

Indiana

Poor Families in Indiana Remain Subject to Income Tax, Loss of State EITC Would Increase Taxes on Low-Income Families

Indiana's 2004 income tax threshold — the income level at which families begin paying income tax:

*Ranking among
42 states with
income taxes*

⇒ For single-parent families of three: **\$13,600**

13th lowest

⇒ For two-parent families of four: **\$14,600**

8th lowest

Indiana's 2004 income tax on working-poor and near-poor families:

⇒ For families of three with *incomes at the poverty line* (\$15,071): **\$63**

12th highest

⇒ For families of four with *incomes at the poverty line* (\$19,311): **\$215**

10th highest

⇒ For families of three with *incomes at 125% of poverty line* (\$18,839): **\$239**

11th highest

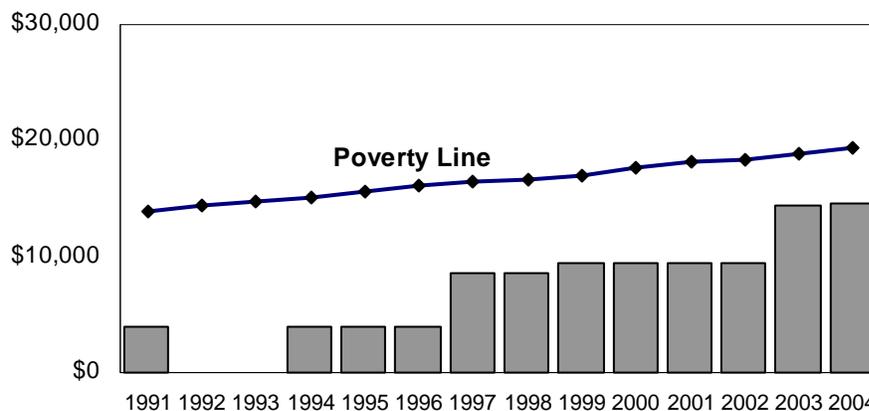
⇒ For families of four with *incomes at 125% of poverty line* (\$24,139): **\$439**

10th highest

Despite progress, Indiana continues to tax families with incomes below the poverty line. Loss of the EITC would push the tax threshold further below the poverty line.

- ⇒ A new state Earned Income Tax Credit was introduced in tax year 2003, which increased the income tax threshold for a two-parent family of four from \$9,500 to \$14,400.
- ⇒ The EITC is set to expire at the end of 2005. If the credit does expire, the threshold for a two-parent family of four will fall from its current level of 76 percent of the poverty line to less than 36 percent of the poverty line.
- ⇒ In 1991, a family of four owed tax when its income exceeded 29 percent of the poverty line. By 2004, Indiana's tax threshold rose to 76 percent of the poverty line.

Income Tax Threshold for Family of Four



Year	Threshold
1991	\$4,000
1994	\$4,000
1995	\$4,000
1996	\$4,000
1997	\$8,500
1998	\$8,500
1999	\$9,500
2000	\$9,500
2001	\$9,500
2002	\$9,500
2003	\$14,400
2004	\$14,600