

**MINNESOTA
CTJ
NEWS**

EMBARCOED FOR RELEASE Until:
11 a.m. Monday, April 22, 1991

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Eighty percent of Minnesota's families now pay a higher rate of state and local tax than do Minnesota's richest families. Governor Carlson's tax proposals would widen that gap.

That's a key finding of Minnesota Citizens for Tax Justice's new study of who pays Minnesota's taxes. This study was released at a Capitol press conference in St. Paul Monday.

The group of families that now pay the highest rate in Minnesota state and local taxes are those whose average income is \$29,000 a year.

"Minnesota Citizens for Tax Justice is now formally declaring that Minnesota's tax system has moved from the progressive to the regressive side of the ledger," said Wayne Cox, director of Minnesota Citizens for Tax Justice.

Families of four earning \$29,000 a year now pay 10.6% of their income in Minnesota state and local taxes, while the top 1% of families, those earning \$765,800 paying only 9.6% of their income in Minnesota taxes.

The cause of this gap is two-fold: In recent years, Minnesota has increased the type of taxes that hit middle and low income Minnesotans hardest--sales and excise taxes and property taxes. At the same time, the income tax rate of high income families was lowered.

"Governor Carlson's tax plan would make this problem worse--through massive property tax increases on the middle class, by relying on cigarette and beer taxes and by keeping the income tax rate on the rich at a lower rate than many of those earning less income," Cox said.

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"Arne Carlson says he doesn't want to tax success," Cox said. "What he really is saying is: If you've got it made, you get a break. If you're still struggling, you pay the freight."

"Working families who are struggling with child care and tuition costs shouldn't have to pick up the tax slack of the rich to boot."

Bernard L. Brommer, President of the Minnesota AFL-CIO and President of MCTJ, said Gov. Carlson's analysis incorrectly assumes that wealthy people are the sole source of investment capital. "Their contribution is no greater than that of working families. Our pension plans are probably the largest single source of investment dollars," Brommer said.

MCTJ said this year's tax plan should contain three key elements: making the income tax fairer; holding the line on property tax increases; and avoidance of new regressive taxes. Brommer and Cox said the House tax plan come the closest to meeting these goals. They praised the following elements:

- * The income tax rate on those with most income from increase from 8 ½ to at least 9%.
- * Modest-income working families would receive a refundable credit as an offset to the high level of regressive taxes they pay.
- * Property tax increases would be limited.
- * The Governor's regressive increases on cigarettes and beer would not occur.

Cox said MCTJ was waiting on more detail regarding the changes in state-local financing relationships before expressing an opinion.

Joining Brommer and Cox in issuing a call to make Minnesota's tax system fairer were two other MCTJ officers-- MCTJ Vice President Willis Eken, President of Minnesota Farmers Union, and Msgr. James Habiger, MCTJ Secretary and Executive Director of Minnesota Catholic Conference.

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Cox said the national study showed that while Minnesota's system is less regressive than many other states, it is tilting away from progressivity.

"Especially troublesome is the fact that the lowest income Minnesotans, the bottom 20% in income, now pay a state and local tax rate almost identical to that paid by the richest 1% of families.

While Minnesota's tax system is now slightly regressive, when the value of the deduction of state and local taxes on the federal income tax is factored in, the unfairness of the system is heightened. Then, the highest 1% has a net state and local tax of 7.4%, while every other income group pays more. The lowest income quintile pays 9.5 %; those averaging \$29,200 pay 10.4%; those averaging \$40,800 pay 10%; those at \$54,000 pay 9.5 %; those at \$81,000 pay 8.5%; and those at \$172,000 pay 8.1%.

The following charts show the results of the study.

Minnesota Taxes in 1991 as Shares of Income for Families of 4		
	Income	Tax/Inc.
Lowest 20%	\$14,300	9.5%
Second 20%	\$29,200	10.6%
Middle 20%	\$40,900	10.5%
Fourth 20%	\$54,000	10.5%
Next 15%	\$81,100	10.4%
Next 4%	\$172,800	10.4%
TOP 1%	\$765,800	9.6%