State and Local Tax Burdens Are Falling -- But Not Everywhere.

The burden state and local taxes place on taxpayers has fallen after hitting a national high of more than 10 cents on every dollar earned.

The national average for 2011, the most recent data available, was a tax burden equal to 9.8 percent of income, according to a new report by the Tax Foundation, which looked how much people pay in taxes in relation to how much they take in.

The report estimated the tax burden by determining the amount of all state and local taxes paid per capita (including taxes paid in other states) and dividing that by per capita income in each state. The total burden from year to year is impacted by policy changes but also just by changes in income.The nonpartisan foundation, which supports a simpler tax policy and lower rates, used U.S. Census and other federal data on income per capita and taxes paid in-state and out-of-state.

The decrease to 9.8 percent comes after steady increases in the 2000s. The national burden peaked at 10.2 percent of income as wages fell during the 2008 recession and taxes took a bigger share of incomes. The decrease in 2011 is largely because incomes rose that year for the first time since 2008.

New York, New Jersey and Connecticut remained the top tax burden states, with residents paying 12.6 percent, 12.3 percent and 11.9 percent of their incomes, respectively. South Dakota (7.1 percent), Alaska (7.0 percent) and Wyoming (6.9 percent) are the lowest tax burden states, with Wyoming's tax burden dropping more than a full percentage point and leaping to 50th from 46th place last year. (Wyoming also enjoyed a boost of nearly $3,000 in per capita income.) Many of the least-burdened states don't have certain major taxes. For example, Alaska (49th), Nevada (43rd), South Dakota (48th), Texas (47th) and Wyoming all do not tax income.

All states except Maryland and the District of Columbia had a decreases in local and state tax burdens. Maryland's burden increased by one-tenth of a percent to 10.6 percent of per capita income for taxes. Taxpayers in D.C. have a 9.7 percent burden – a full half of a percent more in income to local taxes than in 2010.

Economist Anirban Basu, CEO of Sage Policy Group in Baltimore, said the data used in the study did not reflect the tightened federal spending marked by sequestration, which began in 2013. In Maryland and D.C., the local economies were relatively strong through 2011 in large measure because federal outlays at that time were still flowing rapidly.

"As opposed to many communities looking to shed tax burdens, there may have been less appetite to do so in Maryland and D.C. because at least those areas were tied to strong economies," Basu said. "My sense is, when we get to the 2013 data, you'll see different trends."

Overall, tax burdens across the country varied by a full 5.7 percentage points from the top of the list to the bottom. But it isn't necessarily good or bad to have a relatively high or low burden, said Brookings Institution Economic Fellow Benjamin Harris. Rather, the range illustrates the choices citizens have in their level of government and the amount of services provided.

"In a way this is a success of our federalist system," Harris said. "Oftentimes advocates for lower taxes make the case that fewer taxes stimulates overall economic growth and that simply hasn't been established. There are a lot of other things at play."

Liz Farmer |

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lfarmer@governing.com | @LizFarmerTweets

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