

Bond Case Briefs

Municipal Finance Law Since 1971

Tax Unfairness.

This month marked the 5th edition release of the Institute on Taxation & Economic Policy’s (ITEP) Who Pays? A Distributional Analysis of the Tax Systems in All Fifty States. The report looks at states’ reliance on sales tax for revenue, whether states have personal income taxes and the number of tax brackets states have. The following table shows ITEP’s most and least regressive state tax systems. Among the states labeled as most regressive, Washington, Florida, Texas, South Dakota and Tennessee lack a broad-based income tax. Conversely, the seven states listed as having the least regressive systems have some combination of no or low sales taxes, progressive income tax structures and refundable earned income tax credits (a tax credit for the poor).

ITEP’s Most and Least Regressive State & Local Tax Systems

Most	Least
Washington	Delaware
Florida	District of Columbia
Texas	California
South Dakota	Oregon
Illinois	Montana
Pennsylvania	Vermont
Tennessee	Minnesota
Arizona	
Kansas	
Indiana	

An analysis released Mar. 24 by the Federal Funds Information for States warns that fairness is but one feature of a good tax system. Others are adequacy, simplicity, transparency and ease of administration. “Sometimes the policies that satisfy one feature run contrary to another, making it important that a system be evaluated in its entirety rather than in a piecemeal fashion,” FFIS says. “This limits the usefulness of ITEP’s analysis, since only one of the five attributes is evaluated.” For example, Washington puts more of its revenues toward programs that support low-income families.