CTJ NEWS

Embargoed For Release until:
Monday, April 22, 1991
At Noon

Contact: Bob McIntyre
Mike Ettlinger
Bruce Fisher
Doug Kelly
202/626-3780

New York Tax Rate on Middle Class 23% Higher than Rate on Affluent
New CTJ Study

Analysis of Changes Since 1985 Shows that Fairness of New York System Did Not Improve

Income Tax Is Progressive, but Richest Got Small Overall Tax Cut

Middle-income families in New York are paying 23 percent more of their incomes in state income, sales, excise and property taxes than the most affluent New Yorkers, according to a new study by Citizens for Tax Justice.

Over the past six years, the study found, New York has cut taxes on its richest citizens somewhat, while increasing levies slightly on most other New York families, who were already paying a larger share of their incomes in combined state taxes than the rich.

"Of course, we need taxes to pay for public services," said Robert S. McIntyre, director of Citizens for Tax Justice. "But by letting the rich off easy, New York has put too much of the tax burden on those who can least afford to pay."

"The problem," McIntyre said, "is over-reliance on regressive sales and excise taxes rather than on a more progressive, pay-by-ability income tax."

New York Taxes in 1991 as Shares of Income for Families of 4

	Income	Tax/Inc.
Lowest 20%	$14,200	14.1%
Second 20%	$29,700	14.1%
Middle 20%	$44,200	13.9%
Fourth 20%	$61,400	13.9%
Next 15%	$96,600	13.8%
Next 4%	$240,600	13.0%
TOP 1%	$1,448,000	11.3%

Unfair Sales Tax, Flawed Income Tax

New York sales and excise taxes take 5.9 times as great a share of income from the poorest fifth of New York families as from the richest one percent, and 3.3 times as great a share from middle-income families as from the rich, the study found.

Meanwhile, New York's income tax, while progressive, does not mitigate the regressivity of sales, excise and property taxes. The result is that the overall tax rate on the richest one percent of New Yorkers, who make $1,448,000, is lower than the overall rate on middle-income families earning $44,200.

The combination of New York's income, sales and property taxes ends up taking 14.1 percent of the income of poor families earning $14,200. That's 25 percent higher than the 11.3 percent rate paid by the wealthy. Middle-income New Yorkers pay 13.9 percent of their earnings in state and local taxes, which is a 23 percent higher rate than the rich pay.

MORE . . .

Citizens for Tax Justice

13" L Street NW
Washington DC
20005
(202 626-3780

TITX 0037660

Tax Unfairness On Middle Class Grew Worse Since 1985

A New York family whose $14,200 income places it in the poorest fifth of New York families of four will pay 14.1 percent of its income in total state and local taxes this year. That's a 2 percent decrease from the 14.4 percent the poor owed in New York taxes in 1985, but still a considerably greater share of income than that paid by the rich.

But middle-income New York families, earning $44,200 per family of four in 1991, will pay 4 percent more of their income in state and local taxes than than they owed in 1985.

By contrast, the richest New Yorkers — those in the top one percent, with average incomes of $1,448,000, will pay just 11.3 percent of their incomes in state and local taxes this year — 6 percent less than what they paid in 1985.

"New York is starting to become like too many other states in fiscal crisis: it is turning first to average families, while profitable corporations and rich individuals aren't being asked to do their part," said McIntyre.

The "Terrible Ten"

The study showed that ten states—Nevada, Texas, Florida, Washington, South Dakota, Tennessee, Wyoming, New Hampshire, Pennsylvania and Illinois—tax the poorest 20 percent of their families at close to three times or more the rates paid by the richest one percent.

Those same ten states tax middle-income families at close to twice—or more—the rates they apply to their richest families.

"No state can be proud of our findings about its tax system," said Mcintyre. "But these "Terrible Ten" states should be particularly ashamed of how unfairly they treat their average and poor families while they coddle the rich."

Notably, eight of the "Terrible Ten" states—South Dakota, Nevada, Texas, Florida, Washington, Tennessee, Wyoming, and New Hampshire—lack a broad-based personal income tax. Instead, they rely most heavily on consumption taxes—taxes which, by definition, hit lower- and middle-income taxpayers the hardest—or, in the case of New Hampshire, an extremely high (and regressive) property tax. The two states among the Terrible Ten that do have broad-based personal income taxes, Pennsylvania and Illinois, have very low, flat rates.

"The Terrible Ten"

States with the Highest Taxes on Poor and Middle-Income Families Compared to Taxes on the Richest One Percent

The Terrible Ten States	Tax Rates on:			Poor/ Rich	Middle/ Rich	Income Tax?
	Poor	Middle	Rich			
Nevada	10.0%	5.7%	1.8%	556%	314%	No
Texas	17.1%	8.4%	3.1%	553%	273%	No
Florida	13.8%	7.6%	2.7%	518%	283%	No
Washington	17.4%	9.5%	3.4%	509%	278%	No
South Dakota	16.2%	8.7%	3.5%	465%	249%	No
Tennessee	15.2%	7.7%	3.6%	418%	211%	No*
Wyoming	9.0%	5.3%	2.4%	372%	218%	No
New Hampshire	12.7%	7.6%	3.8%	329%	198%	No*
Pennsylvania	15.9%	9.8%	5.5%	287%	176%	Flat
Illinois	16.5%	10.8%	6.0%	273%	179%	Flat

* Only interest and dividends taxed.

MORE . . .

TITX 0037661

Soaking the Poor, Sparing the Rich

The ten states with the highest taxes on poor families include many that typically think of themselves as "low-tax" states. But in Washington state, for example, poor families must pay an astonishing 17.4 percent of their annual incomes in state and local taxes—almost double the 9.8 percent rate the poor pay in neighboring Oregon. Likewise, Texas hits its poorest families with a 17.1 percent tax bill. Others on the high-tax list for poor families include Nebraska, Illinois, Connecticut, South Dakota, Pennsylvania, Tennessee, New Jersey and Indiana.

The study noted that many of the states that soak the poor the most also are on the list of the ten *lowest* tax states for the very rich. As a result, the states that are the biggest taxers of the poor are among the least productive states when it comes to generating revenue to pay for public services. The top ten taxers of the poor average 36th in the country when they are ranked according to total tax revenue as a share of personal income (despite ranking in the middle of the pack in taxes on middle-income families).

"Taxing the poor heavily is cruel, but it doesn't raise much in the way of revenues, since the poor don't make much," noted McIntyre. "That makes a soak-the-poor, spare-the-rich strategy a bad deal for middle-income families, who end up with neither low taxes nor an adequate level of government services."

"Too many state governments that are strapped for revenue are turning first to average families, while profitable corporations and rich individuals aren't being asked to do their part," said McIntyre.

States with the Highest Taxes on the Poor	
Washington	17.4%
Texas	17.1%
Nebraska	16.9%
Illinois	16.5%
Connecticut	16.5%
South Dakota	16.2%
Pennsylvania	15.9%
Tennessee	15.2%
New Jersey	15.2%
Indiana	14.8%

States with the Lowest Taxes on the Rich	
Nevada	1.8%
Wyoming	2.4%
Alaska	2.5%
Florida	2.7%
Texas	3.1%
Washington	3.4%
South Dakota	3.5%
Tennessee	3.6%
New Hampshire	3.8%
Alabama	5.1%

Few States Tax the Rich as High As Poor and Middle Class

Only in Vermont, Delaware, Hawaii, Maryland and Minnesota do the richest one percent pay an equal or greater share of income in state and local taxes as the share paid by the poorest fifth of families. Only California, Delaware, Maine and Vermont tax their richest citizens at greater rates than they impose on middle-income families. And only Vermont and Delaware succeed at both.

"It's sad," said McIntyre. "The best we can say is that there are still a few places where the Rockefellers and the Trumps are asked to pay taxes at slightly higher rates than the Orphan Annies and Oliver Twists of the world," he said.

The "Triple Whammy"

Over the past six years, the study notes, incomes for the richest one percent of American families have risen by 10 percent a year, while middle-income family incomes have barely kept pace with inflation and poor families' earnings have fallen short. At the same time, federal taxes have been slashed on the rich due to tax changes in the late 70s and early 80s, while federal taxes on nine out of ten families were increased and the federal budget deficit skyrocketed.

MORE . . .

The resulting shift in fiscal responsibility for many domestic programs from the federal government to the states represents a doubly whammy for many middle- and lower-income families. They never benefitted from the federal tax cuts that led to such severe federal deficits in the first place—and when those deficits caused the federal government to cut back on many important programs, they're the ones who were asked to pick up the tab at the state and local level because of the unfairness of most state and local tax systems.

The triple whammy is completed by the fact that middle- and lower-income families are those which are most affected in their everyday lives by the budgetary cutbacks that are necessitated when neither the state nor the local government can find the money to run the schools, repair the roads or keep the public hospitals open.

Little Improvement Since 1985

Despite the opportunity for fairer income taxes provided by the 1986 federal tax reform act, the study found that only nine states, notably Hawaii, Vermont, Minnesota and Utah, clearly improved the progressivity of their overall tax systems between 1985 and 1991. Most states made no progress at all in making their tax systems fairer over the past six years, while eight made their tax systems clearly more regressive. Seven states—Connecticut, South Dakota, West Virginia, Alaska, Nevada, Tennessee and Washington state—had the dubious distinction of raising taxes on 95 percent of their families, while cutting taxes on the top one percent of their citizens.

A Call for Change

"There's no reason the public should tolerate the level of unfairness in state and local taxes that our study documents," McIntyre said. "The public should demand that their governors and legislators take action to bring their tax systems in line with basic notions of fairness."

CTJ called on New York to stop relying so heavily on taxing poor and middle-income families to meet its fiscal needs. In particular, it recommended that New York:

- Avoid increases in sales and excise taxes and shift to reliance on corporate and personal income taxes.
- Target property tax relief to those most in need.

Tables and Graphs Showing the New York Results of CTJ's Study Are Attached

Citizens for Tax Justice is a non-profit, non-partisan coalition of labor, public interest and grassroots citizens groups working for fairer taxes at the federal, state and local levels.

-000-