-income taxpayers
- Reduced sales tax rate to 5.75 percent (from 6.0 percent) and broadened the sales tax base to include more services
- Reduced business franchise tax rate
- Reformed gasoline tax to allow rate to grow alongside gas prices
- Additional changes will be enacted if revenue growth targets are met

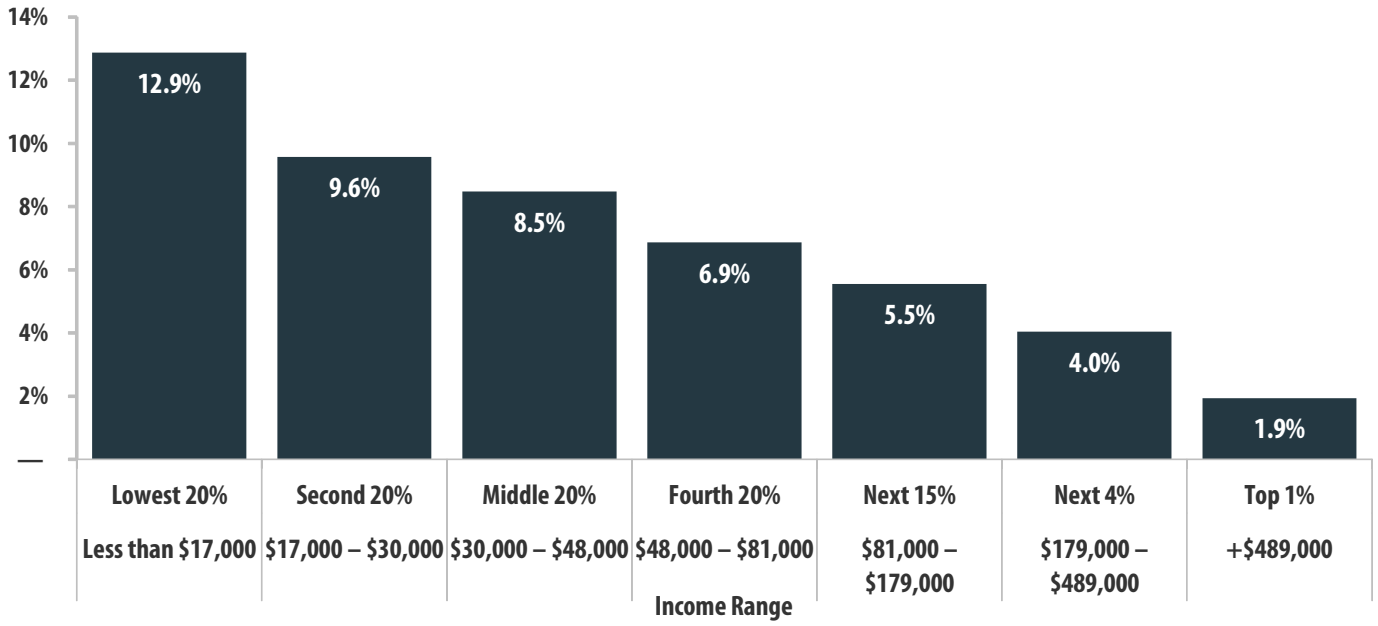
ITEP Tax Inequality Index

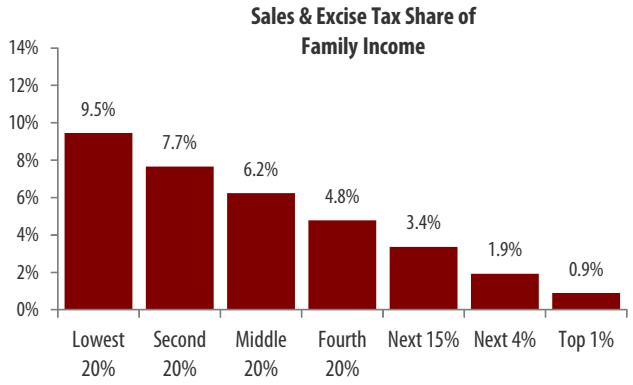
According to ITEP's Tax Inequality Index, DC has the **50th** most unfair state and local tax system in the country making it one of the least regressive tax systems. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

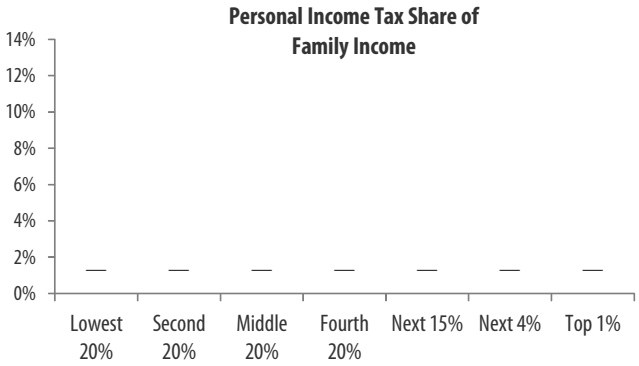
Florida State & Local Taxes in 2015

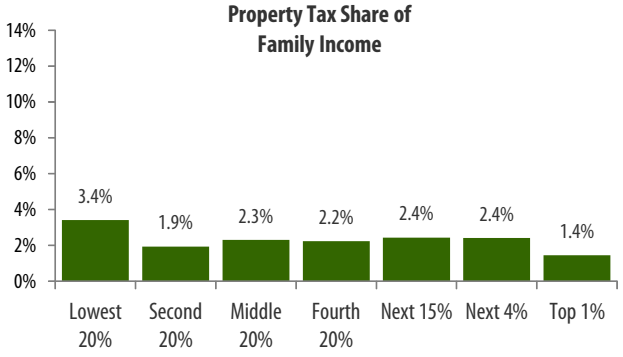
#2 of the Terrible 10

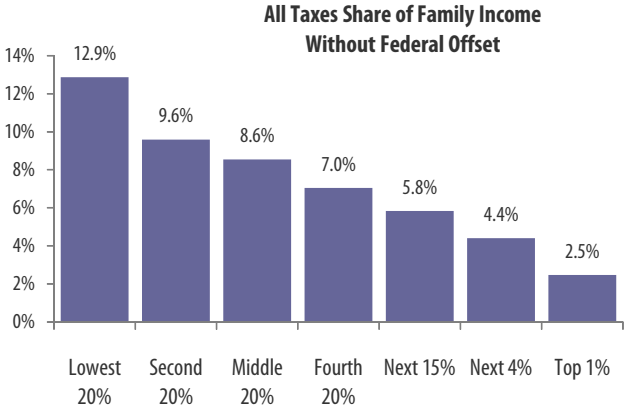
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Florida enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Florida State & Local Taxes in 2015

#2 of the Terrible 10

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $48,000	$48,000 – $81,000	$81,000 – $179,000	$179,000 – $489,000	$489,000 or more
Average Income in Group	$10,700	$23,600	$37,700	$61,700	$112,200	$278,600	$2,075,100
Sales & Excise Taxes	**9.5%**	**7.7%**	**6.2%**	**4.8%**	**3.4%**	**1.9%**	**0.9%**
General Sales—Individuals	3.4%	3.0%	2.6%	2.1%	1.5%	0.9%	0.5%
Other Sales & Excise—Ind.	2.9%	1.9%	1.5%	1.0%	0.7%	0.3%	0.1%
Sales & Excise on Business	3.2%	2.7%	2.2%	1.6%	1.1%	0.6%	0.3%
Property Taxes	**3.4%**	**1.9%**	**2.3%**	**2.2%**	**2.4%**	**2.4%**	**1.4%**
Property Taxes on Families	3.2%	1.7%	2.1%	2.0%	2.1%	1.9%	0.7%
Other Property Taxes	0.2%	0.2%	0.2%	0.3%	0.3%	0.5%	0.8%
Income Taxes	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.1%**	**0.1%**
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	**12.9%**	**9.6%**	**8.6%**	**7.0%**	**5.8%**	**4.4%**	**2.5%**
Federal Deduction Offset	*–0.0%*	*–0.0%*	*–0.1%*	*–0.2%*	*–0.3%*	*–0.4%*	*–0.5%*
OVERALL TOTAL	**12.9%**	**9.6%**	**8.5%**	**6.9%**	**5.5%**	**4.0%**	**1.9%**

Note: Table shows detailed breakout of data on previous page.

Florida Tax Code Features

Progressive Features

- Sales tax base excludes groceries

Regressive Features

- No personal income tax
- Comparatively high reliance on sales taxes
- Fails to provide tax credits to offset impact of sales, excise, and property taxes
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

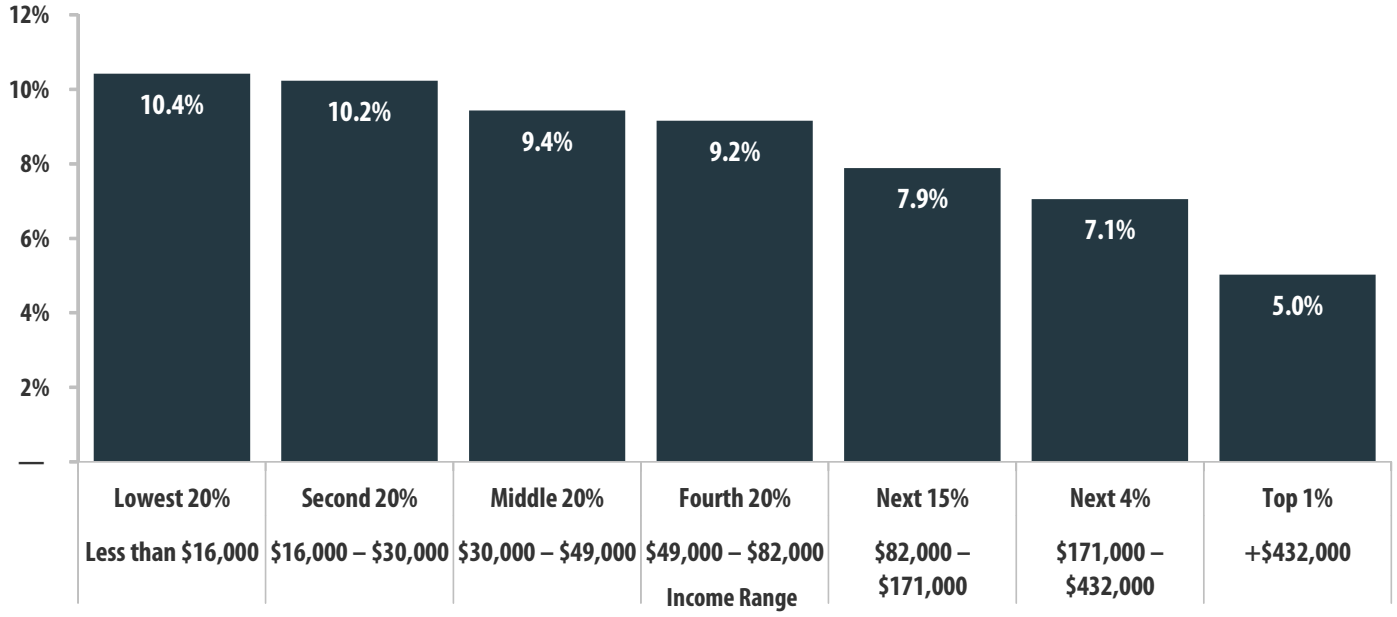
- Exempted certain industrial equipment and machinery from the sales tax
- Reduced sales tax rate on electricity
- Exempted several goods from the sales tax base

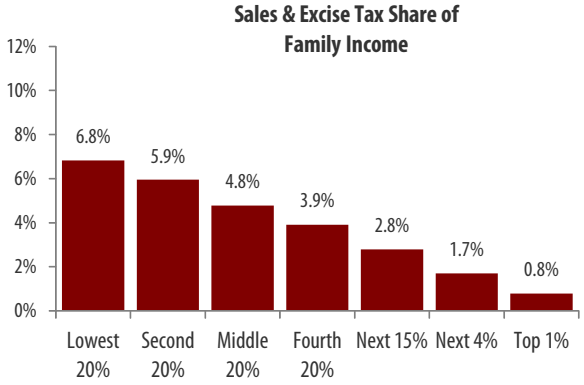
ITEP Tax Inequality Index

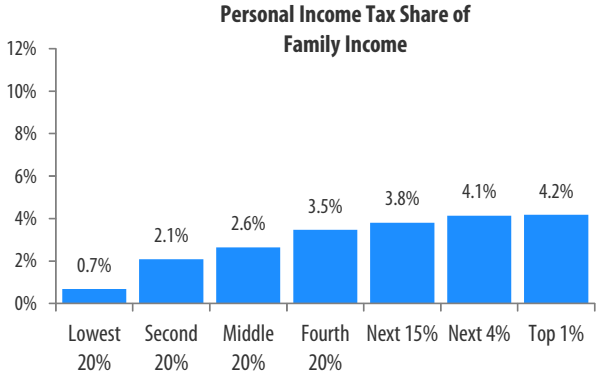
According to ITEP's Tax Inequality Index, Florida has the **2nd** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

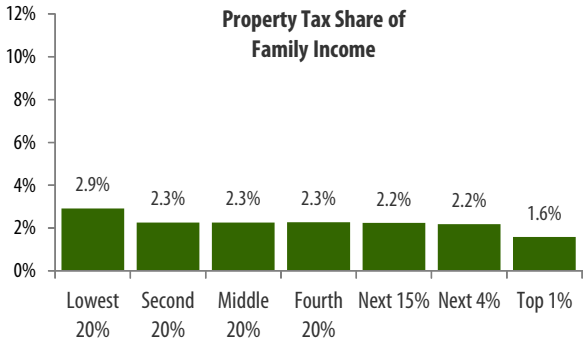
Georgia State & Local Taxes in 2015

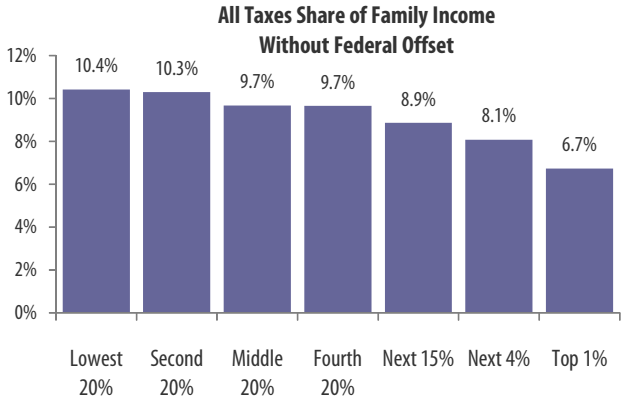
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Georgia enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Georgia State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $49,000	$49,000 – $82,000	$82,000 – $171,000	$171,000 – $432,000	$432,000 or more
Average Income in Group	$10,000	$22,200	$38,700	$63,500	$112,900	$250,800	$1,179,200
Sales & Excise Taxes	**6.8%**	**5.9%**	**4.8%**	**3.9%**	**2.8%**	**1.7%**	**0.8%**
General Sales—Individuals	4.0%	3.6%	2.9%	2.5%	1.8%	1.1%	0.5%
Other Sales & Excise—Ind.	0.6%	0.5%	0.3%	0.2%	0.2%	0.1%	0.0%
Sales & Excise on Business	2.2%	1.9%	1.5%	1.2%	0.8%	0.5%	0.2%
Property Taxes	**2.9%**	**2.3%**	**2.3%**	**2.3%**	**2.2%**	**2.2%**	**1.6%**
Property Taxes on Families	2.8%	2.2%	2.2%	2.2%	2.1%	1.8%	0.8%
Other Property Taxes	0.1%	0.1%	0.0%	0.1%	0.2%	0.3%	0.8%
Income Taxes	**0.7%**	**2.1%**	**2.7%**	**3.5%**	**3.8%**	**4.2%**	**4.4%**
Personal Income Tax	0.7%	2.1%	2.6%	3.5%	3.8%	4.1%	4.2%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**10.4%**	**10.3%**	**9.7%**	**9.7%**	**8.9%**	**8.1%**	**6.7%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.2%*	*–0.5%*	*–1.0%*	*–1.0%*	*–1.7%*
OVERALL TOTAL	**10.4%**	**10.2%**	**9.4%**	**9.2%**	**7.9%**	**7.1%**	**5.0%**

Note: Table shows detailed breakout of data on previous page.

Georgia Tax Code Features

Progressive Features

- State sales tax base excludes groceries

Regressive Features

- Provides an income tax deduction for state income taxes paid
- Fails to provide refundable income tax credits to offset sales, excise, and property taxes
- Fails to index income tax provisions to inflation
- Local sales tax bases include groceries
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

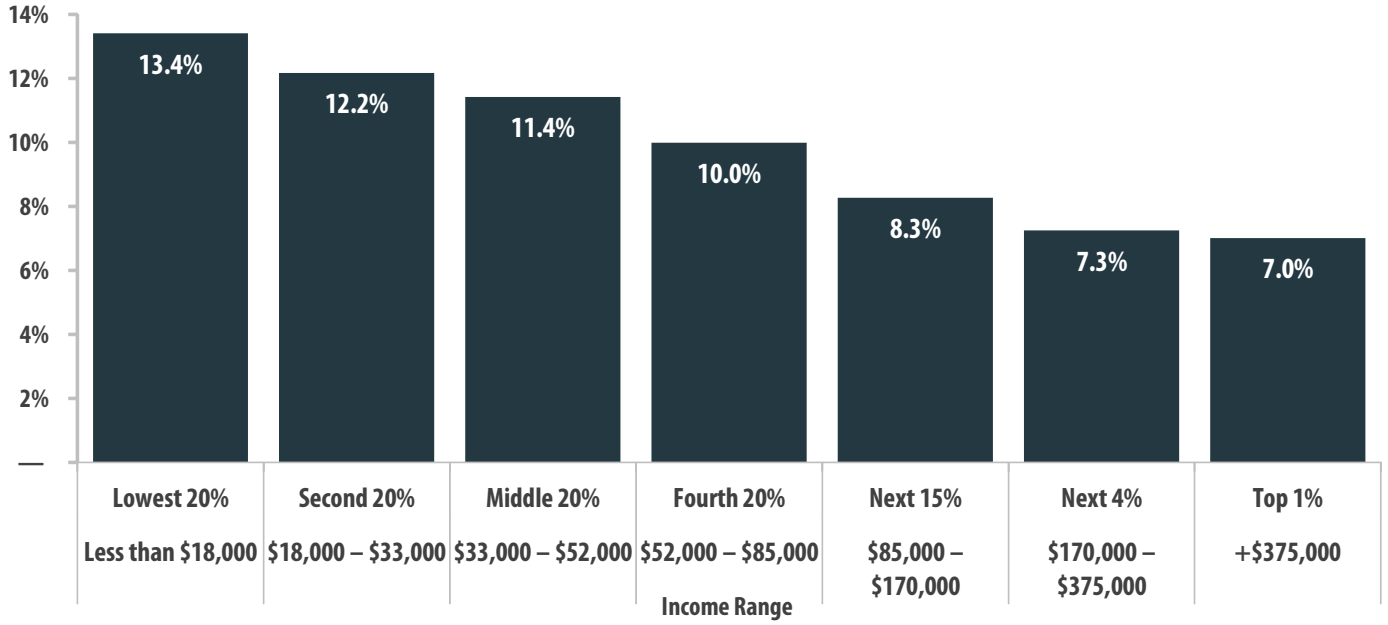
- New constitutional cap on the top income tax rate (cannot exceed 6 percent)

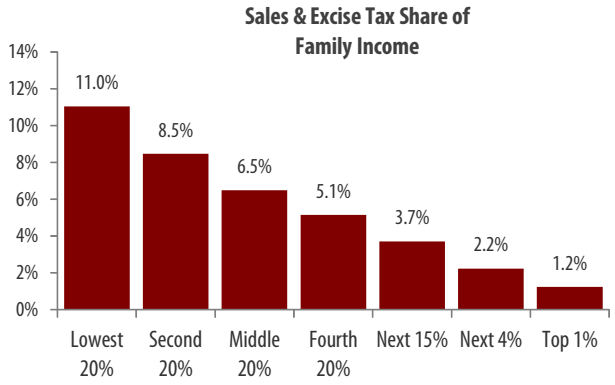
ITEP Tax Inequality Index

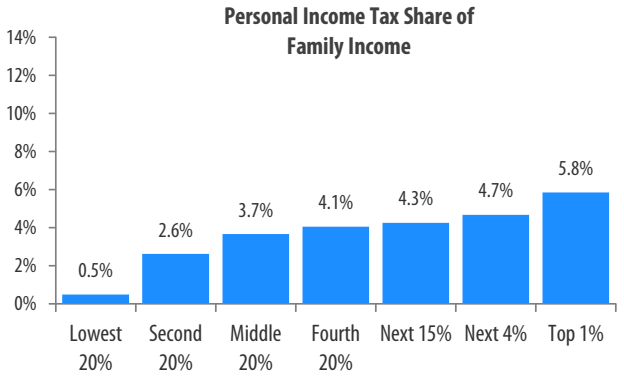
According to ITEP's Tax Inequality Index,Georgia has the **22nd** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

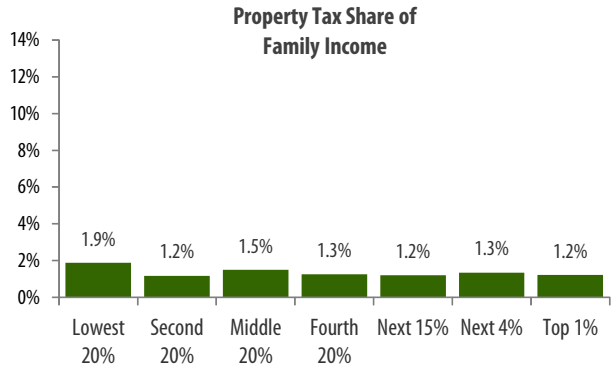
Hawaii State & Local Taxes in 2015

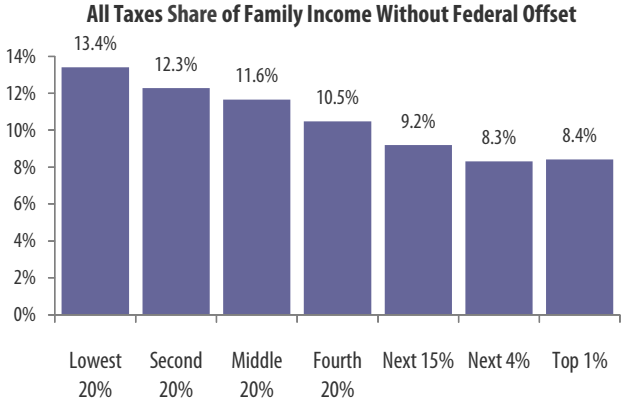
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Hawaii enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset. Figures in Appendix D on page 27 include the impact of three temporary personal income tax brackets (levied at rates of 9, 10, and 11 percent), as well as a temporary cap on itemized deductions for high-income taxpayers. These provisions are scheduled to expire on January 1, 2016.

Hawaii State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $33,000	$33,000 – $52,000	$52,000 – $85,000	$85,000 – $170,000	$170,000 – $375,000	$375,000 or more
Average Income in Group	$10,100	$25,000	$42,100	$66,800	$116,800	$236,500	$811,300
Sales & Excise Taxes	**11.0%**	**8.5%**	**6.5%**	**5.1%**	**3.7%**	**2.2%**	**1.2%**
General Sales—Individuals	4.9%	3.9%	3.0%	2.3%	1.7%	1.0%	0.5%
Other Sales & Excise—Ind.	2.4%	1.6%	1.1%	0.9%	0.6%	0.3%	0.1%
Sales & Excise on Business	3.8%	3.0%	2.4%	1.9%	1.5%	0.9%	0.6%
Property Taxes	**1.9%**	**1.2%**	**1.5%**	**1.3%**	**1.2%**	**1.3%**	**1.2%**
Property Taxes on Families	1.8%	1.1%	1.4%	1.2%	1.1%	0.9%	0.5%
Other Property Taxes	0.1%	0.1%	0.0%	0.1%	0.2%	0.4%	0.7%
Income Taxes	**0.5%**	**2.6%**	**3.7%**	**4.1%**	**4.3%**	**4.7%**	**5.9%**
Personal Income Tax	0.5%	2.6%	3.7%	4.1%	4.3%	4.7%	5.8%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total Taxes	**13.4%**	**12.3%**	**11.6%**	**10.5%**	**9.2%**	**8.3%**	**8.4%**
Federal Deduction Offset	—	*–0.1%*	*–0.2%*	*–0.5%*	*–0.9%*	*–1.1%*	*–1.4%*
OVERALL TOTAL	**13.4%**	**12.2%**	**11.4%**	**10.0%**	**8.3%**	**7.3%**	**7.0%**

Note: Table shows detailed breakout of data on previous page.

Hawaii Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Limits itemized deductions for upper-income taxpayers
- Personal exemption phases out for upper-income taxpayers
- Provides refundable income tax credits to reduce impact of sales, excise, and property taxes
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Provides preferential income tax rates for income from capital gains
- Comparatively high reliance on sales and excise taxes
- State and local sales tax bases include groceries
- Provides a partial income tax deduction for state income taxes paid
- Fails to provide a refundable Earned Income Tax Credit (EITC)
- Comparatively high cigarette tax rate

Tax Changes Enacted in 2013 & 2014

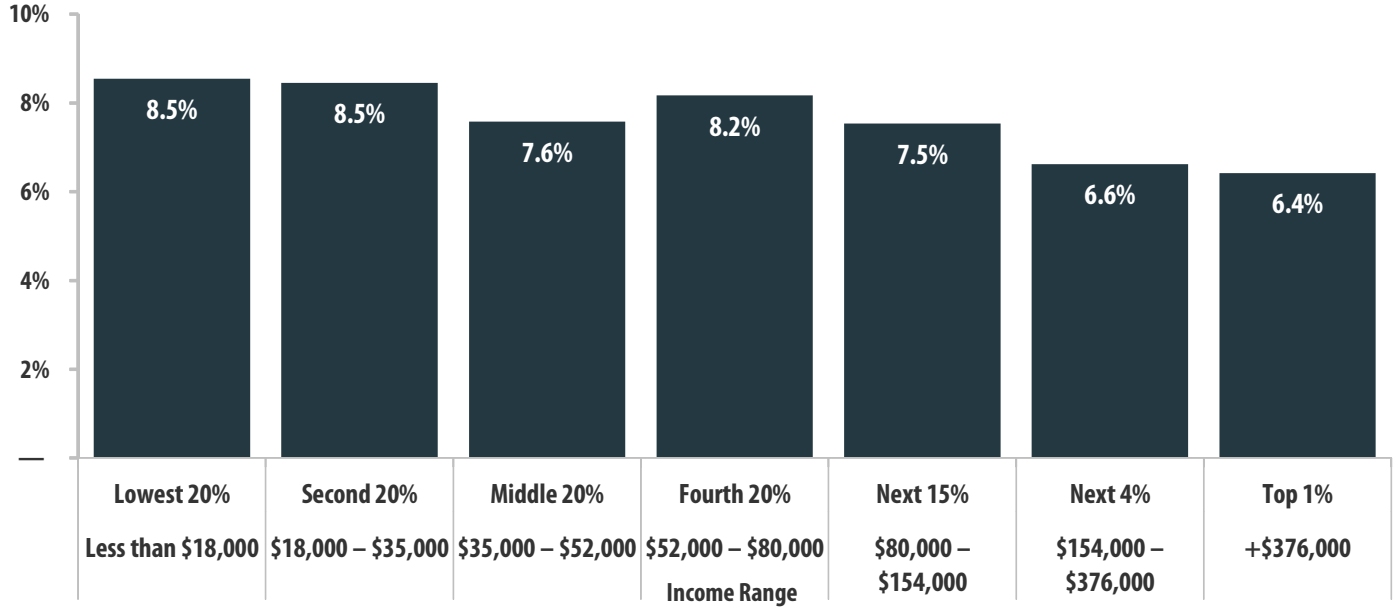
- No significant developments

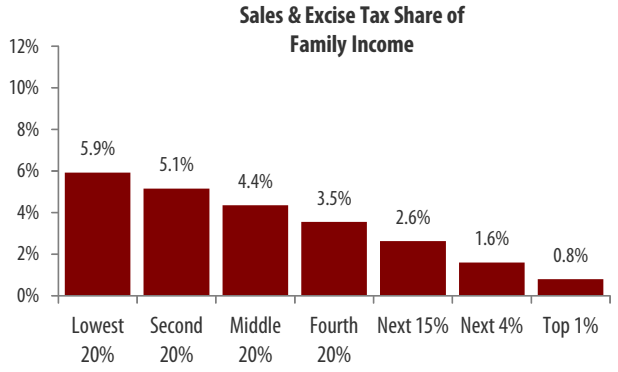
ITEP Tax Inequality Index

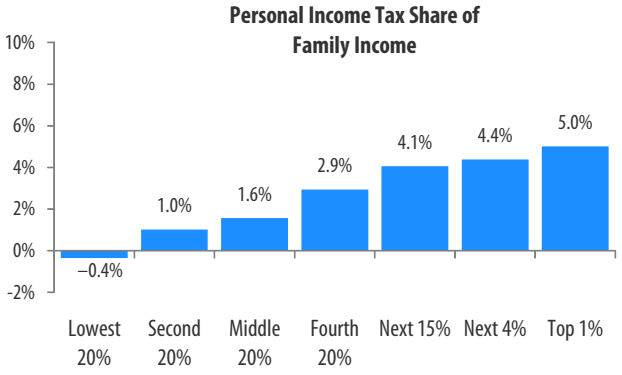
According to ITEP's Tax Inequality Index, Hawaii has the **15th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

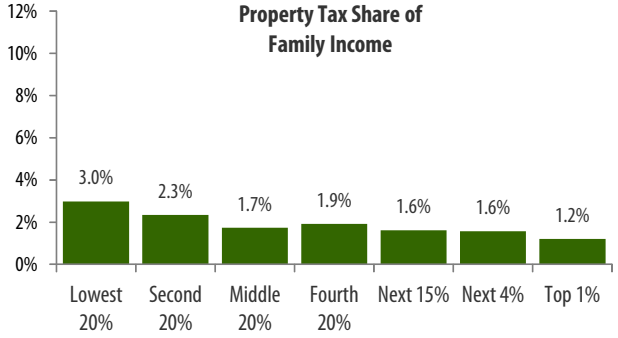
Idaho State & Local Taxes in 2015

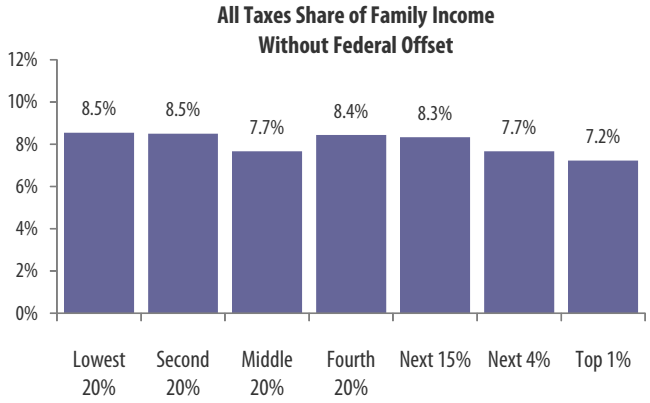
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Idaho enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Idaho State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $35,000	$35,000 – $52,000	$52,000 – $80,000	$80,000 – $154,000	$154,000 – $376,000	$376,000 or more
Average Income in Group	$11,500	$25,800	$42,500	$64,100	$103,700	$220,700	$1,045,200
Sales & Excise Taxes	**5.9%**	**5.1%**	**4.4%**	**3.5%**	**2.6%**	**1.6%**	**0.8%**
General Sales—Individuals	3.5%	3.1%	2.7%	2.3%	1.7%	1.1%	0.6%
Other Sales & Excise—Ind.	1.0%	0.8%	0.7%	0.5%	0.3%	0.2%	0.1%
Sales & Excise on Business	1.4%	1.2%	1.0%	0.8%	0.6%	0.3%	0.2%
Property Taxes	**3.0%**	**2.3%**	**1.7%**	**1.9%**	**1.6%**	**1.6%**	**1.2%**
Property Taxes on Families	2.9%	2.3%	1.7%	1.7%	1.5%	1.1%	0.5%
Other Property Taxes	0.0%	0.1%	0.1%	0.2%	0.1%	0.4%	0.7%
Income Taxes	**-0.4%**	**1.0%**	**1.6%**	**3.0%**	**4.1%**	**4.5%**	**5.2%**
Personal Income Tax	–0.4%	1.0%	1.6%	2.9%	4.1%	4.4%	5.0%
Corporate Income Tax	—	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**8.5%**	**8.5%**	**7.7%**	**8.4%**	**8.3%**	**7.7%**	**7.2%**
Federal Deduction Offset	—	*–0.0%*	*–0.1%*	*–0.3%*	*–0.8%*	*–1.0%*	*–0.8%*
OVERALL TOTAL	**8.5%**	**8.5%**	**7.6%**	**8.2%**	**7.5%**	**6.6%**	**6.4%**

Note: Table shows detailed breakout of data on previous page.

Idaho Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides a refundable income tax credit to offset the impact of its sales tax on groceries
- Provides a property tax homestead exemption
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- State and local sales tax bases include groceries
- Fails to provide a refundable Earned Income Tax Credit (EITC)
- Fails to provide a property tax "circuit breaker" credit for low-income non-elderly taxpayers
- Fails to provide refundable child tax credits

Tax Changes Enacted in 2013 & 2014

- Exempted the first $100,000 of business equipment from the property tax

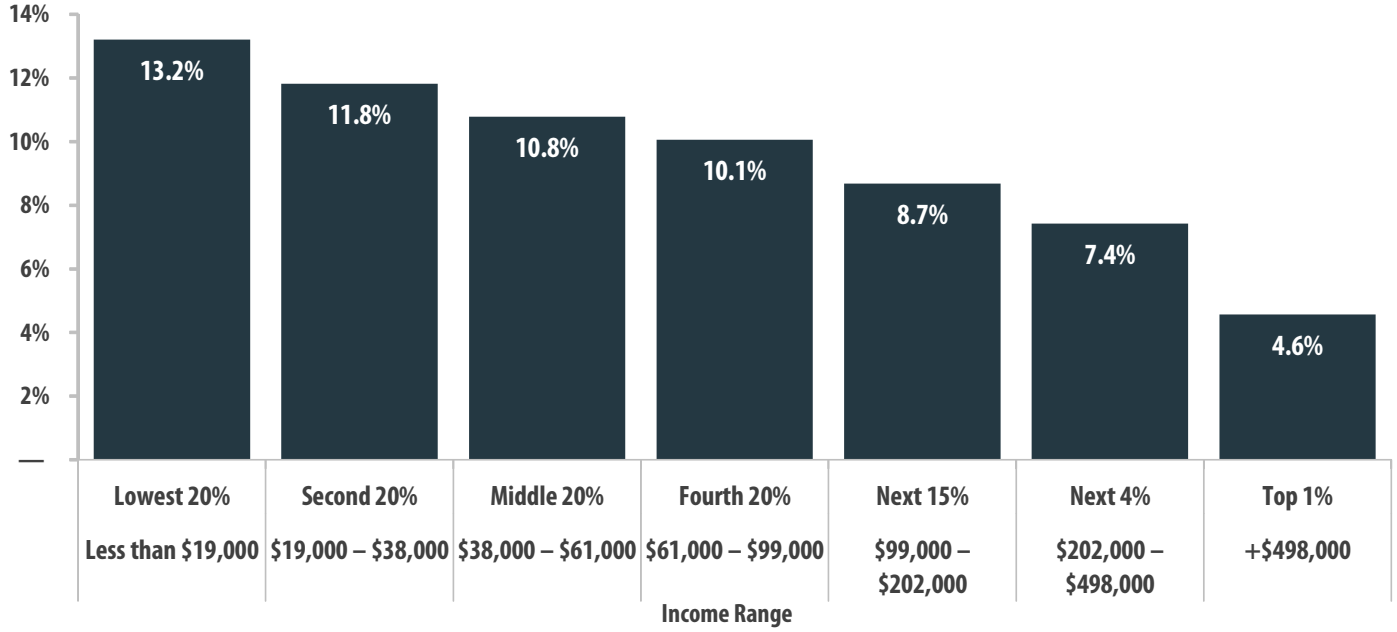
ITEP Tax Inequality Index

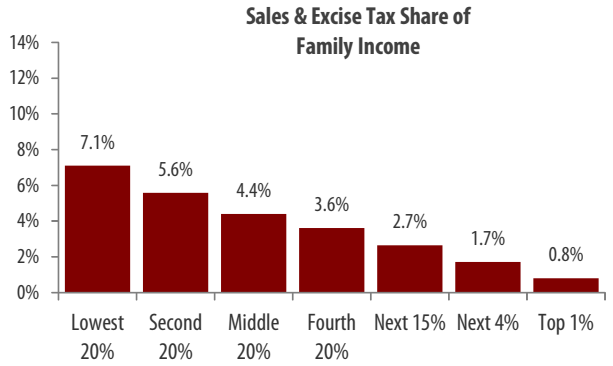
According to ITEP's Tax Inequality Index, Idaho has the **43rd** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

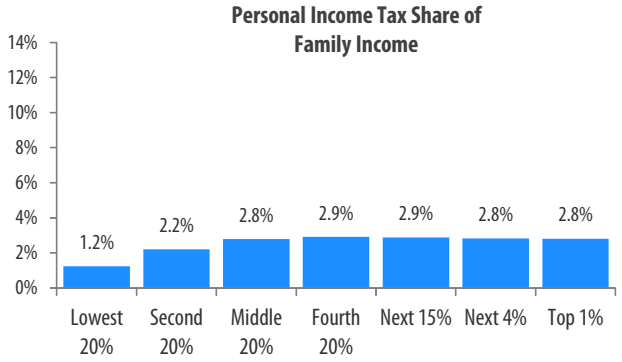
Illinois State & Local Taxes in 2015

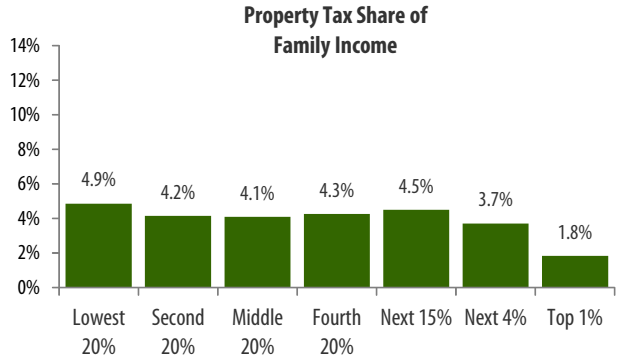
#5 of the Terrible 10

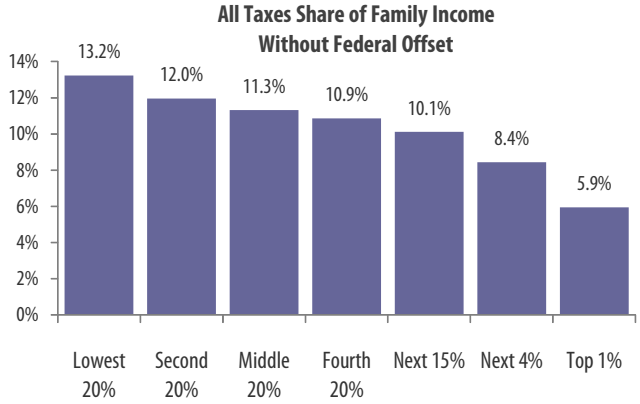
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Illinois enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Illinois State & Local Taxes in 2015

#5 of the Terrible 10

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $38,000	$38,000 – $61,000	$61,000 – $99,000	$99,000 – $202,000	$202,000 – $498,000	$498,000 or more
Average Income in Group	$10,900	$28,400	$49,500	$78,000	$133,700	$305,000	$1,826,400
Sales & Excise Taxes	**7.1%**	**5.6%**	**4.4%**	**3.6%**	**2.7%**	**1.7%**	**0.8%**
General Sales—Individuals	3.4%	3.0%	2.5%	2.1%	1.6%	1.1%	0.5%
Other Sales & Excise—Ind.	1.9%	1.2%	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%
Property Taxes	**4.9%**	**4.2%**	**4.1%**	**4.3%**	**4.5%**	**3.7%**	**1.8%**
Property Taxes on Families	4.7%	4.0%	3.9%	4.0%	4.2%	3.2%	0.9%
Other Property Taxes	0.2%	0.2%	0.2%	0.3%	0.3%	0.5%	0.9%
Income Taxes	**1.3%**	**2.2%**	**2.8%**	**3.0%**	**3.0%**	**3.0%**	**3.3%**
Personal Income Tax	1.2%	2.2%	2.8%	2.9%	2.9%	2.8%	2.8%
Corporate Income Tax	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.5%
Total Taxes	**13.2%**	**12.0%**	**11.3%**	**10.9%**	**10.1%**	**8.4%**	**5.9%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.5%*	*–0.8%*	*–1.4%*	*–1.0%*	*–1.4%*
OVERALL TOTAL	**13.2%**	**11.8%**	**10.8%**	**10.1%**	**8.7%**	**7.4%**	**4.6%**

Note: Table shows detailed breakout of data on previous page.

Illinois Tax Code Features

Progressive Features

- Provides a 10 percent refundable Earned Income Tax Credit (EITC)
- Provides a non-refundable property tax credit
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Personal income tax uses a flat rate
- Comparatively low income tax exemptions
- All retirement income is exempted through the personal income tax
- State sales tax base includes groceries, though taxed at a lower rate
- Local sales tax bases include groceries
- Fails to provide a property tax "circuit breaker" credit for low-income taxpayers
- Fails to provide refundable child tax credits

Tax Changes Enacted in 2013 & 2014

- Temporary flat rate of 5 percent fell to 3.75 percent on January 1, 2015 (*Who Pays 4th Edition* included the 3.75 percent rate)

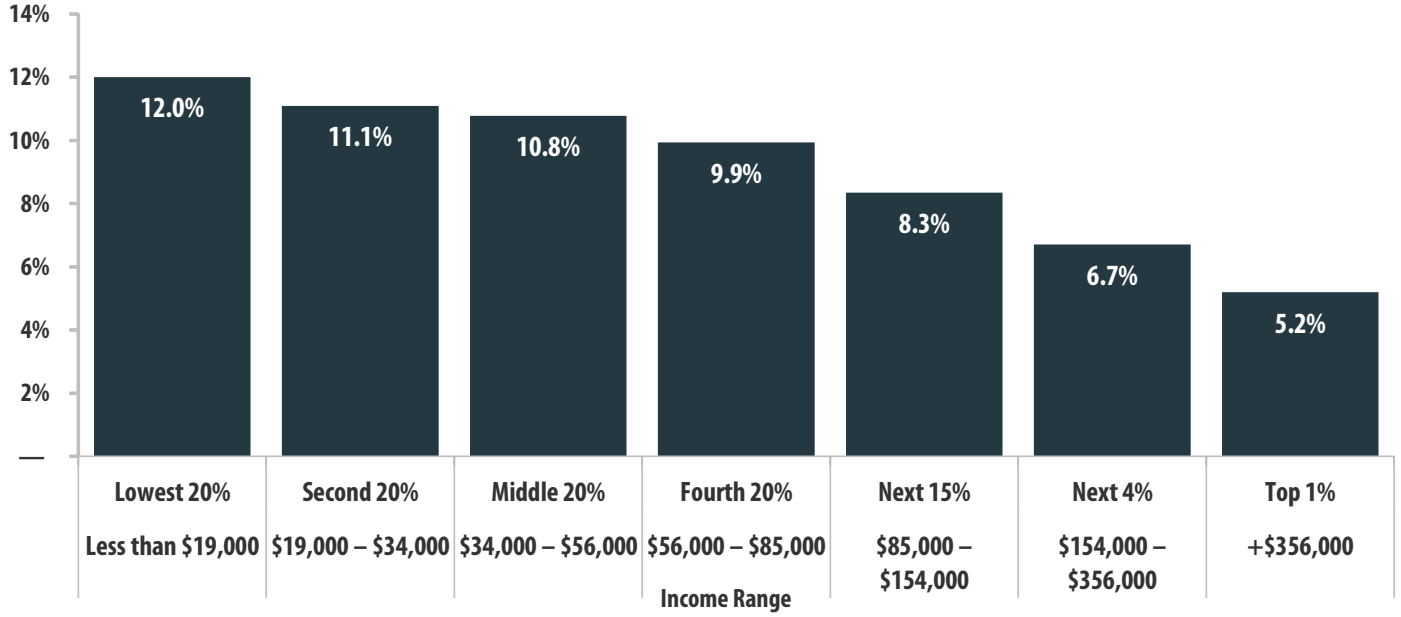
ITEP Tax Inequality Index

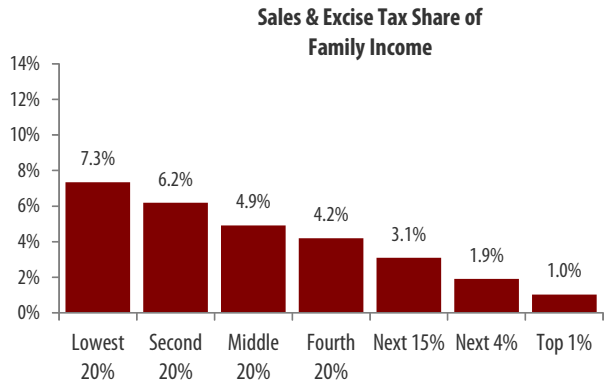
According to ITEP's Tax Inequality Index, Illinois has the **5th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

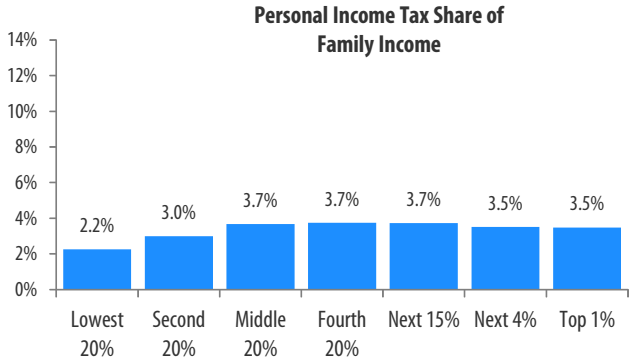
Indiana State & Local Taxes in 2015

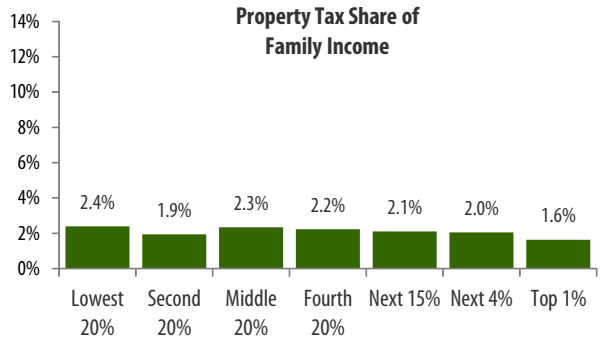
#10 of the Terrible 10

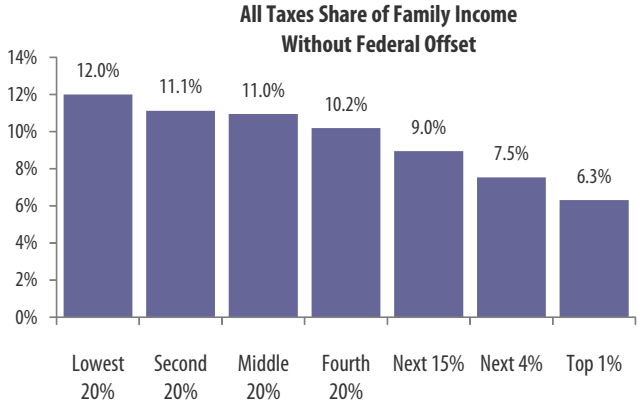
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Indiana enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Indiana State & Local Taxes in 2015

#10 of the Terrible 10

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $85,000	$85,000 – $154,000	$154,000 – $356,000	$356,000 or more
Average Income in Group	$10,900	$26,700	$44,500	$68,500	$108,500	$212,500	$945,000
Sales & Excise Taxes	**7.3%**	**6.2%**	**4.9%**	**4.2%**	**3.1%**	**1.9%**	**1.0%**
General Sales—Individuals	4.3%	3.8%	3.1%	2.8%	2.0%	1.3%	0.7%
Other Sales & Excise—Ind.	1.5%	1.0%	0.7%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	1.6%	1.3%	1.1%	0.9%	0.7%	0.4%	0.3%
Property Taxes	**2.4%**	**1.9%**	**2.3%**	**2.2%**	**2.1%**	**2.0%**	**1.6%**
Property Taxes on Families	2.1%	1.7%	2.0%	1.9%	1.8%	1.5%	0.7%
Other Property Taxes	0.3%	0.2%	0.3%	0.3%	0.3%	0.6%	1.0%
Income Taxes	**2.3%**	**3.0%**	**3.7%**	**3.8%**	**3.8%**	**3.6%**	**3.6%**
Personal Income Tax (State and Local)	2.2%	3.0%	3.7%	3.7%	3.7%	3.5%	3.5%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**12.0%**	**11.1%**	**11.0%**	**10.2%**	**9.0%**	**7.5%**	**6.3%**
Federal Deduction Offset	*–0.0%*	*–0.0%*	*–0.2%*	*–0.3%*	*–0.6%*	*–0.8%*	*–1.1%*
OVERALL TOTAL	**12.0%**	**11.1%**	**10.8%**	**9.9%**	**8.3%**	**6.7%**	**5.2%**

Note: Table shows detailed breakout of data on previous page.

Indiana Tax Code Features

Progressive Features

- Provides a 9 percent refundable Earned Income Tax Credit (EITC)
- Sales tax base excludes groceries

Regressive Features

- Personal income tax uses a flat rate
- Comparatively low income tax exemptions
- EITC is not fully coupled to recent enhancements in the federal credit
- Fails to provide a property tax "circuit breaker" credit for low-income non-elderly taxpayers
- Fails to provide refundable child tax credits
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

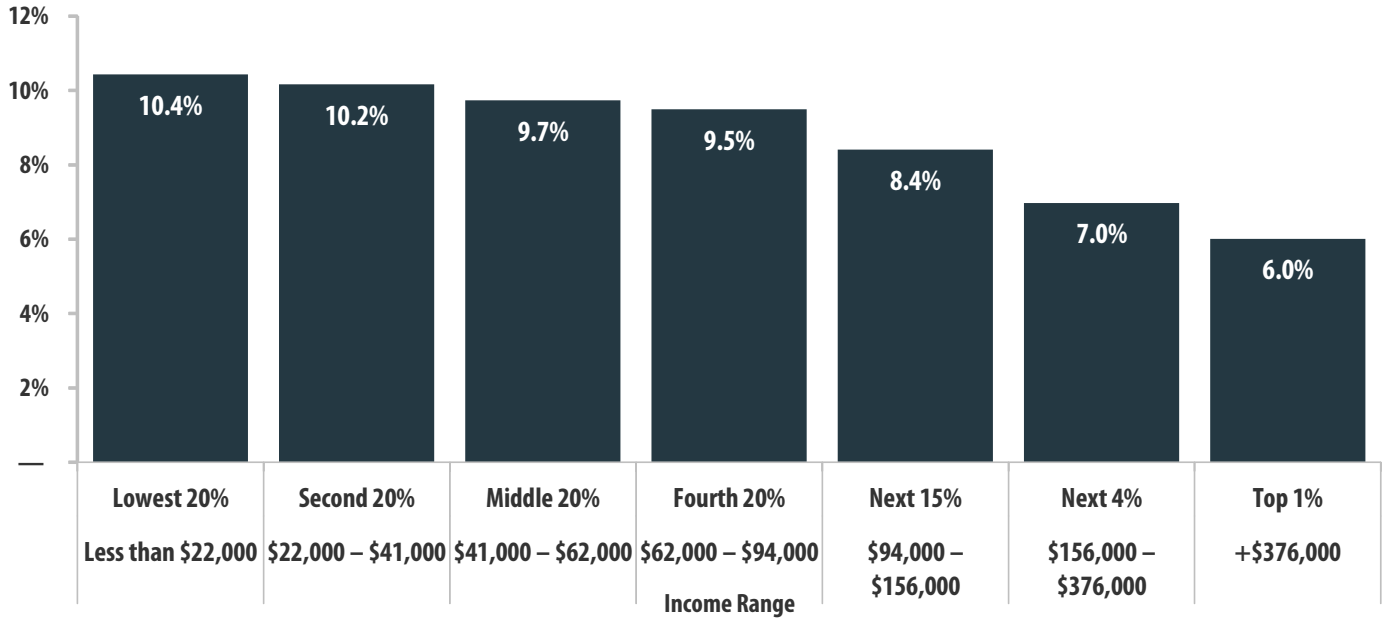
- Reduced personal income tax rate (will fall from 3.4 to 3.23 percent by 2017)
- Reduced corporate income tax rate (will fall from 7.5 to 4.9 percent by 2017)
- Granted localities the power to eliminate business personal property taxes

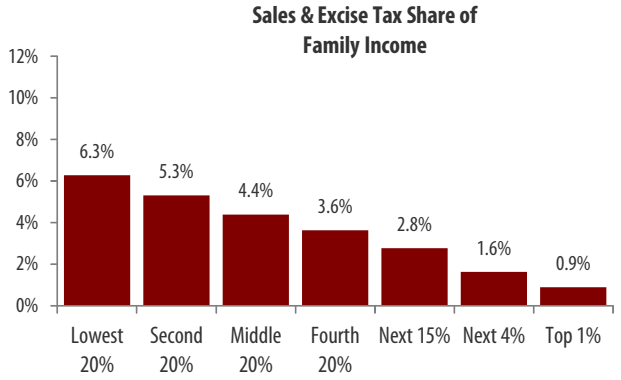
ITEP Tax Inequality Index

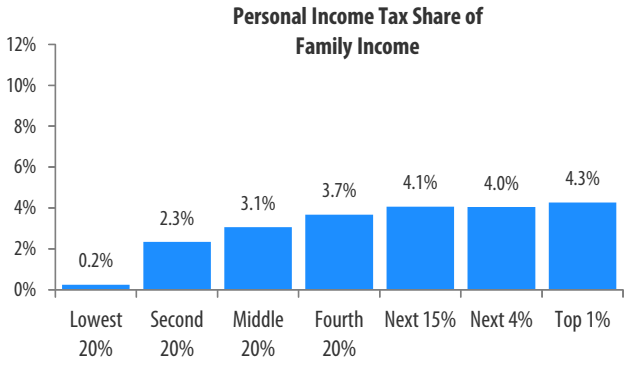
According to ITEP's Tax Inequality Index, Indiana has the **10th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

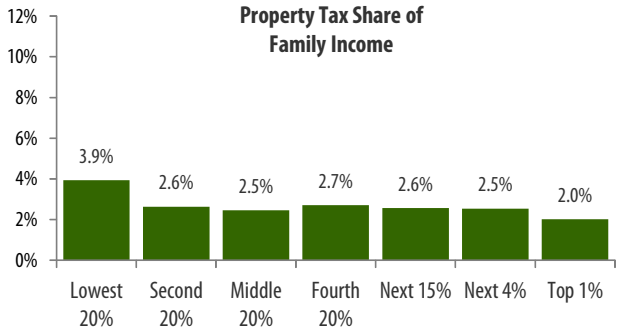
Iowa State & Local Taxes in 2015

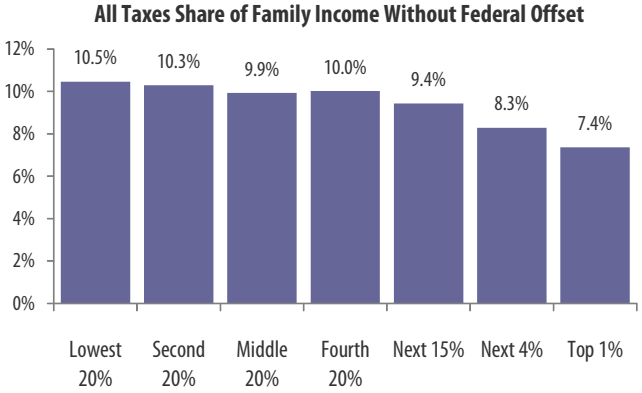
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Iowa enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Iowa State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than $22,000	$22,000 – $41,000	$41,000 – $62,000	$62,000 – $94,000	$94,000 – $156,000	$156,000 – $376,000	$376,000 or more
Average Income in Group	$11,600	$32,100	$50,500	$76,000	$116,600	$218,100	$955,900
Sales & Excise Taxes	**6.3%**	**5.3%**	**4.4%**	**3.6%**	**2.8%**	**1.6%**	**0.9%**
General Sales—Individuals	3.5%	3.2%	2.7%	2.3%	1.8%	1.1%	0.6%
Other Sales & Excise—Ind.	1.2%	0.8%	0.6%	0.4%	0.3%	0.2%	0.1%
Sales & Excise on Business	1.6%	1.4%	1.0%	0.8%	0.6%	0.4%	0.2%
Property Taxes	**3.9%**	**2.6%**	**2.5%**	**2.7%**	**2.6%**	**2.5%**	**2.0%**
Property Taxes on Families	3.8%	2.4%	2.2%	2.4%	2.2%	1.9%	0.8%
Other Property Taxes	0.1%	0.3%	0.3%	0.3%	0.4%	0.7%	1.2%
Income Taxes	**0.3%**	**2.4%**	**3.1%**	**3.7%**	**4.1%**	**4.1%**	**4.5%**
Personal Income Tax (State and Local)	0.2%	2.3%	3.1%	3.7%	4.1%	4.0%	4.3%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**10.5%**	**10.3%**	**9.9%**	**10.0%**	**9.4%**	**8.3%**	**7.4%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.2%*	*–0.5%*	*–1.0%*	*–1.3%*	*–1.3%*
OVERALL TOTAL	**10.4%**	**10.2%**	**9.7%**	**9.5%**	**8.4%**	**7.0%**	**6.0%**

Note: Table shows detailed breakout of data on previous page.

Iowa Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides a 15 percent refundable Earned Income Tax Credit (EITC)
- Sales tax base excludes groceries

Regressive Features

- Provides an income tax deduction for federal income taxes paid
- Completely excludes certain types of capital gains income from taxation
- Fails to provide a property tax "circuit breaker" credit for low-income non-elderly taxpayers
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

- Increased EITC to 15 percent of the federal credit
- Commerical and industrial property are taxed at 90 percent of their value
- New assessment cap for agricultural property

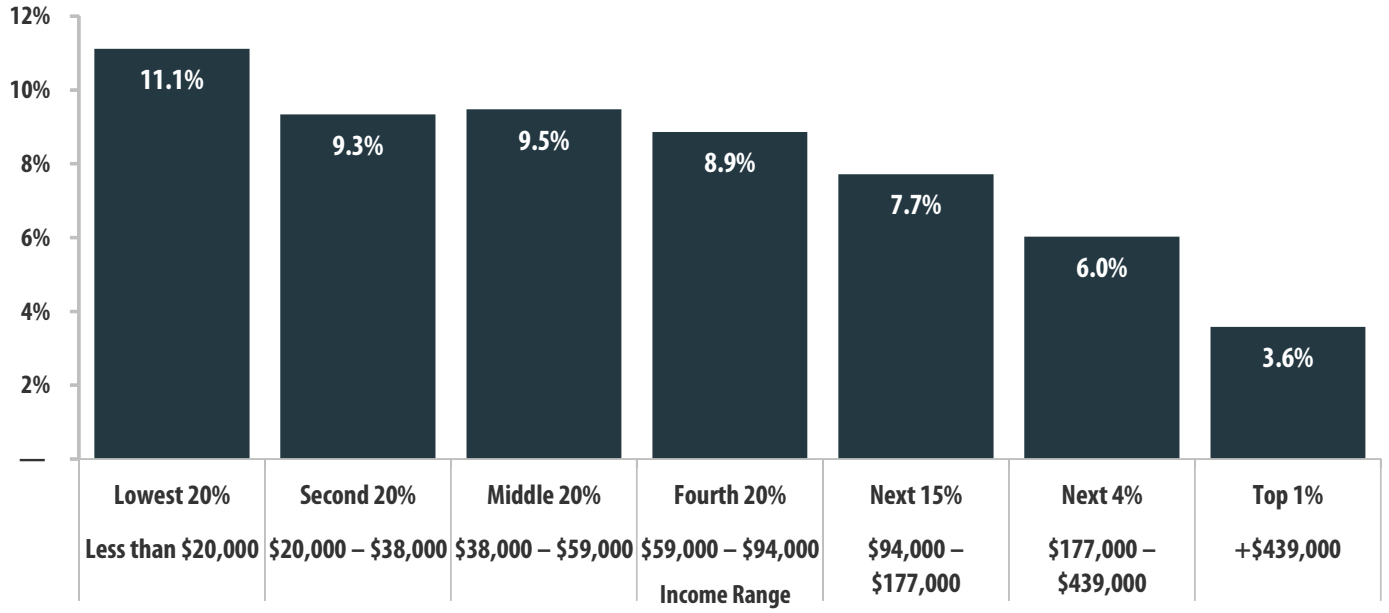
ITEP Tax Inequality Index

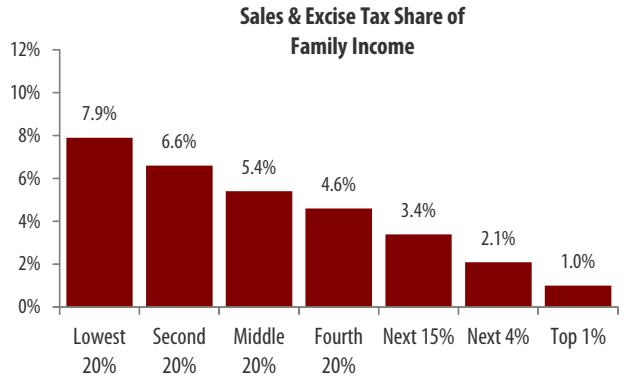
According to ITEP's Tax Inequality Index, Iowa has the **27th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

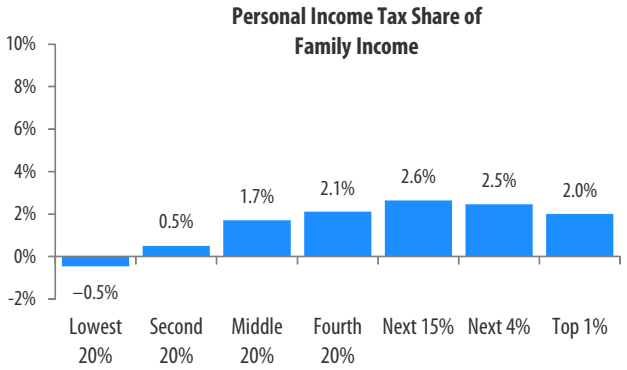
Kansas State & Local Taxes in 2015

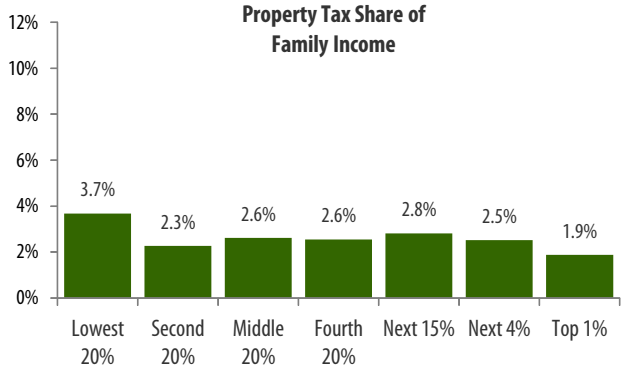
#9 of the Terrible 10

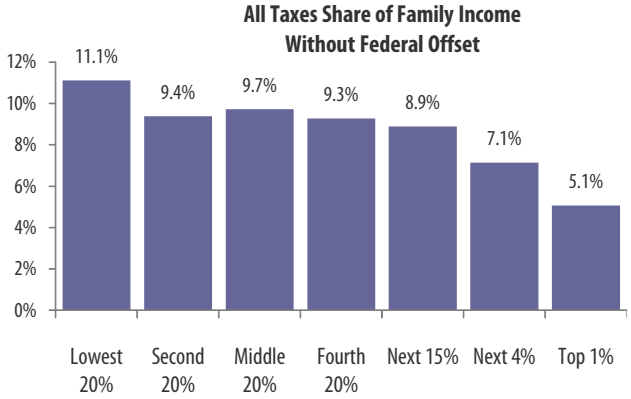
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Kansas enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Kansas State & Local Taxes in 2015

#9 of the Terrible 10

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $38,000	$38,000 – $59,000	$59,000 – $94,000	$94,000 – $177,000	$177,000 – $439,000	$439,000 or more
Average Income in Group	$10,900	$29,300	$47,700	$75,700	$123,700	$254,400	$1,191,700
Sales & Excise Taxes	**7.9%**	**6.6%**	**5.4%**	**4.6%**	**3.4%**	**2.1%**	**1.0%**
General Sales—Individuals	4.7%	4.0%	3.4%	3.0%	2.2%	1.4%	0.7%
Other Sales & Excise—Ind.	1.0%	0.8%	0.6%	0.5%	0.3%	0.2%	0.0%
Sales & Excise on Business	2.2%	1.8%	1.5%	1.1%	0.8%	0.5%	0.2%
Property Taxes	**3.7%**	**2.3%**	**2.6%**	**2.6%**	**2.8%**	**2.5%**	**1.9%**
Property Taxes on Families	3.6%	2.2%	2.5%	2.5%	2.5%	2.1%	0.8%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.3%	0.5%	1.1%
Income Taxes	**-0.5%**	**0.5%**	**1.7%**	**2.1%**	**2.7%**	**2.5%**	**2.2%**
Personal Income Tax	–0.5%	0.5%	1.7%	2.1%	2.6%	2.5%	2.0%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**11.1%**	**9.4%**	**9.7%**	**9.3%**	**8.9%**	**7.1%**	**5.1%**
Federal Deduction Offset	—	*–0.0%*	*–0.3%*	*–0.4%*	*–1.2%*	*–1.1%*	*–1.5%*
OVERALL TOTAL	**11.1%**	**9.3%**	**9.5%**	**8.9%**	**7.7%**	**6.0%**	**3.6%**

Note: Table shows detailed breakout of data on previous page.

Kansas Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides a 17 percent refundable Earned Income Tax Credit (EITC)
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- All business income is exempted through the personal income tax
- State and local sales tax bases include groceries
- Fails to provide a refundable credit to offset sales tax on groceries
- Fails to provide a property tax "circuit breaker" credit for low-income non-elderly renters and homeowners without dependent children
- Fails to provide refundable child tax credits

Tax Changes Enacted in 2013 & 2014

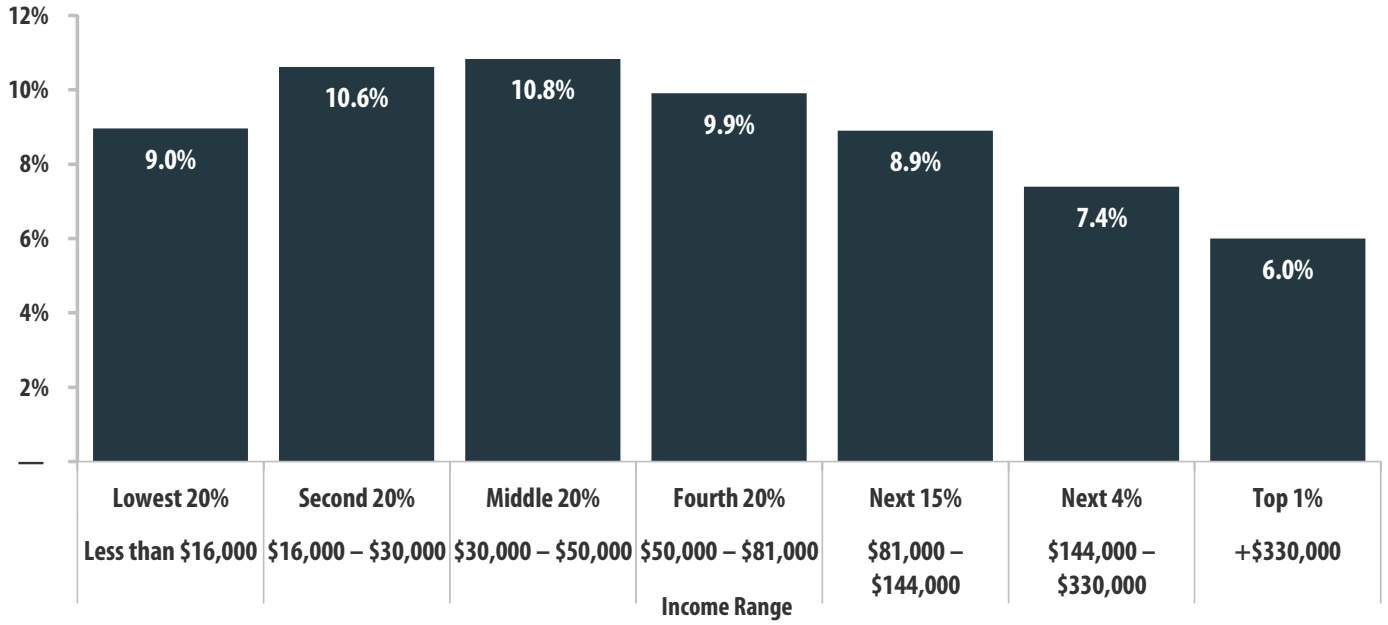
- Income tax rates were further reduced to 2.3 and 3.9%
- Food sales tax credit restored and made nonrefundable
- Percentage of itemized deductions are limited for upper-income taxpayers; charitable contribrutions are not subject to limit
- 2013 tax package allows for the potential elimination of the income tax entirely if revenues targets are reached
- Sales tax rate increased from 5.7 to 6.15

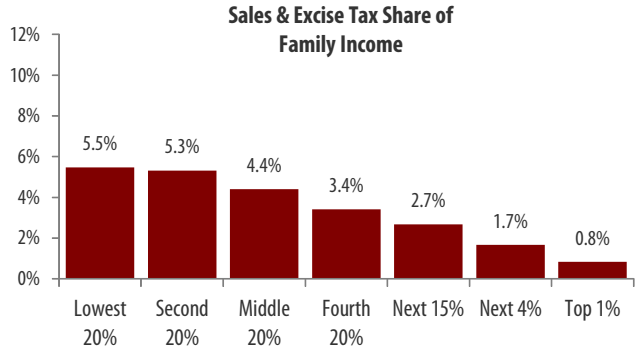
ITEP Tax Inequality Index

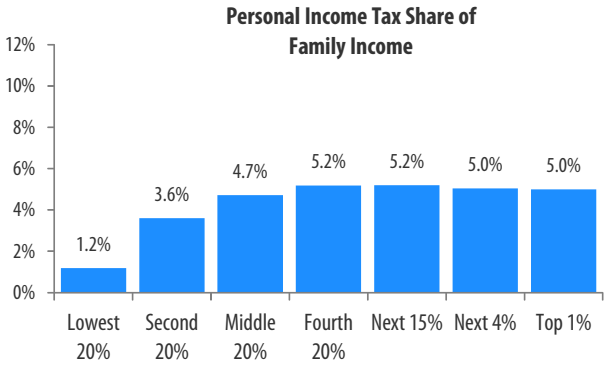
According to ITEP's Tax Inequality Index, Kansas has the **9th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

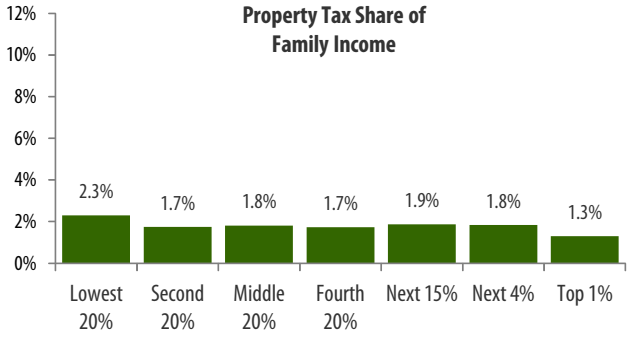
Kentucky State & Local Taxes in 2015

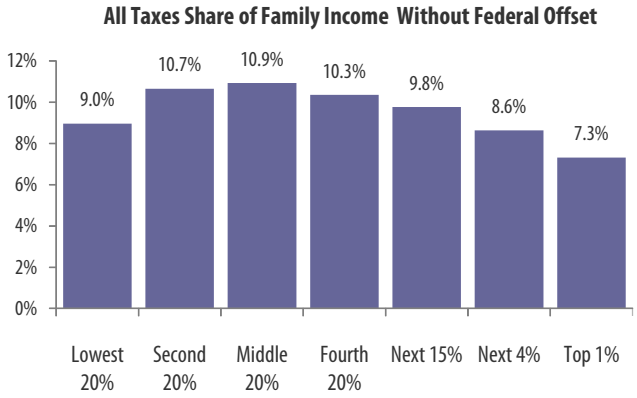
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Kentucky enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Kentucky State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $50,000	$50,000 – $81,000	$81,000 – $144,000	$144,000 – $330,000	$330,000 or more
Average Income in Group	$9,100	$23,000	$38,300	$62,500	$102,000	$202,600	$839,500
Sales & Excise Taxes	**5.5%**	**5.3%**	**4.4%**	**3.4%**	**2.7%**	**1.7%**	**0.8%**
General Sales—Individuals	2.5%	2.6%	2.3%	1.8%	1.5%	0.9%	0.5%
Other Sales & Excise—Ind.	1.2%	1.0%	0.8%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	1.8%	1.7%	1.3%	1.0%	0.8%	0.5%	0.3%
Property Taxes	**2.3%**	**1.7%**	**1.8%**	**1.7%**	**1.9%**	**1.8%**	**1.3%**
Property Taxes on Families	2.3%	1.7%	1.8%	1.7%	1.8%	1.5%	0.7%
Other Property Taxes	0.0%	0.1%	0.0%	0.1%	0.1%	0.3%	0.6%
Income Taxes	**1.2%**	**3.6%**	**4.7%**	**5.2%**	**5.2%**	**5.1%**	**5.2%**
Personal Income Tax (State and Local)	1.2%	3.6%	4.7%	5.2%	5.2%	5.0%	5.0%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**9.0%**	**10.7%**	**10.9%**	**10.3%**	**9.8%**	**8.6%**	**7.3%**
Federal Deduction Offset	*–0.0%*	*–0.0%*	*–0.1%*	*–0.4%*	*–0.9%*	*–1.2%*	*–1.3%*
OVERALL TOTAL	**9.0%**	**10.6%**	**10.8%**	**9.9%**	**8.9%**	**7.4%**	**6.0%**

Note: Table shows detailed breakout of data on previous page.

Kentucky Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides an income tax credit for child and dependent care expenses
- Provides a low-income tax credit linked to the federal poverty level
- Sales tax base excludes groceries

Regressive Features

- Fails to provide refundable income tax credits to offset sales, excise and property taxes
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

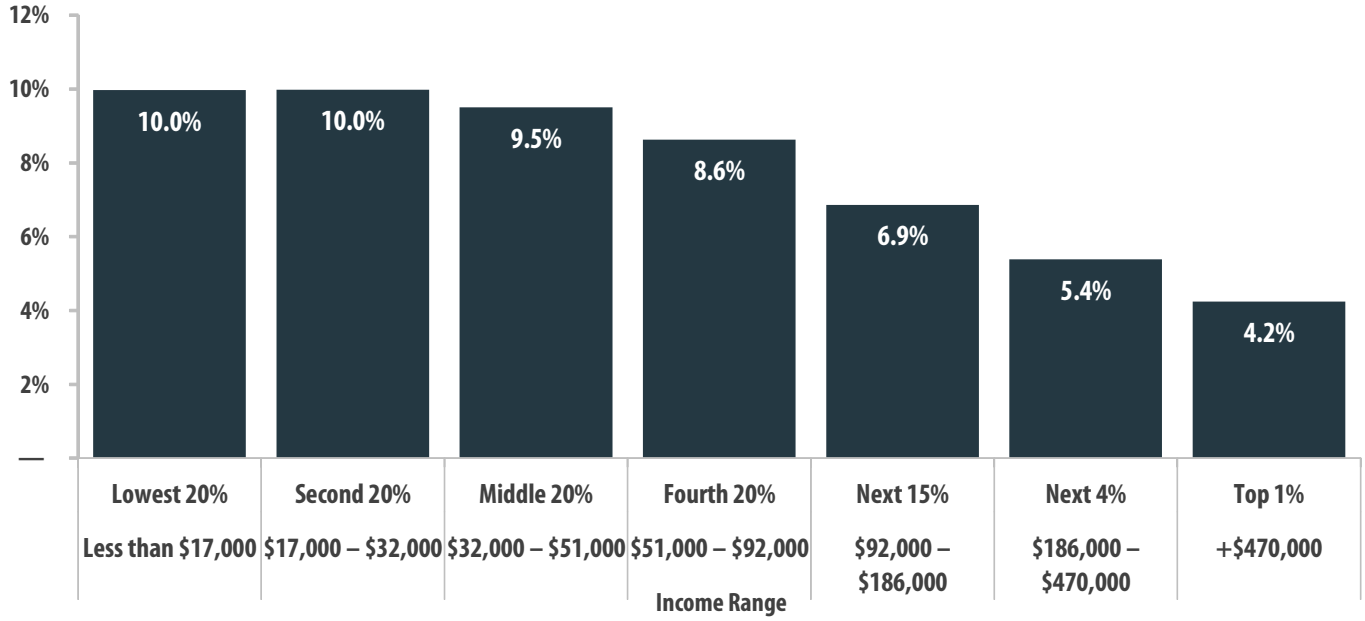
- Personal income tax credits were reduced from $20 to $10 for single filers (from $40 to $20 for married couples)

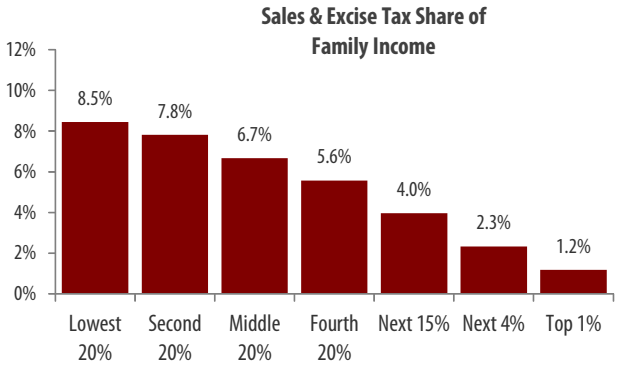
ITEP Tax Inequality Index

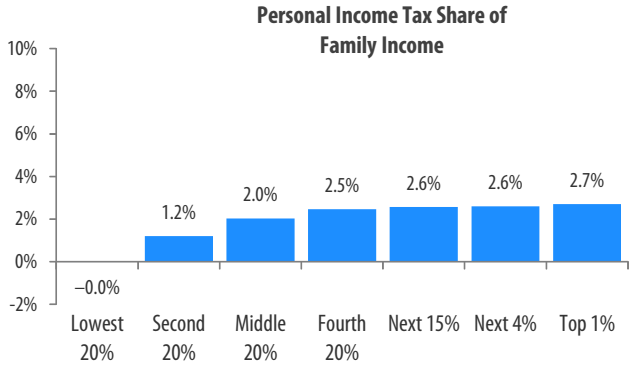
According to ITEP's Tax Inequality Index, Kentucky has the **33rd** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

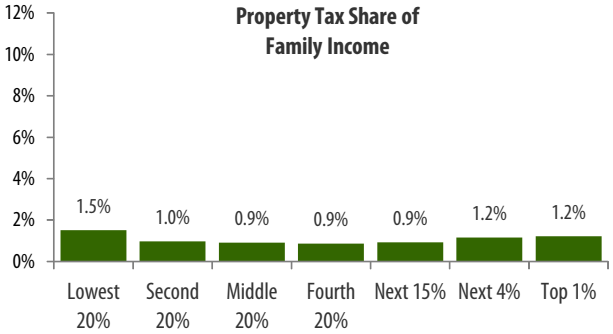
Louisiana State & Local Taxes in 2015

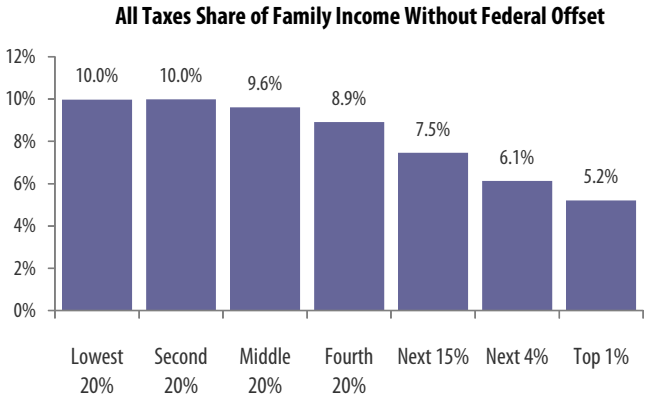
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Louisiana enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Louisiana State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $32,000	$32,000 – $51,000	$51,000 – $92,000	$92,000 – $186,000	$186,000 – $470,000	$470,000 or more
Average Income in Group	$10,900	$23,800	$40,700	$67,500	$122,800	$262,200	$1,225,800
Sales & Excise Taxes	**8.5%**	**7.8%**	**6.7%**	**5.6%**	**4.0%**	**2.3%**	**1.2%**
General Sales—Individuals	5.8%	5.4%	4.8%	4.1%	3.0%	1.8%	0.9%
Other Sales & Excise—Ind.	0.8%	0.6%	0.4%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	1.9%	1.8%	1.4%	1.1%	0.8%	0.4%	0.2%
Property Taxes	**1.5%**	**1.0%**	**0.9%**	**0.9%**	**0.9%**	**1.2%**	**1.2%**
Property Taxes on Families	1.5%	0.9%	0.9%	0.8%	0.7%	0.7%	0.4%
Other Property Taxes	0.0%	0.0%	0.0%	0.1%	0.2%	0.5%	0.8%
Income Taxes	**0.0%**	**1.2%**	**2.0%**	**2.5%**	**2.6%**	**2.6%**	**2.8%**
Personal Income Tax	–0.0%	1.2%	2.0%	2.5%	2.6%	2.6%	2.7%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	**10.0%**	**10.0%**	**9.6%**	**8.9%**	**7.5%**	**6.1%**	**5.2%**
Federal Deduction Offset	*–0.0%*	*–0.0%*	*–0.1%*	*–0.3%*	*–0.6%*	*–0.7%*	*–1.0%*
OVERALL TOTAL	**10.0%**	**10.0%**	**9.5%**	**8.6%**	**6.9%**	**5.4%**	**4.2%**

Note: Table shows detailed breakout of data on previous page.

Louisiana Tax Code Features

Progressive Features

- Provides a 3.5 percent refundable Earned Income Tax Credit (EITC
- State sales tax base excludes groceries and utilities

Regressive Features

- Comparatively high reliance on sales and excise taxes
- Provides an income tax deduction for federal income taxes paid
- Provides an income tax deduction for state income taxes paid
- Local sales tax bases include groceries
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

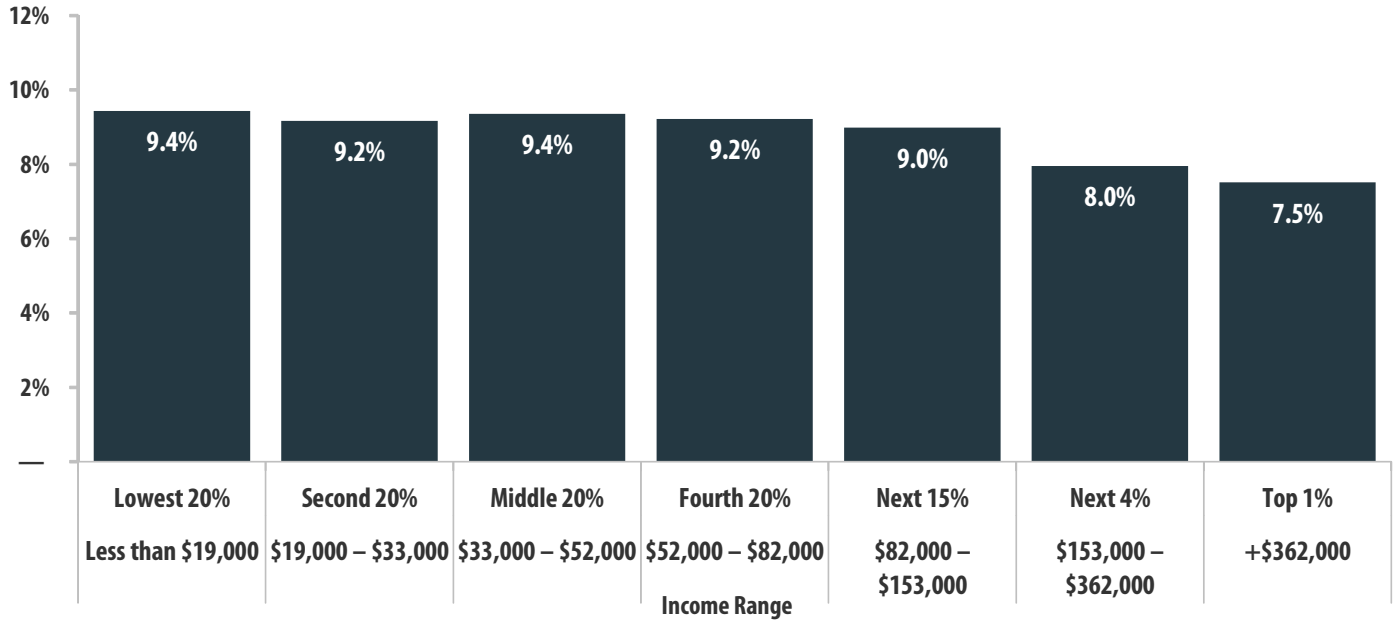
- No significant developments

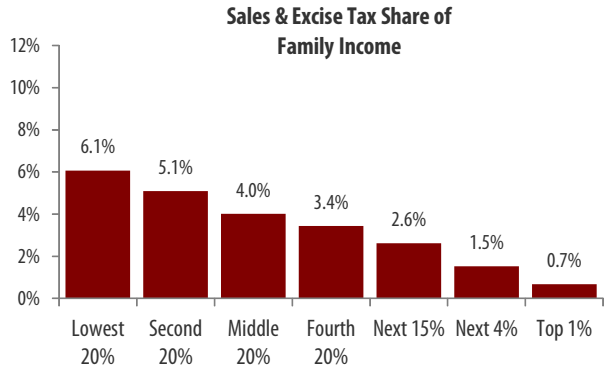
ITEP Tax Inequality Index

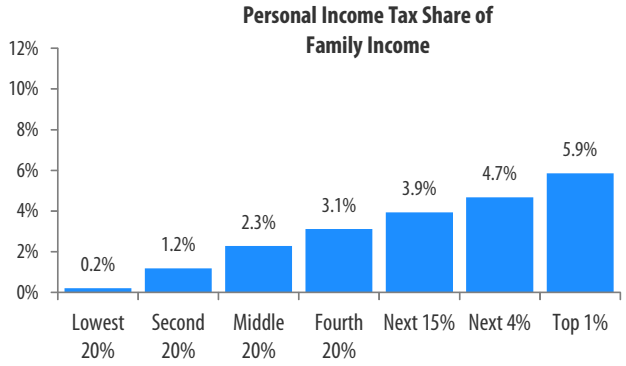
According to ITEP's Tax Inequality Index, Louisiana has the **19th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

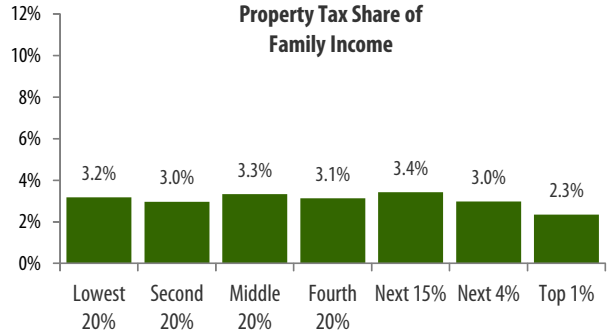
Maine State & Local Taxes in 2015

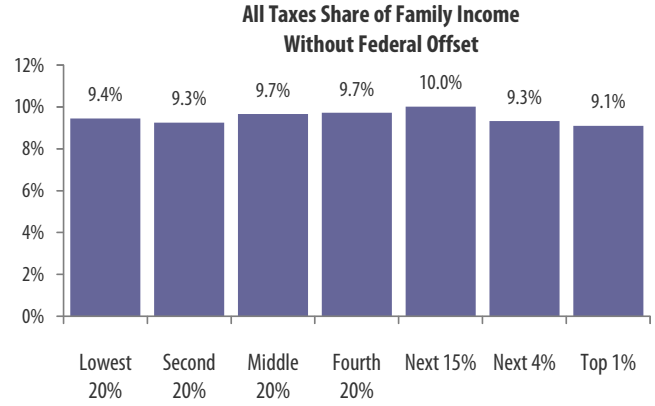
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Maine enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Maine State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $52,000	$52,000 – $82,000	$82,000 – $153,000	$153,000 – $362,000	$362,000 or more
Average Income in Group	$12,200	$26,100	$42,100	$64,700	$106,400	$214,800	$813,600
Sales & Excise Taxes	**6.1%**	**5.1%**	**4.0%**	**3.4%**	**2.6%**	**1.5%**	**0.7%**
General Sales—Individuals	2.4%	2.3%	2.0%	1.8%	1.4%	0.9%	0.4%
Other Sales & Excise—Ind.	1.9%	1.3%	0.9%	0.8%	0.5%	0.3%	0.1%
Sales & Excise on Business	1.7%	1.4%	1.1%	0.9%	0.7%	0.4%	0.2%
Property Taxes	**3.2%**	**3.0%**	**3.3%**	**3.1%**	**3.4%**	**3.0%**	**2.3%**
Property Taxes on Families	2.9%	2.7%	3.0%	2.8%	3.0%	2.2%	1.2%
Other Property Taxes	0.2%	0.3%	0.4%	0.3%	0.4%	0.8%	1.2%
Income Taxes	**0.2%**	**1.2%**	**2.3%**	**3.1%**	**4.0%**	**4.8%**	**6.1%**
Personal Income Tax	0.2%	1.2%	2.3%	3.1%	3.9%	4.7%	5.9%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**9.4%**	**9.3%**	**9.7%**	**9.7%**	**10.0%**	**9.3%**	**9.1%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.3%*	*–0.5%*	*–1.0%*	*–1.4%*	*–1.6%*
OVERALL TOTAL	**9.4%**	**9.2%**	**9.4%**	**9.2%**	**9.0%**	**8.0%**	**7.5%**

Note: Table shows detailed breakout of data on previous page.

Maine Tax Code Features

Progressive Features

- Provides a nonrefundable 5 percent Earned Income Tax Credit (EITC)
- Provides a refundable property tax "circuit breaker" credit via the personal income tax
- Limits itemized deductions for upper-income taxpayers
- Sales tax excludes groceries
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- EITC is nonrefundable
- Comparatively high cigarette tax rate

Tax Changes Enacted in 2013 & 2014

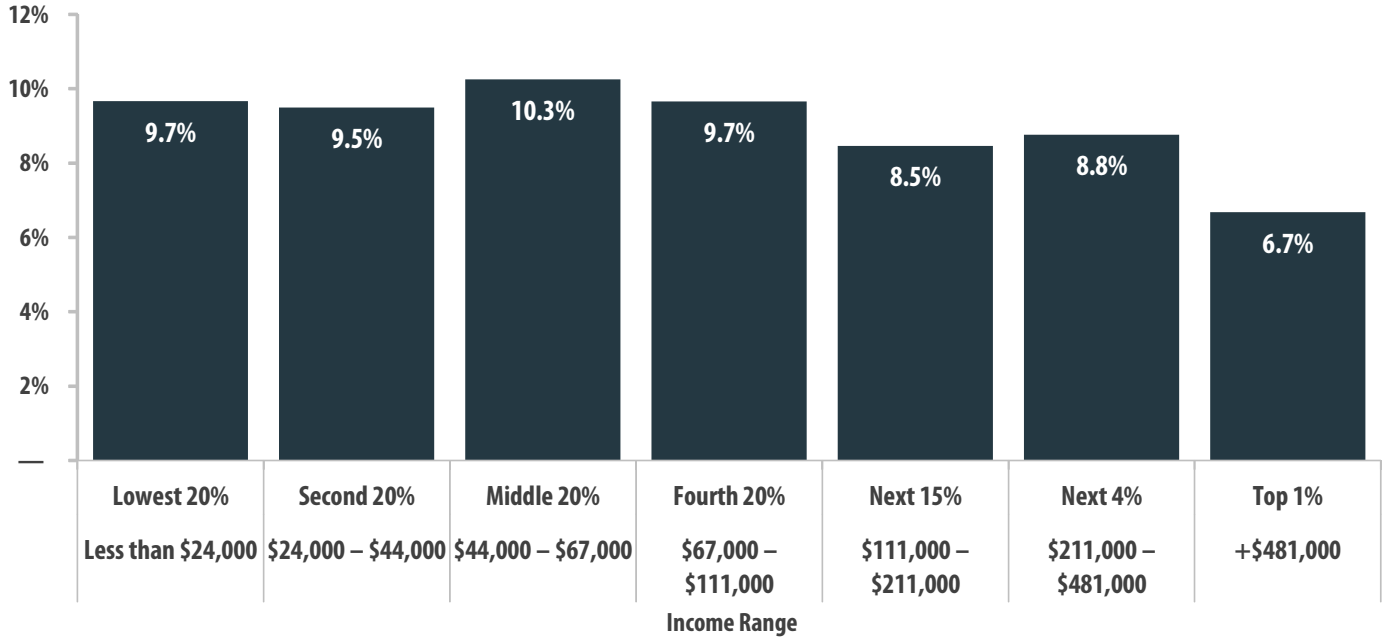
- Capped itemized deductions at $27,500. Charitable contributions and medical expenses are carved out of the cap
- Converted property tax circuit breaker to a refundable personal income tax credit, changed eligibility, and increased maximum credit
- Added digital downloads to sales tax base.

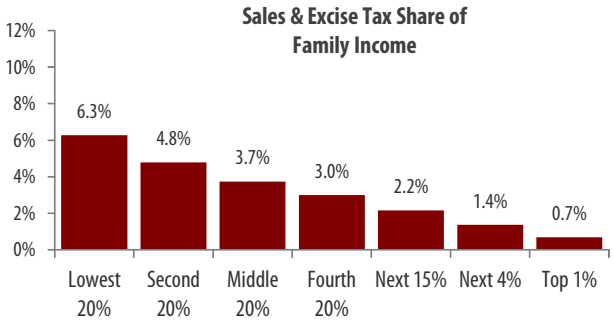
ITEP Tax Inequality Index

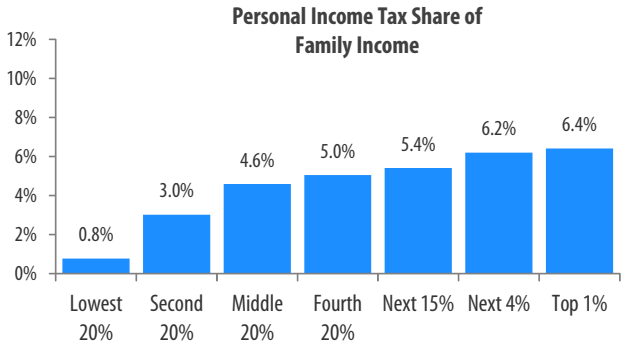
According to ITEP's Tax Inequality Index, Maine has the **44th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

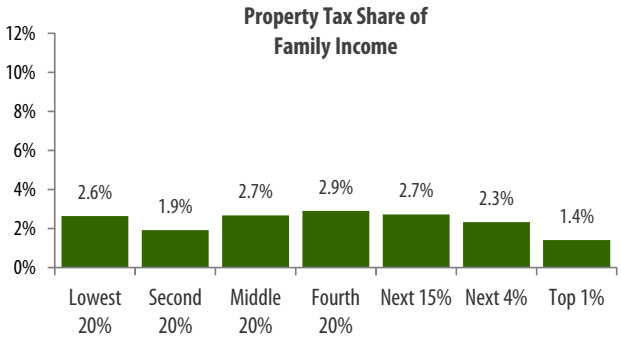
Maryland State & Local Taxes in 2015

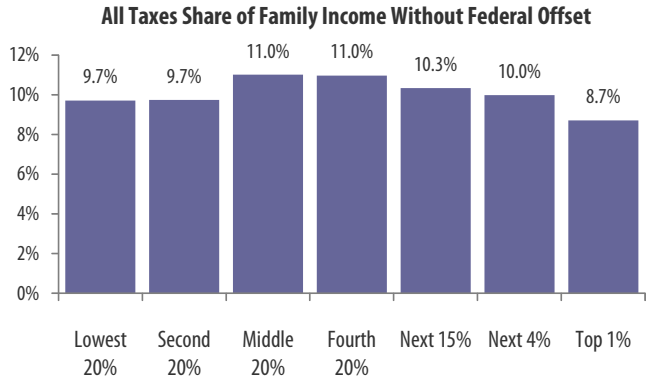
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Maryland enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Maryland State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than $24,000	$24,000 – $44,000	$44,000 – $67,000	$67,000 – $111,000	$111,000 – $211,000	$211,000 – $481,000	$481,000 or more
Average Income in Group	$13,100	$33,600	$54,300	$86,700	$148,100	$308,900	$1,590,700
Sales & Excise Taxes	**6.3%**	**4.8%**	**3.7%**	**3.0%**	**2.2%**	**1.4%**	**0.7%**
General Sales—Individuals	2.4%	2.1%	1.7%	1.5%	1.1%	0.7%	0.4%
Other Sales & Excise—Ind.	1.9%	1.3%	0.9%	0.7%	0.5%	0.3%	0.1%
Sales & Excise on Business	1.9%	1.4%	1.1%	0.8%	0.6%	0.4%	0.2%
Property Taxes	**2.6%**	**1.9%**	**2.7%**	**2.9%**	**2.7%**	**2.3%**	**1.4%**
Property Taxes on Families	2.6%	1.9%	2.6%	2.8%	2.6%	2.0%	0.7%
Other Property Taxes	0.0%	0.1%	0.0%	0.1%	0.1%	0.3%	0.7%
Income Taxes	**0.8%**	**3.0%**	**4.6%**	**5.1%**	**5.5%**	**6.3%**	**6.6%**
Personal Income Tax (State and Local)	0.8%	3.0%	4.6%	5.0%	5.4%	6.2%	6.4%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**9.7%**	**9.7%**	**11.0%**	**11.0%**	**10.3%**	**10.0%**	**8.7%**
Federal Deduction Offset	*–0.0%*	*–0.2%*	*–0.8%*	*–1.3%*	*–1.9%*	*–1.2%*	*–2.0%*
OVERALL TOTAL	**9.7%**	**9.5%**	**10.3%**	**9.7%**	**8.5%**	**8.8%**	**6.7%**

Note: Table shows detailed breakout of data on previous page.

Maryland Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides a partially refundable Earned Income Tax Credit (EITC) (28 percent refundable/50 percent nonrefundable)
- Provides a refundable property tax "circuit breaker" credit via the personal income tax
- Sales tax base excludes groceries

Regressive Features

- Fails to index income tax provisions to inflation
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

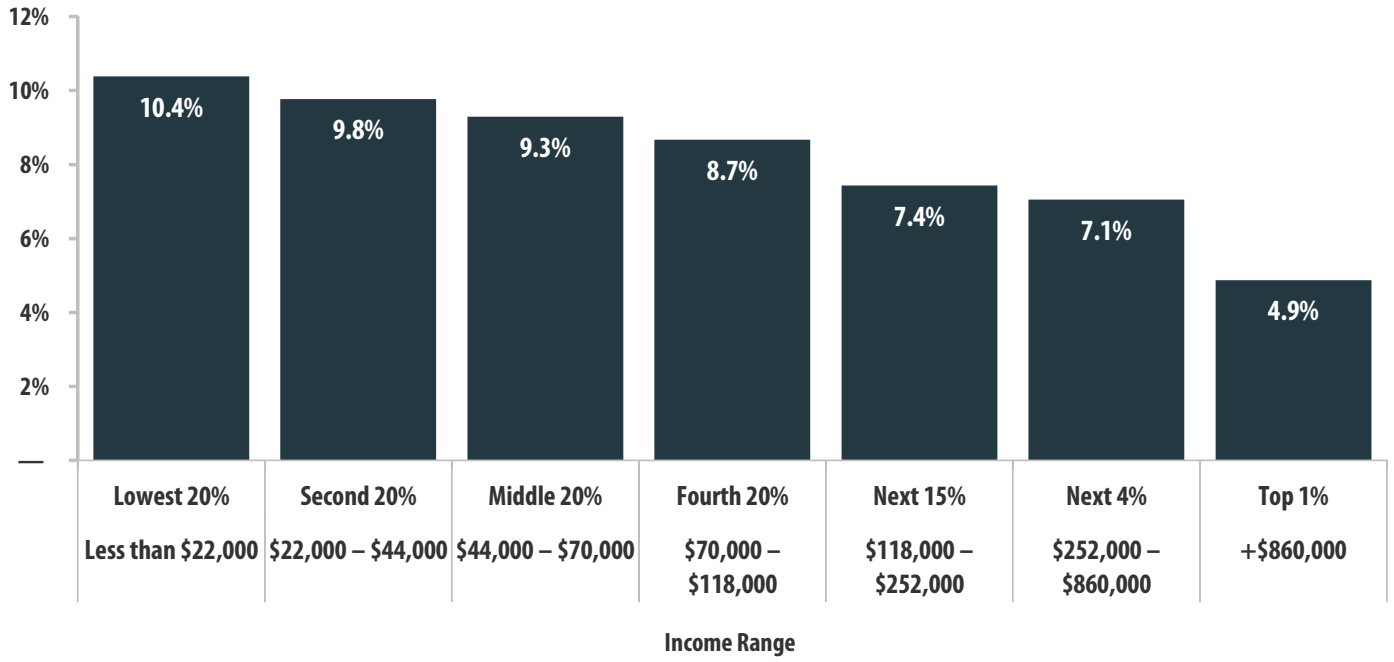
- Enacted gradual increase in refundable portion of earned income tax credit (EITC) from 25 to 28 percent
- Increased gasoline and diesel taxes and reformed both to grow alongside inflation and fuel prices

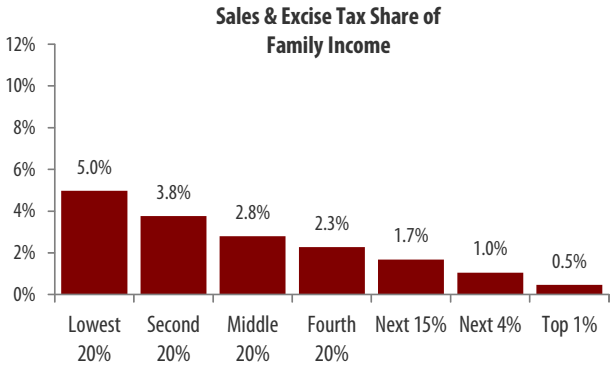
ITEP Tax Inequality Index

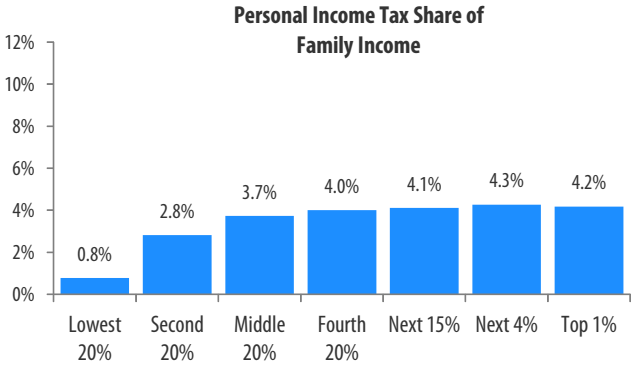
According to ITEP's Tax Inequality Index, Maryland has the **38th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

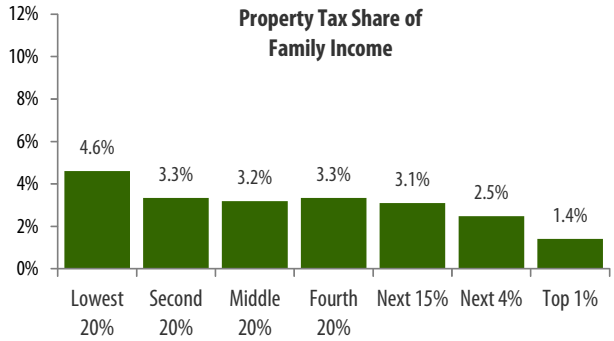
Massachusetts State & Local Taxes in 2015

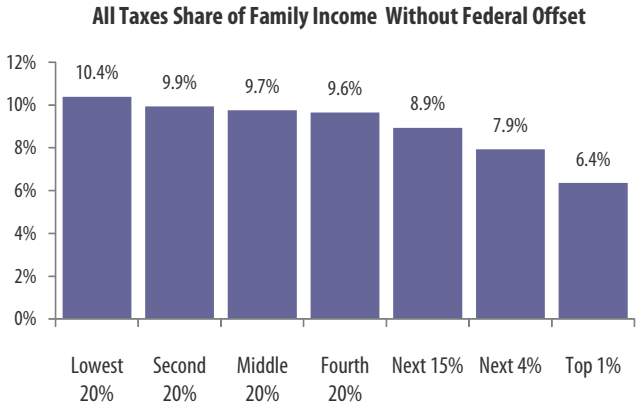
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Massachusetts enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Massachusetts State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than $22,000	$22,000 – $44,000	$44,000 – $70,000	$70,000 – $118,000	$118,000 – $252,000	$252,000 – $860,000	$860,000 or more
Average Income in Group	$12,400	$33,200	$56,400	$91,500	$160,300	$382,200	$2,560,300
Sales & Excise Taxes	**5.0%**	**3.8%**	**2.8%**	**2.3%**	**1.7%**	**1.0%**	**0.5%**
General Sales—Individuals	2.0%	1.7%	1.4%	1.2%	0.9%	0.6%	0.3%
Other Sales & Excise—Ind.	1.6%	1.0%	0.6%	0.5%	0.3%	0.2%	0.0%
Sales & Excise on Business	1.4%	1.1%	0.8%	0.6%	0.4%	0.3%	0.1%
Property Taxes	**4.6%**	**3.3%**	**3.2%**	**3.3%**	**3.1%**	**2.5%**	**1.4%**
Property Taxes on Families	4.5%	3.3%	3.1%	3.2%	2.9%	2.1%	0.6%
Other Property Taxes	0.1%	0.0%	0.1%	0.1%	0.2%	0.3%	0.8%
Income Taxes	**0.8%**	**2.8%**	**3.8%**	**4.0%**	**4.2%**	**4.4%**	**4.5%**
Personal Income Tax	0.8%	2.8%	3.7%	4.0%	4.1%	4.3%	4.2%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.3%
Total Taxes	**10.4%**	**9.9%**	**9.7%**	**9.6%**	**8.9%**	**7.9%**	**6.4%**
Federal Deduction Offset	*–0.0%*	*–0.2%*	*–0.5%*	*–1.0%*	*–1.5%*	*–0.9%*	*–1.5%*
OVERALL TOTAL	**10.4%**	**9.8%**	**9.3%**	**8.7%**	**7.4%**	**7.1%**	**4.9%**

Note: Table shows detailed breakout of data on previous page.

Massachusetts Tax Code Features

Progressive Features

- Provides a 15 percent refundable Earned Income Tax Credit (EITC)
- Sales tax base excludes groceries and clothing under $175
- "No-tax" threshold and low-income credit eliminate income tax liability for poorest taxpayers
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Personal income tax uses a flat rate
- Fails to provide a property tax "circuit breaker" credit for low-income non-elderly taxpayers
- Fails to provide refundable child tax credits
- Comparatively high cigarette tax rate

Tax Changes Enacted in 2013 & 2014

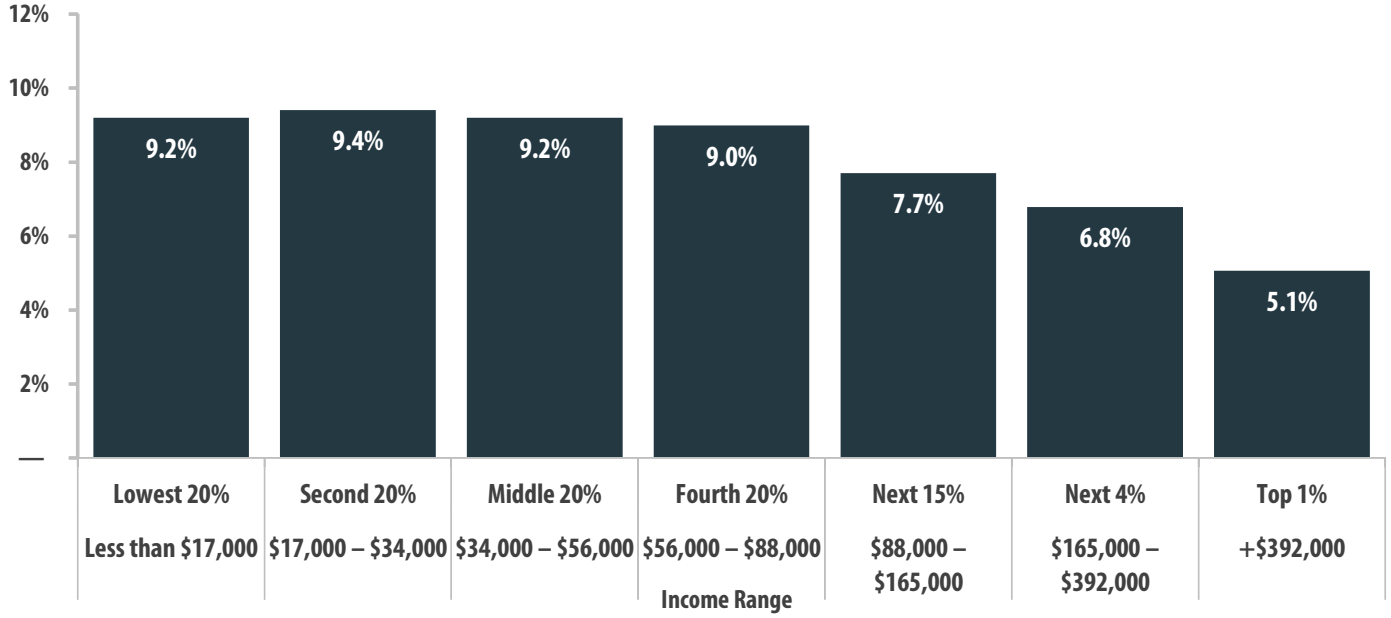
- Flat rate will drop from 5.2 to 5.15% on January 1, 2015 due to meeting revenue targets
- Gas tax increased by 3 cents per gallon
- Cigarette tax rate increased by $1 per pack

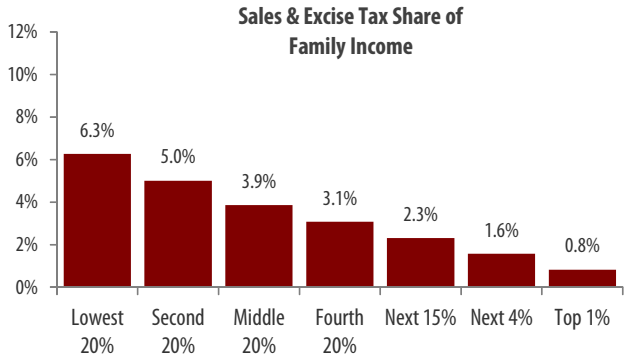
ITEP Tax Inequality Index

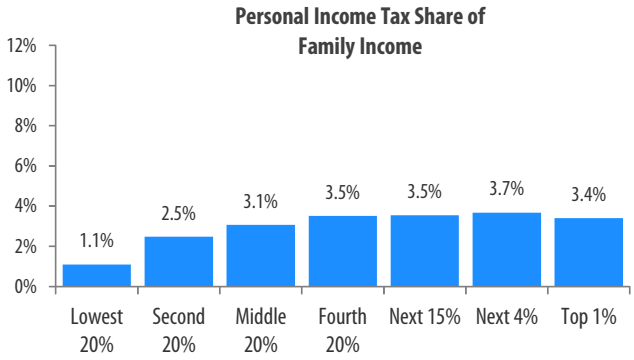
According to ITEP's Tax Inequality Index, Massachusetts has the **24th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

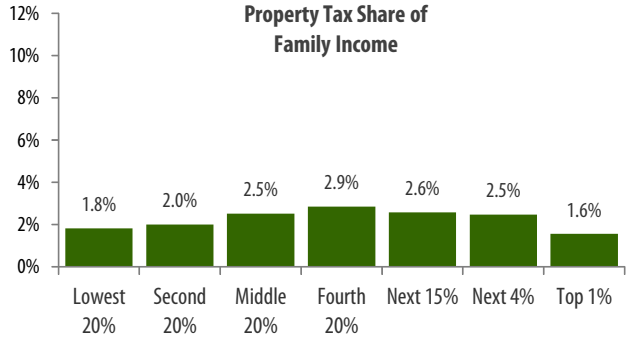
Michigan State & Local Taxes in 2015

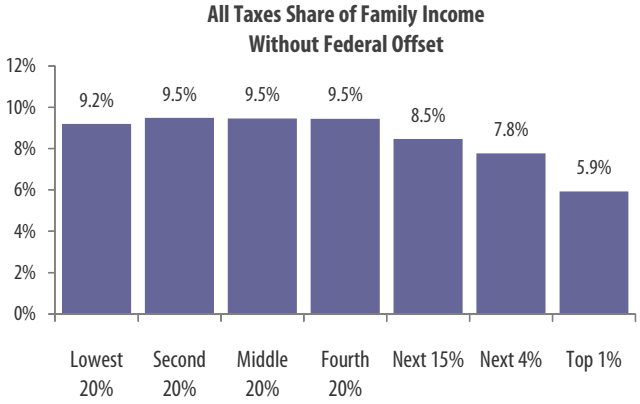
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Michigan enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Michigan State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $34,000	$34,000 – $56,000	$56,000 – $88,000	$88,000 – $165,000	$165,000 – $392,000	$392,000 or more
Average Income in Group	$9,500	$24,900	$44,000	$70,100	$115,600	$237,200	$1,164,700
Sales & Excise Taxes	**6.3%**	**5.0%**	**3.9%**	**3.1%**	**2.3%**	**1.6%**	**0.8%**
General Sales—Individuals	2.9%	2.7%	2.2%	1.8%	1.3%	0.9%	0.5%
Other Sales & Excise—Ind.	2.0%	1.1%	0.8%	0.5%	0.3%	0.2%	0.1%
Sales & Excise on Business	1.4%	1.2%	1.0%	0.8%	0.6%	0.4%	0.3%
Property Taxes	**1.8%**	**2.0%**	**2.5%**	**2.9%**	**2.6%**	**2.5%**	**1.6%**
Property Taxes on Families	1.7%	1.9%	2.4%	2.7%	2.4%	2.0%	0.8%
Other Property Taxes	0.2%	0.1%	0.2%	0.2%	0.2%	0.4%	0.8%
Income Taxes	**1.1%**	**2.5%**	**3.1%**	**3.5%**	**3.6%**	**3.7%**	**3.5%**
Personal Income Tax (State and Local)	1.1%	2.5%	3.1%	3.5%	3.5%	3.7%	3.4%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	**9.2%**	**9.5%**	**9.5%**	**9.5%**	**8.5%**	**7.8%**	**5.9%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.3%*	*–0.5%*	*–0.8%*	*–1.0%*	*–0.9%*
OVERALL TOTAL	**9.2%**	**9.4%**	**9.2%**	**9.0%**	**7.7%**	**6.8%**	**5.1%**

Note: Table shows detailed breakout of data on previous page.

Michigan Tax Code Features

Progressive Features

- Provides a refundable property tax "circuit breaker" credit via the personal income tax
- Provides a 6 percent refundable Earned Income Tax Credit (EITC)
- Sales tax base excludes groceries
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Personal income tax uses a flat rate
- Fails to provide refundable child tax credits

Tax Changes Enacted in 2013 & 2014

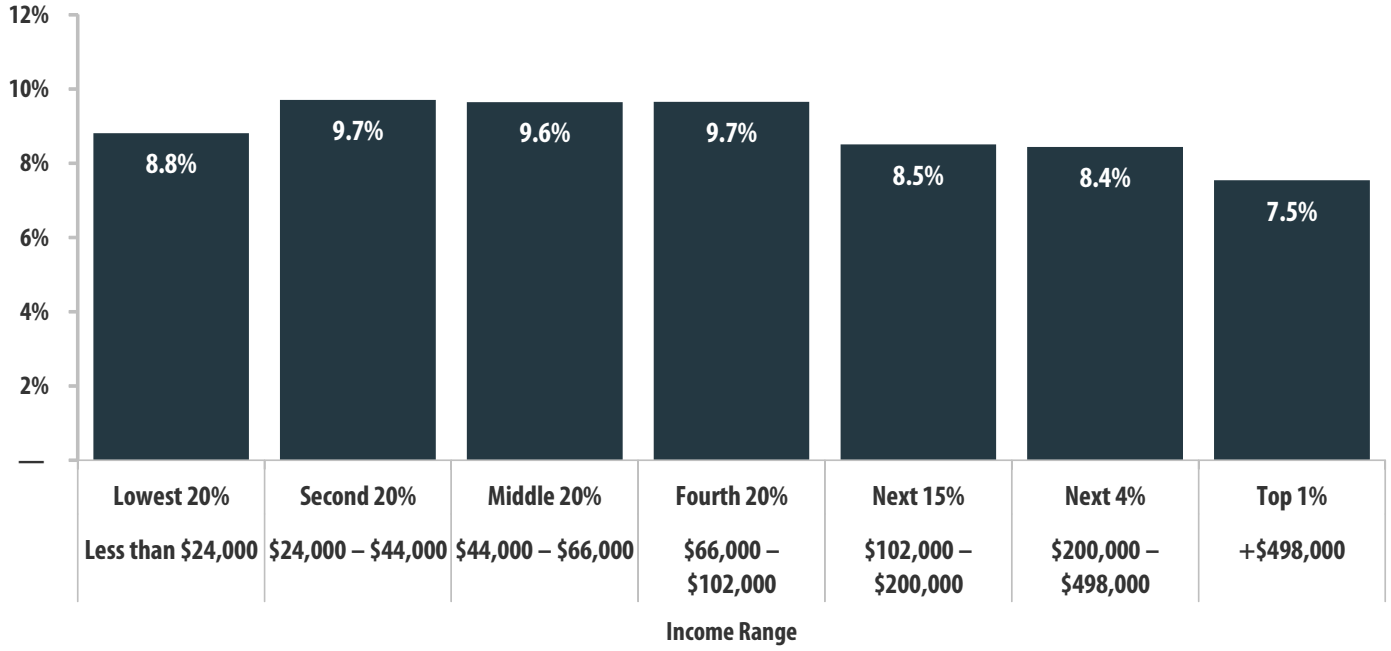
- Eliminated business property tax on manufacturing equipment
- Legislation enacted that requires remote internet sellers to collect sales and use taxes

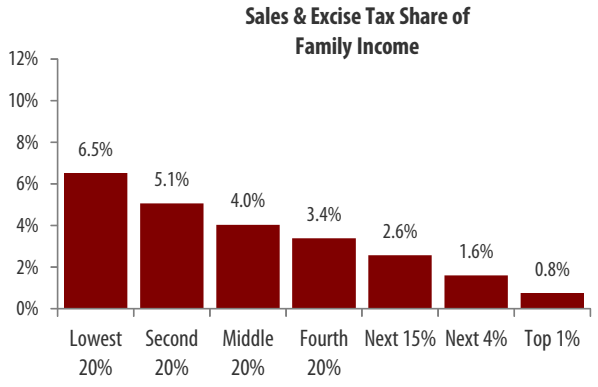
ITEP Tax Inequality Index

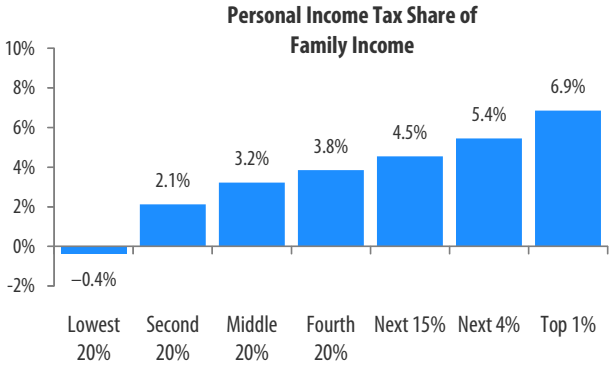
According to ITEP's Tax Inequality Index, Michigan has the **29th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

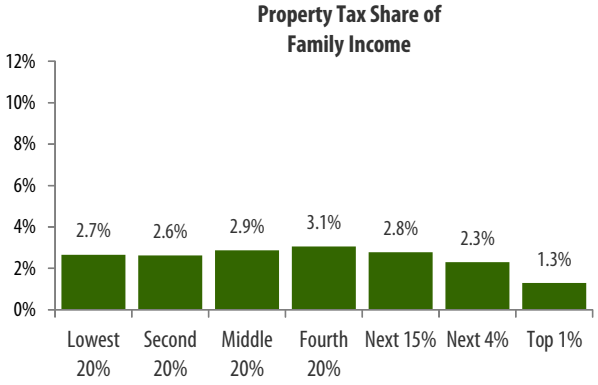
Minnesota State & Local Taxes in 2015

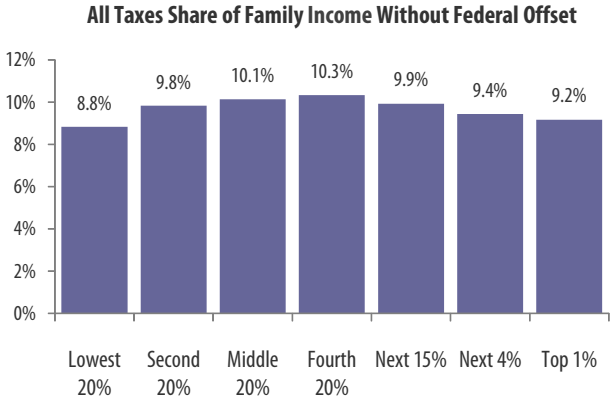
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Minnesota enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Minnesota State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than $24,000	$24,000 – $44,000	$44,000 – $66,000	$66,000 – $102,000	$102,000 – $200,000	$200,000 – $498,000	$498,000 or more
Average Income in Group	$13,200	$33,600	$55,400	$83,400	$133,900	$302,900	$1,636,000
Sales & Excise Taxes	**6.5%**	**5.1%**	**4.0%**	**3.4%**	**2.6%**	**1.6%**	**0.8%**
General Sales—Individuals	2.7%	2.3%	2.0%	1.8%	1.4%	0.9%	0.4%
Other Sales & Excise—Ind.	1.7%	1.0%	0.7%	0.5%	0.4%	0.2%	0.1%
Sales & Excise on Business	2.2%	1.7%	1.3%	1.1%	0.8%	0.5%	0.3%
Property Taxes	**2.7%**	**2.6%**	**2.9%**	**3.1%**	**2.8%**	**2.3%**	**1.3%**
Property Taxes on Families	2.4%	2.3%	2.5%	2.7%	2.4%	1.7%	0.3%
Other Property Taxes	0.3%	0.3%	0.3%	0.4%	0.4%	0.6%	1.0%
Income Taxes	**-0.3%**	**2.1%**	**3.2%**	**3.9%**	**4.6%**	**5.5%**	**7.1%**
Personal Income Tax	–0.4%	2.1%	3.2%	3.8%	4.5%	5.4%	6.9%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Total Taxes	**8.8%**	**9.8%**	**10.1%**	**10.3%**	**9.9%**	**9.4%**	**9.2%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.5%*	*–0.7%*	*–1.4%*	*–1.0%*	*–1.6%*
OVERALL TOTAL	**8.8%**	**9.7%**	**9.6%**	**9.7%**	**8.5%**	**8.4%**	**7.5%**

Note: Table shows detailed breakout of data on previous page.

Minnesota Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Income tax brackets, standard deduction, and exemptions are indexed to inflation
- Provides a refundable working families tax credit
- Provides a refundable property tax "circuit breaker" credit
- Sales tax base excludes groceries
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Comparatively high sales tax rate
- Comparatively high cigarette tax rate

Tax Changes Enacted in 2013 & 2014

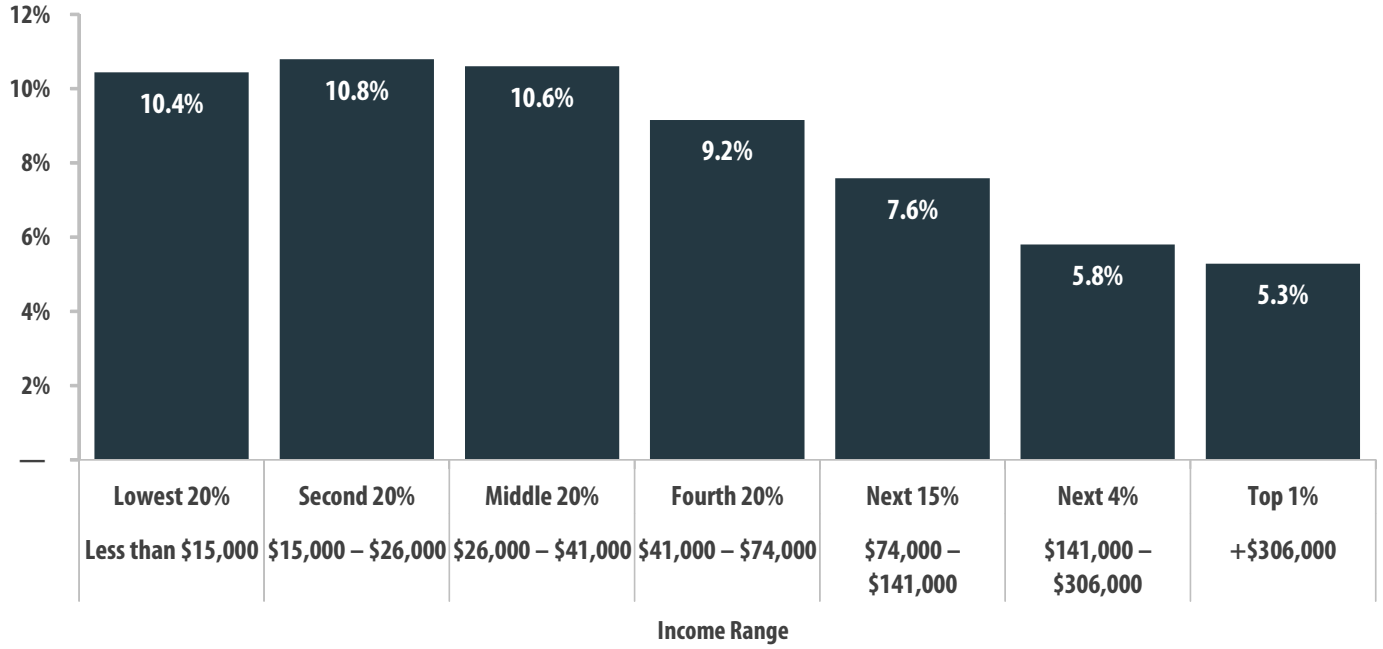
- Cigarette tax increased
- Increased Working Families tax credit
- Added new top income tax bracket

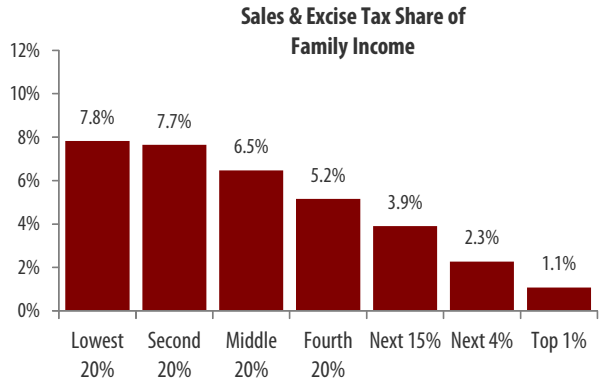
ITEP Tax Inequality Index

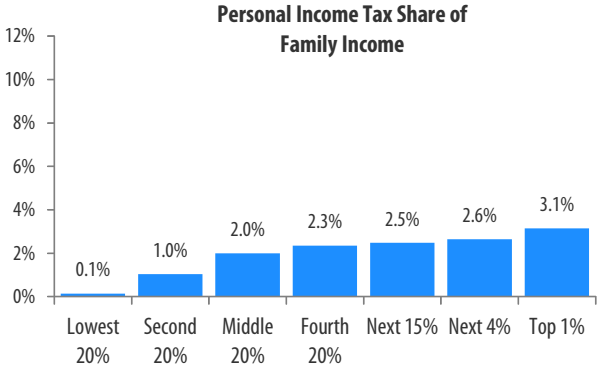
According to ITEP's Tax Inequality Index, Minnesota has the **45th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

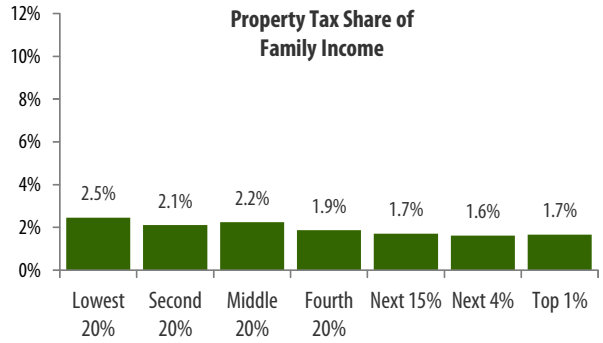
Mississippi State & Local Taxes in 2015

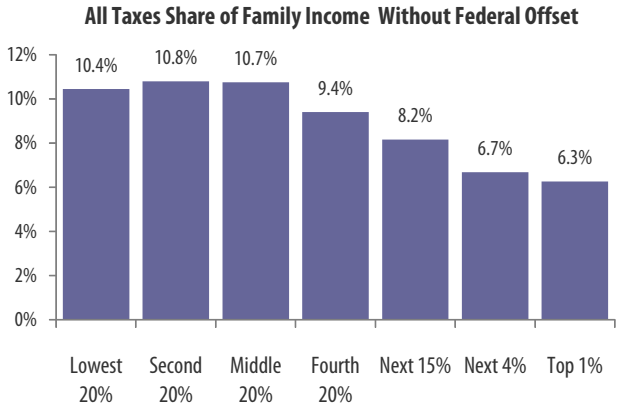
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Mississippi enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Mississippi State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $74,000	$74,000 – $141,000	$141,000 – $306,000	$306,000 or more
Average Income in Group	$9,700	$20,200	$33,100	$56,600	$97,300	$181,900	$736,800
Sales & Excise Taxes	**7.8%**	**7.7%**	**6.5%**	**5.2%**	**3.9%**	**2.3%**	**1.1%**
General Sales—Individuals	4.7%	4.8%	4.2%	3.4%	2.7%	1.5%	0.8%
Other Sales & Excise—Ind.	1.4%	1.0%	0.8%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	1.8%	1.9%	1.5%	1.2%	0.9%	0.5%	0.3%
Property Taxes	**2.5%**	**2.1%**	**2.2%**	**1.9%**	**1.7%**	**1.6%**	**1.7%**
Property Taxes on Families	2.5%	2.1%	2.1%	1.7%	1.5%	1.2%	0.7%
Other Property Taxes	0.0%	0.0%	0.1%	0.2%	0.2%	0.4%	1.0%
Income Taxes	**0.2%**	**1.0%**	**2.0%**	**2.4%**	**2.6%**	**2.8%**	**3.5%**
Personal Income Tax	0.1%	1.0%	2.0%	2.3%	2.5%	2.6%	3.1%
Corporate Income Tax	0.0%	—	0.0%	0.0%	0.1%	0.2%	0.4%
Total Taxes	**10.4%**	**10.8%**	**10.7%**	**9.4%**	**8.2%**	**6.7%**	**6.3%**
Federal Deduction Offset	—	*–0.0%*	*–0.1%*	*–0.2%*	*–0.6%*	*–0.9%*	*–1.0%*
OVERALL TOTAL	**10.4%**	**10.8%**	**10.6%**	**9.2%**	**7.6%**	**5.8%**	**5.3%**

Note: Table shows detailed breakout of data on previous page.

Mississippi Tax Code Features

Progressive Features

- Graduated personal income tax structure

Regressive Features

- Fails to provide refundable income tax credits to offset sales, excise, and property taxes
- Comparatively high reliance on sales taxes
- Sales tax base includes groceries
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

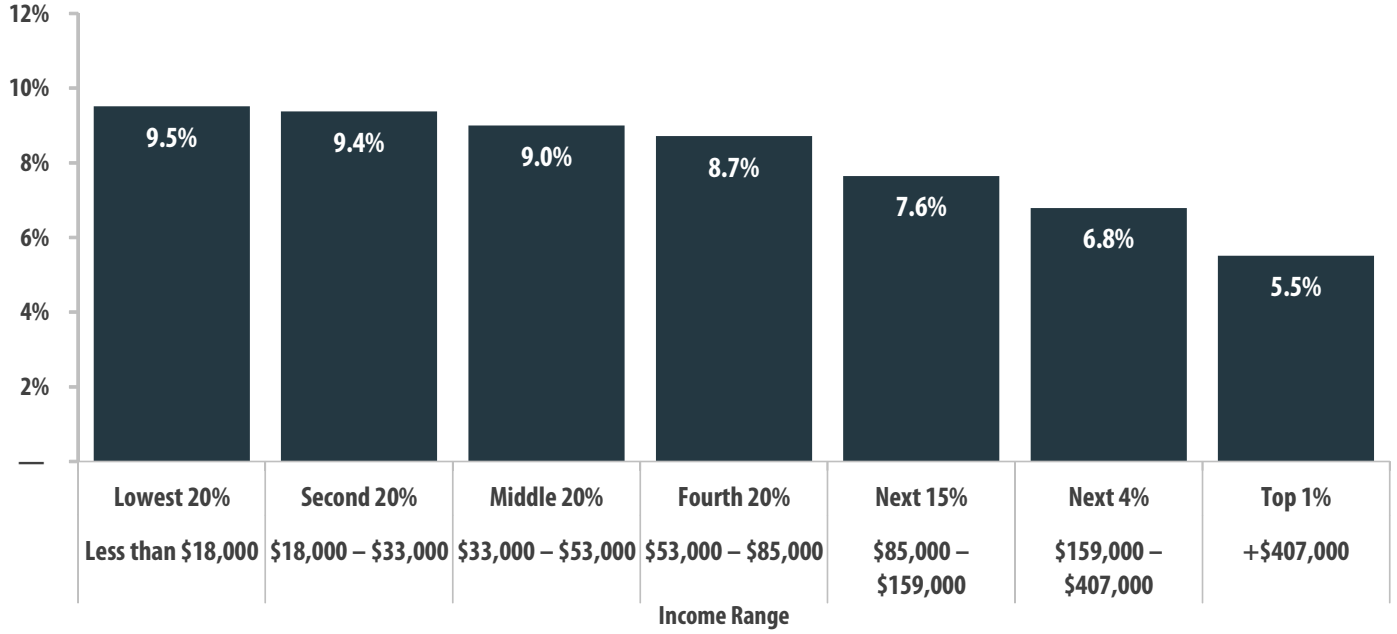
- No significant developments

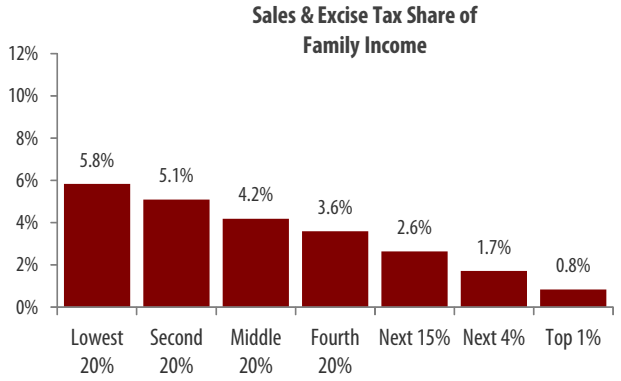
ITEP Tax Inequality Index

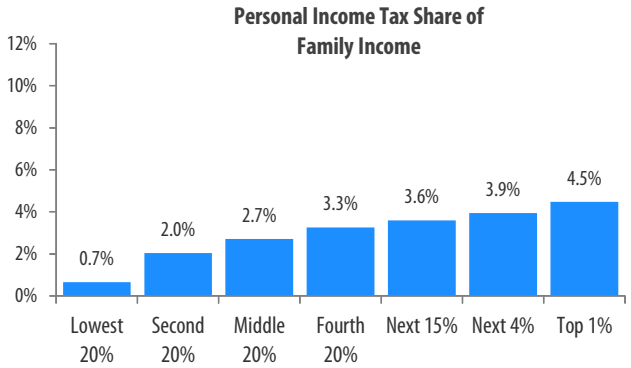
According to ITEP's Tax Inequality Index, Mississippi has the **21st** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

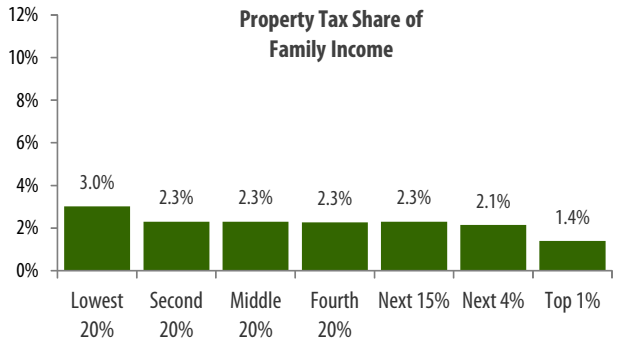
Missouri State & Local Taxes in 2015

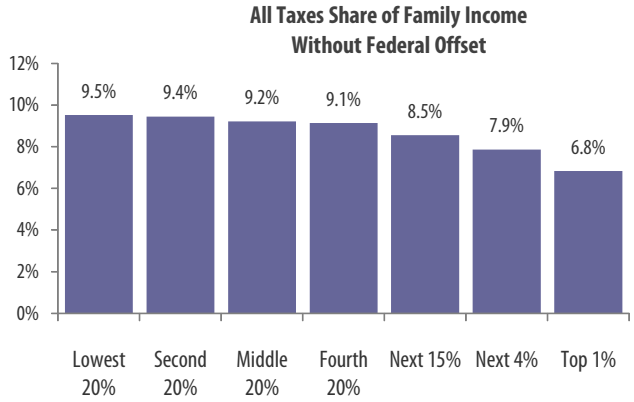
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Missouri enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset. Figures in Appendix D show the fully phased in impact of 2014 Legislation (SB 509) which includes two personal income tax cuts dependent on meeting revenue growth targets: a reduction in the top income rate from 6 to 5.5 percent and a 25 percent exclusion for business income.

Missouri State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income	Less than $18,000	$18,000 – $33,000	$33,000 – $53,000	$53,000 – $85,000	$85,000 – $159,000	$159,000 – $407,000	$407,000 or more
Average Income in Group	$10,800	$25,600	$42,300	$67,400	$110,600	$229,200	$1,088,200
Sales & Excise Taxes	**5.8%**	**5.1%**	**4.2%**	**3.6%**	**2.6%**	**1.7%**	**0.8%**
General Sales—Individuals	3.6%	3.2%	2.8%	2.4%	1.8%	1.2%	0.6%
Other Sales & Excise—Ind.	0.6%	0.5%	0.3%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	1.6%	1.4%	1.1%	0.9%	0.7%	0.4%	0.2%
Property Taxes	**3.0%**	**2.3%**	**2.3%**	**2.3%**	**2.3%**	**2.1%**	**1.4%**
Property Taxes on Families	3.0%	2.2%	2.2%	2.2%	2.2%	1.8%	0.7%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%	0.7%
Income Taxes	**0.7%**	**2.1%**	**2.7%**	**3.3%**	**3.6%**	**4.0%**	**4.6%**
Personal Income Tax (State and Local)	0.7%	2.0%	2.7%	3.3%	3.6%	3.9%	4.5%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total Taxes	**9.5%**	**9.4%**	**9.2%**	**9.1%**	**8.5%**	**7.9%**	**6.8%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.2%*	*–0.4%*	*–0.9%*	*–1.1%*	*–1.3%*
OVERALL TOTAL	**9.5%**	**9.4%**	**9.0%**	**8.7%**	**7.6%**	**6.8%**	**5.5%**

Note: Table shows detailed breakout of data on previous page.

Missouri Tax Code Features

Progressive Features

- Graduated personal income tax structure

Regressive Features

- Provides an income tax deduction for federal income taxes paid
- State sales tax base includes groceries, though taxed at a lower rate
- Local sales tax bases include groceries
- Fails to provide non-elderly taxpayers with refundable income tax credits to offset sales, excise, and property taxes
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

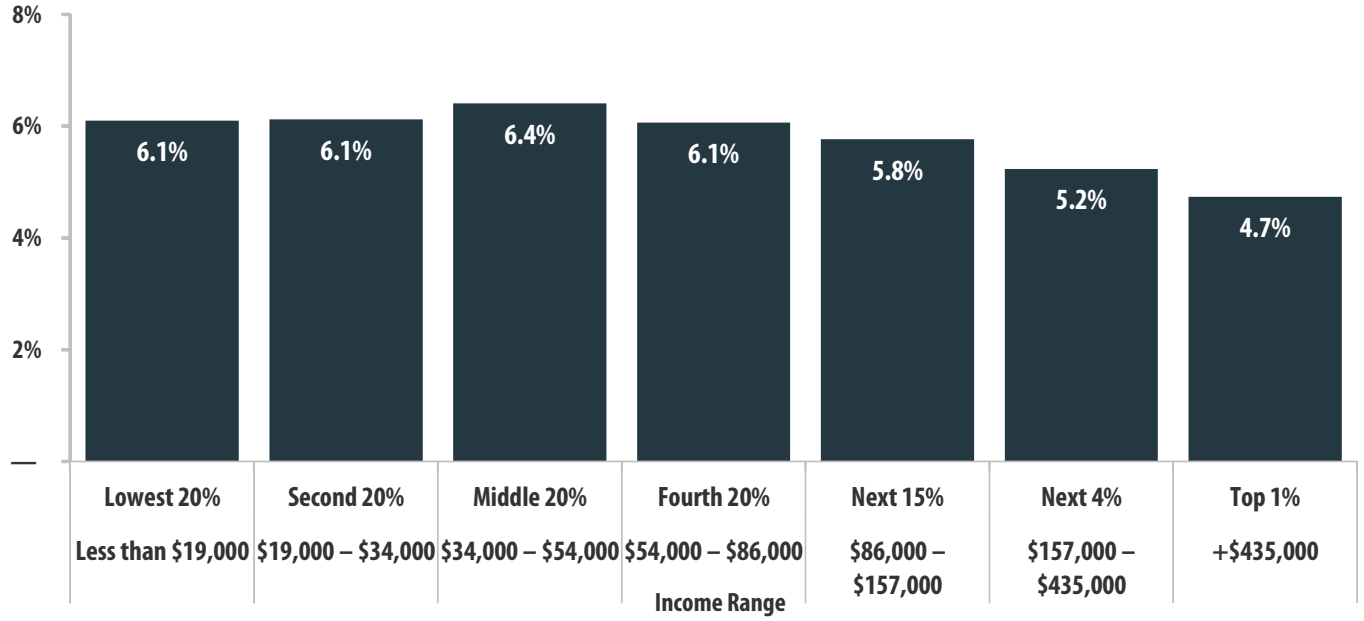
- Reduced top personal income tax rate from 6 to 5.5 percent and created new 25 percent exemption for pass- thru business income starting in 2017 dependent on revenue growth (these changes are modeled in an alternative MO analysis found in App. D)
- Personal exemption increased for low-income taxpayers

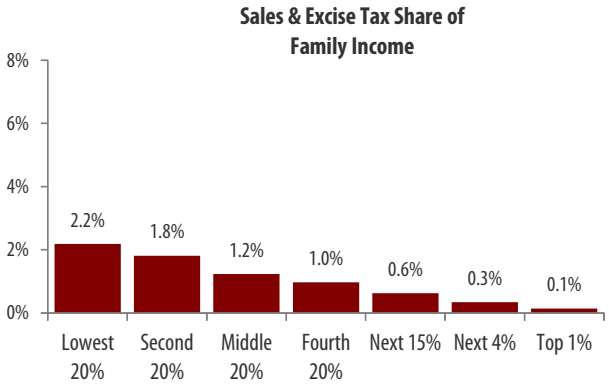
ITEP Tax Inequality Index

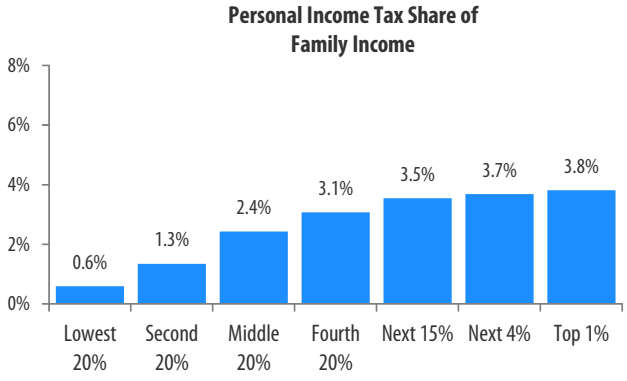
According to ITEP's Tax Inequality Index, Missouri has the **30th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

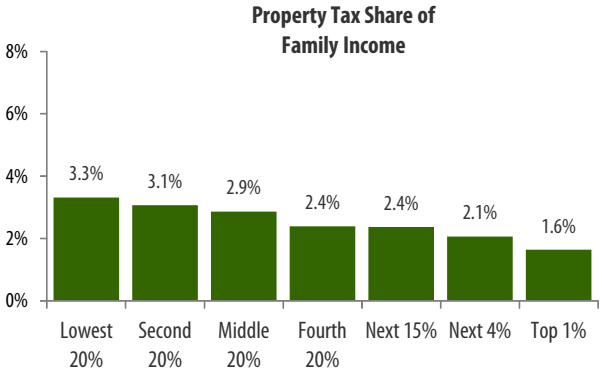
Montana State & Local Taxes in 2015

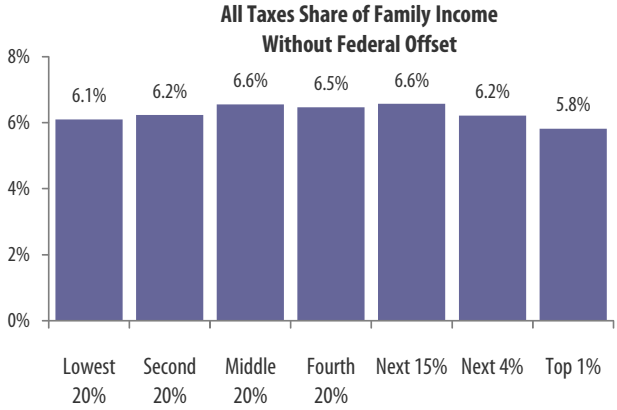
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Montana enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Montana State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $54,000	$54,000 – $86,000	$86,000 – $157,000	$157,000 – $435,000	$435,000 or more
Average Income in Group	$10,500	$25,700	$42,300	$67,300	$111,300	$240,600	$1,047,500
Sales & Excise Taxes	**2.2%**	**1.8%**	**1.2%**	**1.0%**	**0.6%**	**0.3%**	**0.1%**
General Sales—Individuals	—	—	—	—	—	—	—
Other Sales & Excise—Ind.	1.8%	1.5%	1.0%	0.8%	0.5%	0.3%	0.1%
Sales & Excise on Business	0.3%	0.3%	0.3%	0.2%	0.1%	0.1%	0.0%
Property Taxes	**3.3%**	**3.1%**	**2.9%**	**2.4%**	**2.4%**	**2.1%**	**1.6%**
Property Taxes on Families	2.9%	2.5%	2.3%	1.9%	1.8%	1.2%	0.6%
Other Property Taxes	0.5%	0.6%	0.6%	0.5%	0.5%	0.8%	1.1%
Income Taxes	**0.6%**	**1.4%**	**2.5%**	**3.1%**	**3.6%**	**3.8%**	**4.0%**
Personal Income Tax	0.6%	1.3%	2.4%	3.1%	3.5%	3.7%	3.8%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**6.1%**	**6.2%**	**6.6%**	**6.5%**	**6.6%**	**6.2%**	**5.8%**
Federal Deduction Offset	*—*	*–0.1%*	*–0.1%*	*–0.4%*	*–0.8%*	*–1.0%*	*–1.1%*
OVERALL TOTAL	**6.1%**	**6.1%**	**6.4%**	**6.1%**	**5.8%**	**5.2%**	**4.7%**

Note: Table shows detailed breakout of data on previous page.

Montana Tax Code Features

Progressive Features

- Graduated personal income tax structure
- No statewide sales tax
- Provides a refundable property tax "circuit breaker" credit
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Provides an income tax deduction for federal income taxes paid
- Provides an income tax credit based on capital gains income
- Fails to provide a refundable Earned Income Tax Credit (EITC)
- Fails to provide refundable child tax credit

Tax Changes Enacted in 2013 & 2014

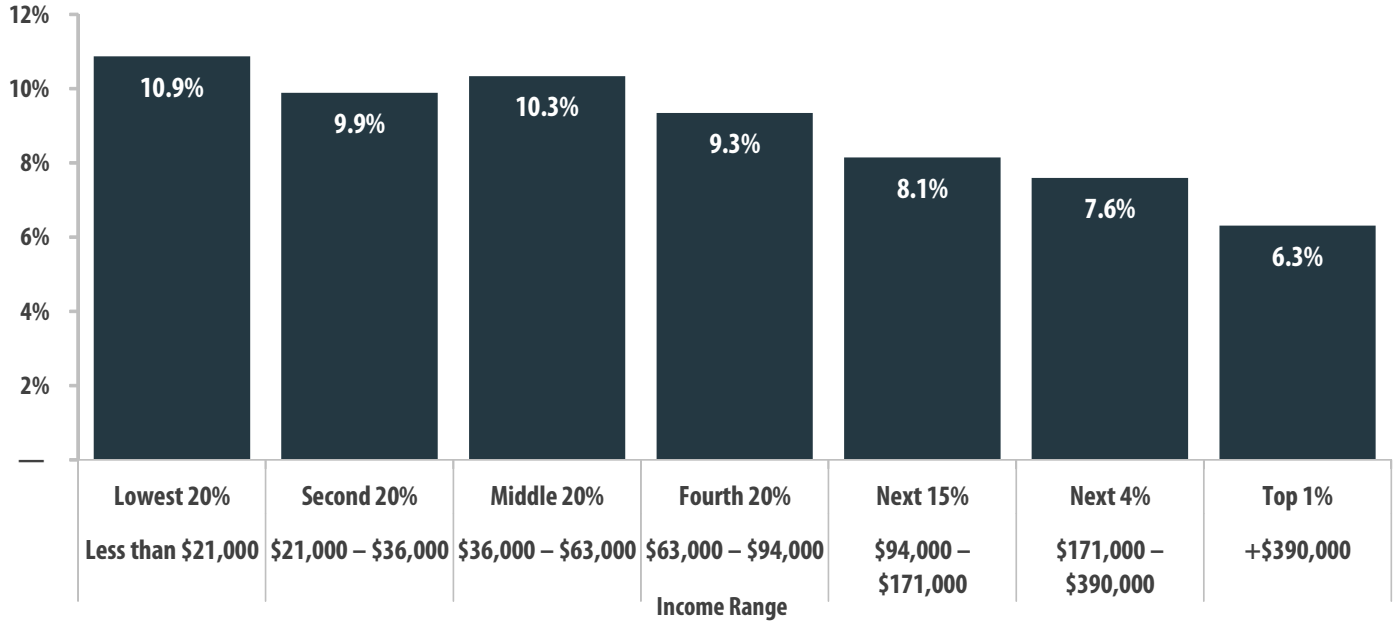
- Reduced property taxes on business equipment

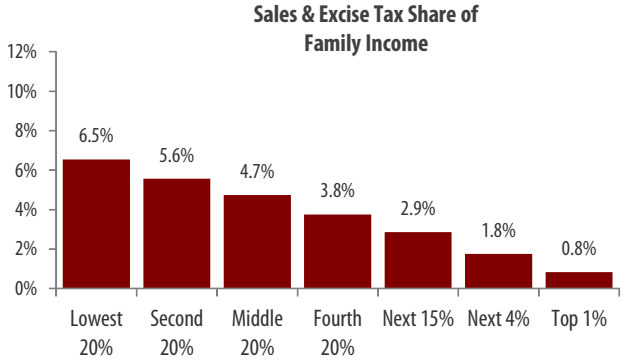
ITEP Tax Inequality Index

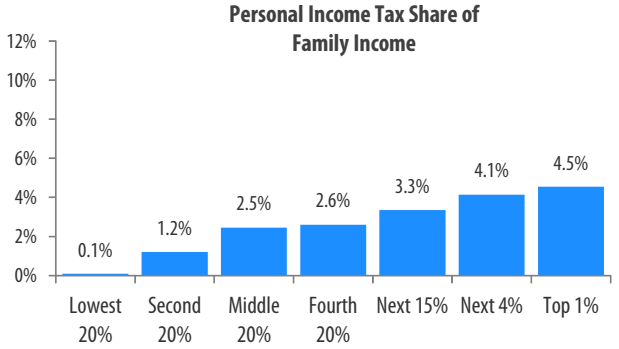
According to ITEP's Tax Inequality Index, Montana has the **47th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

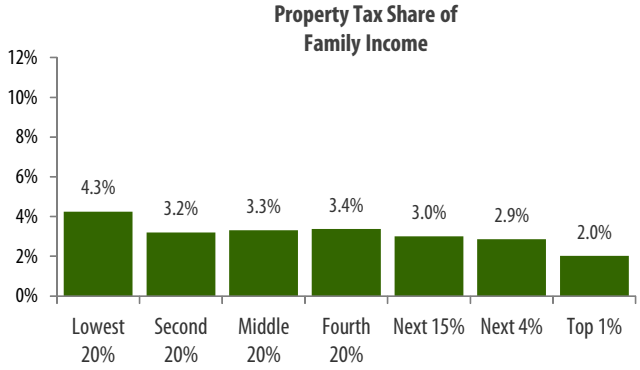
Nebraska State & Local Taxes in 2015

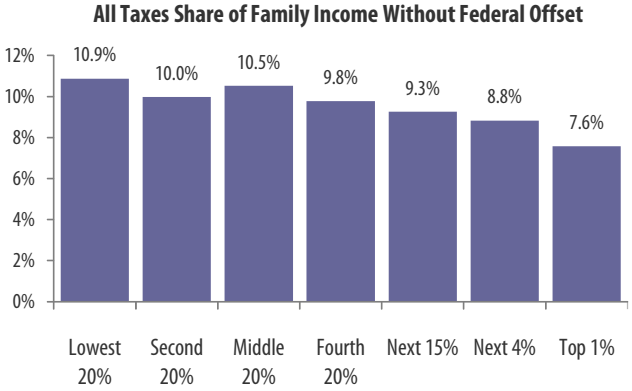
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Nebraska enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Nebraska State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $36,000	$36,000 – $63,000	$63,000 – $94,000	$94,000 – $171,000	$171,000 – $390,000	$390,000 or more
Average Income in Group	$11,900	$29,900	$48,900	$75,900	$123,000	$241,800	$1,332,500
Sales & Excise Taxes	**6.5%**	**5.6%**	**4.7%**	**3.8%**	**2.9%**	**1.8%**	**0.8%**
General Sales—Individuals	3.6%	3.2%	2.8%	2.3%	1.8%	1.1%	0.6%
Other Sales & Excise—Ind.	1.0%	0.6%	0.5%	0.4%	0.3%	0.1%	0.0%
Sales & Excise on Business	2.0%	1.7%	1.4%	1.0%	0.8%	0.5%	0.2%
Property Taxes	**4.3%**	**3.2%**	**3.3%**	**3.4%**	**3.0%**	**2.9%**	**2.0%**
Property Taxes on Families	4.3%	3.1%	3.1%	3.1%	2.8%	2.2%	0.7%
Other Property Taxes	0.0%	0.1%	0.2%	0.3%	0.2%	0.6%	1.3%
Income Taxes	**0.1%**	**1.2%**	**2.5%**	**2.6%**	**3.4%**	**4.2%**	**4.7%**
Personal Income Tax	0.1%	1.2%	2.5%	2.6%	3.3%	4.1%	4.5%
Corporate Income Tax	—	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**10.9%**	**10.0%**	**10.5%**	**9.8%**	**9.3%**	**8.8%**	**7.6%**
Federal Deduction Offset	—	*–0.1%*	*–0.2%*	*–0.4%*	*–1.1%*	*–1.2%*	*–1.3%*
OVERALL TOTAL	**10.9%**	**9.9%**	**10.3%**	**9.3%**	**8.1%**	**7.6%**	**6.3%**

Note: Table shows detailed breakout of data on previous page.

Nebraska Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides a 10 percent refundable Earned Income Tax Credit (EITC)
- Provides an income tax credit for child and dependent care expenses (refundable for incomes under $29,000)
- Sales tax base excludes groceries
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Comparatively high reliance on property taxes
- Fails to provide a property tax "circuit breaker" credit for low-income taxpayers

Tax Changes Enacted in 2013 & 2014

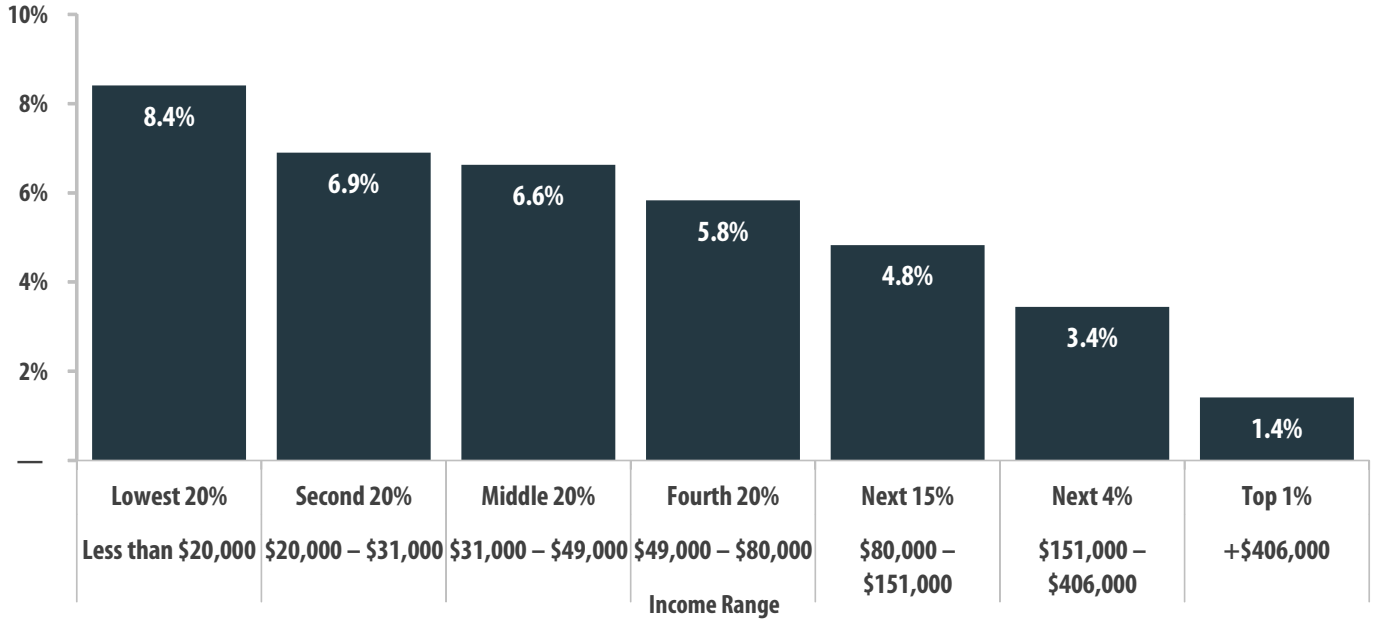
- Personal income tax brackets indexed for inflation
- Increased social security income exemption

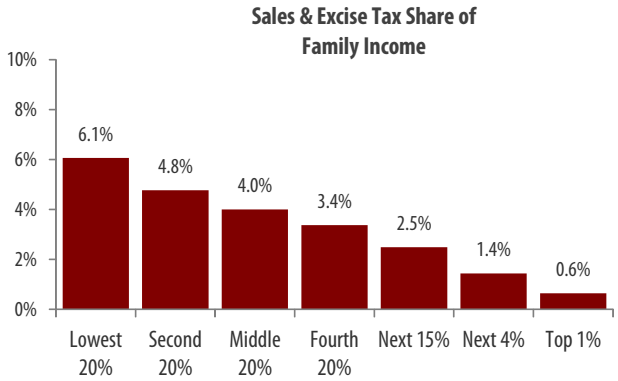
ITEP Tax Inequality Index

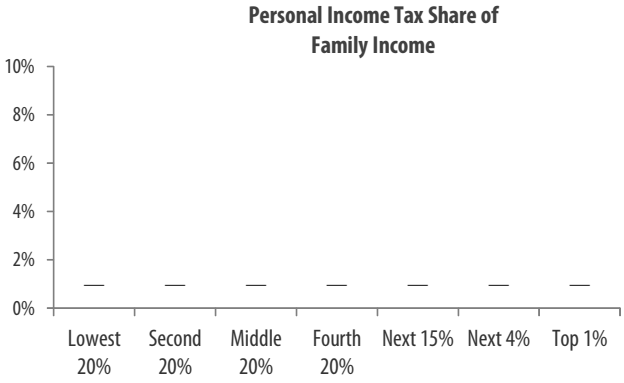
According to ITEP's Tax Inequality Index, Nebraska has the **28th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

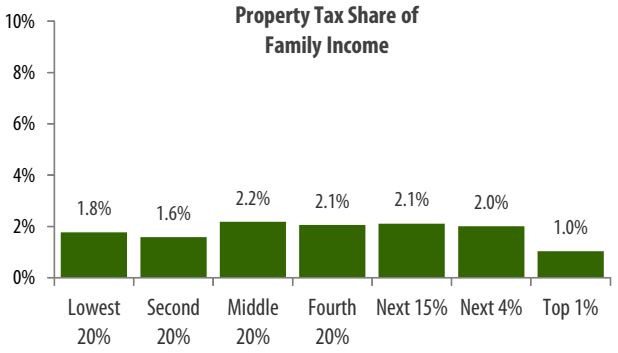
Nevada State & Local Taxes in 2015

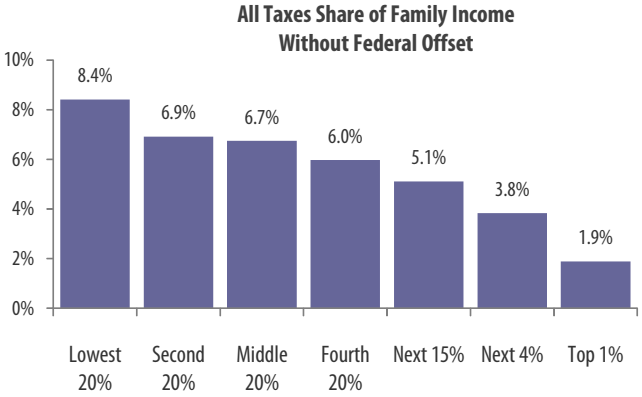
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Nevada enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Nevada State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $31,000	$31,000 – $49,000	$49,000 – $80,000	$80,000 – $151,000	$151,000 – $406,000	$406,000 or more
Average Income in Group	$12,900	$25,000	$40,000	$62,100	$105,900	$228,800	$1,654,800
Sales & Excise Taxes	**6.1%**	**4.8%**	**4.0%**	**3.4%**	**2.5%**	**1.4%**	**0.6%**
General Sales—Individuals	3.4%	2.8%	2.5%	2.1%	1.6%	1.0%	0.5%
Other Sales & Excise—Ind.	1.1%	0.7%	0.6%	0.5%	0.3%	0.2%	0.0%
Sales & Excise on Business	1.6%	1.2%	1.0%	0.8%	0.6%	0.3%	0.1%
Property Taxes	**1.8%**	**1.6%**	**2.2%**	**2.1%**	**2.1%**	**2.0%**	**1.0%**
Property Taxes on Families	1.7%	1.6%	2.1%	2.0%	2.0%	1.8%	0.5%
Other Property Taxes	0.0%	0.0%	0.1%	0.1%	0.1%	0.3%	0.5%
Income Taxes	**0.6%**	**0.6%**	**0.6%**	**0.5%**	**0.5%**	**0.4%**	**0.2%**
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.6%	0.6%	0.6%	0.5%	0.5%	0.4%	0.2%
Total Taxes	**8.4%**	**6.9%**	**6.7%**	**6.0%**	**5.1%**	**3.8%**	**1.9%**
Federal Deduction Offset	*–0.0%*	*–0.0%*	*–0.1%*	*–0.1%*	*–0.3%*	*–0.4%*	*–0.5%*
OVERALL TOTAL	**8.4%**	**6.9%**	**6.6%**	**5.8%**	**4.8%**	**3.4%**	**1.4%**

Note: Table shows detailed breakout of data on previous page.

Nevada Tax Code Features

Progressive Features

- Sales tax base excludes groceries

Regressive Features

- No personal income tax
- Comparatively high reliance on sales and excise taxes
- Imposes a business payroll tax in lieu of a corporate profits tax
- Fails to provide tax credits to offset sales, excise, and property taxes

Tax Changes Enacted in 2013 & 2014

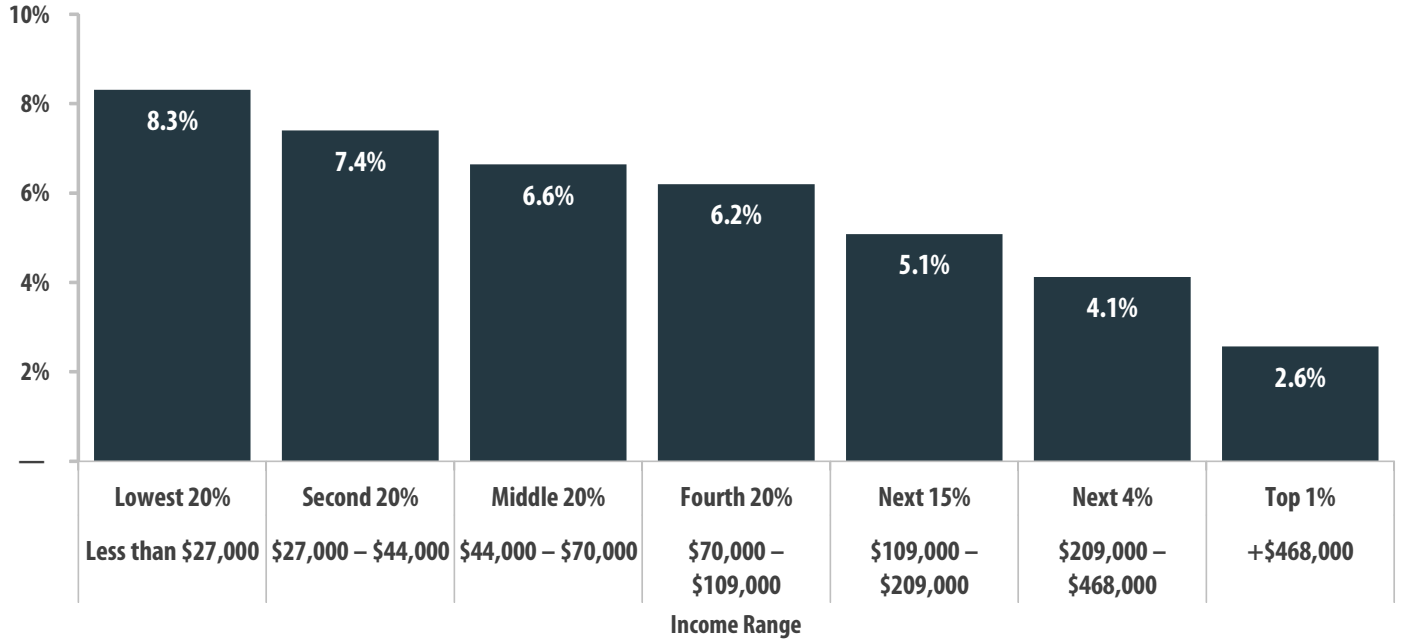
- No significant developments

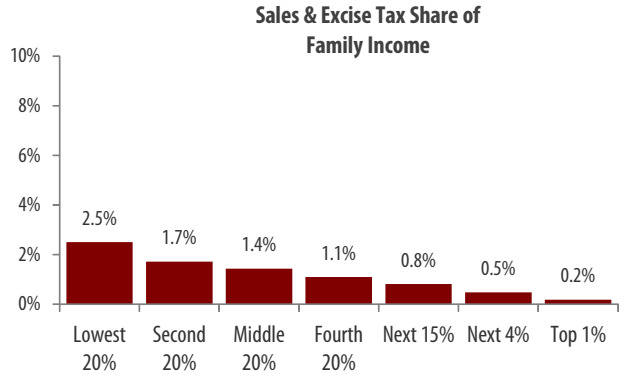
ITEP Tax Inequality Index

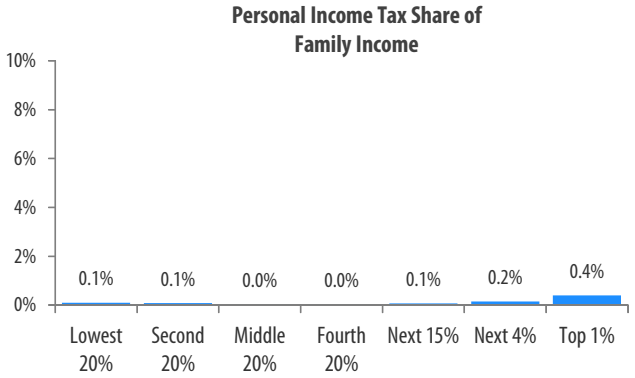
According to ITEP's Tax Inequality Index, Nevada has the **13th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

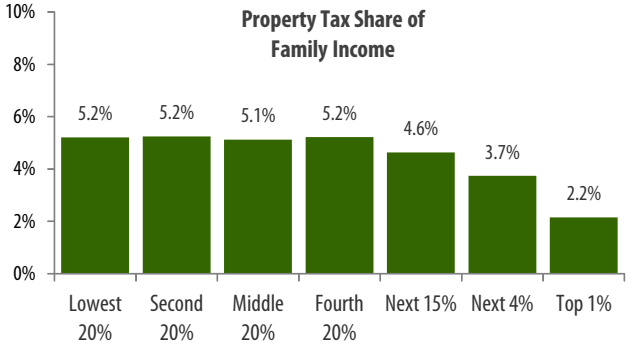
New Hampshire State & Local Taxes in 2015

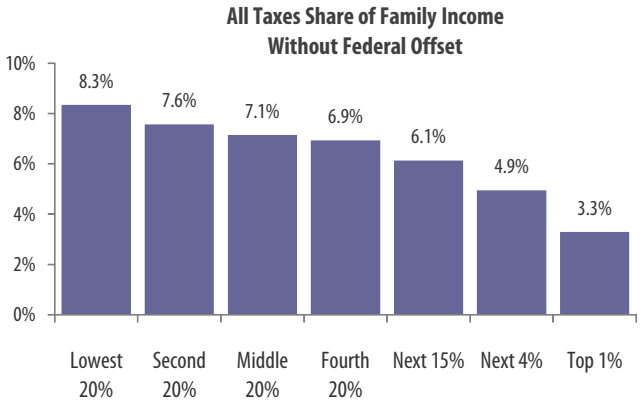
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in New Hampshire enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

New Hampshire State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than $27,000	$27,000 – $44,000	$44,000 – $70,000	$70,000 – $109,000	$109,000 – $209,000	$209,000 – $468,000	$468,000 or more
Average Income in Group	$15,600	$35,200	$55,900	$88,400	$142,700	$290,600	$1,311,200
Sales & Excise Taxes	**2.5%**	**1.7%**	**1.4%**	**1.1%**	**0.8%**	**0.5%**	**0.2%**
General Sales—Individuals	—	—	—	—	—	—	—
Other Sales & Excise—Ind.	2.0%	1.4%	1.1%	0.9%	0.6%	0.4%	0.1%
Sales & Excise on Business	0.4%	0.4%	0.3%	0.2%	0.2%	0.1%	0.1%
Property Taxes	**5.2%**	**5.2%**	**5.1%**	**5.2%**	**4.6%**	**3.7%**	**2.2%**
Property Taxes on Families	5.1%	5.1%	5.0%	5.0%	4.4%	3.1%	1.2%
Other Property Taxes	0.1%	0.2%	0.1%	0.2%	0.2%	0.6%	0.9%
Income Taxes	**0.6%**	**0.6%**	**0.6%**	**0.6%**	**0.7%**	**0.7%**	**1.0%**
Personal Income Tax	0.1%	0.1%	0.0%	0.0%	0.1%	0.2%	0.4%
Corporate Income Tax	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%
Total Taxes	**8.3%**	**7.6%**	**7.1%**	**6.9%**	**6.1%**	**4.9%**	**3.3%**
Federal Deduction Offset	*–0.0%*	*–0.2%*	*–0.5%*	*–0.7%*	*–1.0%*	*–0.8%*	*–0.7%*
OVERALL TOTAL	**8.3%**	**7.4%**	**6.6%**	**6.2%**	**5.1%**	**4.1%**	**2.6%**

Note: Table shows detailed breakout of data on previous page.

New Hampshire Tax Code Features

Progressive Features

- No statewide sales tax
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- No broad-based personal income tax
- Comparatively high reliance on property taxes
- Fails to provide a refundable Earned Income Tax Credit (EITC)

Tax Changes Enacted in 2013 & 2014

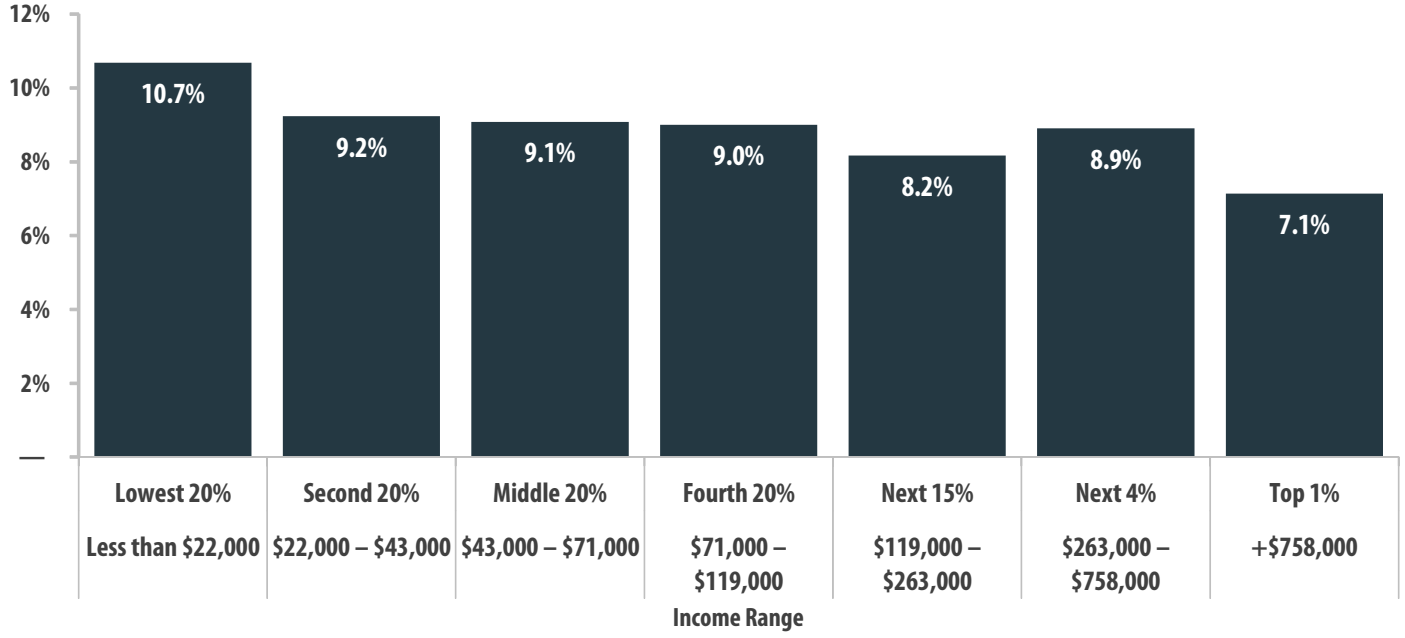
- Gas tax increased by 4.2 cents per gallon
- Tobacco tax had been temporarily lowered by 10 cents, but the reduction was reversed in 2013
- Multiple business tax reductions, including an increased Business Enterprise Tax threshold and an increased Research & Development tax credit

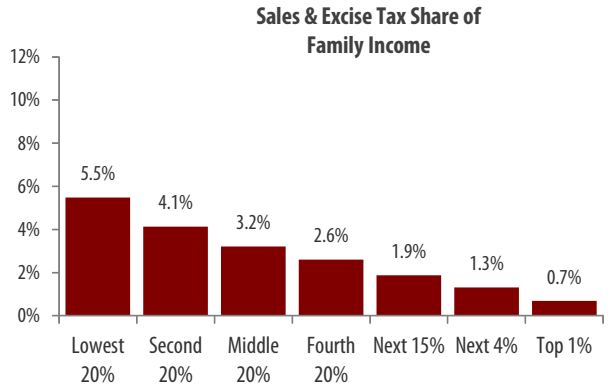
ITEP Tax Inequality Index

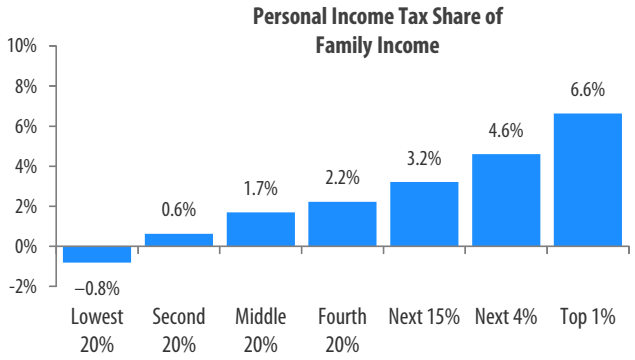
According to ITEP's Tax Inequality Index, New Hampshire has the **25th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

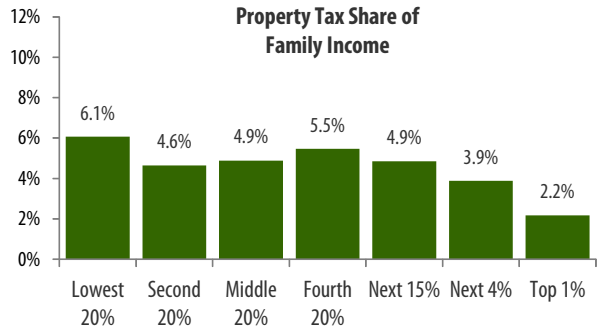
New Jersey State & Local Taxes in 2015

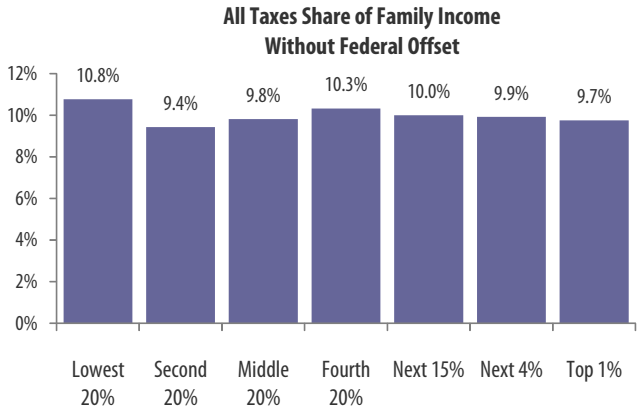
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in New Jersey enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

New Jersey State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than $22,000	$22,000 – $43,000	$43,000 – $71,000	$71,000 – $119,000	$119,000 – $263,000	$263,000 – $758,000	$758,000 or more
Average Income in Group	$13,200	$32,400	$55,800	$92,100	$163,800	$381,600	$2,063,700
Sales & Excise Taxes	**5.5%**	**4.1%**	**3.2%**	**2.6%**	**1.9%**	**1.3%**	**0.7%**
General Sales—Individuals	2.6%	2.2%	1.8%	1.5%	1.1%	0.9%	0.4%
Other Sales & Excise—Ind.	1.4%	0.9%	0.6%	0.4%	0.3%	0.1%	0.0%
Sales & Excise on Business	1.5%	1.1%	0.8%	0.7%	0.5%	0.3%	0.2%
Property Taxes	**6.1%**	**4.6%**	**4.9%**	**5.5%**	**4.9%**	**3.9%**	**2.2%**
Property Taxes on Families	5.9%	4.5%	4.7%	5.3%	4.6%	3.3%	1.0%
Other Property Taxes	0.1%	0.1%	0.2%	0.2%	0.2%	0.6%	1.2%
Income Taxes	**-0.8%**	**0.6%**	**1.7%**	**2.3%**	**3.3%**	**4.7%**	**6.9%**
Personal Income Tax	–0.8%	0.6%	1.7%	2.2%	3.2%	4.6%	6.6%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Total Taxes	**10.8%**	**9.4%**	**9.8%**	**10.3%**	**10.0%**	**9.9%**	**9.7%**
Federal Deduction Offset	*–0.1%*	*–0.2%*	*–0.7%*	*–1.3%*	*–1.8%*	*–1.0%*	*–2.6%*
OVERALL TOTAL	**10.7%**	**9.2%**	**9.1%**	**9.0%**	**8.2%**	**8.9%**	**7.1%**

Note: Table shows detailed breakout of data on previous page.

New Jersey Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides a 20 percent refundable Earned Income Tax Credit (EITC)
- Provides a refundable property tax "circuit breaker" credit via the personal income tax
- Sales tax base excludes groceries

Regressive Features

- Comparatively high reliance on property taxes
- Comparatively high cigarette tax rate
- Fails to provide refundable child tax credits
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

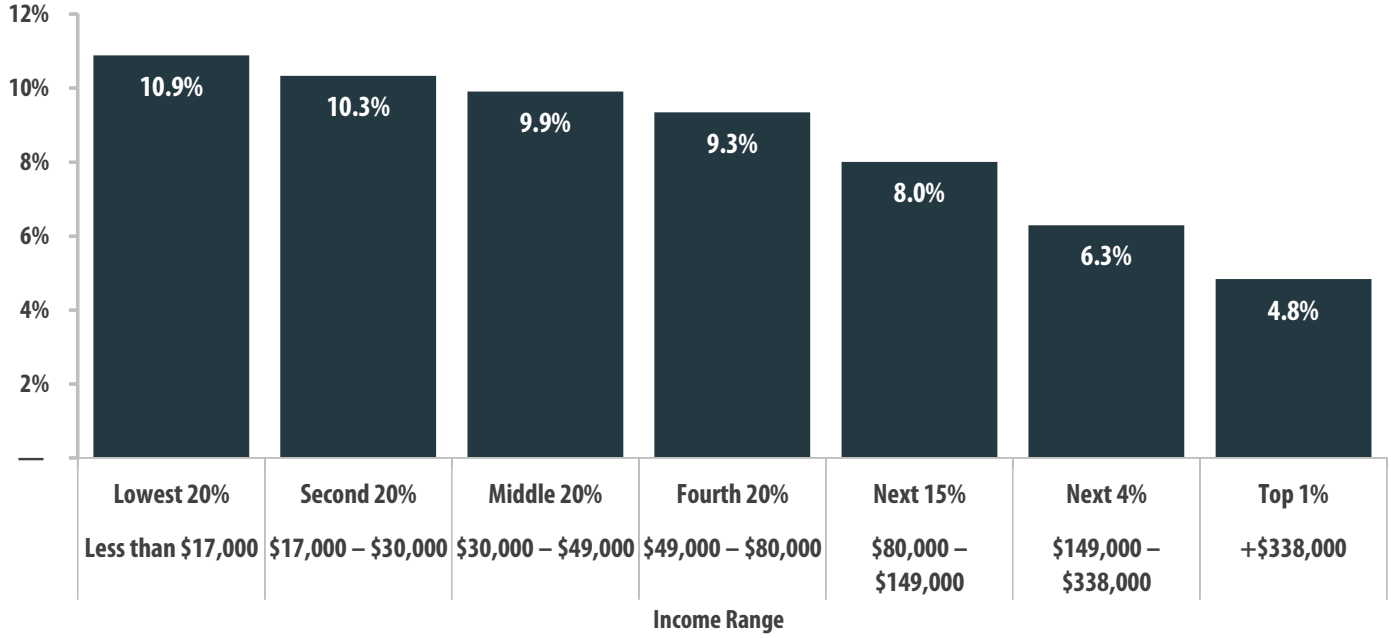
- No significant developments

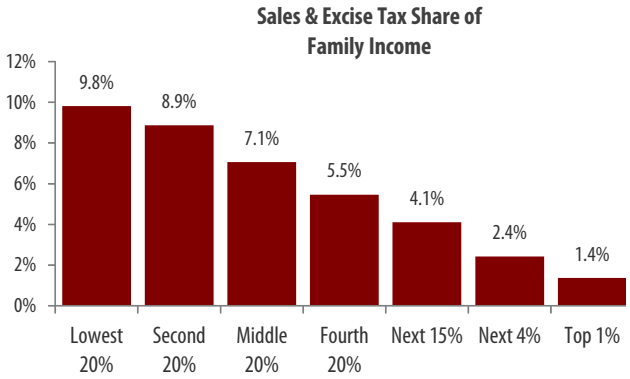
ITEP Tax Inequality Index

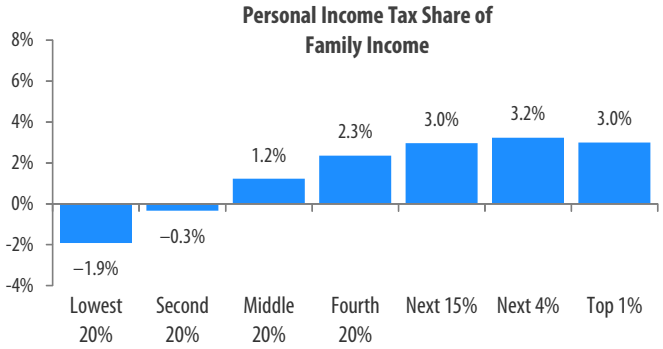
According to ITEP's Tax Inequality Index, New Jersey has the **39th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

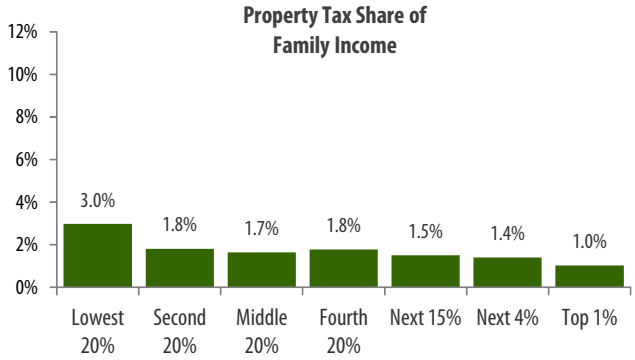
New Mexico State & Local Taxes in 2015

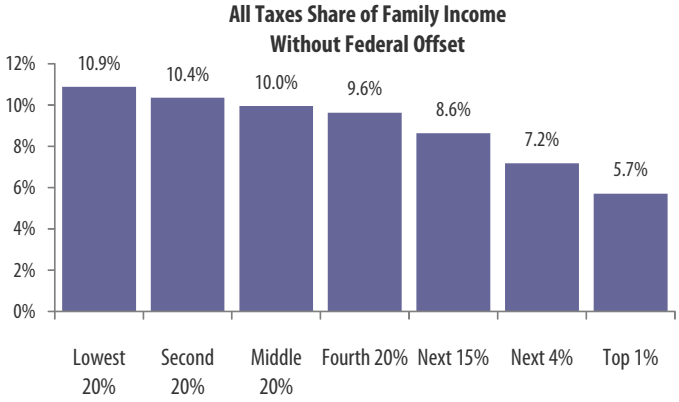
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in New Mexico enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

New Mexico State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income	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 – $49,000	$49,000 – $80,000	$80,000 – $149,000	$149,000 – $338,000	$338,000 or more
Average Income in Group	$10,400	$23,700	$37,600	$61,100	$105,300	$207,200	$822,600
Sales & Excise Taxes	**9.8%**	**8.9%**	**7.1%**	**5.5%**	**4.1%**	**2.4%**	**1.4%**
General Sales—Individuals	5.5%	5.2%	4.2%	3.4%	2.6%	1.5%	0.9%
Other Sales & Excise—Ind.	1.2%	0.8%	0.6%	0.4%	0.3%	0.1%	0.0%
Sales & Excise on Business	3.2%	2.9%	2.2%	1.7%	1.2%	0.7%	0.4%
Property Taxes	**3.0%**	**1.8%**	**1.7%**	**1.8%**	**1.5%**	**1.4%**	**1.0%**
Property Taxes on Families	3.0%	1.8%	1.6%	1.7%	1.4%	1.2%	0.5%
Other Property Taxes	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.5%
Income Taxes	**-1.9%**	**-0.3%**	**1.3%**	**2.4%**	**3.0%**	**3.4%**	**3.3%**
Personal Income Tax	–1.9%	–0.3%	1.2%	2.3%	3.0%	3.2%	3.0%
Corporate Income Tax	—	0.0%	0.0%	0.0%	0.1%	0.1%	0.3%
Total Taxes	**10.9%**	**10.4%**	**10.0%**	**9.6%**	**8.6%**	**7.2%**	**5.7%**
Federal Deduction Offset	—	*–0.0%*	*–0.0%*	*–0.3%*	*–0.6%*	*–0.9%*	*–0.9%*
OVERALL TOTAL	**10.9%**	**10.3%**	**9.9%**	**9.3%**	**8.0%**	**6.3%**	**4.8%**

Note: Table shows detailed breakout of data on previous page.

New Mexico Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides a 10 percent refundable Earned Income Tax Credit (EITC)
- Provides a refundable low-income tax credit
- Sales tax base excludes groceries

Regressive Features

- Provides an income tax exclusion equal to at least half of capital gains income
- Fails to provide a property tax "circuit breaker" credit for low-income non-elderly taxpayers

Tax Changes Enacted in 2013 & 2014

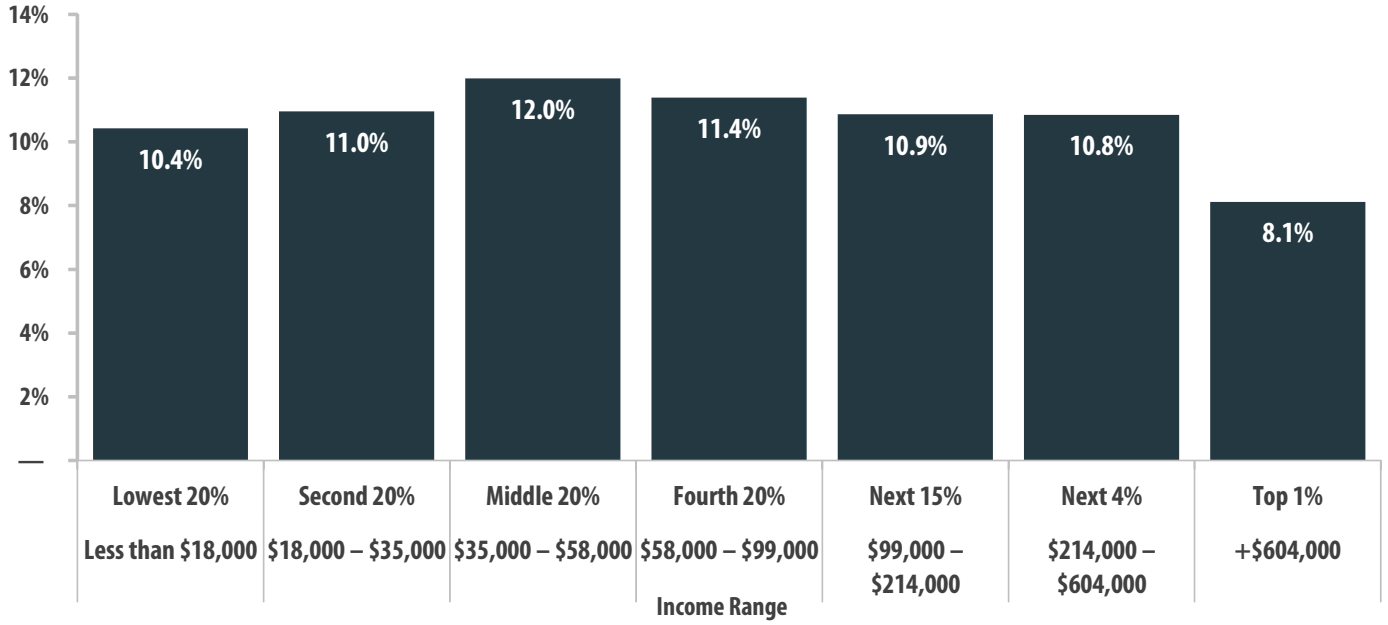
- Enacted single sales factor apportionment
- Reduced Corporate income tax rate from 7.6 to 5.9 percent
- Limits the tax avoidance opportunities available to some "big box" retailers through the adoption of mandatory combined reporting for those companies

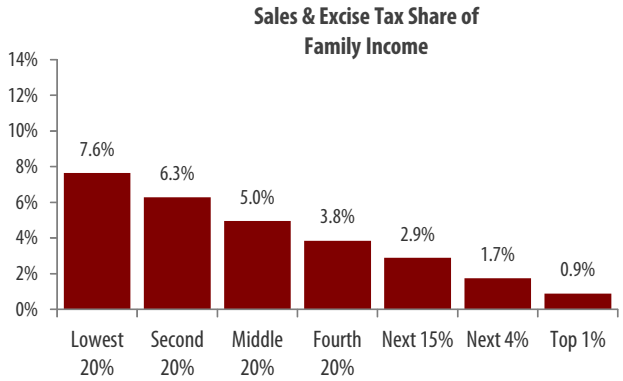
ITEP Tax Inequality Index

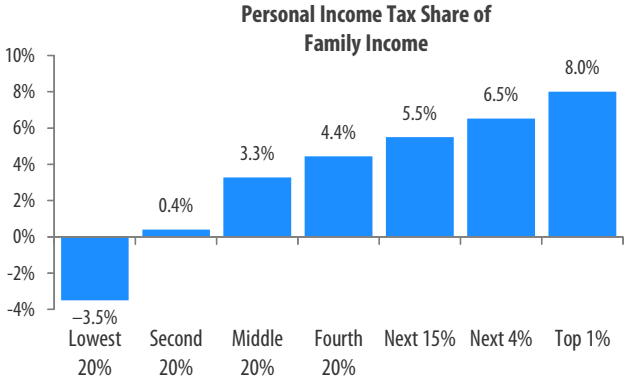
According to ITEP's Tax Inequality Index, New Mexico has the **17th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

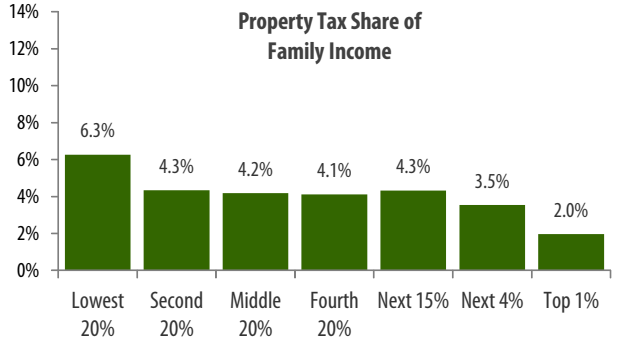
New York State & Local Taxes in 2015

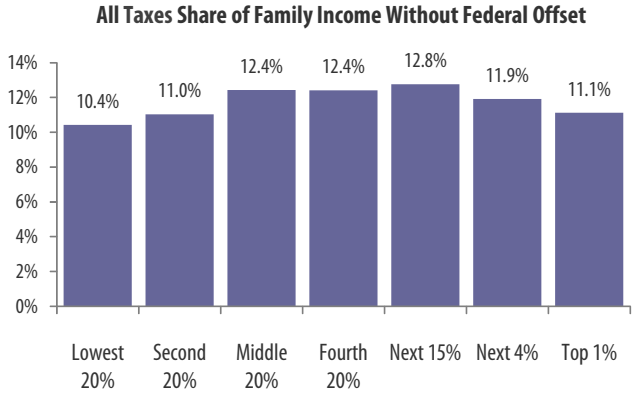
Shares of family income for non-elderly taxpayers











Note: Figures reflect temporary law in place in New York through 2017 and 2018 (temporary provisions that expire in 2016 are not included). New York City law provisions are included in the totals as are all other local taxes. Temporary provisions included in the analysis are: three additional personal income tax brackets and a reduction of rates for middle-income taxpayers, a supplemental tax tied to the benefit recapture provision, a refundable family relief tax credit for families with AGI between $40K- $300K, and a three-year property tax credit freeze for most homeowners living in jurisdictions with a property tax cap in place. Figures for permanent New York law can be found in Appendix D. Local income taxes are also included in totals. Top figure represents total state and local taxes as a share of income, post- federal offset.

New York State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $35,000	$35,000 – $58,000	$58,000 – $99,000	$99,000 – $214,000	$214,000 – $604,000	$604,000 or more
Average Income in Group	$10,500	$26,400	$46,300	$76,300	$137,400	$337,700	$2,720,900
Sales & Excise Taxes	**7.6%**	**6.3%**	**5.0%**	**3.8%**	**2.9%**	**1.7%**	**0.9%**
General Sales—Individuals	3.7%	3.5%	2.9%	2.4%	1.9%	1.2%	0.6%
Other Sales & Excise—Ind.	1.6%	0.9%	0.6%	0.4%	0.3%	0.1%	0.0%
Sales & Excise on Business	2.3%	1.9%	1.4%	1.1%	0.8%	0.4%	0.2%
Property Taxes	**6.3%**	**4.3%**	**4.2%**	**4.1%**	**4.3%**	**3.5%**	**2.0%**
Property Taxes on Families	5.6%	3.7%	3.6%	3.5%	3.7%	2.7%	0.7%
Other Property Taxes	0.6%	0.6%	0.6%	0.6%	0.6%	0.8%	1.3%
Income Taxes	**-3.5%**	**0.4%**	**3.3%**	**4.5%**	**5.5%**	**6.6%**	**8.3%**
Personal Income Tax (State and Local)	–3.5%	0.4%	3.3%	4.4%	5.5%	6.5%	8.0%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Total Taxes	**10.4%**	**11.0%**	**12.4%**	**12.4%**	**12.8%**	**11.9%**	**11.1%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.4%*	*–1.0%*	*–1.9%*	*–1.1%*	*–3.0%*
OVERALL TOTAL	**10.4%**	**11.0%**	**12.0%**	**11.4%**	**10.9%**	**10.8%**	**8.1%**

Note: Table shows detailed breakout of data on previous page.

New York Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides a refundable Earned Income Tax Credit (EITC) of 30 percent in New York State and an additional 5 percent in New York City
- Provides a refundable child tax credit
- Sales tax base excludes groceries
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Comparatively high combined state and local sales tax rates
- Comparatively high cigarette tax rate

Tax Changes Enacted in 2013 & 2014

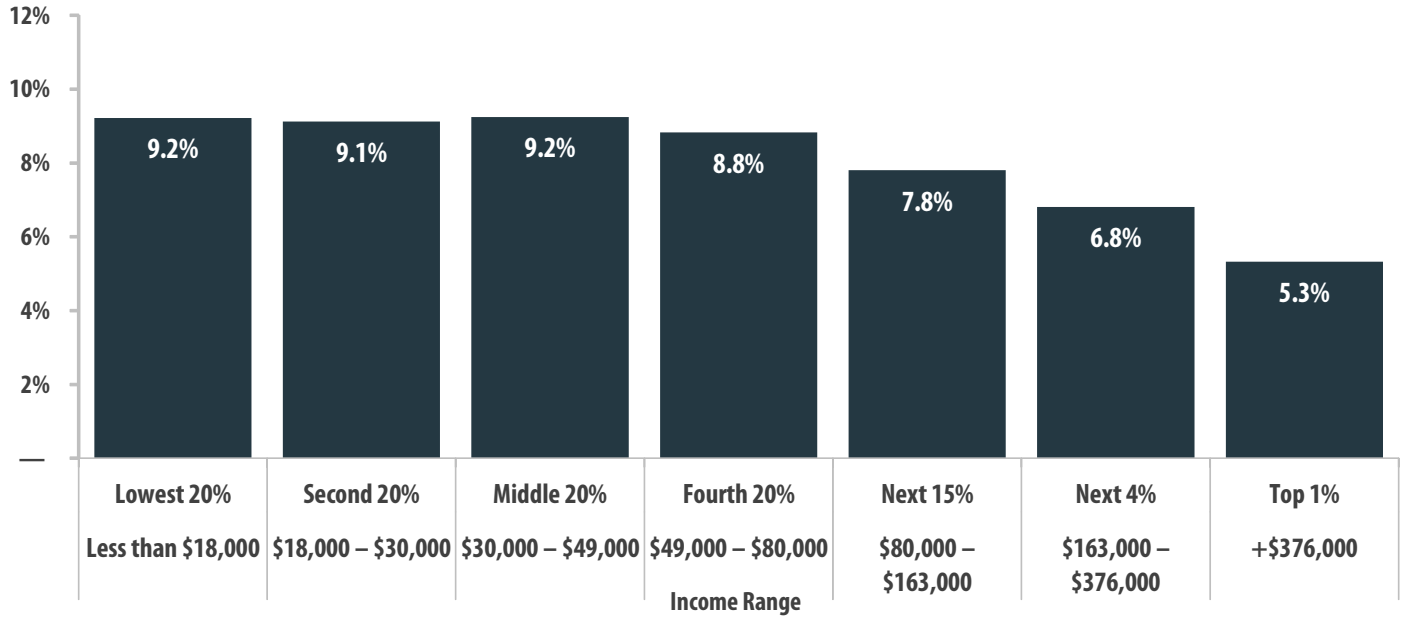
- Temporary changes to personal income tax brackets and rates were extended through 2017
- Corporate income tax (CIT) rate reduced from 7.1 to 6.5 percent, bank tax collapsed into CIT; and zeroed out the CIT for manufacturers
- 3-year property tax rebate program will cut homeowners taxes (if in jurisdictions that impose a property tax cap)

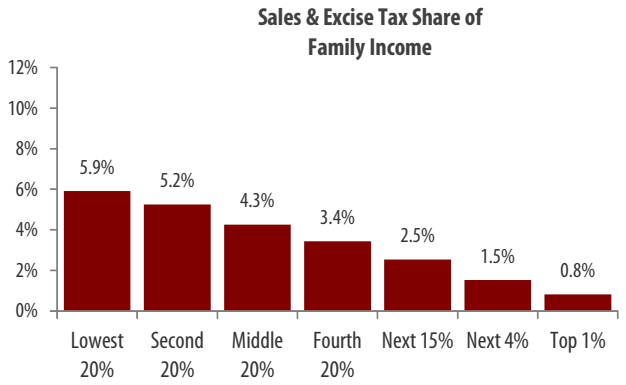
ITEP Tax Inequality Index

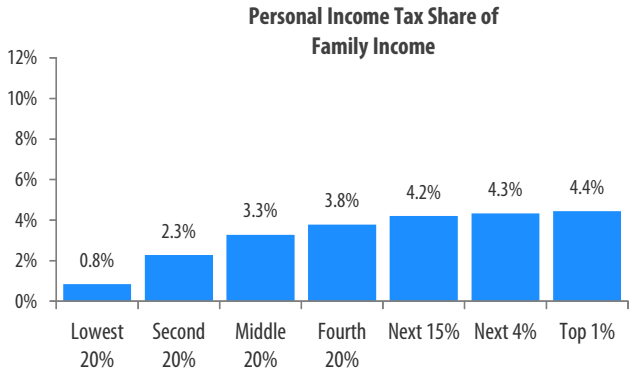
According to ITEP's Tax Inequality Index, New York has the **41st** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

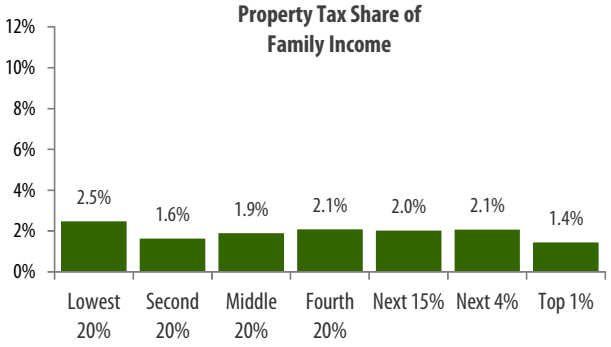
North Carolina State & Local Taxes in 2015

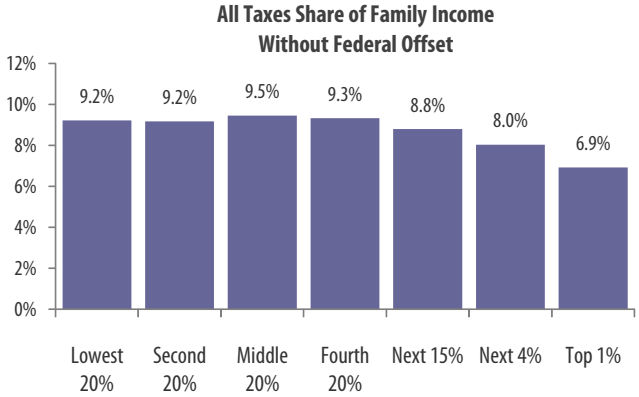
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in North Carolina enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

North Carolina State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $49,000	$49,000 – $80,000	$80,000 – $163,000	$163,000 – $376,000	$376,000 or more
Average Income in Group	$10,700	$23,500	$38,300	$62,800	$107,900	$229,700	$969,100
Sales & Excise Taxes	**5.9%**	**5.2%**	**4.3%**	**3.4%**	**2.5%**	**1.5%**	**0.8%**
General Sales—Individuals	2.9%	2.5%	2.2%	1.8%	1.4%	0.9%	0.5%
Other Sales & Excise—Ind.	1.3%	1.2%	0.9%	0.7%	0.5%	0.3%	0.1%
Sales & Excise on Business	1.7%	1.5%	1.2%	0.9%	0.7%	0.4%	0.2%
Property Taxes	**2.5%**	**1.6%**	**1.9%**	**2.1%**	**2.0%**	**2.1%**	**1.4%**
Property Taxes on Families	2.4%	1.6%	1.8%	2.0%	1.9%	1.7%	0.8%
Other Property Taxes	0.1%	0.0%	0.1%	0.1%	0.1%	0.3%	0.7%
Income Taxes	**0.8%**	**2.3%**	**3.3%**	**3.8%**	**4.3%**	**4.4%**	**4.7%**
Personal Income Tax	0.8%	2.3%	3.3%	3.8%	4.2%	4.3%	4.4%
Corporate Income Tax	—	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**9.2%**	**9.2%**	**9.5%**	**9.3%**	**8.8%**	**8.0%**	**6.9%**
Federal Deduction Offset	*–0.0%*	*–0.0%*	*–0.2%*	*–0.5%*	*–1.0%*	*–1.2%*	*–1.6%*
OVERALL TOTAL	**9.2%**	**9.1%**	**9.2%**	**8.8%**	**7.8%**	**6.8%**	**5.3%**

Note: Table shows detailed breakout of data on previous page.

North Carolina Tax Code Features

Progressive Features

- Provides a targeted nonrefundable child tax credit
- State sales tax base excludes groceries

Regressive Features

- Personal income tax uses a flat rate
- Comparatively high state and local sales tax rates
- Local sales tax bases include groceries
- Fails to provide refundable Earned Income Tax Credit (EITC) since credit was eliminated in 2013
- Fails to provide a property tax "circuit breaker" credit for low-income taxpayers
- Child Tax Credit is nonrefundable

Tax Changes Enacted in 2013 & 2014

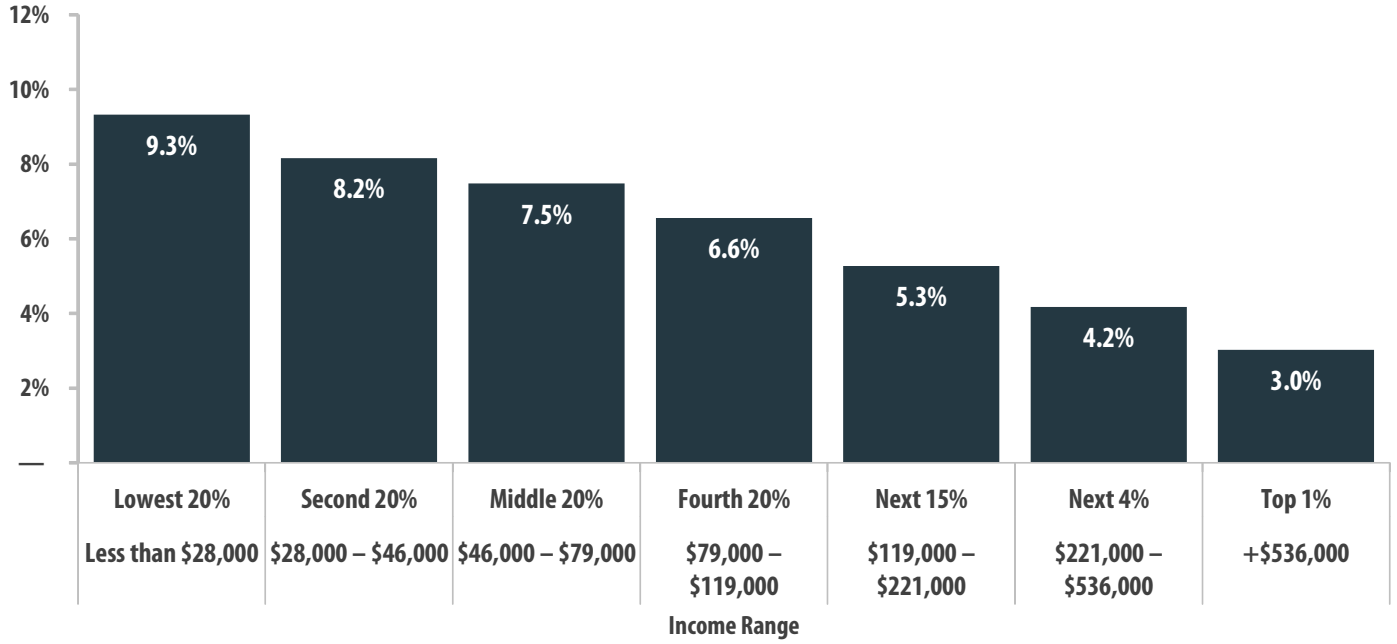
- Converted graduated personal income tax to a flat 5.75 percent rate
- Eliminated all credits other than the child tax credit which was increased by $25 for those with incomes under $40,000
- Eliminated personal exemptions and increased standard deduction
- Eliminated all itemized deductions other than mortgage interest and property taxes (subject to a $20,000 cap), and charitable contributions (no cap)
- Eliminated $50,000 business pass-through exclusion from personal income tax
- Cut the corporate income tax rate
- Expanded the sales tax base to a few goods and services; electricity now subject to full state and local sales tax rate

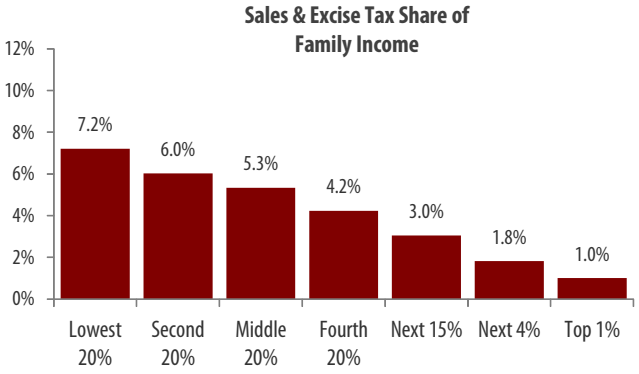
ITEP Tax Inequality Index

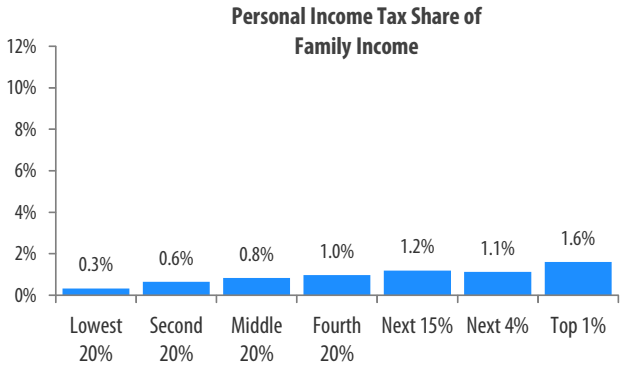
According to ITEP's Tax Inequality Index, North Carolina has the **31st** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

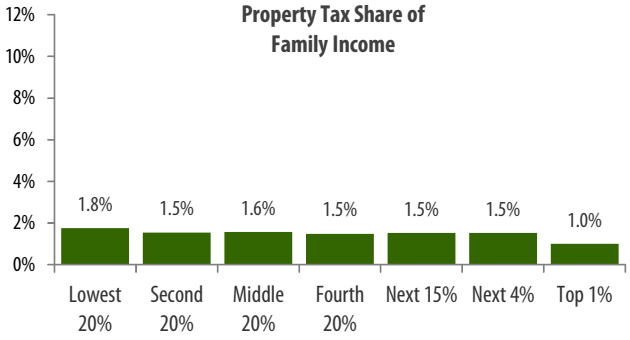
North Dakota State & Local Taxes in 2015

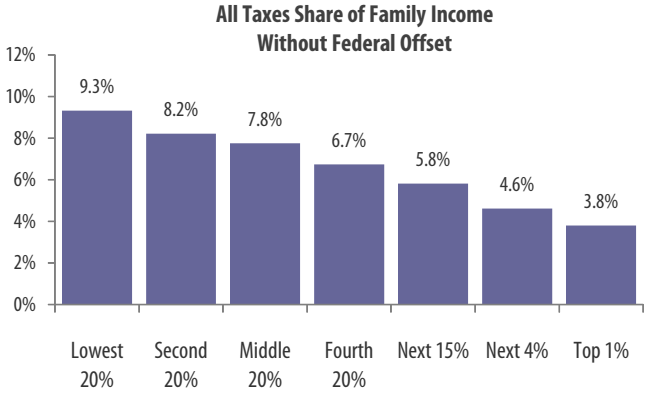
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in North Dakota enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

North Dakota State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than $28,000	$28,000 – $46,000	$46,000 – $79,000	$79,000 – $119,000	$119,000 – $221,000	$221,000 – $536,000	$536,000 or more
Average Income in Group	$17,900	$37,400	$60,600	$96,100	$148,000	$321,400	$1,523,700
Sales & Excise Taxes	**7.2%**	**6.0%**	**5.3%**	**4.2%**	**3.0%**	**1.8%**	**1.0%**
General Sales—Individuals	3.1%	2.7%	2.6%	2.1%	1.5%	1.0%	0.6%
Other Sales & Excise—Ind.	0.7%	0.6%	0.5%	0.4%	0.2%	0.2%	0.1%
Sales & Excise on Business	3.3%	2.7%	2.3%	1.8%	1.3%	0.7%	0.3%
Property Taxes	**1.8%**	**1.5%**	**1.6%**	**1.5%**	**1.5%**	**1.5%**	**1.0%**
Property Taxes on Families	1.7%	1.5%	1.5%	1.3%	1.3%	1.1%	0.4%
Other Property Taxes	0.1%	0.0%	0.1%	0.2%	0.2%	0.5%	0.6%
Income Taxes	**0.4%**	**0.6%**	**0.8%**	**1.0%**	**1.2%**	**1.3%**	**1.8%**
Personal Income Tax	0.3%	0.6%	0.8%	1.0%	1.2%	1.1%	1.6%
Corporate Income Tax	0.0%	—	0.0%	0.0%	0.1%	0.1%	0.2%
Total Taxes	**9.3%**	**8.2%**	**7.8%**	**6.7%**	**5.8%**	**4.6%**	**3.8%**
Federal Deduction Offset	—	*–0.1%*	*–0.3%*	*–0.2%*	*–0.5%*	*–0.4%*	*–0.8%*
OVERALL TOTAL	**9.3%**	**8.2%**	**7.5%**	**6.6%**	**5.3%**	**4.2%**	**3.0%**

Note: Table shows detailed breakout of data on previous page.

North Dakota Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Sales tax base excludes groceries
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Provides a deduction for state income taxes paid
- Fails to provide non-elderly taxpayers with refundable income tax credits to offset sales, excise, and property taxes
- Provides an income tax exclusion equal to 40 percent of long-term capital gains income

Tax Changes Enacted in 2013 & 2014

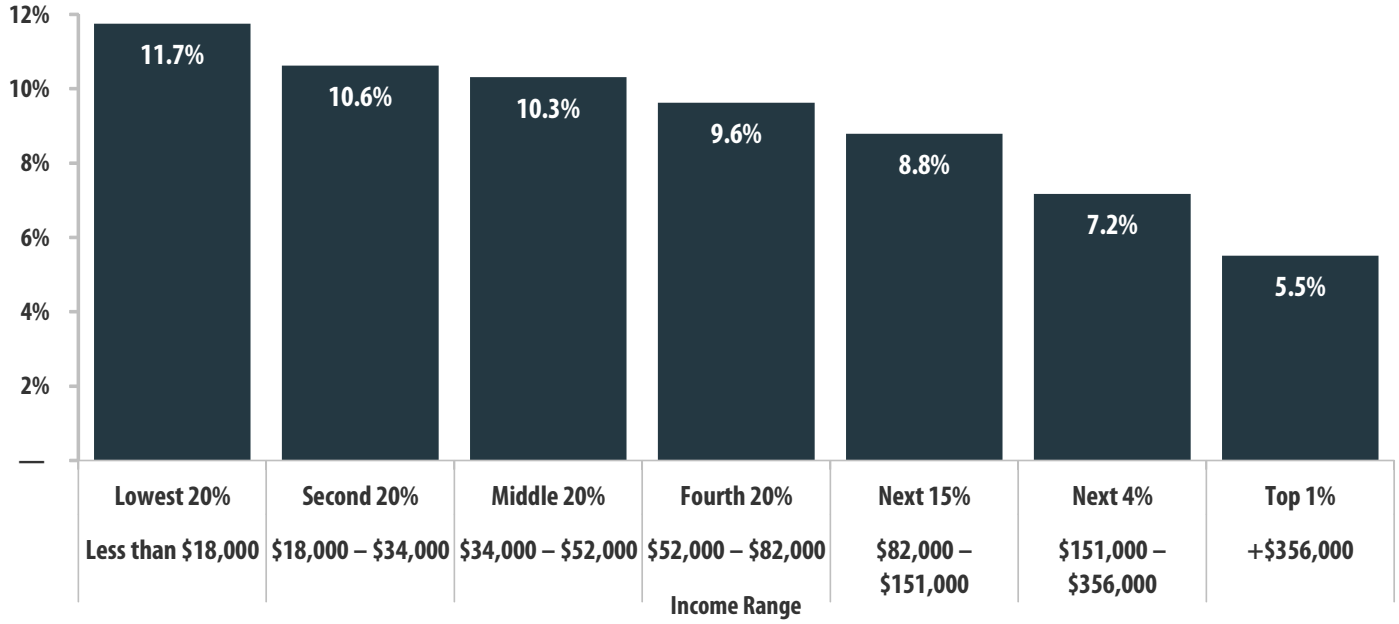
- Reduced personal and corporate income tax rates

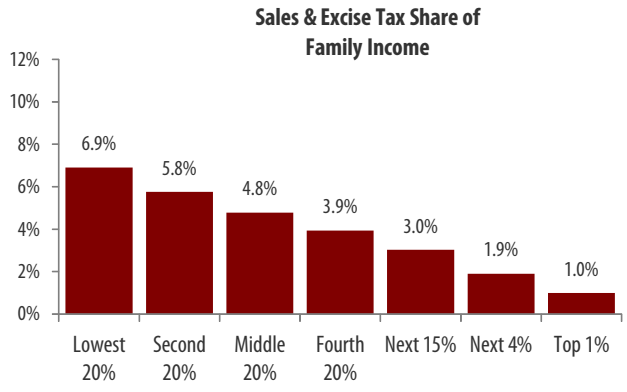
ITEP Tax Inequality Index

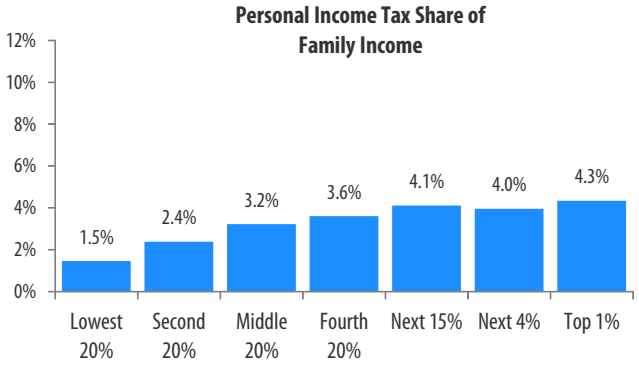
According to ITEP's Tax Inequality Index, North Dakota has the **20th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

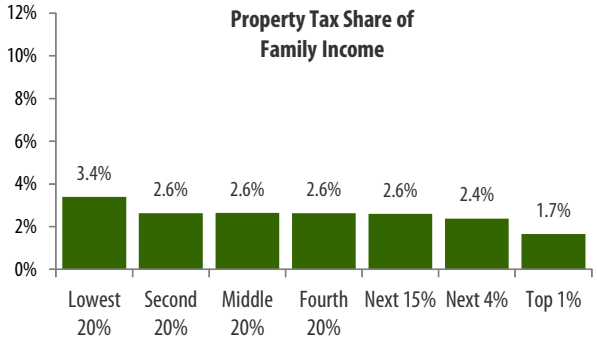
Ohio State & Local Taxes in 2015

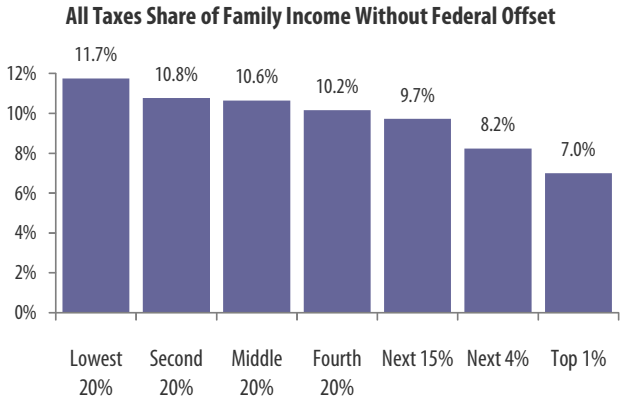
Shares of family income for non-elderly taxpayers











Note: Figures show permanent, fully-phased in law in Ohio enacted through December 31, 2014 at 2012 income levels. Changes made to Ohio's municipal income tax system in December 2014 are not reflected given that the revenue impact is unknown at the time of this report's publication. Top figure represents total state and local taxes as a share of income, post- federal offset.

Ohio State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $34,000	$34,000 – $52,000	$52,000 – $82,000	$82,000 – $151,000	$151,000 – $356,000	$356,000 or more
Average Income in Group	$10,600	$25,400	$42,400	$65,400	$105,700	$218,000	$995,900
Sales & Excise Taxes	**6.9%**	**5.8%**	**4.8%**	**3.9%**	**3.0%**	**1.9%**	**1.0%**
General Sales—Individuals	2.9%	2.7%	2.4%	2.1%	1.7%	1.1%	0.6%
Other Sales & Excise—Ind.	2.0%	1.4%	1.1%	0.8%	0.6%	0.3%	0.1%
Sales & Excise on Business	1.9%	1.6%	1.3%	1.0%	0.8%	0.5%	0.3%
Property Taxes	**3.4%**	**2.6%**	**2.6%**	**2.6%**	**2.6%**	**2.4%**	**1.7%**
Property Taxes on Families	3.3%	2.6%	2.6%	2.5%	2.5%	2.0%	0.9%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.1%	0.4%	0.8%
Income Taxes	**1.5%**	**2.4%**	**3.2%**	**3.6%**	**4.1%**	**4.0%**	**4.3%**
Personal Income Tax (State and Local)	1.5%	2.4%	3.2%	3.6%	4.1%	4.0%	4.3%
Corporate Income Tax	—	—	—	—	—	—	—
Total Taxes	**11.7%**	**10.8%**	**10.6%**	**10.2%**	**9.7%**	**8.2%**	**7.0%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.3%*	*–0.5%*	*–0.9%*	*–1.1%*	*–1.5%*
OVERALL TOTAL	**11.7%**	**10.6%**	**10.3%**	**9.6%**	**8.8%**	**7.2%**	**5.5%**

Note: Table shows detailed breakout of data on previous page.

Ohio Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides an income tax credit for those with income of $10,000 or below
- Provides a limited, nonrefundable 10 percent Earned Income Tax Credit (EITC)
- Sales tax base excludes groceries

Regressive Features

- Imposes a gross receipts tax in lieu of a corporate profits tax
- Fails to provide refundable income tax credits to offset sales, excise, and property taxes

Tax Changes Enacted in 2013 & 2014

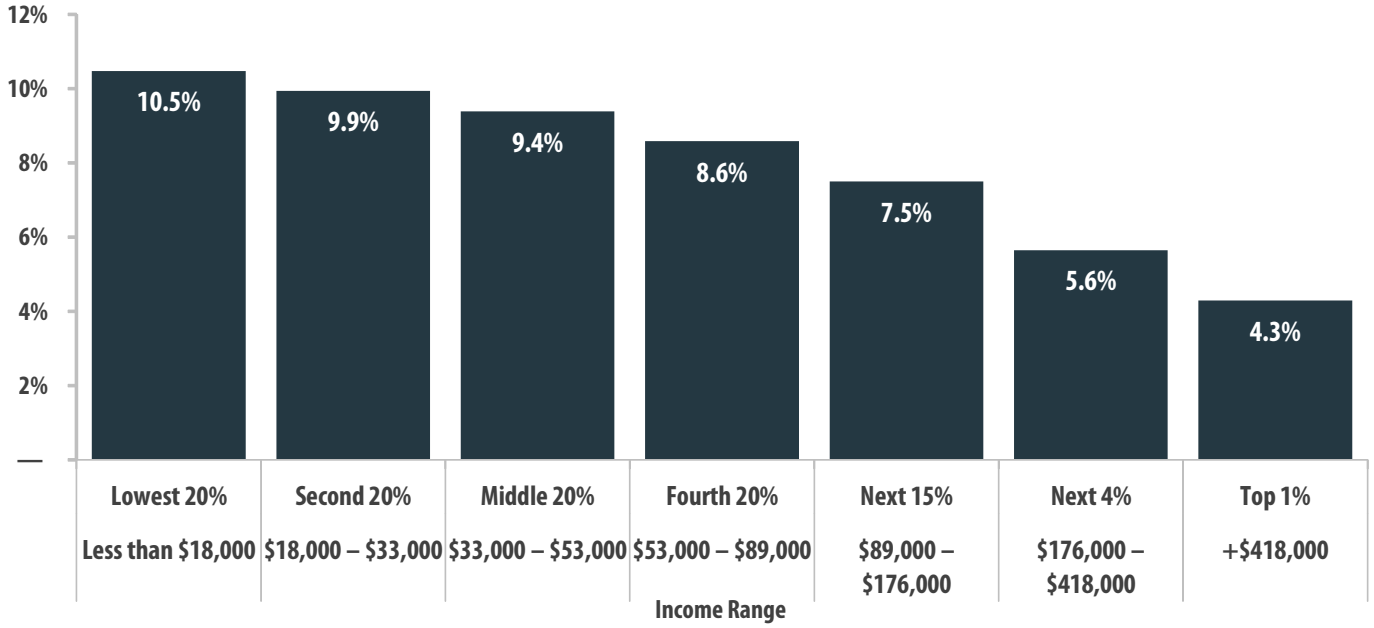
- 10 percent across the board personal income tax rate reduction
- Introduced 50 percent personal income tax exemption for pass-throughbusiness income
- Increased personal exemption for low- and middle-income taxpayers, means-tested $20 personal exemption credit, enacted a 5 percent capped non-refundable EITC in 2013 and increased it to 10 percent in 2014
- Sales tax rate increase

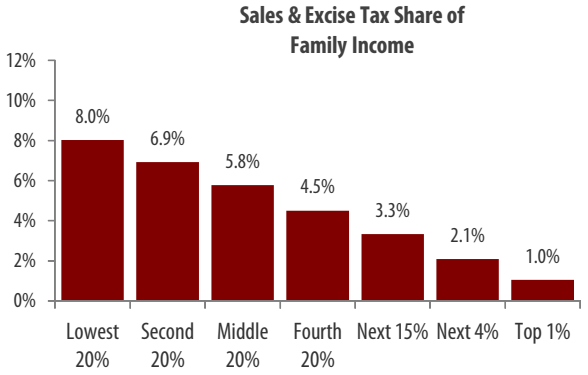
ITEP Tax Inequality Index

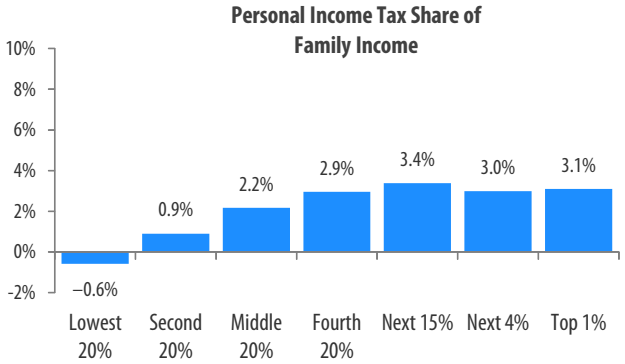
According to ITEP's Tax Inequality Index, Ohio has the **18th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

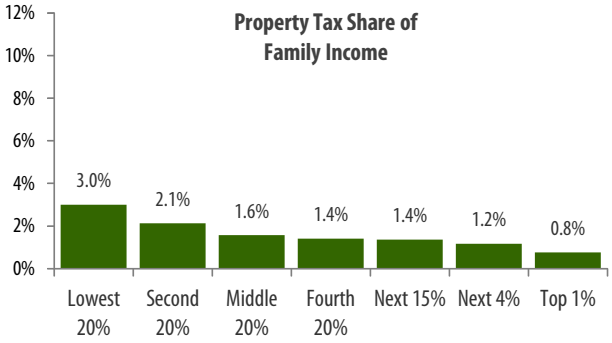
Oklahoma State & Local Taxes in 2015

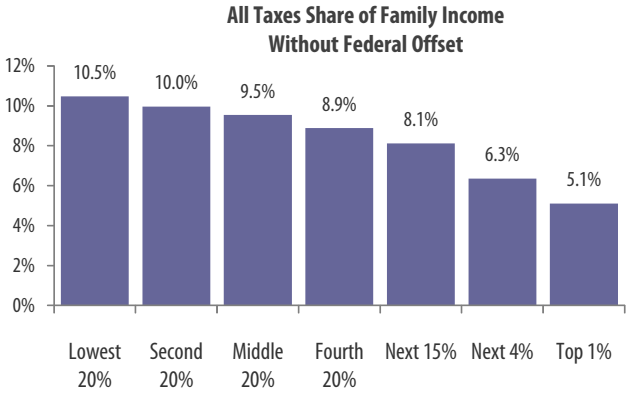
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Oklahoma enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset. Figures in Appendix D on page 27 show Oklahoma law under the assumption that current "triggers" in the law are eventually reached, thus reducing the top personal income tax rate from 5.25 to 4.85 percent.

Oklahoma State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $33,000	$33,000 – $53,000	$53,000 – $89,000	$89,000 – $176,000	$176,000 – $418,000	$418,000 or more
Average Income in Group	$10,300	$23,800	$42,100	$69,800	$118,000	$254,400	$1,456,600
Sales & Excise Taxes	**8.0%**	**6.9%**	**5.8%**	**4.5%**	**3.3%**	**2.1%**	**1.0%**
General Sales—Individuals	4.8%	4.3%	3.7%	3.0%	2.2%	1.5%	0.8%
Other Sales & Excise—Ind.	1.2%	0.8%	0.6%	0.4%	0.3%	0.1%	0.0%
Sales & Excise on Business	2.0%	1.9%	1.5%	1.1%	0.8%	0.5%	0.2%
Property Taxes	**3.0%**	**2.1%**	**1.6%**	**1.4%**	**1.4%**	**1.2%**	**0.8%**
Property Taxes on Families	3.0%	2.1%	1.5%	1.4%	1.3%	1.0%	0.4%
Other Property Taxes	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.4%
Income Taxes	**-0.6%**	**0.9%**	**2.2%**	**3.0%**	**3.4%**	**3.1%**	**3.3%**
Personal Income Tax	–0.6%	0.9%	2.2%	2.9%	3.4%	3.0%	3.1%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**10.5%**	**10.0%**	**9.5%**	**8.9%**	**8.1%**	**6.3%**	**5.1%**
Federal Deduction Offset	*–0.0%*	*–0.0%*	*–0.2%*	*–0.3%*	*–0.6%*	*–0.7%*	*–0.8%*
OVERALL TOTAL	**10.5%**	**9.9%**	**9.4%**	**8.6%**	**7.5%**	**5.6%**	**4.3%**

Note: Table shows detailed breakout of data on previous page.

Oklahoma Tax Code Features

Progressive Features

- Provides a 5 percent refundable Earned Income Tax Credit (EITC)
- Provides a refundable tax credit to reduce the impact of its sales tax on groceries

Regressive Features

- Provides an income tax deduction for state income taxes paid
- Fails to index income tax brackets to inflation
- State sales tax base includes groceries
- Local sales tax bases include groceries
- Comparatively high combined state and local sales tax rate
- Fails to provide a property tax "circuit breaker" credit for low-income non-elderly taxpayers

Tax Changes Enacted in 2013 & 2014

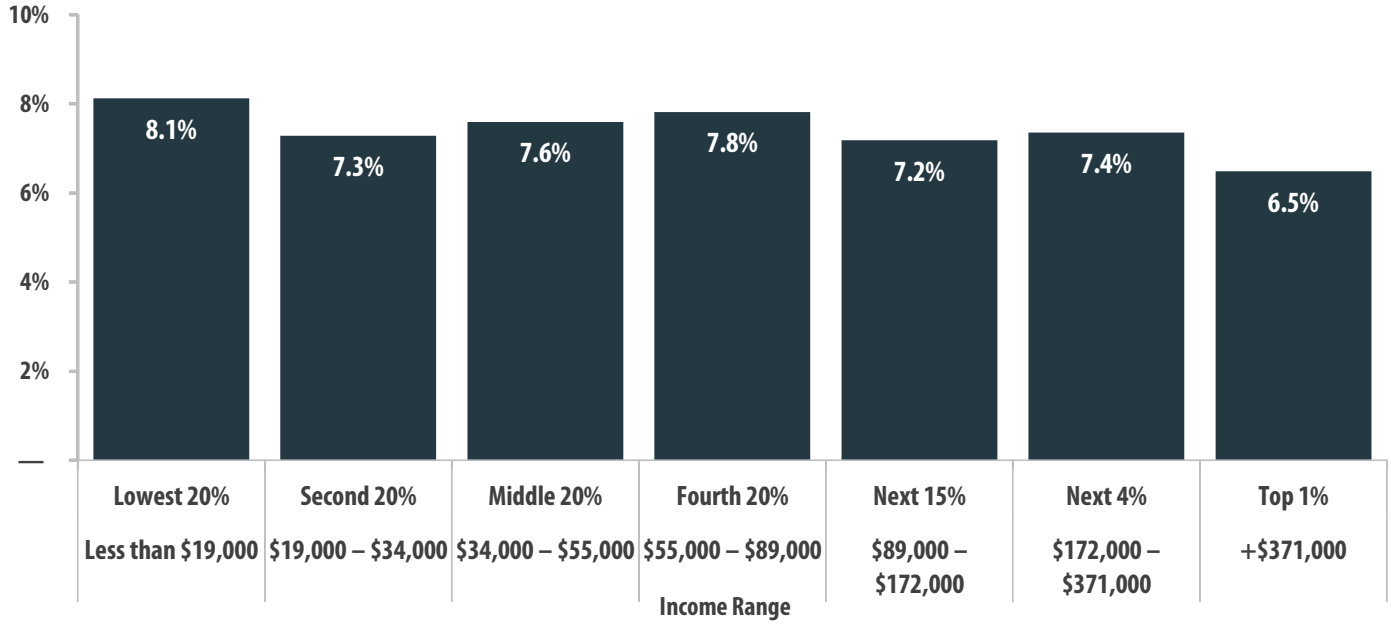
- Enacted law that could eventually reduce top personal income tax rate from 5.25 to 4.85 percent, dependent on state revenue growth

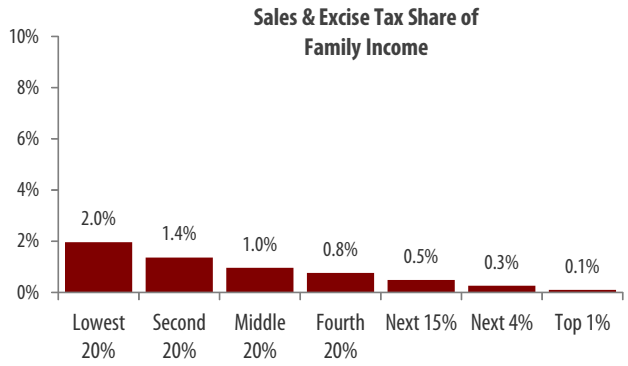
ITEP Tax Inequality Index

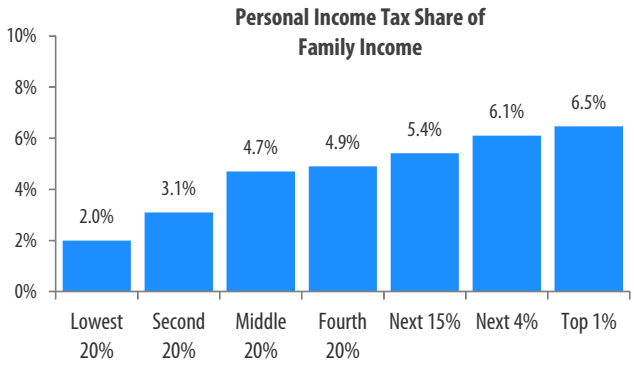
According to ITEP's Tax Inequality Index, Oklahoma has the **16th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

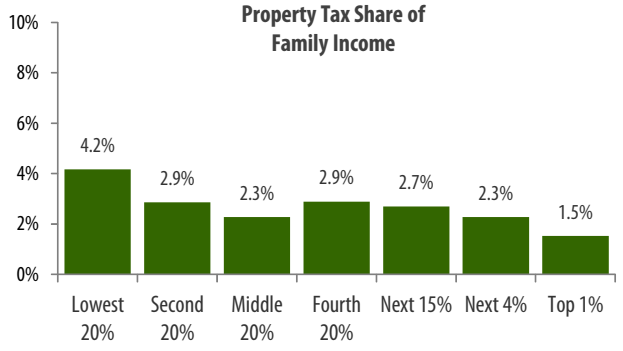
Oregon State & Local Taxes in 2015

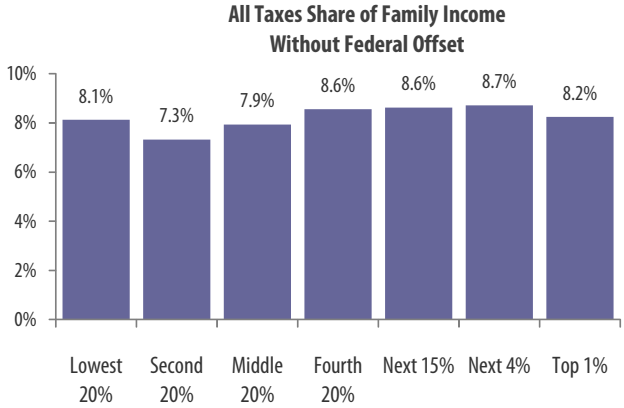
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Oregon enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Oregon State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $55,000	$55,000 – $89,000	$89,000 – $172,000	$172,000 – $371,000	$371,000 or more
Average Income in Group	$11,200	$26,400	$43,500	$70,200	$117,300	$240,200	$952,600
Sales & Excise Taxes	**2.0%**	**1.4%**	**1.0%**	**0.8%**	**0.5%**	**0.3%**	**0.1%**
General Sales—Individuals	—	—	—	—	—	—	—
Other Sales & Excise—Ind.	1.7%	1.2%	0.8%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	0.2%	0.2%	0.2%	0.1%	0.1%	0.0%	0.0%
Property Taxes	**4.2%**	**2.9%**	**2.3%**	**2.9%**	**2.7%**	**2.3%**	**1.5%**
Property Taxes on Families	4.1%	2.7%	2.1%	2.7%	2.4%	1.8%	0.8%
Other Property Taxes	0.1%	0.2%	0.2%	0.2%	0.3%	0.5%	0.7%
Income Taxes	**2.0%**	**3.1%**	**4.7%**	**4.9%**	**5.5%**	**6.2%**	**6.6%**
Personal Income Tax	2.0%	3.1%	4.7%	4.9%	5.4%	6.1%	6.5%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**8.1%**	**7.3%**	**7.9%**	**8.6%**	**8.6%**	**8.7%**	**8.2%**
Federal Deduction Offset	—	*–0.0%*	*–0.3%*	*–0.7%*	*–1.4%*	*–1.4%*	*–1.8%*
OVERALL TOTAL	**8.1%**	**7.3%**	**7.6%**	**7.8%**	**7.2%**	**7.4%**	**6.5%**

Note: Table shows detailed breakout of data on previous page.

Oregon Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Income tax brackets, standard deduction, and "exemption" credit indexed to inflation
- Provides an 8 percent refundable Earned Income Tax Credit (EITC)
- Provides a refundable property tax "circuit breaker" credit for renters via the personal income tax
- No statewide sales tax
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Provides a limited income tax deduction for federal income taxes paid
- Fails to provide a property tax "circuit breaker" credit for low-income homeowners

Tax Changes Enacted in 2013 & 2014

- Earned Income Tax Credit increased from 6 to 8 percent
- Personal Exemption credit fully phased-out for upper-income taxpayers
- Elderly medical expense deduction narrowed and capped
- An alternative lower rate structure for pass- thru business income now allowed
- 15 cent cigarette tax increase.
- Corporate income tax rate increased

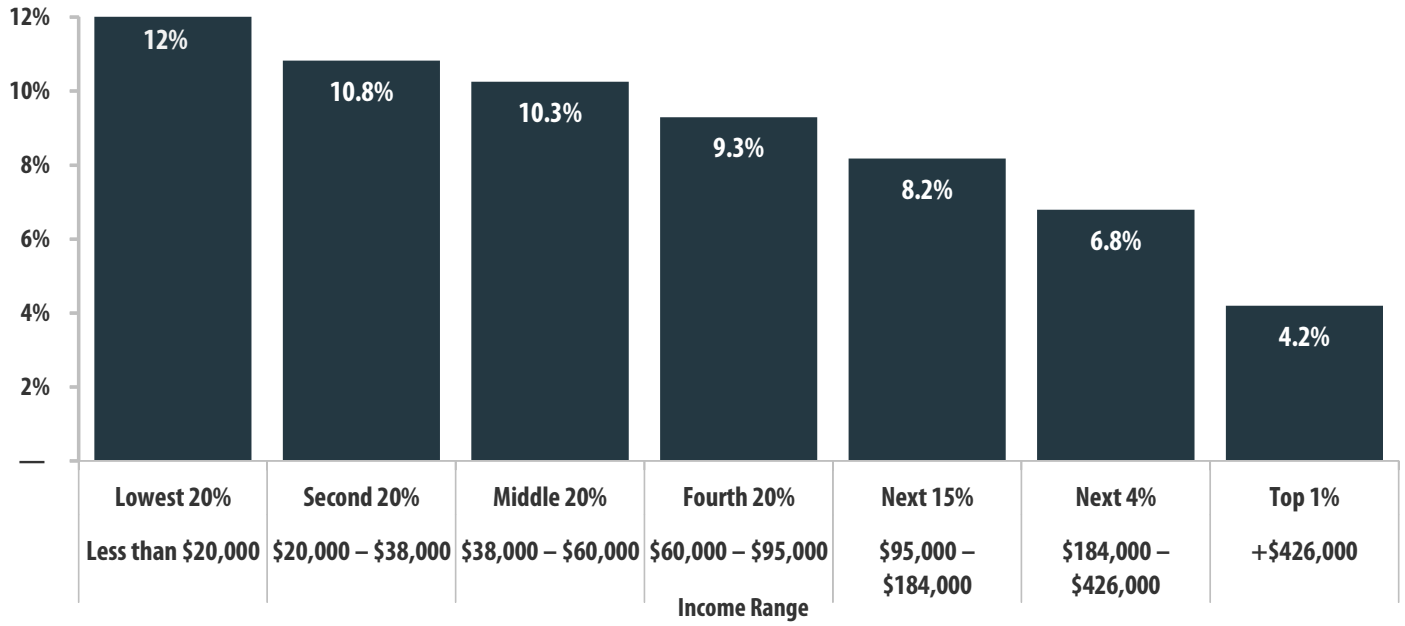
ITEP Tax Inequality Index

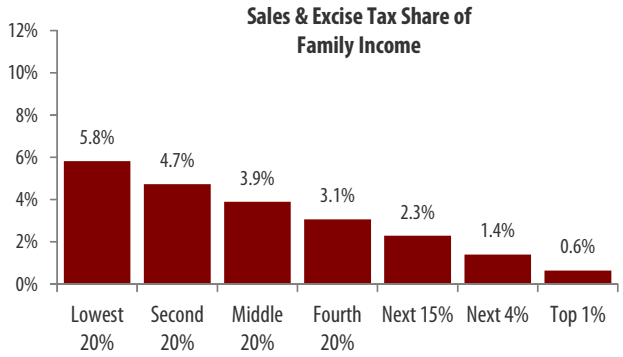
According to ITEP's Tax Inequality Index, Oregon has the **48th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

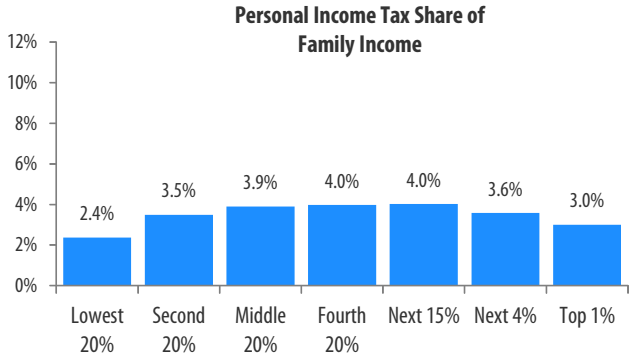
Pennsylvania State & Local Taxes in 2015

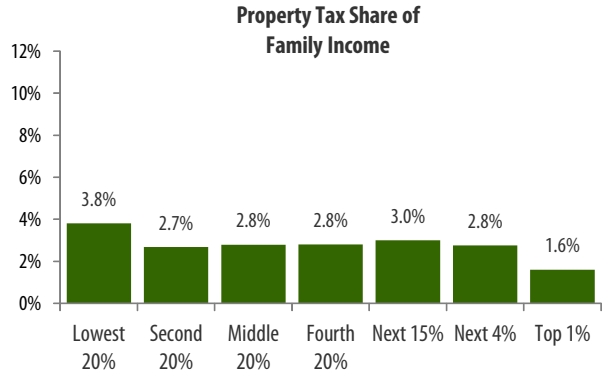
#6 of the Terrible 10

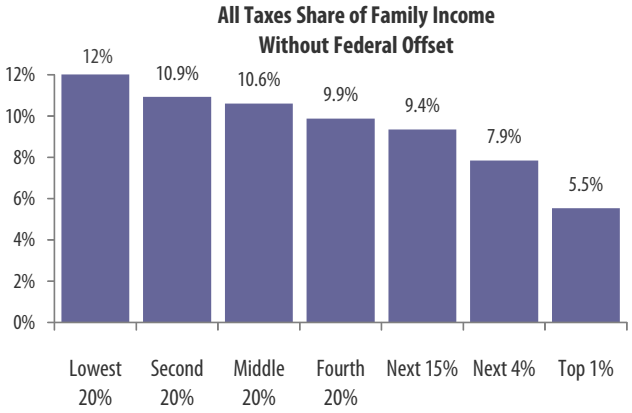
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Pennsylvania enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Pennsylvania State & Local Taxes in 2015

#6 of the Terrible 10

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $38,000	$38,000 – $60,000	$60,000 – $95,000	$95,000 – $184,000	$184,000 – $426,000	$426,000 or more
Average Income in Group	$11,600	$29,000	$48,600	$75,400	$125,500	$263,700	$1,241,600
Sales & Excise Taxes	**5.8%**	**4.7%**	**3.9%**	**3.1%**	**2.3%**	**1.4%**	**0.6%**
General Sales—Individuals	2.1%	2.0%	1.8%	1.5%	1.2%	0.8%	0.4%
Other Sales & Excise—Ind.	2.0%	1.3%	0.9%	0.7%	0.5%	0.3%	0.1%
Sales & Excise on Business	1.7%	1.4%	1.1%	0.9%	0.6%	0.4%	0.2%
Property Taxes	**3.8%**	**2.7%**	**2.8%**	**2.8%**	**3.0%**	**2.8%**	**1.6%**
Property Taxes on Families	3.7%	2.6%	2.7%	2.7%	2.9%	2.4%	0.9%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%	0.7%
Income Taxes	**2.4%**	**3.5%**	**3.9%**	**4.0%**	**4.1%**	**3.7%**	**3.3%**
Personal Income Tax (State and Local)	2.4%	3.5%	3.9%	4.0%	4.0%	3.6%	3.0%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.3%
Total Taxes	**12.0%**	**10.9%**	**10.6%**	**9.9%**	**9.4%**	**7.9%**	**5.5%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.4%*	*–0.6%*	*–1.2%*	*–1.1%*	*–1.3%*
OVERALL TOTAL	**12.0%**	**10.8%**	**10.3%**	**9.3%**	**8.2%**	**6.8%**	**4.2%**

Note: Table shows detailed breakout of data on previous page.

Pennsylvania Tax Code Features

Progressive Features

- Provides non-refundable "tax forgiveness" credit to low-income taxpayers
- Sales tax base excludes groceries

Regressive Features

- Personal income tax uses a flat rate
- Fails to provide non-elderly taxpayers with refundable income tax credits to offset sales, excise, and property taxes
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

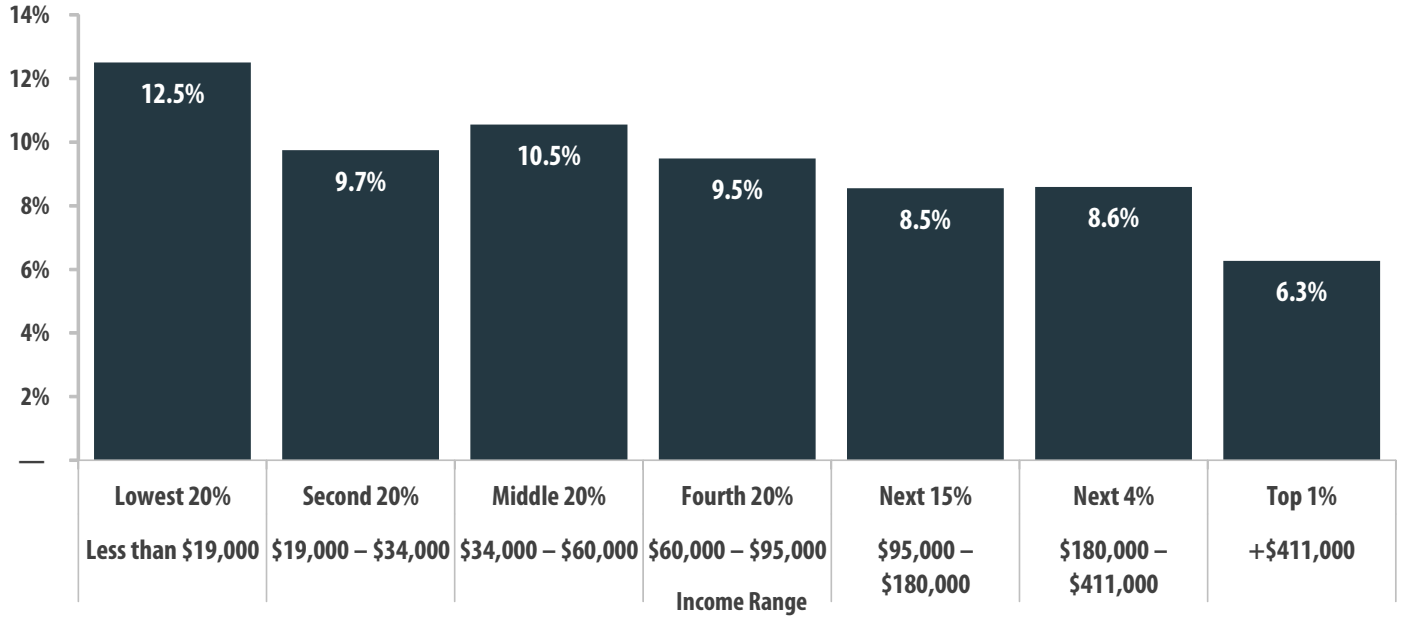
- 27 cent per gallon gas tax hike and 36 cent per gallon diesel tax hike being phased in
- Began closing the Delaware loophole, capital stock/franchise tax extended 2 years, new tax breaks for aircraft owners, banks, gas drillers, telecom companies enacted

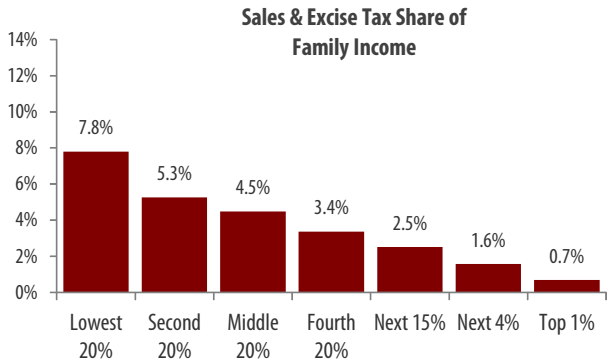
ITEP Tax Inequality Index

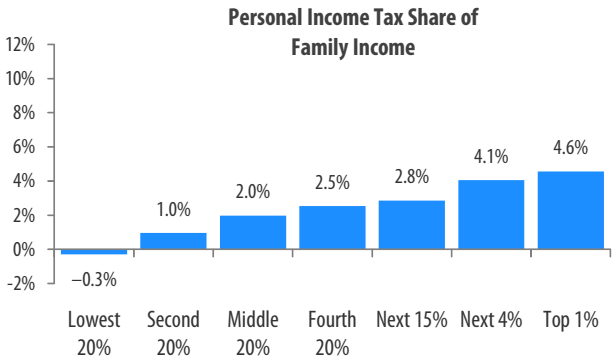
According to ITEP's Tax Inequality Index, Pennsylvania has the **6th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

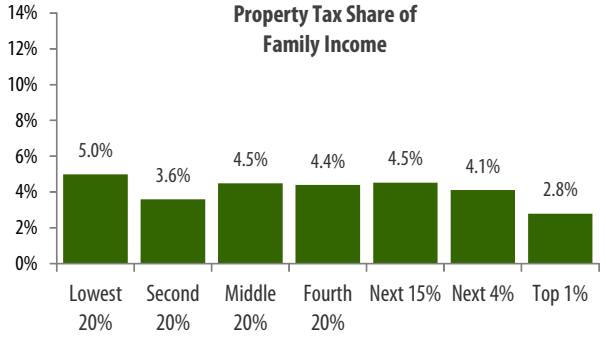
Rhode Island State & Local Taxes in 2015

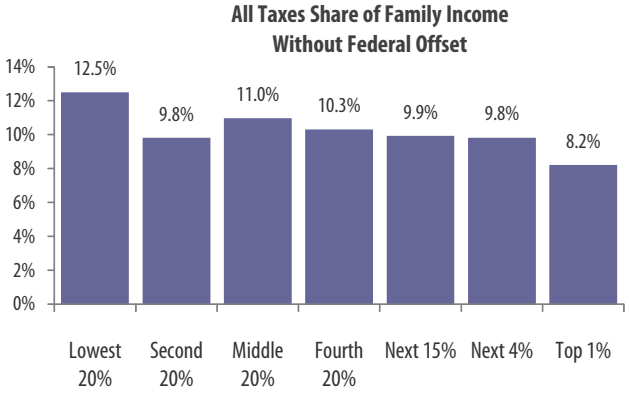
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Rhode Island enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Rhode Island State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $60,000	$60,000 – $95,000	$95,000 – $180,000	$180,000 – $411,000	$411,000 or more
Average Income in Group	$10,300	$26,600	$47,500	$74,700	$124,900	$254,400	$1,086,100
Sales & Excise Taxes	**7.8%**	**5.3%**	**4.5%**	**3.4%**	**2.5%**	**1.6%**	**0.7%**
General Sales—Individuals	3.2%	2.4%	2.2%	1.7%	1.4%	0.9%	0.4%
Other Sales & Excise—Ind.	2.8%	1.5%	1.2%	0.8%	0.6%	0.3%	0.1%
Sales & Excise on Business	1.8%	1.3%	1.0%	0.8%	0.6%	0.4%	0.2%
Property Taxes	**5.0%**	**3.6%**	**4.5%**	**4.4%**	**4.5%**	**4.1%**	**2.8%**
Property Taxes on Families	4.7%	3.4%	4.1%	4.0%	4.1%	3.2%	1.3%
Other Property Taxes	0.3%	0.2%	0.4%	0.4%	0.5%	1.0%	1.5%
Income Taxes	**-0.3%**	**1.0%**	**2.0%**	**2.6%**	**2.9%**	**4.1%**	**4.7%**
Personal Income Tax	–0.3%	1.0%	2.0%	2.5%	2.8%	4.1%	4.6%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**12.5%**	**9.8%**	**11.0%**	**10.3%**	**9.9%**	**9.8%**	**8.2%**
Federal Deduction Offset	—	*–0.1%*	*–0.4%*	*–0.8%*	*–1.4%*	*–1.2%*	*–2.0%*
OVERALL TOTAL	**12.5%**	**9.7%**	**10.5%**	**9.5%**	**8.5%**	**8.6%**	**6.3%**

Note: Table shows detailed breakout of data on previous page.

Rhode Island Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Comparatively high standard deduction, personal exemption, and dependent exemption
- Standard deduction and personal exemption phase-out for upper-income taxpayers
- Provides a 10 percent refundable Earned Income Tax Credit (EITC)
- Sales tax base excludes groceries
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Fails to provide a property tax "circuit breaker" credit for low-income non-elderly taxpayers
- Comparatively high cigarette tax rate

Tax Changes Enacted in 2013 & 2014

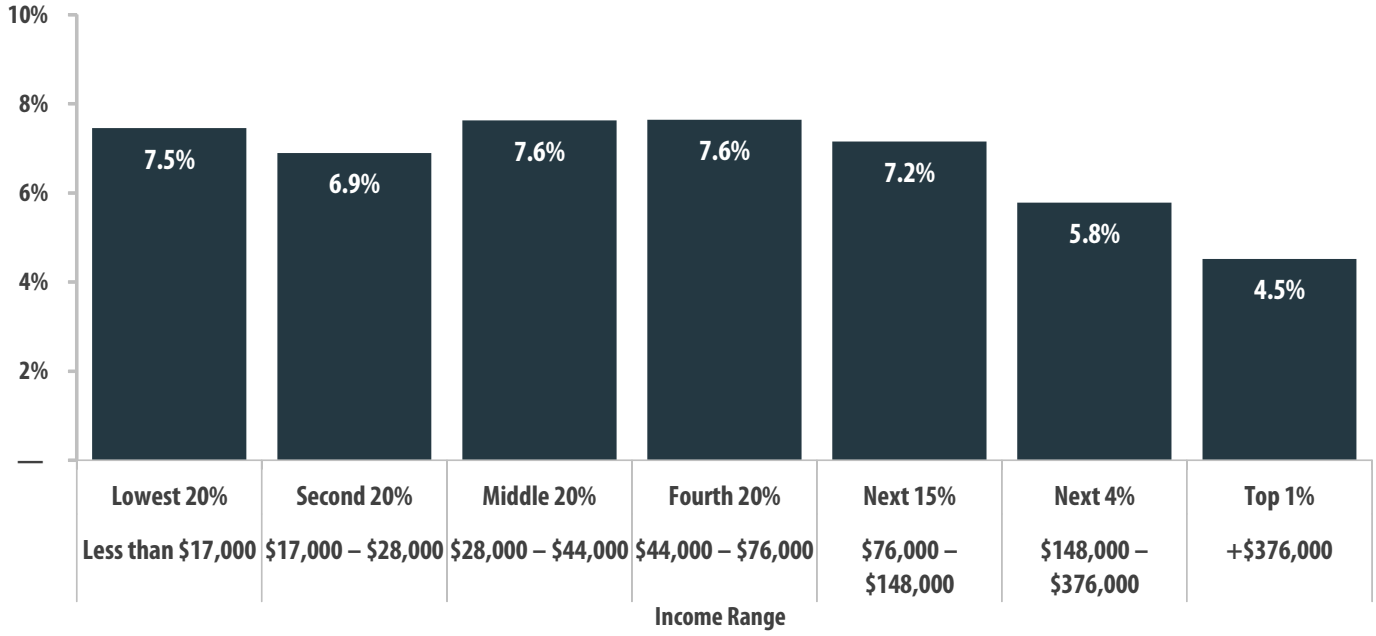
- Partially refundable Earned Income Tax Credit converted to a fully refundable 10 percent credit
- Refundable low-income property tax credit was eliminated for homeowners and renters under age 65
- Three significant changes to the corporate income tax: adopted mandatory combined reporting, moved to single-sales factor apportionment, and lowered the rate to 7%
- Small gas tax increase

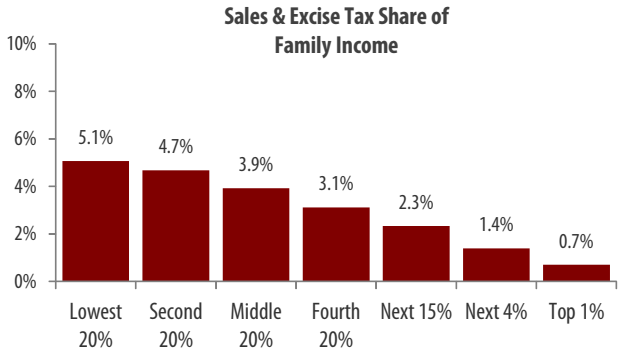
ITEP Tax Inequality Index

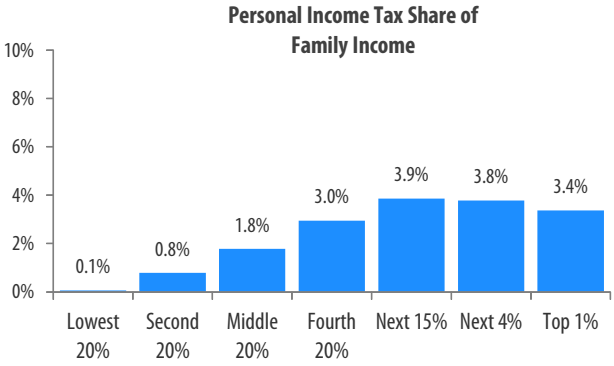
According to ITEP's Tax Inequality Index, Rhode Island has the **23rd** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

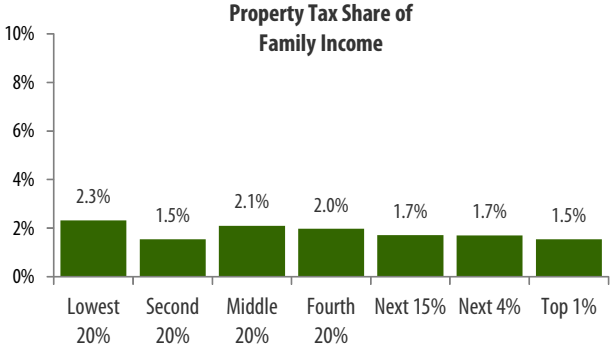
South Carolina State & Local Taxes in 2015

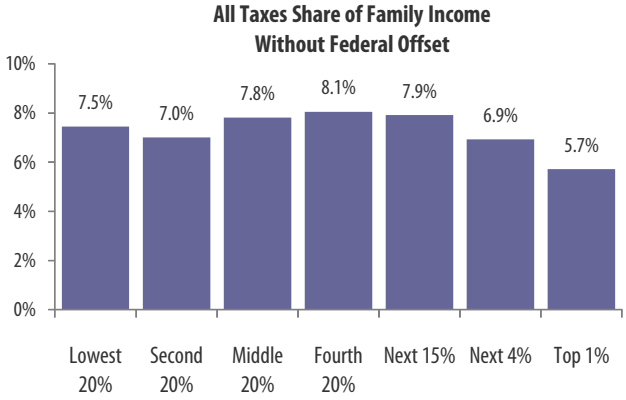
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in South Carolina enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

South Carolina State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $44,000	$44,000 – $76,000	$76,000 – $148,000	$148,000 – $376,000	$376,000 or more
Average Income in Group	$10,000	$22,400	$34,800	$58,300	$101,500	$215,700	$937,400
Sales & Excise Taxes	**5.1%**	**4.7%**	**3.9%**	**3.1%**	**2.3%**	**1.4%**	**0.7%**
General Sales—Individuals	2.7%	2.6%	2.3%	1.9%	1.4%	0.9%	0.5%
Other Sales & Excise—Ind.	1.1%	0.9%	0.7%	0.5%	0.4%	0.2%	0.1%
Sales & Excise on Business	1.3%	1.1%	0.9%	0.7%	0.5%	0.3%	0.2%
Property Taxes	**2.3%**	**1.5%**	**2.1%**	**2.0%**	**1.7%**	**1.7%**	**1.5%**
Property Taxes on Families	2.3%	1.5%	1.9%	1.8%	1.5%	1.1%	0.5%
Other Property Taxes	0.1%	0.0%	0.2%	0.2%	0.2%	0.6%	1.0%
Income Taxes	**0.1%**	**0.8%**	**1.8%**	**3.0%**	**3.9%**	**3.8%**	**3.5%**
Personal Income Tax	0.1%	0.8%	1.8%	3.0%	3.9%	3.8%	3.4%
Corporate Income Tax	0.0%	—	0.0%	0.0%	0.0%	0.0%	0.1%
Total Taxes	**7.5%**	**7.0%**	**7.8%**	**8.1%**	**7.9%**	**6.9%**	**5.7%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.2%*	*–0.4%*	*–0.8%*	*–1.1%*	*–1.2%*
OVERALL TOTAL	**7.5%**	**6.9%**	**7.6%**	**7.6%**	**7.2%**	**5.8%**	**4.5%**

Note: Table shows detailed breakout of data on previous page.

South Carolina Tax Code Features

Progressive Features

- Provides an income tax credit for child and dependent care expenses
- Sales tax base excludes groceries

Regressive Features

- Provides an income tax deduction equal to 44 percent of capital gains income
- Fails to provide refundable income tax credits to offset sales, excise, and property taxes
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

- Decoupled from federal tax code provision that limits itemized deductions for upper-income taxpayers

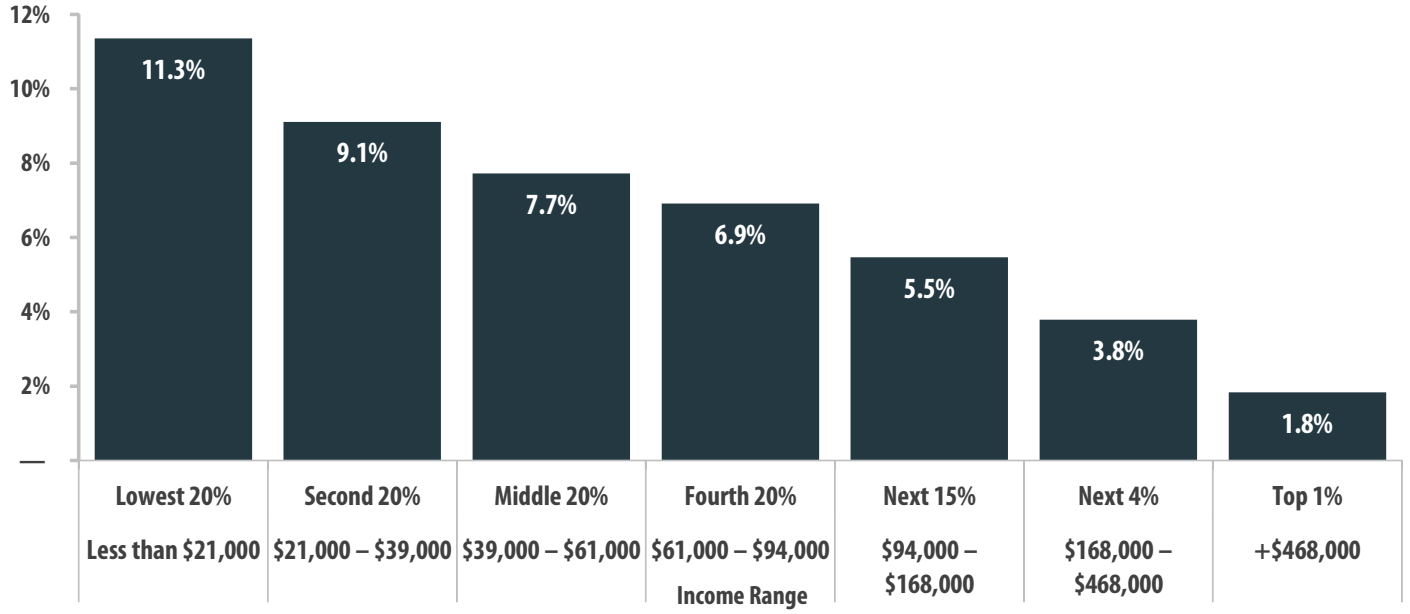
ITEP Tax Inequality Index

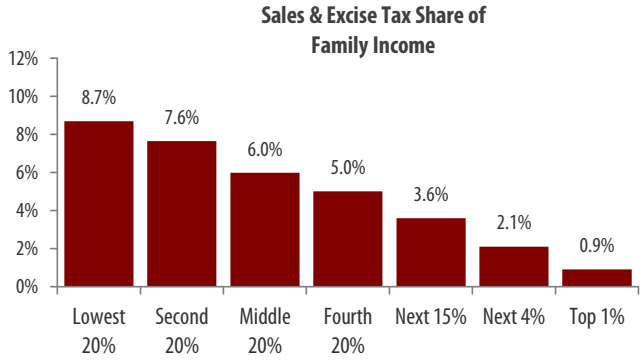
According to ITEP's Tax Inequality Index, South Carolina has the **40th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

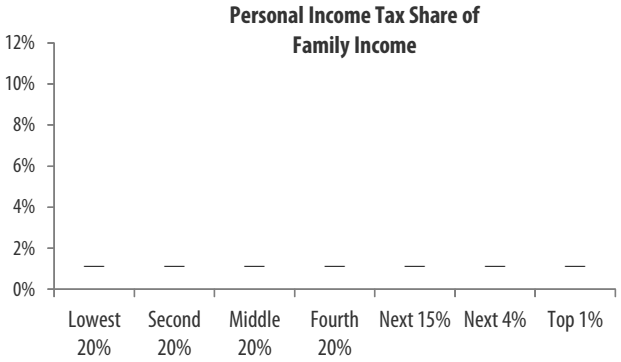
South Dakota State & Local Taxes in 2015

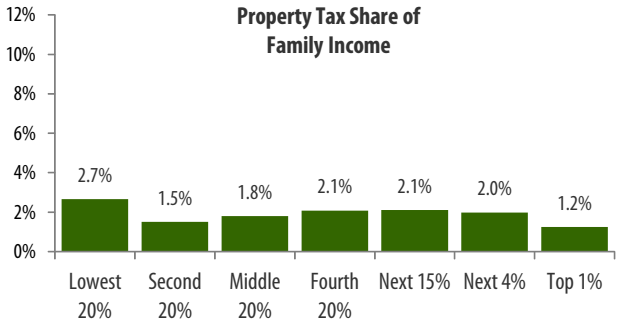
#4 of the Terrible 10

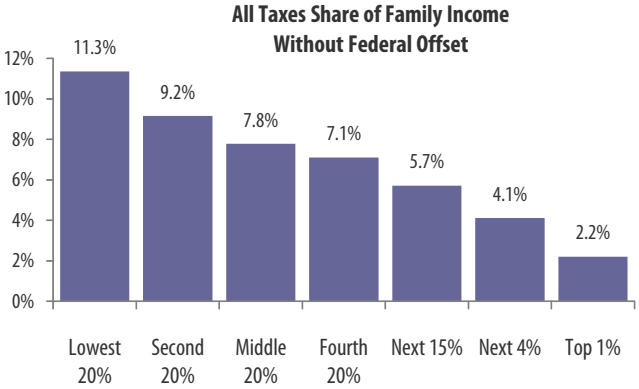
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in South Dakota enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

South Dakota State & Local Taxes in 2015

#4 of the Terrible 10

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $39,000	$39,000 – $61,000	$61,000 – $94,000	$94,000 – $168,000	$168,000 – $468,000	$468,000 or more
Average Income in Group	$12,200	$29,700	$49,900	$75,300	$118,400	$261,900	$1,527,300
Sales & Excise Taxes	**8.7%**	**7.6%**	**6.0%**	**5.0%**	**3.6%**	**2.1%**	**0.9%**
General Sales—Individuals	4.3%	4.0%	3.3%	2.8%	2.1%	1.3%	0.6%
Other Sales & Excise—Ind.	1.3%	1.1%	0.7%	0.6%	0.3%	0.2%	0.0%
Sales & Excise on Business	3.1%	2.6%	2.0%	1.7%	1.2%	0.6%	0.3%
Property Taxes	**2.7%**	**1.5%**	**1.8%**	**2.1%**	**2.1%**	**2.0%**	**1.2%**
Property Taxes on Families	2.7%	1.5%	1.7%	1.9%	1.9%	1.4%	0.4%
Other Property Taxes	0.0%	0.0%	0.1%	0.1%	0.2%	0.5%	0.9%
Income Taxes	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.1%**
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total Taxes	**11.3%**	**9.2%**	**7.8%**	**7.1%**	**5.7%**	**4.1%**	**2.2%**
Federal Deduction Offset	—	*–0.1%*	*–0.1%*	*–0.2%*	*–0.3%*	*–0.3%*	*–0.4%*
OVERALL TOTAL	**11.3%**	**9.1%**	**7.7%**	**6.9%**	**5.5%**	**3.8%**	**1.8%**

Note: Table shows detailed breakout of data on previous page.

South Dakota Tax Code Features

Progressive Features

- No significant progressive features

Regressive Features

- No personal income tax
- No corporate income tax
- State sales tax base includes groceries
- Local sales tax bases include groceries
- Fails to provide tax credits to non-elderly taxpayers to offset sales, excise, and property taxes

Tax Changes Enacted in 2013 & 2014

- Eliminated refund for low-income taxpayers to offset impact of sales tax on food

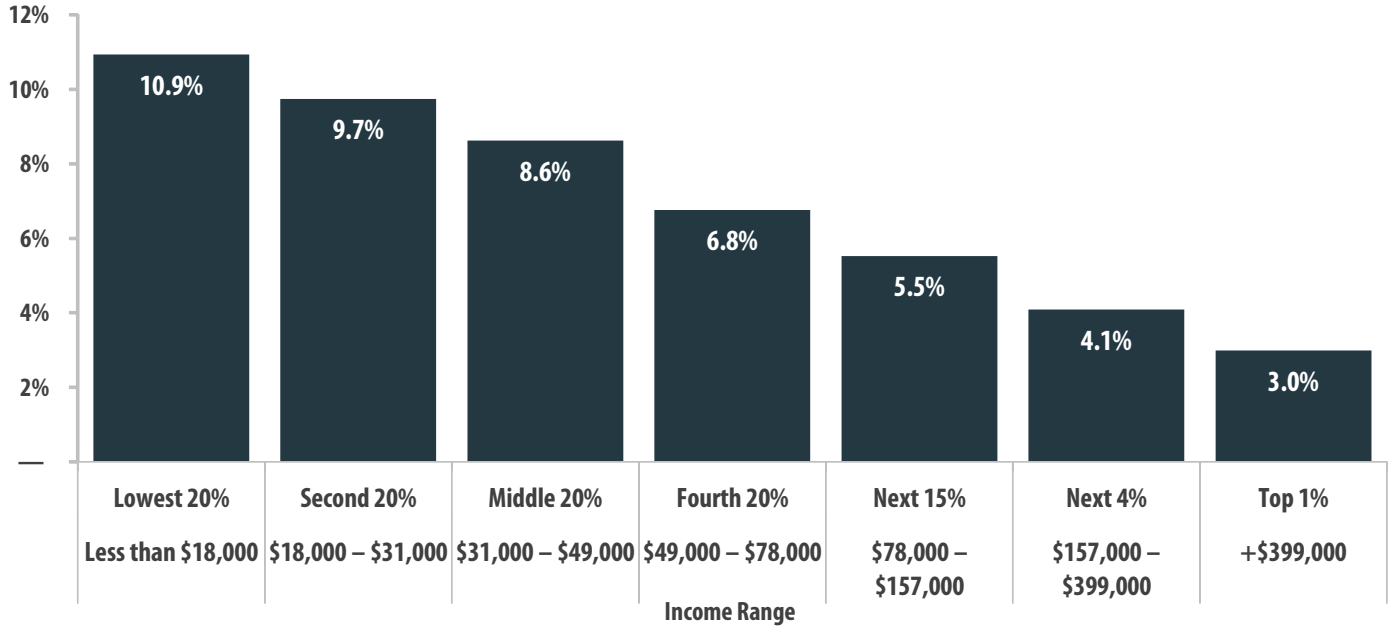
ITEP Tax Inequality Index

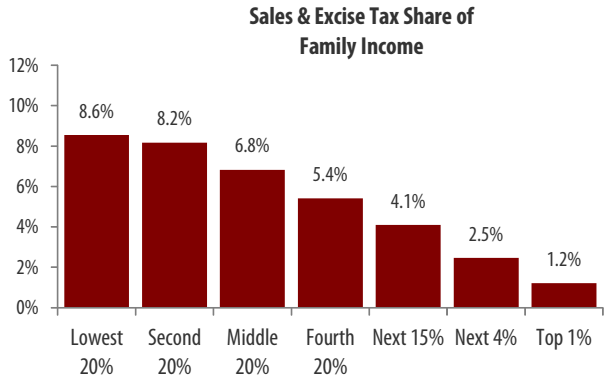
According to ITEP's Tax Inequality Index, South Dakota has the **4th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

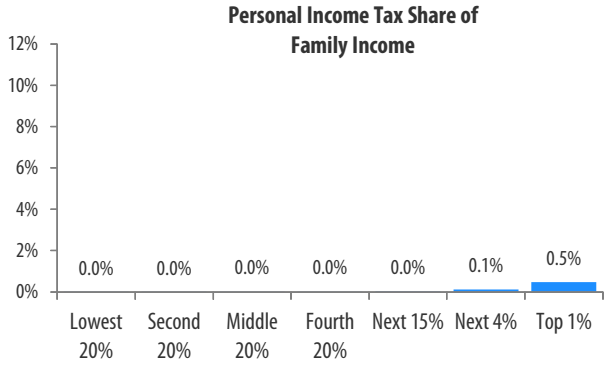
Tennessee State & Local Taxes in 2015

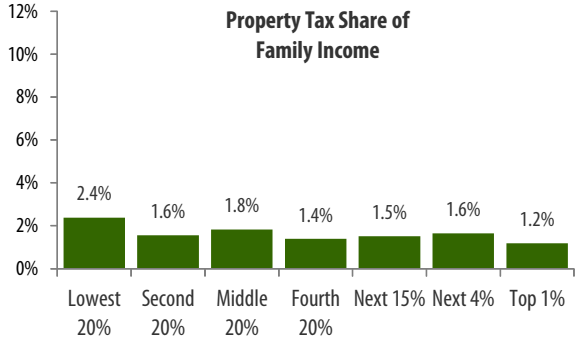
#6 of the Terrible 10

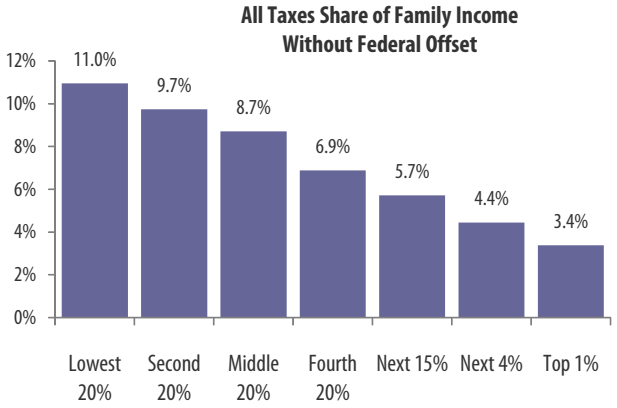
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Tennessee enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Tennessee State & Local Taxes in 2015

#6 of the Terrible 10

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $31,000	$31,000 – $49,000	$49,000 – $78,000	$78,000 – $157,000	$157,000 – $399,000	$399,000 or more
Average Income in Group	$10,900	$24,400	$39,600	$62,000	$105,300	$227,800	$1,130,200
Sales & Excise Taxes	**8.6%**	**8.2%**	**6.8%**	**5.4%**	**4.1%**	**2.5%**	**1.2%**
General Sales—Individuals	5.2%	5.1%	4.4%	3.6%	2.7%	1.7%	0.8%
Other Sales & Excise—Ind.	1.1%	0.9%	0.7%	0.5%	0.3%	0.2%	0.0%
Sales & Excise on Business	2.2%	2.2%	1.8%	1.4%	1.1%	0.6%	0.4%
Property Taxes	**2.4%**	**1.6%**	**1.8%**	**1.4%**	**1.5%**	**1.6%**	**1.2%**
Property Taxes on Families	2.4%	1.5%	1.7%	1.2%	1.4%	1.3%	0.5%
Other Property Taxes	0.0%	0.0%	0.1%	0.1%	0.1%	0.4%	0.7%
Income Taxes	**0.0%**	**0.0%**	**0.1%**	**0.1%**	**0.1%**	**0.3%**	**1.0%**
Personal Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.5%
Corporate Income Tax	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.5%
Total Taxes	**11.0%**	**9.7%**	**8.7%**	**6.9%**	**5.7%**	**4.4%**	**3.4%**
Federal Deduction Offset	*–0.0%*	*—*	*–0.1%*	*–0.1%*	*–0.2%*	*–0.4%*	*–0.4%*
OVERALL TOTAL	**10.9%**	**9.7%**	**8.6%**	**6.8%**	**5.5%**	**4.1%**	**3.0%**

Note: Table shows detailed breakout of data on previous page.

Tennessee Tax Code Features

Progressive Features

- Narrow personal income tax includes interest, dividend and capital gains income

Regressive Features

- No broad-based personal income tax
- Comparatively high reliance on sales taxes
- State sales tax base includes groceries, though taxed at a lower rate
- Local sales tax bases include groceries
- Fails to provide tax credits to low-income taxpayers to offset sales, excise, and property taxes
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

- Sales tax on groceries lowered from 5.25 to 5.0 percent

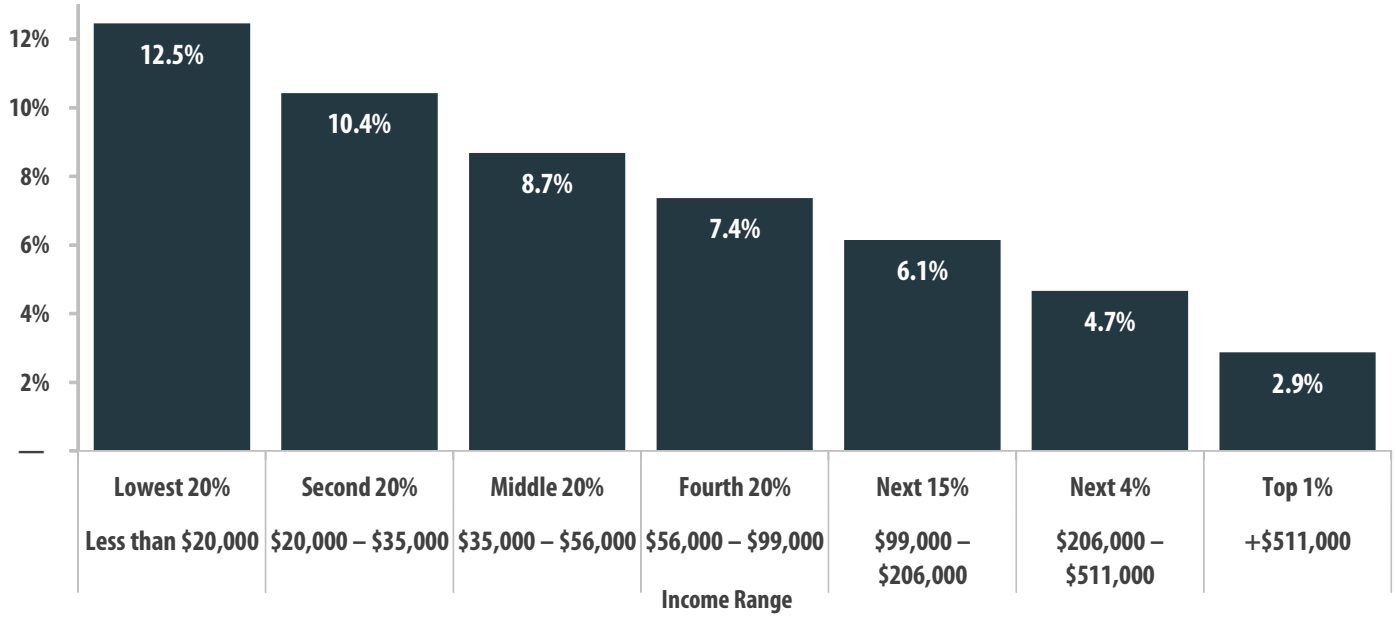
ITEP Tax Inequality Index

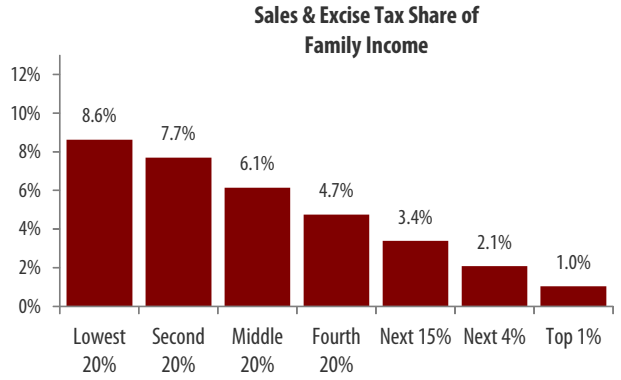
According to ITEP's Tax Inequality Index, Tennessee has the **7th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

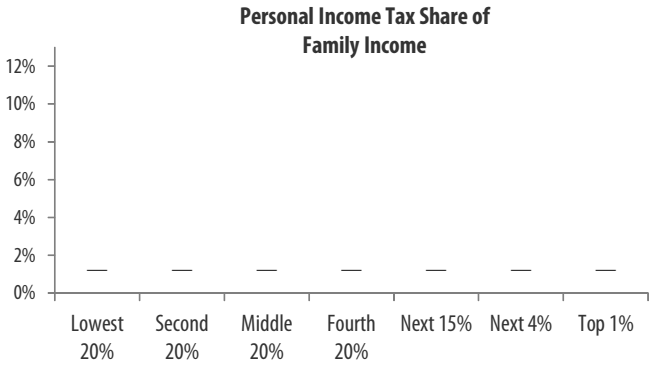
Texas State & Local Taxes in 2015

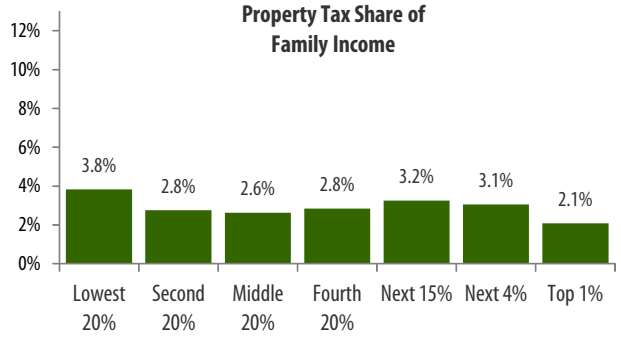
#3 of the Terrible 10

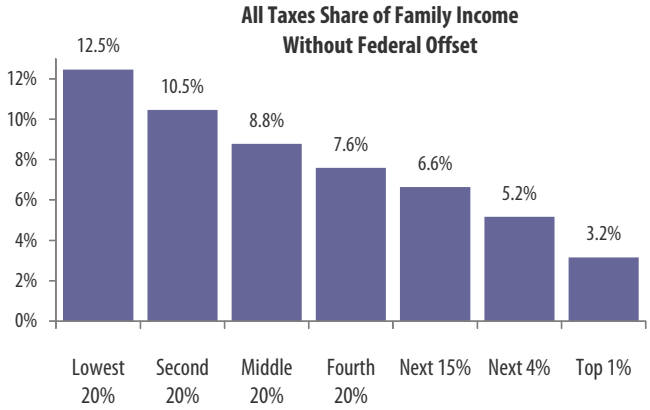
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Texas enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Texas State & Local Taxes in 2015

#3 of the Terrible 10

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $35,000	$35,000 – $56,000	$56,000 – $99,000	$99,000 – $206,000	$206,000 – $511,000	$511,000 or more
Average Income in Group	$12,500	$27,600	$44,900	$74,500	$135,200	$305,900	$1,826,300
Sales & Excise Taxes	**8.6%**	**7.7%**	**6.1%**	**4.7%**	**3.4%**	**2.1%**	**1.0%**
General Sales—Individuals	3.6%	3.4%	2.8%	2.3%	1.7%	1.1%	0.6%
Other Sales & Excise—Ind.	2.0%	1.6%	1.2%	0.9%	0.6%	0.3%	0.1%
Sales & Excise on Business	3.0%	2.7%	2.1%	1.6%	1.1%	0.6%	0.3%
Property Taxes	**3.8%**	**2.8%**	**2.6%**	**2.8%**	**3.2%**	**3.1%**	**2.1%**
Property Taxes on Families	3.7%	2.6%	2.4%	2.6%	2.9%	2.3%	0.7%
Other Property Taxes	0.1%	0.2%	0.2%	0.3%	0.3%	0.7%	1.3%
Income Taxes	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Taxes	**12.5%**	**10.5%**	**8.8%**	**7.6%**	**6.6%**	**5.2%**	**3.2%**
Federal Deduction Offset	*–0.0%*	*–0.0%*	*–0.1%*	*–0.2%*	*–0.5%*	*–0.5%*	*–0.3%*
OVERALL TOTAL	**12.5%**	**10.4%**	**8.7%**	**7.4%**	**6.1%**	**4.7%**	**2.9%**

Note: Table shows detailed breakout of data on previous page.

Texas Tax Code Features

Progressive Features

- Sales tax base excludes groceries
- Requires the combined reporting for the corporate income tax

Regressive Features

- No personal income tax
- Imposes a gross receipts tax in lieu of a corporate profits tax
- Fails to provide tax credits to low-income taxpayers to offset sales, excise, and property taxes

Tax Changes Enacted in 2013 & 2014

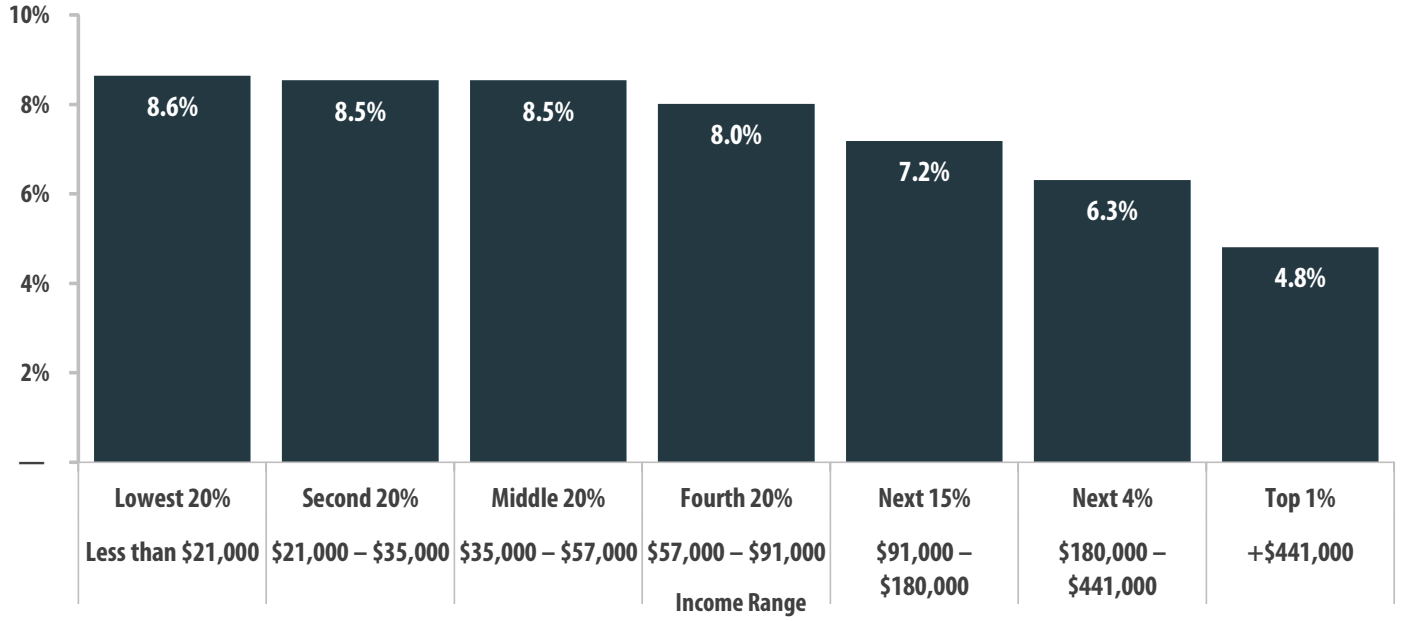
- Increased various credits and sales tax exemptions for businesses

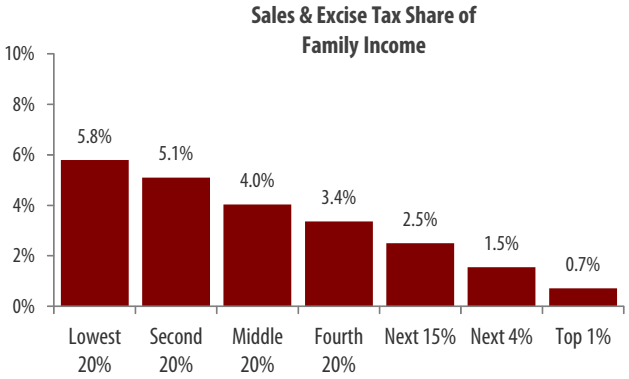
ITEP Tax Inequality Index

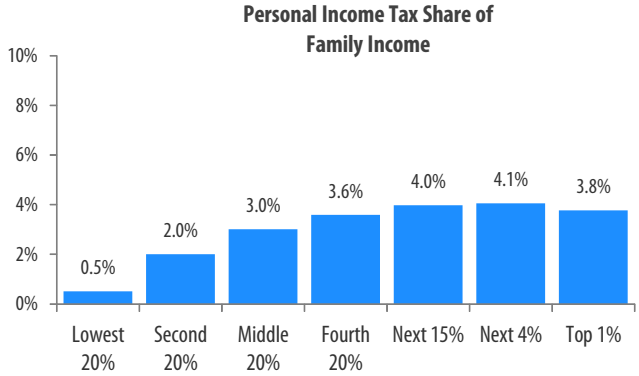
According to ITEP's Tax Inequality Index, Texas has the **3rd** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

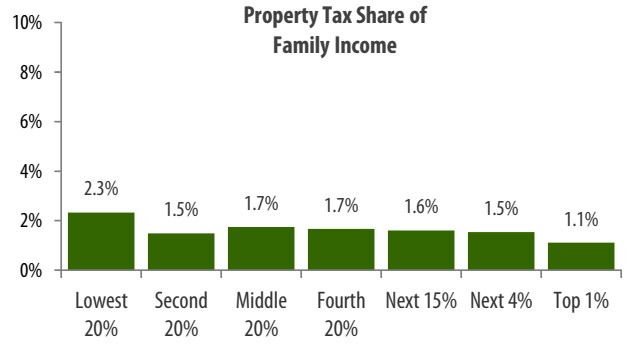
Utah State & Local Taxes in 2015

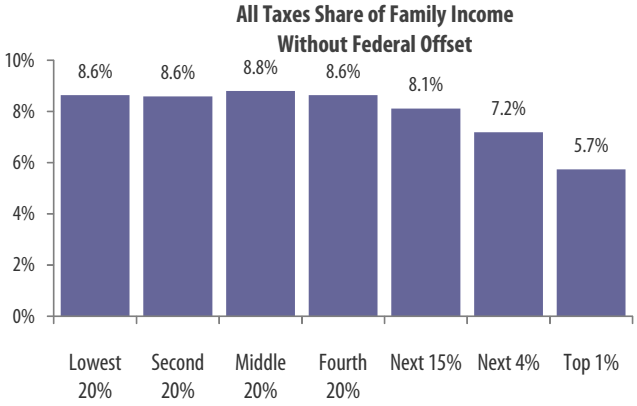
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Utah enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Utah State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $35,000	$35,000 – $57,000	$57,000 – $91,000	$91,000 – $180,000	$180,000 – $441,000	$441,000 or more
Average Income in Group	$12,200	$28,700	$46,000	$72,400	$120,700	$258,200	$1,433,900
Sales & Excise Taxes	**5.8%**	**5.1%**	**4.0%**	**3.4%**	**2.5%**	**1.5%**	**0.7%**
General Sales—Individuals	3.1%	2.9%	2.4%	2.1%	1.6%	1.0%	0.5%
Other Sales & Excise—Ind.	1.0%	0.7%	0.5%	0.4%	0.3%	0.1%	0.0%
Sales & Excise on Business	1.7%	1.4%	1.1%	0.9%	0.6%	0.4%	0.2%
Property Taxes	**2.3%**	**1.5%**	**1.7%**	**1.7%**	**1.6%**	**1.5%**	**1.1%**
Property Taxes on Families	2.3%	1.4%	1.7%	1.6%	1.4%	1.2%	0.4%
Other Property Taxes	0.0%	0.0%	0.1%	0.1%	0.2%	0.4%	0.7%
Income Taxes	**0.5%**	**2.0%**	**3.0%**	**3.6%**	**4.0%**	**4.1%**	**3.9%**
Personal Income Tax	0.5%	2.0%	3.0%	3.6%	4.0%	4.1%	3.8%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total Taxes	**8.6%**	**8.6%**	**8.8%**	**8.6%**	**8.1%**	**7.2%**	**5.7%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.3%*	*–0.6%*	*–0.9%*	*–0.9%*	*–0.9%*
OVERALL TOTAL	**8.6%**	**8.5%**	**8.5%**	**8.0%**	**7.2%**	**6.3%**	**4.8%**

Note: Table shows detailed breakout of data on previous page.

Utah Tax Code Features

Progressive Features

- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Personal income tax uses a flat rate
- Fails to provide non-elderly taxpayers with refundable income tax credits to offset sales, excise, and property taxes
- State sales tax base includes groceries, though taxed at a lower rate
- Local sales tax bases include groceries

Tax Changes Enacted in 2013 & 2014

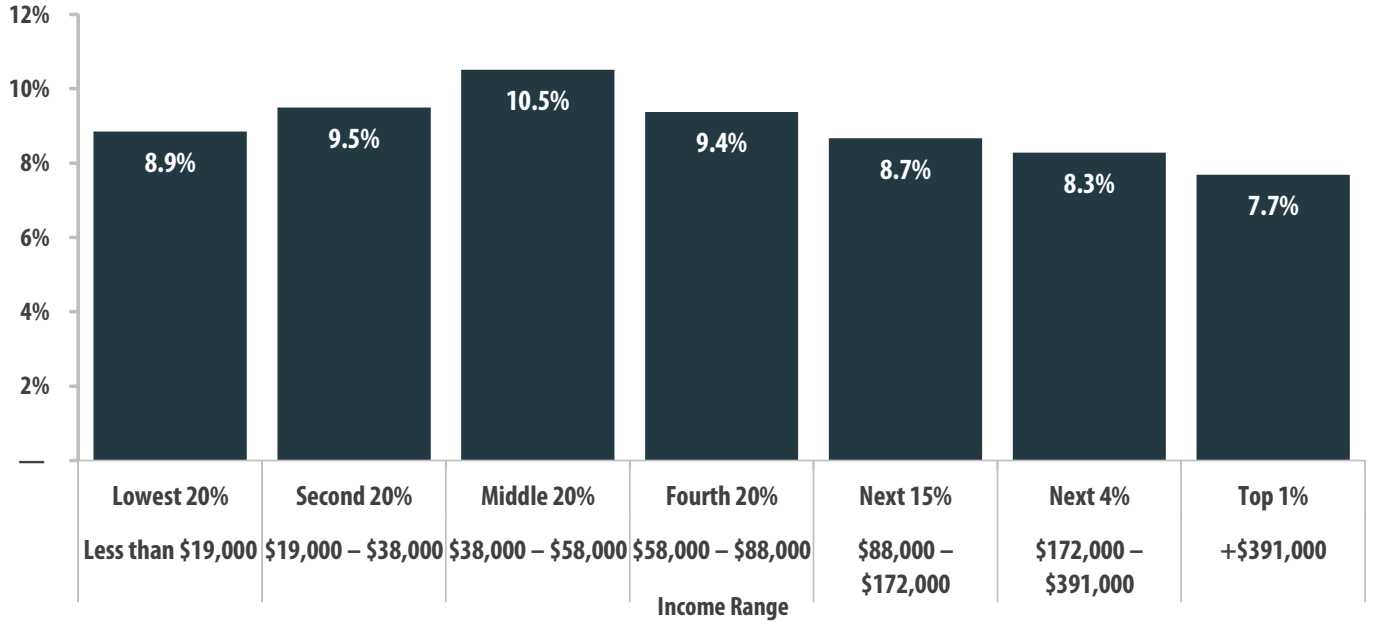
- No significant developments

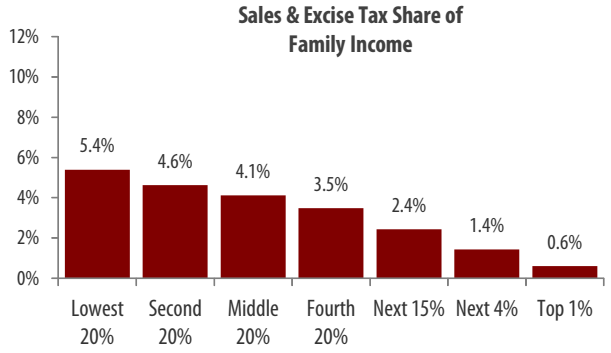
ITEP Tax Inequality Index

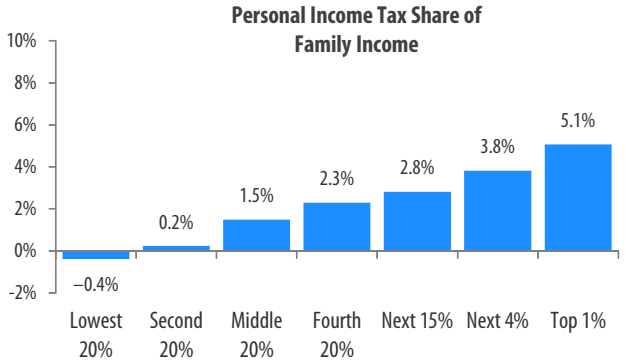
According to ITEP's Tax Inequality Index, Utah has the **34th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

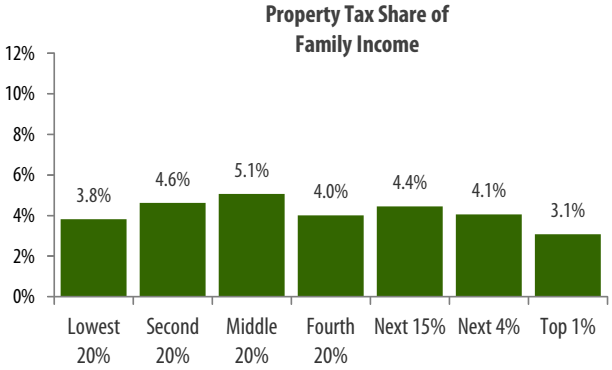
Vermont State & Local Taxes in 2015

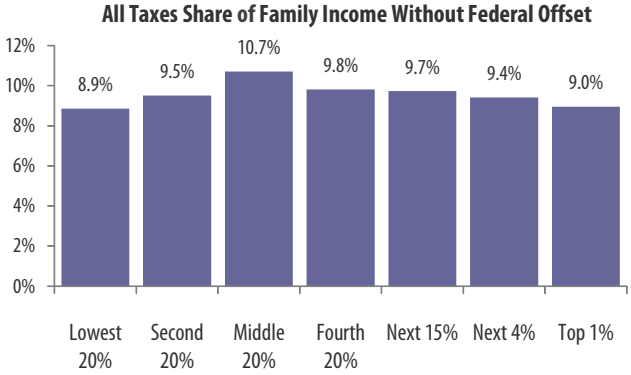
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Vermont enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Vermont State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $38,000	$38,000 – $58,000	$58,000 – $88,000	$88,000 – $172,000	$172,000 – $391,000	$391,000 or more
Average Income in Group	$11,700	$28,500	$45,600	$69,900	$115,100	$238,600	$978,400
Sales & Excise Taxes	**5.4%**	**4.6%**	**4.1%**	**3.5%**	**2.4%**	**1.4%**	**0.6%**
General Sales—Individuals	2.1%	2.1%	2.1%	1.8%	1.3%	0.8%	0.4%
Other Sales & Excise—Ind.	1.9%	1.2%	1.1%	0.8%	0.5%	0.3%	0.1%
Sales & Excise on Business	1.3%	1.3%	1.0%	0.9%	0.6%	0.3%	0.1%
Property Taxes	**3.8%**	**4.6%**	**5.1%**	**4.0%**	**4.4%**	**4.1%**	**3.1%**
Property Taxes on Families	3.6%	4.2%	4.6%	3.7%	3.9%	3.1%	1.3%
Other Property Taxes	0.3%	0.4%	0.5%	0.3%	0.5%	0.9%	1.8%
Income Taxes	**-0.4%**	**0.2%**	**1.5%**	**2.3%**	**2.9%**	**3.9%**	**5.3%**
Personal Income Tax	–0.4%	0.2%	1.5%	2.3%	2.8%	3.8%	5.1%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**8.9%**	**9.5%**	**10.7%**	**9.8%**	**9.7%**	**9.4%**	**9.0%**
Federal Deduction Offset	—	*–0.0%*	*–0.2%*	*–0.4%*	*–1.1%*	*–1.1%*	*–1.3%*
OVERALL TOTAL	**8.9%**	**9.5%**	**10.5%**	**9.4%**	**8.7%**	**8.3%**	**7.7%**

Note: Table shows detailed breakout of data on previous page.

Vermont Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides a 32 percent refundable Earned Income Tax Credit (EITC)
- Provides a refundable property tax "circuit breaker" credit to low-income taxpayers via the income tax
- Many resident homeowners pay school taxes based on income rather than property value
- Sales tax base excludes groceries
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Provides a partial income tax deduction for state income taxes paid
- Provides a capital gains tax break
- Comparatively high cigarette tax rate

Tax Changes Enacted in 2013 & 2014

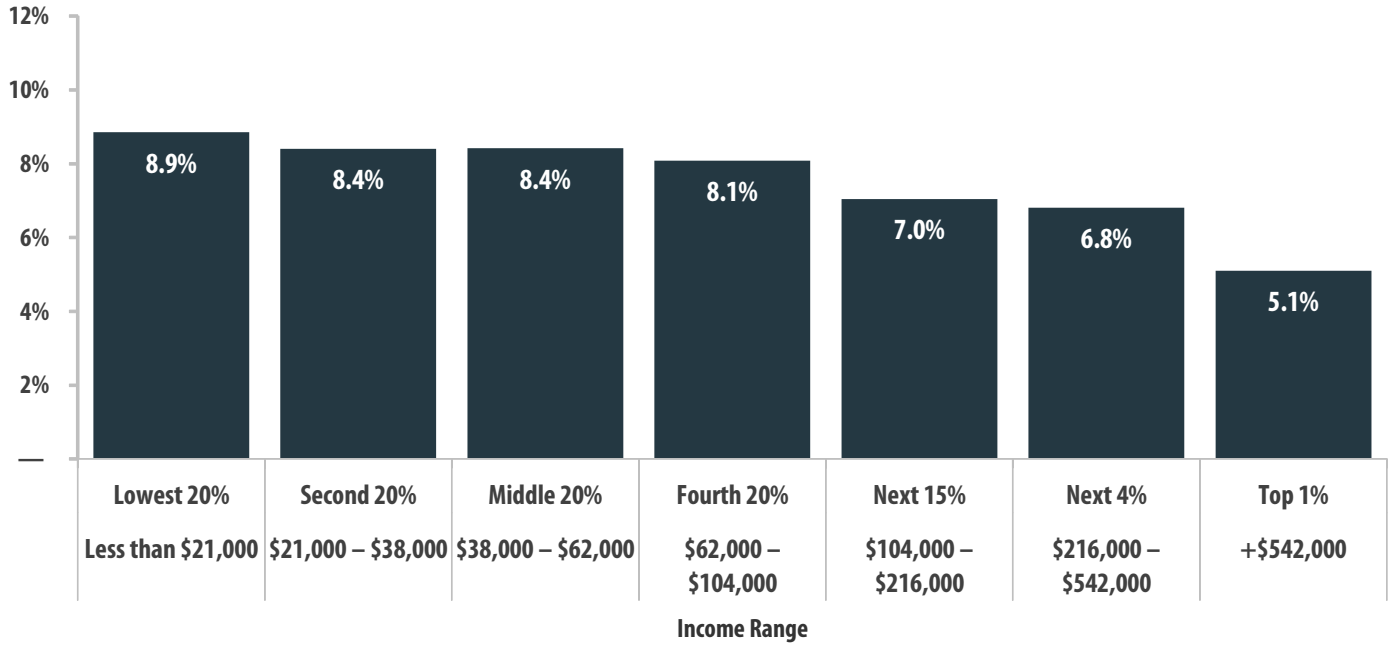
- Raised gasoline and diesel tax rates
- 13 cent per pack cigarette tax increase
- Set the base homestead property tax rate for FY2015 at $.98 per $100 of property value, the base homestead income rate at 1.8 percent of household income, and the base amount per pupil at $9,285. Homestead tax rates are determined locally by the amount of education spending per pupil. Homestead tax rates are proportionally higher in districts that spend more per pupil than the base amount.

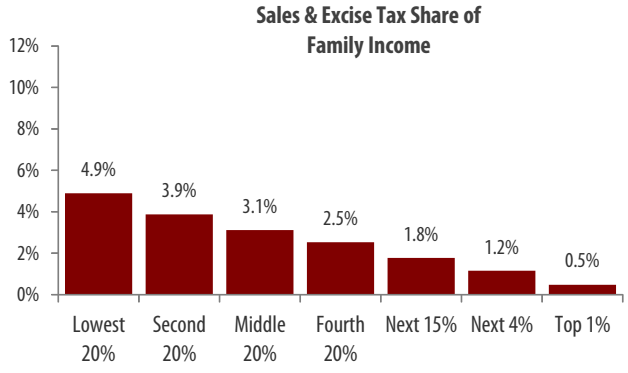
ITEP Tax Inequality Index

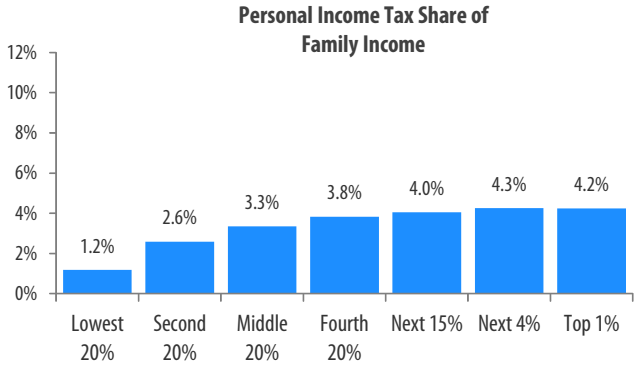
According to ITEP's Tax Inequality Index, Vermont has the **46th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

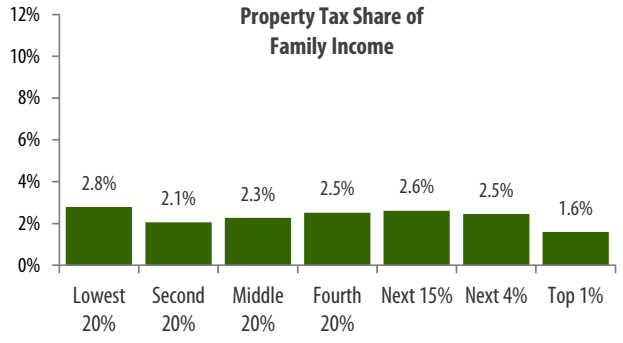
Virginia State & Local Taxes in 2015

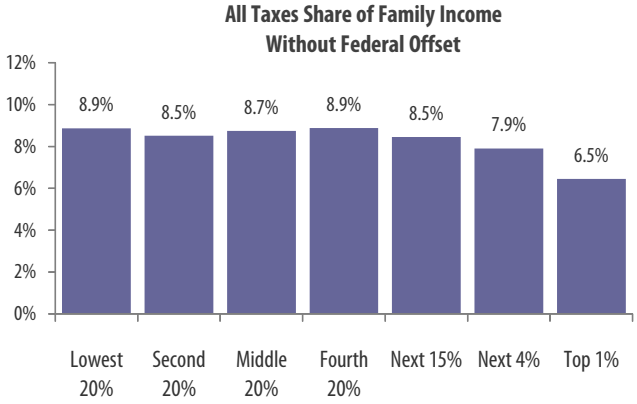
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Virginia enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Virginia State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $38,000	$38,000 – $62,000	$62,000 – $104,000	$104,000 – $216,000	$216,000 – $542,000	$542,000 or more
Average Income in Group	$11,900	$28,700	$49,100	$81,200	$143,600	$304,700	$1,470,300
Sales & Excise Taxes	**4.9%**	**3.9%**	**3.1%**	**2.5%**	**1.8%**	**1.2%**	**0.5%**
General Sales—Individuals	2.7%	2.2%	1.9%	1.6%	1.2%	0.8%	0.3%
Other Sales & Excise—Ind.	1.1%	0.8%	0.6%	0.4%	0.3%	0.2%	0.1%
Sales & Excise on Business	1.1%	0.8%	0.6%	0.5%	0.3%	0.2%	0.1%
Property Taxes	**2.8%**	**2.1%**	**2.3%**	**2.5%**	**2.6%**	**2.5%**	**1.6%**
Property Taxes on Families	2.7%	2.0%	2.2%	2.4%	2.4%	2.1%	0.7%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.9%
Income Taxes	**1.2%**	**2.6%**	**3.4%**	**3.8%**	**4.1%**	**4.3%**	**4.4%**
Personal Income Tax	1.2%	2.6%	3.3%	3.8%	4.0%	4.3%	4.2%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total Taxes	**8.9%**	**8.5%**	**8.7%**	**8.9%**	**8.5%**	**7.9%**	**6.5%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.3%*	*–0.8%*	*–1.4%*	*–1.1%*	*–1.4%*
OVERALL TOTAL	**8.9%**	**8.4%**	**8.4%**	**8.1%**	**7.0%**	**6.8%**	**5.1%**

Note: Table shows detailed breakout of data on previous page.

Virginia Tax Code Features

Progressive Features

- Provides a nonrefundable 20 percent Earned Income Tax Credit (EITC)

Regressive Features

- Narrow income tax brackets mean majority of taxpayers pay top income tax rate
- Fails to provide refundable income tax credits to offset sales, excise, and property taxes
- State sales tax base includes groceries, though taxed at a lower rate
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

- Increased statewide sales tax from 5.0 to 5.3 percent
- Increased sales tax on vehicle purchases from 3.0 to 4.15 percent
- Reformed gasoline and diesel taxes to allow the rate to grow alongside fuel prices

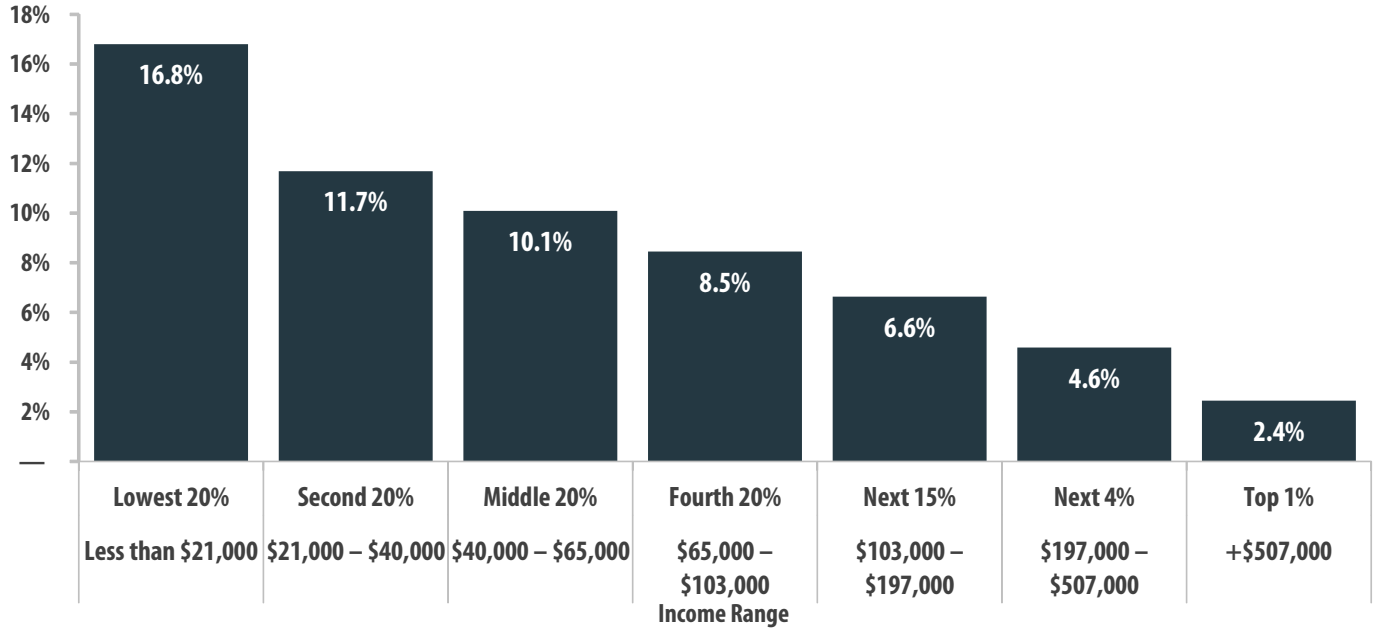
ITEP Tax Inequality Index

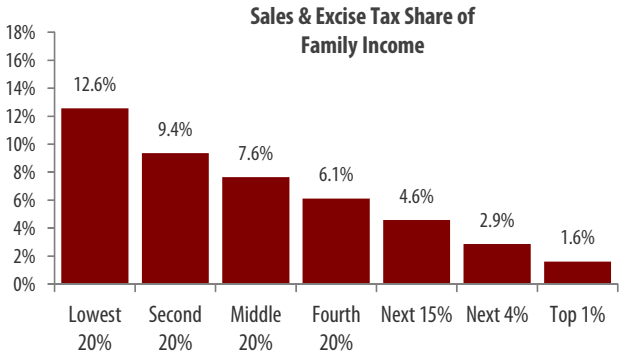
According to ITEP's Tax Inequality Index, Virginia has the **35th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

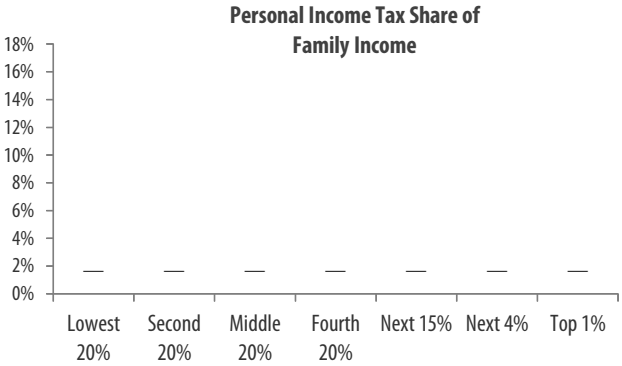
Washington State & Local Taxes in 2015

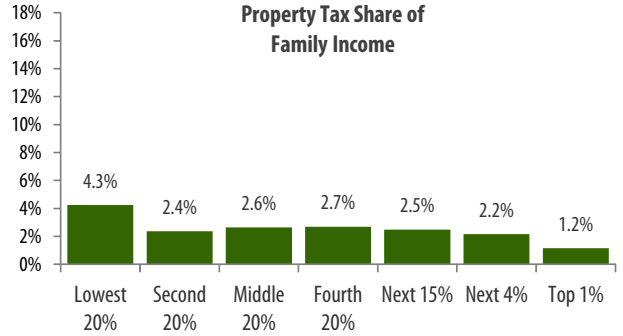
#1 of the Terrible 10

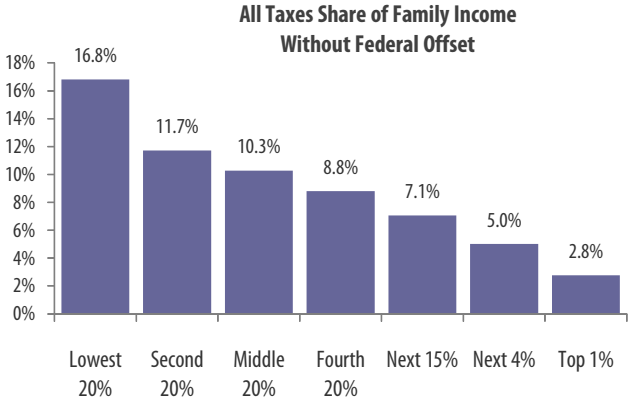
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Washington enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Washington State & Local Taxes in 2015

#1 of the Terrible 10

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $40,000	$40,000 – $65,000	$65,000 – $103,000	$103,000 – $197,000	$197,000 – $507,000	$507,000 or more
Average Income in Group	$11,900	$30,300	$52,800	$82,200	$135,300	$289,100	$1,517,800
Sales & Excise Taxes	**12.6%**	**9.4%**	**7.6%**	**6.1%**	**4.6%**	**2.9%**	**1.6%**
General Sales—Individuals	3.8%	3.1%	2.7%	2.2%	1.7%	1.1%	0.6%
Other Sales & Excise—Ind.	3.9%	2.6%	2.0%	1.6%	1.1%	0.7%	0.3%
Sales & Excise on Business	4.8%	3.6%	2.9%	2.3%	1.7%	1.1%	0.7%
Property Taxes	**4.3%**	**2.4%**	**2.6%**	**2.7%**	**2.5%**	**2.2%**	**1.2%**
Property Taxes on Families	4.2%	2.3%	2.5%	2.6%	2.4%	1.8%	0.6%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%	0.6%
Income Taxes	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	—	—	—	—	—	—	—
Total Taxes	**16.8%**	**11.7%**	**10.3%**	**8.8%**	**7.1%**	**5.0%**	**2.8%**
Federal Deduction Offset	*–0.0%*	*–0.0%*	*–0.2%*	*–0.3%*	*–0.4%*	*–0.4%*	*–0.3%*
OVERALL TOTAL	**16.8%**	**11.7%**	**10.1%**	**8.5%**	**6.6%**	**4.6%**	**2.4%**

Note: Table shows detailed breakout of data on previous page.

Washington Tax Code Features

Progressive Features

- Sales tax base excludes groceries

Regressive Features

- No personal income tax
- Imposes a gross receipts tax in lieu of a corporate profits tax
- Enacted a refundable Earned Income Tax Credit, but lawmakers have failed to provide funding for the credit,
- Comparatively high reliance on sales taxes
- Comparatively high combined state and local sales tax rate
- Comparatively high cigarette tax rate
- Fails to provide a property tax "circuit breaker" credit for low-income non-elderly taxpayers

Tax Changes Enacted in 2013 & 2014

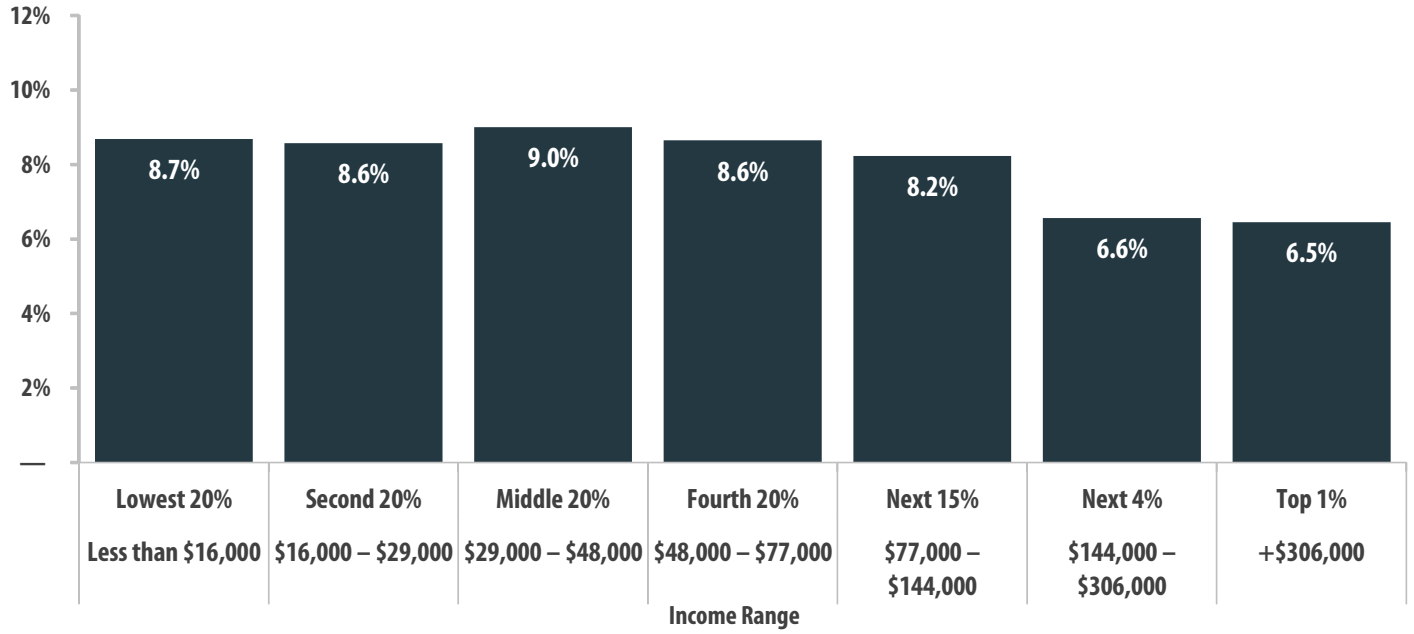
- No significant developments

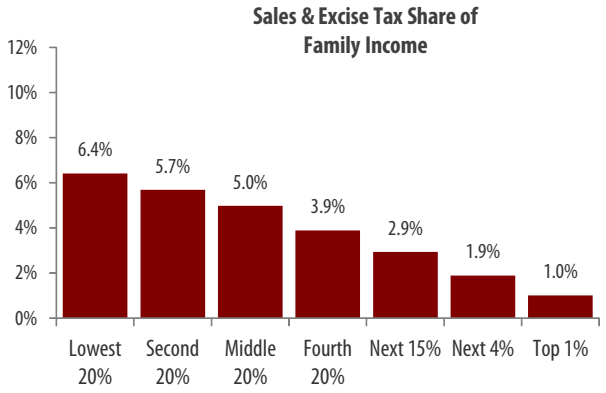
ITEP Tax Inequality Index

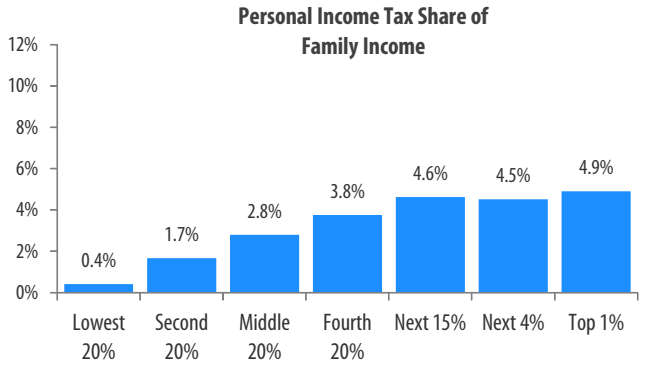
According to ITEP's Tax Inequality Index, Washington has the **most** unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

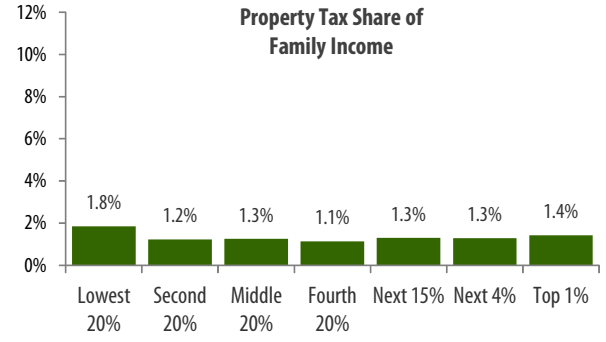
West Virginia State & Local Taxes in 2015

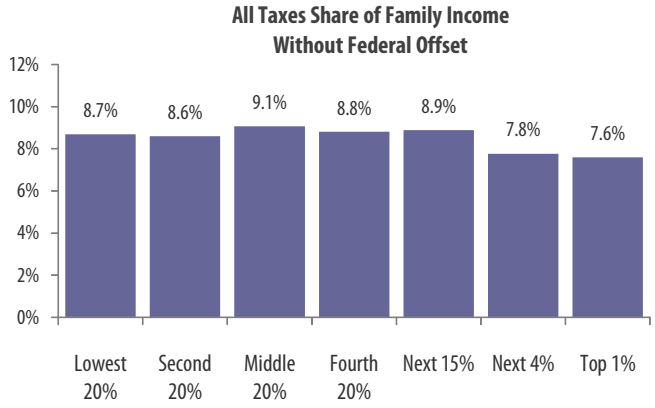
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in West Virginia enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

West Virginia State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

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 – $77,000	$77,000 – $144,000	$144,000 – $306,000	$306,000 or more
Average Income in Group	$9,600	$22,500	$36,900	$61,300	$98,700	$185,400	$675,800
Sales & Excise Taxes	**6.4%**	**5.7%**	**5.0%**	**3.9%**	**2.9%**	**1.9%**	**1.0%**
General Sales—Individuals	3.3%	3.1%	2.9%	2.3%	1.8%	1.2%	0.7%
Other Sales & Excise—Ind.	2.0%	1.5%	1.2%	0.9%	0.6%	0.4%	0.1%
Sales & Excise on Business	1.1%	1.0%	0.9%	0.7%	0.6%	0.4%	0.2%
Property Taxes	**1.8%**	**1.2%**	**1.3%**	**1.1%**	**1.3%**	**1.3%**	**1.4%**
Property Taxes on Families	1.8%	1.2%	1.1%	1.0%	1.1%	0.9%	0.5%
Other Property Taxes	0.1%	0.1%	0.2%	0.1%	0.2%	0.4%	0.9%
Income Taxes	**0.4%**	**1.7%**	**2.8%**	**3.8%**	**4.7%**	**4.6%**	**5.2%**
Personal Income Tax	0.4%	1.7%	2.8%	3.8%	4.6%	4.5%	4.9%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Total Taxes	**8.7%**	**8.6%**	**9.1%**	**8.8%**	**8.9%**	**7.8%**	**7.6%**
Federal Deduction Offset	*–0.0%*	*–0.0%*	*–0.1%*	*–0.2%*	*–0.7%*	*–1.2%*	*–1.1%*
OVERALL TOTAL	**8.7%**	**8.6%**	**9.0%**	**8.6%**	**8.2%**	**6.6%**	**6.5%**

Note: Table shows detailed breakout of data on previous page.

West Virginia Tax Code Features

Progressive Features

- Graduated personal income tax structure
- State sales tax base excludes groceries
- Provides a refundable property tax "circuit breaker" credit to low-income taxpayers via the income tax
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Local sales tax bases include groceries
- Fails to provide a refundable Earned Income Tax Credit (EITC)
- Fails to provide refundable child tax credits
- Fails to index personal income tax exemptions or brackets to inflation

Tax Changes Enacted in 2013 & 2014

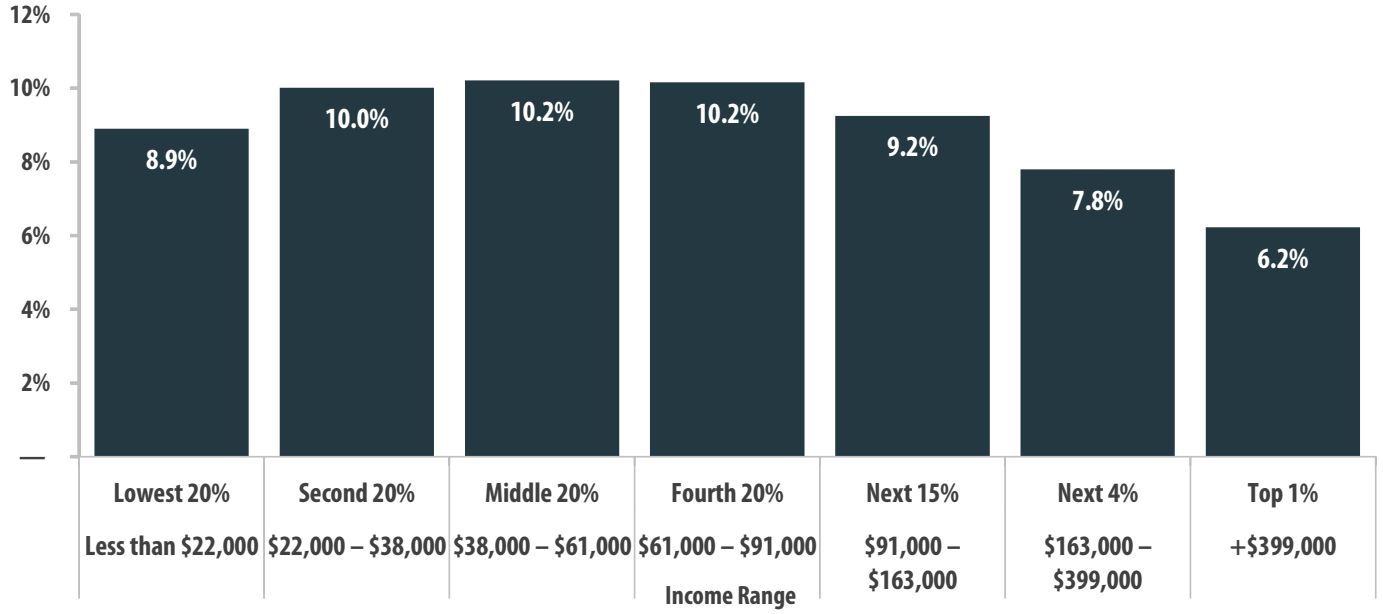
- Reduced corporate income tax rate from 7.0 to 6.5 percent

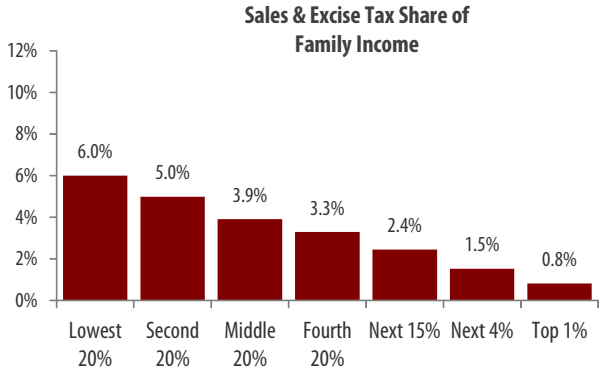
ITEP Tax Inequality Index

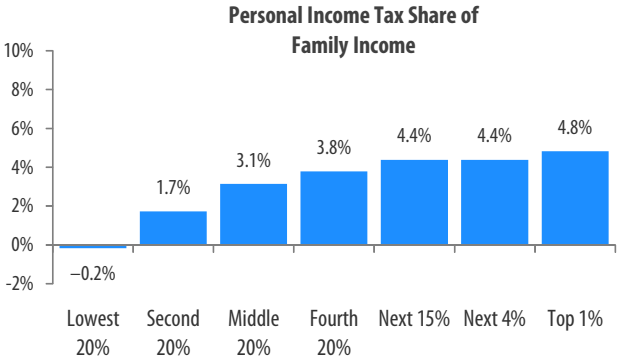
According to ITEP's Tax Inequality Index, West Virginia has the **42nd** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

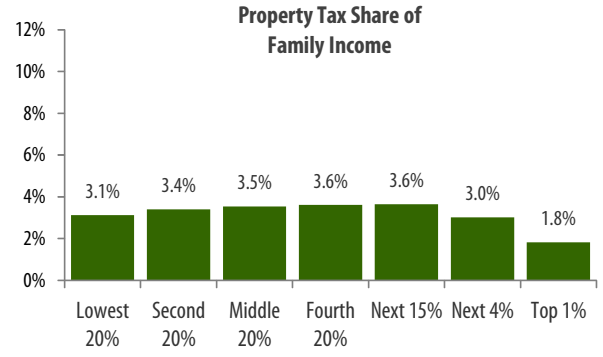
Wisconsin State & Local Taxes in 2015

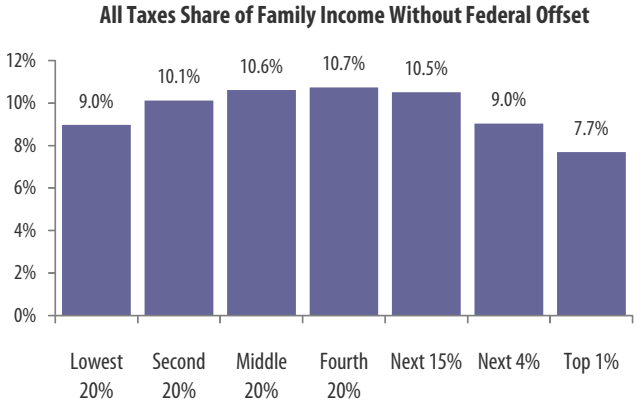
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Wisconsin enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Wisconsin State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than $22,000	$22,000 – $38,000	$38,000 – $61,000	$61,000 – $91,000	$91,000 – $163,000	$163,000 – $399,000	$399,000 or more
Average Income in Group	$13,700	$29,300	$49,000	$74,500	$115,100	$233,100	$1,130,500
Sales & Excise Taxes	**6.0%**	**5.0%**	**3.9%**	**3.3%**	**2.4%**	**1.5%**	**0.8%**
General Sales—Individuals	2.4%	2.2%	1.9%	1.7%	1.3%	0.9%	0.5%
Other Sales & Excise—Ind.	2.0%	1.4%	1.0%	0.8%	0.5%	0.3%	0.1%
Sales & Excise on Business	1.6%	1.3%	1.0%	0.8%	0.6%	0.4%	0.2%
Property Taxes	**3.1%**	**3.4%**	**3.5%**	**3.6%**	**3.6%**	**3.0%**	**1.8%**
Property Taxes on Families	3.0%	3.4%	3.3%	3.4%	3.5%	2.5%	0.9%
Other Property Taxes	0.1%	0.0%	0.2%	0.2%	0.2%	0.5%	0.9%
Income Taxes	**-0.2%**	**1.7%**	**3.2%**	**3.8%**	**4.4%**	**4.5%**	**5.1%**
Personal Income Tax	–0.2%	1.7%	3.1%	3.8%	4.4%	4.4%	4.8%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**9.0%**	**10.1%**	**10.6%**	**10.7%**	**10.5%**	**9.0%**	**7.7%**
Federal Deduction Offset	*–0.1%*	*–0.1%*	*–0.4%*	*–0.6%*	*–1.3%*	*–1.2%*	*–1.5%*
OVERALL TOTAL	**8.9%**	**10.0%**	**10.2%**	**10.2%**	**9.2%**	**7.8%**	**6.2%**

Note: Table shows detailed breakout of data on previous page.

Wisconsin Tax Code Features

Progressive Features

- Graduated personal income tax structure
- Provides a refundable property tax "circuit breaker" credit to low-income taxpayers via the income tax
- Sales tax base excludes groceries
- Requires the use of combined reporting for the corporate income tax

Regressive Features

- Provides an income tax exclusion equal to 30 percent of capital gains income
- Fails to provide refundable child tax credits
- Comparatively high cigarette tax rate

Tax Changes Enacted in 2013 & 2014

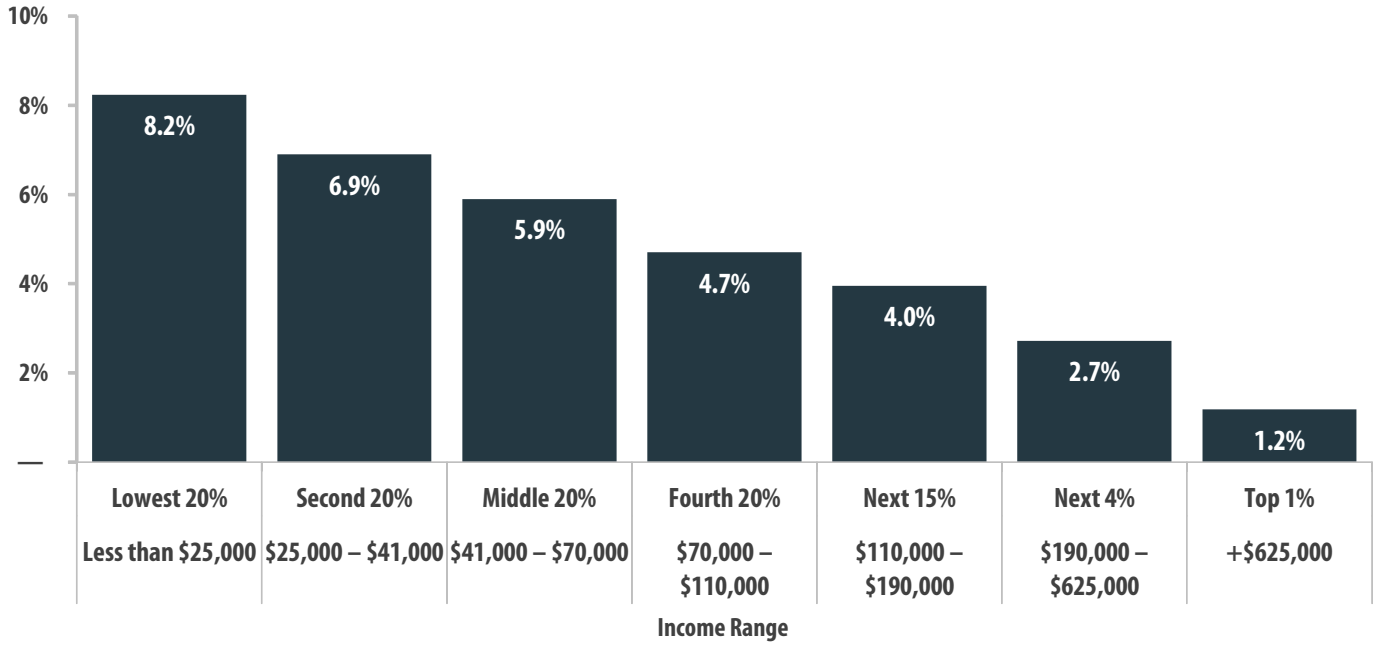
- Reduced personal income tax rates
- Across the board property tax reductions

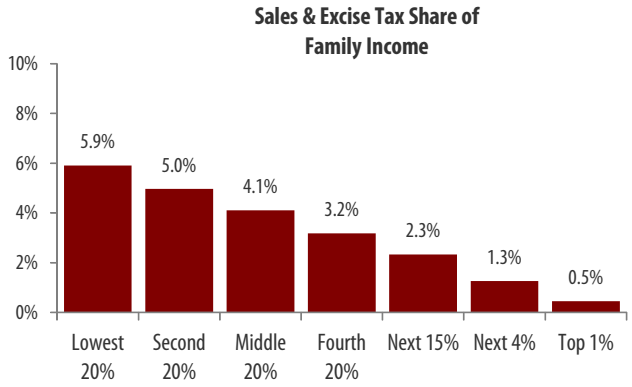
ITEP Tax Inequality Index

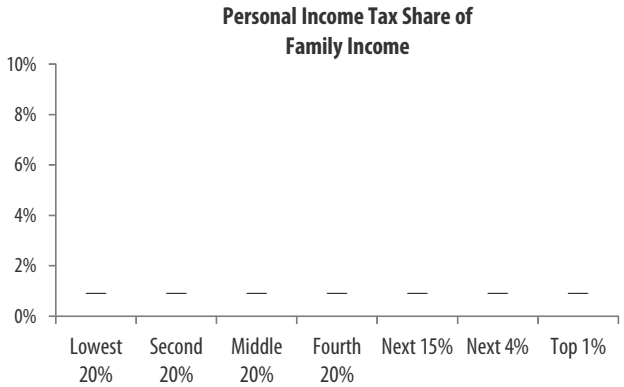
According to ITEP's Tax Inequality Index, Wisconsin has the **37th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

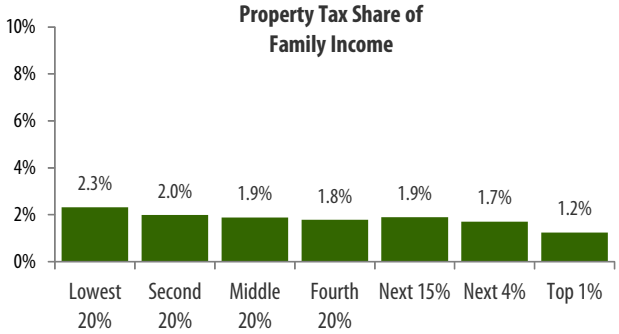
Wyoming State & Local Taxes in 2015

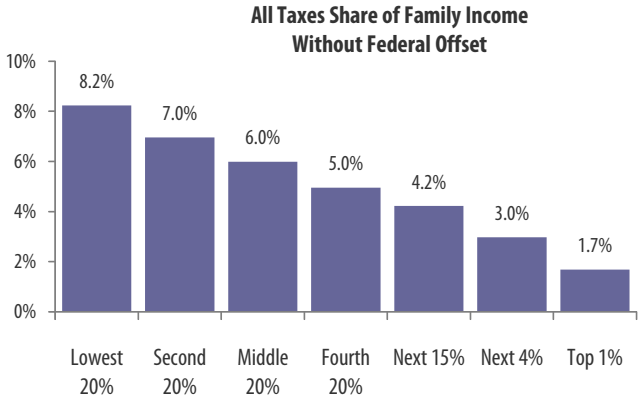
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in Wyoming enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Wyoming State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than $25,000	$25,000 – $41,000	$41,000 – $70,000	$70,000 – $110,000	$110,000 – $190,000	$190,000 – $625,000	$625,000 or more
Average Income in Group	$14,700	$34,200	$58,300	$89,200	$139,800	$328,000	$2,997,400
Sales & Excise Taxes	**5.9%**	**5.0%**	**4.1%**	**3.2%**	**2.3%**	**1.3%**	**0.5%**
General Sales—Individuals	3.0%	2.7%	2.3%	1.9%	1.4%	0.8%	0.3%
Other Sales & Excise—Ind.	0.8%	0.4%	0.4%	0.2%	0.2%	0.1%	0.0%
Sales & Excise on Business	2.1%	1.9%	1.4%	1.1%	0.8%	0.4%	0.1%
Property Taxes	**2.3%**	**2.0%**	**1.9%**	**1.8%**	**1.9%**	**1.7%**	**1.2%**
Property Taxes on Families	2.1%	1.7%	1.5%	1.4%	1.5%	1.1%	0.3%
Other Property Taxes	0.2%	0.3%	0.4%	0.4%	0.4%	0.6%	0.9%
Income Taxes	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	—	—	—	—	—	—	—
Total Taxes	**8.2%**	**7.0%**	**6.0%**	**5.0%**	**4.2%**	**3.0%**	**1.7%**
Federal Deduction Offset	—	*–0.1%*	*–0.1%*	*–0.3%*	*–0.3%*	*–0.3%*	*–0.5%*
OVERALL TOTAL	**8.2%**	**6.9%**	**5.9%**	**4.7%**	**4.0%**	**2.7%**	**1.2%**

Note: Table shows detailed breakout of data on previous page.

Wyoming Tax Code Features

Progressive Features

- Sales tax base excludes groceries

Regressive Features

- No personal income tax
- No corporate income tax
- Fails to provide non-elderly taxpayers with tax credits to offset sales, excise, and property taxes

Tax Changes Enacted in 2013 & 2014

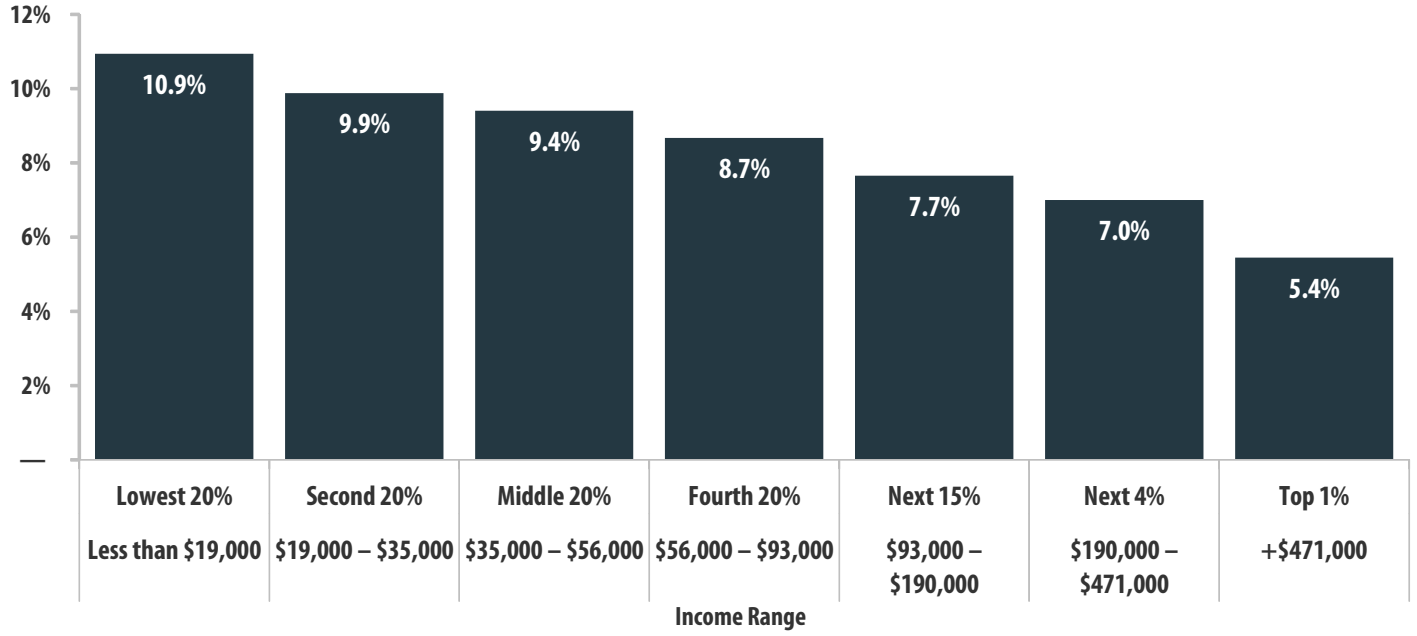
- Raised gasoline and diesel tax rates by 10 cents per gallon

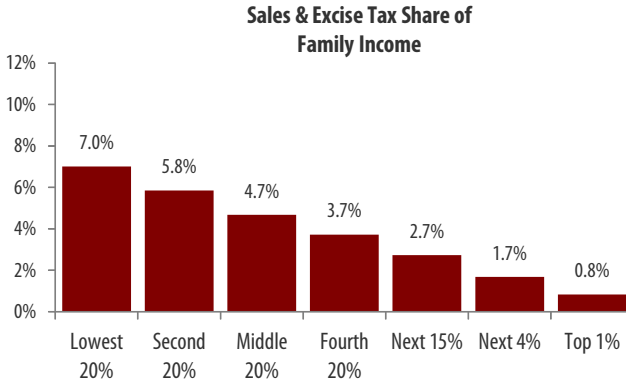
ITEP Tax Inequality Index

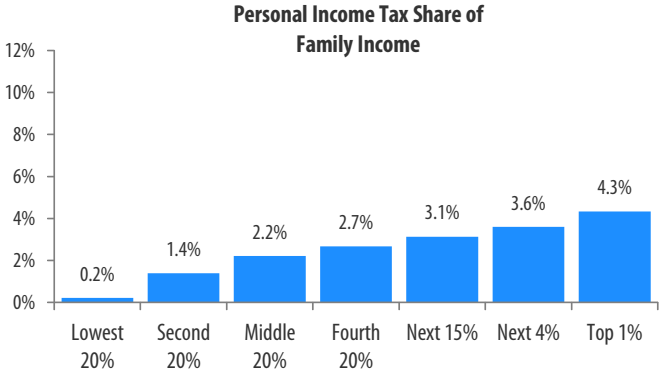
According to ITEP's Tax Inequality Index, Wyoming has the **14th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).

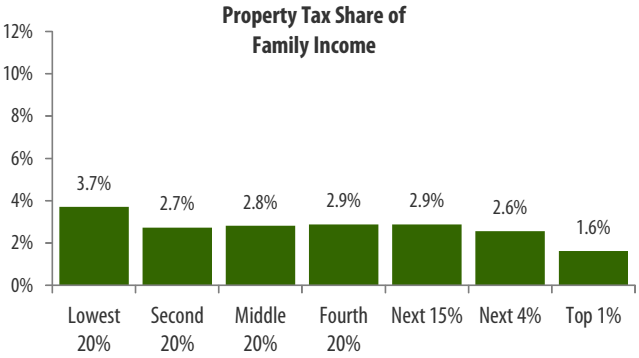
Averages for all States

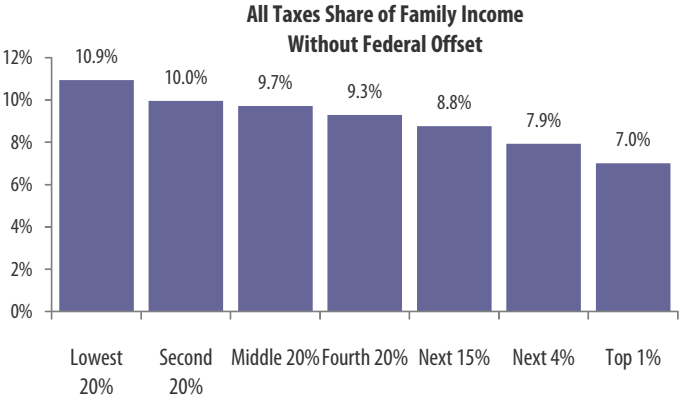
Shares of family income for non-elderly taxpayers











Note: Figures show permanent law in all states enacted through December 31, 2014 at 2012 income levels. Top figure represents total state and local taxes as a share of income, post- federal offset.

Averages for all States

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 – $35,000	$35,000 – $56,000	$56,000 – $93,000	$93,000 – $190,000	$190,000 – $471,000	$471,000 or more
Average Income in Group	$11,200	$26,900	$45,000	$72,800	$126,200	$280,400	$1,593,400
Sales & Excise Taxes	**7.0%**	**5.8%**	**4.7%**	**3.7%**	**2.7%**	**1.7%**	**0.8%**
General Sales—Individuals	3.2%	2.9%	2.4%	2.0%	1.5%	1.0%	0.5%
Other Sales & Excise—Ind.	1.6%	1.1%	0.8%	0.6%	0.4%	0.2%	0.1%
Sales & Excise on Business	2.2%	1.8%	1.4%	1.1%	0.8%	0.5%	0.2%
Property Taxes	**3.7%**	**2.7%**	**2.8%**	**2.9%**	**2.9%**	**2.6%**	**1.6%**
Property Taxes on Families	3.6%	2.6%	2.6%	2.7%	2.6%	2.1%	0.7%
Other Property Taxes	0.1%	0.1%	0.2%	0.2%	0.2%	0.5%	0.9%
Income Taxes	**0.2%**	**1.4%**	**2.2%**	**2.7%**	**3.2%**	**3.7%**	**4.5%**
Personal Income Tax	0.2%	1.4%	2.2%	2.7%	3.1%	3.6%	4.3%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total Taxes	**10.9%**	**10.0%**	**9.7%**	**9.3%**	**8.8%**	**7.9%**	**7.0%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.3%*	*–0.6%*	*–1.1%*	*–0.9%*	*–1.6%*
OVERALL TOTAL	**10.9%**	**9.9%**	**9.4%**	**8.7%**	**7.7%**	**7.0%**	**5.4%**

Note: Table shows detailed breakout of data on previous page.

METHODOLOGY

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. Since 1994, 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; American Community Survey, 2004-2012.

Partial List of Aggregated Data Sources:
Miscellaneous IRS data; Congressional Budget Office and Joint Committee on Taxation forecasts; other economic data (Moody's Economy.com, 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; 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 (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.

Addendum 3: Comparisons with Previous Editions of Who Pays

The methodology used in this study is broadly similar to the approach used in the previous edition of the report. However, the measure of total personal income used in the report (the denominator in our reported effective tax rates) is not strictly comparable to previous editions, because of the availability of new sources of state-by-state information on specific components of personal income that were not previously disclosed by the Internal Revenue Service. For this reason, we discourage direct comparison of the report's results with prior editions.

The effective tax rates calculated in this report also differ, in many states, from those reported in the prior edition of the study because of changes attributable not to state and local tax laws but to the business cycle and cyclical trends in components of personal income such as capital gains realizations. For example, homeowner and business property taxes tend to be relatively inelastic, meaning that property tax collections do not fall as rapidly as income during recessions. This is why the study's results in many states show a higher effective property tax rate than was reported in the previous edition.

Some states' effective sales tax rates show a visible decline from the previous edition because their sales tax collections have shrunk substantially, as a share of income, since 2010. This trend reflects the outdated, slow-growing tax bases in use in most states, as well as a recession-driven decline in consumption.

A more detailed description of the ITEP Microsimulation Tax Model can be found on the ITEP website at www.itep.org.