

# **Bond Case Briefs**

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## **Local Income Taxes in 2019.**

### **Key Findings**

- Local income taxes are imposed by 4,964 taxing jurisdictions across 17 states, with a heavy concentration in Rust Belt states, particularly Ohio and Pennsylvania.
- Depending on the state, local income taxes may be levied by counties, municipalities, school districts, or special districts, with most levied by municipalities (3,816) and school districts (954).
- Six states rely on income taxes for more than 10 percent of local tax collections, while the local income taxes in five states capture more than 1 percent of adjusted gross income.
- Nonresidents are sometimes subject to a lower rate than residents, or not taxed at all, in recognition that they receive fewer benefits than do residents.
- In different states, local income taxes are levied on all income, earned income, or interest and dividend income. Some jurisdictions impose payroll taxes or dollar-denominated employment or occupational privilege taxes in lieu of a traditional income tax.
- While most local income taxes are low, they often have broad bases and are difficult to avoid, which can discourage economic activity or drive out mobile workers or businesses. Officials should also be careful not to impose excessive compliance costs through complexities within their local tax regimes.

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### **Tax Foundation**

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