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THE IMPACT OF STATE INCOME TAXES ON LOW-INCOME FAMILIES IN 2010

By Phil Oliff and Nicholas Johnson[1]

Summary

The successful bipartisan effort over the last two decades to reduce state income taxes on working-poor families has stalled and is in danger of reversing. No new states exempted working-poor families from income taxes in 2010, and in most of the 15 states where such families still pay income taxes, they saw their income taxes increase.

Taxing the incomes of working-poor families runs counter to decades of efforts by policymakers across the political spectrum to help families work their way out of poverty. The federal government has exempted such families from the income tax since the mid-1980s, and a majority of states now do so as well. Since 1990, the number of states with income taxes on working-poor families of four has fallen from 24 to 15, and even in the remaining 15 states, the income tax liabilities of these families have declined significantly.

Eliminating state income taxes on working-poor families helps offset the higher child care and transportation costs that families incur as they strive to become economically self-sufficient. Moreover, research increasingly makes clear that raising the after-tax incomes of poor families can boost poor children's chances of academic success and increase their earnings prospects as adults. In other words, relieving poor families of state income taxes can make a meaningful contribution toward "making work pay," and can help states cultivate the highly skilled workforce they will need to succeed economically in the future.

Despite the benefits of reducing taxes for poor families, some states required them to pay income tax bills of several hundred dollars in 2010. A two-parent family of four with annual income at the poverty line (which is $22,314 for a family of that size) owed $498 in **Alabama,** $292 in **Hawaii,** $238 in **Georgia,** and $234 in **Oregon.** Such amounts can make a big difference to a family struggling to escape poverty. Other states levying tax of more than $150 on families with poverty-level incomes were **Illinois, Iowa, Montana** and **Ohio.**

[1] Additional data analysis for this report was provided by Mark Enriquez, Dylan Grundman, Andrew Hartsig, Michael Leachman, Christine Mai, Frank Mamo, Michael Mazerov, Elizabeth McNichol, Eleni Orphanides, Katherine Sydor, and Erica Williams.

Methodology

This analysis assesses the impact of each state's income tax in 2010 on two types of poor and near-poor families with children: a married couple with two dependent children and a single parent with two dependent children.[a] It focuses on two measures: the lowest income level at which state residents are required to pay income tax, and the amount of tax due at various income levels. We have generated the relevant data annually since the early 1990s, allowing for analysis of trends over the last two decades.[b]

A benchmark used throughout this analysis is the federal poverty line, or the annual estimate of the minimum financial resources required for a family to meet basic needs. The Census Bureau's poverty line for 2010 was $17,374 for a family of three and $22,314 for a family of four.[c] Many experts acknowledge that supporting a family requires an income level substantially *higher* than the federal poverty line, so this analysis may understate the extent to which state income taxes can make it more difficult for poor families to move up the economic ladder.

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[a] The married couple is assumed to file a joint return on its federal and state tax forms, and the single parent is assumed to file as a Head of Household. A few states' tax codes treat married couples with two workers differently than married couples with one worker, so each family is assumed to include one worker. For the few states whose tax codes take the age of children into account, the children are assumed to be ages 4 and 11.

[b] This report takes into account income tax provisions that are broadly available to low-income families and that are not intended to offset some other tax. It does not take into account tax credits or deductions that benefit only families with certain expenses; nor does it take into account provisions that are intended explicitly to offset taxes other than the income tax. For instance, it does not include the impact of tax provisions that are available only to families with out-of-pocket child care expenses or specific housing costs, because not all families face such costs. It also does not take into account sales tax credits, property tax "circuit breakers," and similar provisions, because this analysis does not attempt to gauge the impact of those taxes — only of income taxes.

[c] Specifically, this report uses the Census Bureau's weighted average poverty thresholds, available at http://www.census.gov/hhes/www/poverty/data/threshld/.

Some states levied income tax on working families in *severe* poverty. Five states — **Alabama, Georgia, Illinois, Montana,** and **Ohio** — taxed the income of two-parent families of four earning less than three-quarters of the poverty line, or $16,736. And three states — **Alabama**, **Georgia**, and **Montana** — taxed the income of one-parent families of three earning less than three-quarters of the poverty line, or $13,031.

Also, 23 states required families with income just above the poverty line to pay income tax in 2010, despite strong evidence that a poverty-level income is often insufficient to meet families' basic needs.

In contrast, 19 of the 42 states with income taxes exempted the poor and the near-poor from the tax, and a substantial number offered significant refunds to low-income working families, primarily through Earned Income Tax Credits (EITCs).[2]

These findings show that that there is still significant room for improvement in many states' tax treatment of low-income families. To some degree, the slowing of progress in reducing these

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[2] The District of Columbia also has an income tax. The nine states without income taxes are Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming.

families' tax liabilities over the last several years has been inevitable, as states have faced the most difficult fiscal conditions in decades. But a few states have moved significantly backward in this area, *raising* taxes on low-income working families in order to finance tax cuts that benefit corporations and wealthy individuals. **Michigan, New Jersey,** and **Wisconsin,** for example, have scaled back their EITCs over the last two years while cutting business taxes, taxes on the wealthiest families, or both.

It is possible for states to go in the opposite direction — raising revenues overall while improving their tax treatment of the poor. **Connecticut,** which in 2011 enacted a new EITC while balancing its budget with a combination of spending cuts and new revenues, is the sole example from this year.

In short, states need not dismantle policies designed to reduce poverty and encourage work. Rather, they should preserve these policies and build upon them when their fiscal situation improves.

Many States Continue to Levy Substantial Income Taxes on Poor Families

The Tax Threshold

One important measure of the impact of taxes on poor families is the income tax threshold — the point below which a family owes no income tax.

- In 11 states, the threshold for a single-parent family of three is below the $17,374 poverty line for such a family (see Table 1A).

- In 15 states, the threshold for a two-parent family of four is below the $22,314 poverty line for such a family (see Table 1B and Figure 1).

- Five states tax families of three or four in severe poverty, meaning those earning less than three-quarters of the poverty line ($13,031 for a family of three and $16,736 for a family of four): **Alabama, Georgia, Illinois, Montana,** and **Ohio.**

- In nine states, a family of three where the employed person works full-time at the minimum wage owed income tax in 2010: **Alabama, Georgia, Hawaii, Illinois, Mississippi, Missouri, Montana, Ohio,** and **Oregon.** (Such a person would have an income of $15,080 under the federal minimum wage, but some states have minimum wages above the federal level; see Table 3A.)

- **New York** had the nation's highest income tax thresholds for 2010: $34,600 for a family of three and $40,300 for a family of four. Those levels are well above the poverty lines for families of those sizes.

Taxes and Tax Credits for Poor Families

Several states charge those living in poverty several hundred dollars a year in income taxes — a substantial amount for a struggling family.

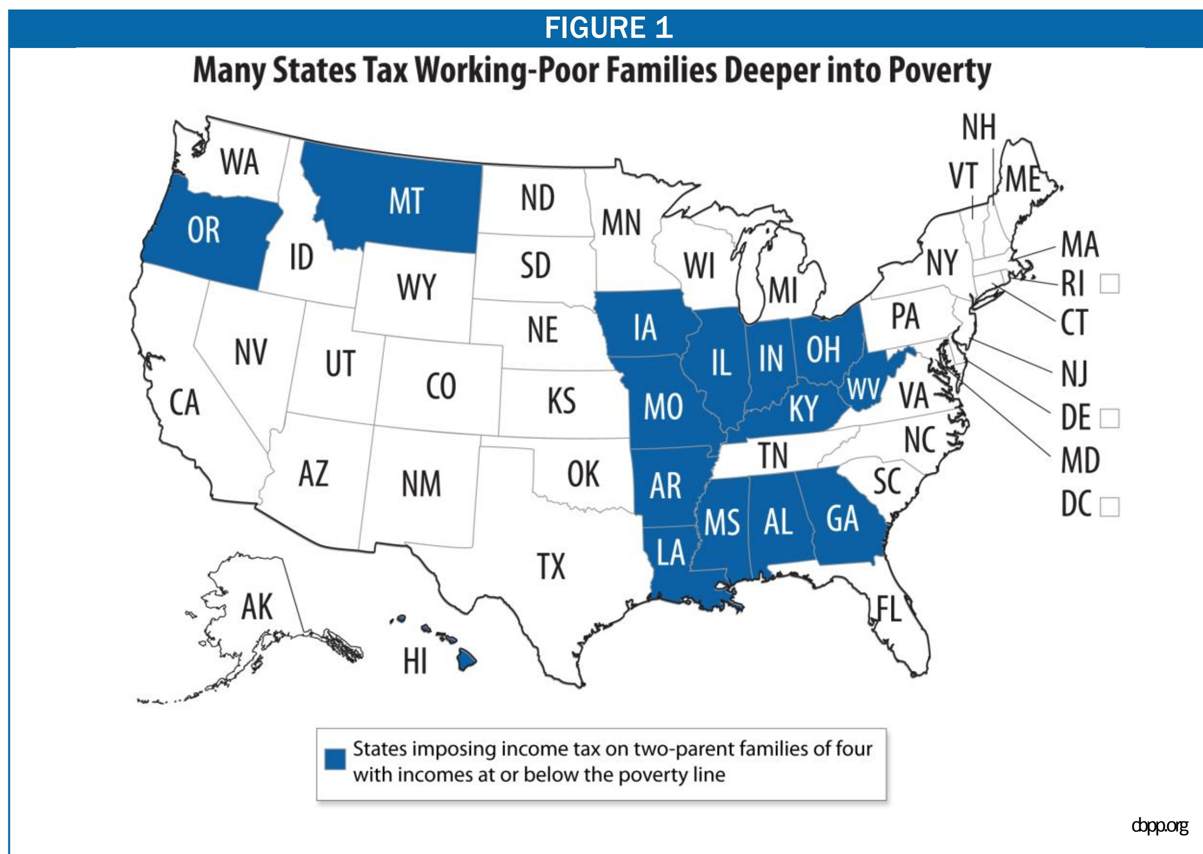

FIGURE 1
Many States Tax Working-Poor Families Deeper into Poverty

- In eight states, a family of four at the poverty line owes more than $150 in income taxes: **Alabama, Georgia, Hawaii, Illinois, Iowa, Montana, Ohio,** and **Oregon** (see Table 2B).

- At the other end of the spectrum, 17 states not only avoid taxing poor families but also offer tax credits that provide refunds to families of three or four at the poverty line (see Tables 2A and 2B). These credits act as a wage supplement and income support, encouraging work and reducing poverty. The largest refund for families at the poverty line is $1,917 for a family of three in **New York.**

Taxes on Near-Poor Families

Studies have consistently found that the basic cost of living — food, clothing, housing, transportation, and health care — exceeds the federal poverty line in most parts of the country, sometimes substantially.[3] So, many families with earnings above the official federal poverty line still have considerable difficulty making ends meet.

In recognition of the challenges faced by families with incomes somewhat above the poverty line, the federal and state governments have set eligibility ceilings for some programs, such as energy

[3] See, for example, Sylvia A. Allegretto, *Basic Family Budgets: Working Families' Incomes Often Fail to Meet Living Expenses Around the U.S.,* Economic Policy Institute, September 2005.

assistance, school lunch subsidies, and in many states health care subsidies, at or above 125 percent of the poverty line ($21,718 for a family of three, $27,893 for a family of four in 2010).

A majority of states, however, continue to levy income tax on families with incomes at 125 percent of the poverty line.

- Twenty-three states tax two-parent families of four earning 125 percent of the poverty level, and the bill exceeds $500 in eight states: **Alabama, Arkansas, Georgia, Hawaii, Iowa, Kentucky, Oregon,** and **West Virginia** (see Figure 4B).

- Twenty-two states tax families of three with income at 125 percent of the poverty line (see Figure 4A).

How Can States Reduce Income Taxes on Poor Families?

States employ a variety of mechanisms to reduce income taxes on poor families. Nearly all states offer personal exemptions and/or standard deductions, which reduce the amount of income subject to taxation for all families, including those with low incomes. In a number of states, these provisions by themselves are sufficient to lift the income tax threshold above the poverty line. In addition, many states have enacted provisions targeted to low- and moderate-income families. To date, 25 states have established an EITC based on the federal EITC to reduce the tax obligation of working-poor families, mostly those with children.[4]

Some states offer other types of low-income tax credits, such as New Mexico's Low-Income Comprehensive Tax Rebate, a refundable tax credit for households with income of $22,000 or less. Finally, a few states have a "no-tax floor," which sets a dollar level below which families owe no tax but does not affect tax liability for families above that level.

Most States Have Made Substantial Progress Since the Early 1990s, but Others Lag Behind

Since the 1990s, most states' income-tax treatment of the poor has improved greatly. From 1991 to 2010, the number of states taxing poor, two-parent families of four decreased to 15 from 24. Over that same span, the average state tax threshold increased to 118 percent of the poverty line from 84 percent. And many of the 15 states that still tax poor families of four have reduced the taxes levied on those families. From 1994 to 2010, the average tax levied fell by 48 percent, after adjusting for inflation. Tables 5, 6, and 7 show these changes over time.

On the other hand, a few states tax the incomes of the poor *more* heavily than in the early 1990s.

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[4] The 25 states are Connecticut, the District of Columbia, Delaware, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, New Jersey, New Mexico, New York, North Carolina, Oklahoma, Oregon, Rhode Island, Vermont, Virginia, Washington, and Wisconsin. For more information on state EITCs, see Erica Williams, Nicholas Johnson, and Jon Shure, "State Earned Income Tax Credits: 2010 Legislative Update," Center on Budget and Policy Priorities, Dec. 9, 2010, http://www.cbpp.org/files/11-10-09sfp.pdf.

Why Does This Report Focus on the Income Tax, Which Costs Poor Families Less Than Other State Taxes?

In most states, poor families pay more in consumption taxes, such as sales and gasoline taxes, than income taxes. They also pay substantial amounts of property taxes and other taxes and fees. Why, then, does this report focus on the impact of state income taxes?

First, the income tax is a major component of most state tax systems, making up 36 percent of total state tax revenue nationally. The design of a state's income tax thus has a major effect on the overall fairness of the state's tax system.

Second, the income tax plays a huge role in determining the overall impact of a state's tax system on poor families. It is administratively simple for a state to eliminate income tax for people below a given income level using the income information that people provide when the tax is levied, i.e., on their tax returns. (As this report shows, a number of states have taken advantage of this opportunity.) Sales tax, on the other hand, is collected by merchants who have no knowledge of consumers' income levels, and landlords generally pass the cost of property taxes on to renters in the form of higher rents. As a result, the most significant low-income tax relief at the state level in the past decade has come by means of the income tax.

Third, families trying to work their way out of poverty often face an effective tax on every additional dollar earned in the form of lost benefits such as income support, food stamps, Medicaid, or housing assistance. Income taxes on poor families can exacerbate this problem and send a negative message about the extent to which increased earnings will improve family well-being.

Low-income families are better off if a state has an income tax than if it doesn't, even if their state's income tax needs significant improvement. The reason is that most states' income taxes, even those that tax the poor, are progressive; that is, income tax payments represent a smaller share of income for low-income families than for high-income families. The other primary source of state tax revenue, the sales tax, is regressive, consuming a larger share of the income of low-income families than of high-income families.

States that rely heavily on non-income taxes tend to have higher overall taxes on the poor than do other states. Most of the states without income taxes rely heavily on the sales tax instead, which renders their tax systems very burdensome for low-income families. Similarly, two states with income taxes but no general sales tax — Montana and Oregon — have less regressive tax systems overall than the average state because they do not levy general sales taxes, even though they impose above-average income tax burdens on the poor.

- In **Arizona**, **California, Connecticut, Mississippi,** and **Ohio,** the income tax threshold has fallen compared to the poverty line since 1991 (see Table 7). In Connecticut, the threshold has fallen to 108 percent of the poverty line from 173 percent.

- In four states — **Georgia, Iowa, Mississippi,** and **Ohio** — the income tax on families of four with poverty-level incomes has risen since 1994 even faster than inflation (see Table 6). The inflation-adjusted increase was 39 percent in Georgia and 9 percent in Ohio. In Mississippi and Iowa, such families' tax liability increased from zero to $122 and $214, respectively; Iowa's increase was the largest in dollar terms in any state. In each of these states, the reason for the tax increase is that personal exemptions, credits, or other features designed to protect low-income families from taxation have eroded due to inflation.

States' recent fiscal troubles are significantly slowing their progress in reducing the tax liabilities of poor families. In the 2010 tax year only one state, Oklahoma, implemented a tax change that significantly reduced the tax liabilities of low-income families, as it continued phasing in an increase in the standard deduction. Also, Connecticut has created a new EITC, set at 25 percent of the federal credit, that will take effect in the 2011 tax year.

In addition, fiscal problems and competing priorities have prompted some states recently to enact measures that increase income taxes for poor and near-poor families. For example:

- **Michigan** is reducing its EITC to 6 percent of the federal credit (from 20 percent), beginning with the 2012 tax year. Had this change been in place in 2010, Michigan's threshold for two-parent families of four would have fallen from 36 percent above the poverty line to slightly below the poverty line. Families of four with poverty-level income would have seen their taxes increase by $680.

- **New Jersey** reduced its EITC to 20 percent of the federal credit (from 25 percent), beginning in 2010. This cut lowered New Jersey's threshold for two-parent families of four by $1,600 and raised taxes for such families at the poverty line by $243.

- **Wisconsin** is reducing its EITC to 11 percent of the federal credit (from 14 percent) for families with two or more children, beginning in 2011. Had this change been in place in 2010, it would have driven Wisconsin's threshold for two-parent families of four below 125 percent of the poverty line; families of four at the poverty line would have faced a $146 tax increase.

All three of these states not only have faced large budget gaps but also have cut taxes for corporations and/or wealthy individuals even as they are raising taxes on the working poor. Michigan replaced its major business tax with a different type of business tax, giving companies a net tax break worth more than $1 billion in 2012. New Jersey reduced the income tax rate for taxpayers with incomes above $400,000 by allowing a temporary rate increase to expire. Wisconsin enacted $90 million in tax cuts for corporations and high-income households. EITC cuts helped each of those states offset the revenue loss from those tax cuts.

Raising taxes on the working poor not only increases poverty, but also is more harmful to states' economies than other budget-balancing measures. This is, in part, because lower-income people spend nearly all of the money they make, mainly on necessities, so for every dollar they lose due to a tax increase, the total amount of spending in the economy drops by around a dollar. High-income people are likely to save a larger part of any extra income they receive, so for every dollar they lose due to a tax increase, total spending drops by less than a dollar, say, 90 cents. Thus, tax increases that mostly affect higher-income families and corporations have less of an impact on overall demand and are preferable for economic and job growth.[5]

[5] This point — made by, among others, Nobel Prize-winner Joseph Stiglitz of Columbia University and Peter Orszag, former director of the Office of Management and Budget — is explained more fully in Nicholas Johnson, "Budget Cuts or Tax Increases at the State Level: Which Is Preferable When the Economy Is Weak?" Center on Budget and Policy Priorities, http://www.cbpp.org/cms/?fa=view&id=1032.

Raising taxes on the working poor can also have longer-term consequences. Recent research suggests that poverty can impair children's chances of success later in life, making them less productive contributors to their states' future economies.[6] More specifically:

- A number of studies focused on welfare-to-work and anti-poverty programs have found that additional family income can boost the test scores of children from low-income families.[7]

- A recent study by leading researchers finds a strong relationship between family earnings in early childhood and earnings later in life for children growing up in low-income families. The study finds that, for a child growing up in a family with income below $25,000, a $3,000 annual increase in family income when the child is under 5 years old is associated with a 19 percent increase in adult earnings and 135 additional annual work hours after age 25.[8]

These findings have crucial policy implications. They suggest that policies such as the EITC, which boost the incomes of poor families, can increase their children's chances of success in the classroom and ultimately in the workforce. Conversely, *reducing* the incomes of poor families, such as the EITC cuts in Michigan, New Jersey, and Wisconsin, can diminish poor children's prospects for academic and professional success. This suggests that any budgetary savings states achieve from cutting low-income credits carry with them significant economic costs, by making it more difficult to cultivate the highly skilled workforce that states will need to succeed economically.

Conclusion

A number of states continue to tax the income of poor families — in some cases, very poor families. While states have made significant progress in this area over time, that progress ground to a halt in 2010, as fiscal problems constrained states' ability to advance targeted tax reductions. Moreover, some states have raised taxes on the working poor while cutting taxes for corporations and wealthy residents. Instead of undermining efforts to reduce the tax liabilities of poor families, states should preserve the progress they have made and build upon it when their budget outlook improves.

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[6] See Arloc Sherman, "Poverty in Early Childhood Has a Long and Harmful Reach," *Off the Charts* blog March 15, 2011, http://www.offthechartsblog.org/poverty-in-early-childhood-has-long-and-harmful-reach/, and Greg J. Duncan and Katherine Magneson, "The Long Reach of Childhood Poverty," *Pathways Journal,* Stanford University, Winter 2011, pp. 10-21, for an overview of this research.

[7] See Greg J. Duncan, Pamela Morris, and Christopher Rodrigues, "Does Money Really Matter? Estimating Impacts of Family Income on Young Children's Achievement with Data from Random-Assignment Experiments," *Developmental Psychology*, Volume 47, Issue 5, September 2011, pp.1263-1279*;* Kevin Milligan and Mark Stabile, "Do Child Tax Benefits Affect the Wellbeing of Children? Evidence from Canadian Child Benefit Expansions," National Bureau of Economic Research, December 2008; and Gordon Dahl and Lance Lochner, "The Impact of Family Income on Child Achievement: Evidence from the Earned Income Tax Credit," National Bureau of Economic Research*,* December 2008

[8] See Greg J. Duncan, Ariel Kalil, and Kathleen M. Ziol-Guest, "Early-Childhood Poverty and Adult Attainment, Behavior and Health," *Child Development,* January/February 2010, pp. 306-325.

Table 1A		
2010 State Income Tax Thresholds, Single-Parent Family of Three		
Rank	**State**	**Threshold**
1	Alabama	$9,800
2	Montana	10,000
3	Georgia	12,700
4	Hawaii	13,800
5	Illinois	14,400
5	Mississippi	14,400
5	Missouri	14,400
8	Ohio	14,800
9	Arkansas	15,400
10	Oregon	16,800
10	Louisiana	16,800
	Poverty Line $17,374	
12	Indiana	18,300
12	Kentucky	18,300
12	West Virginia	18,300
15	Iowa	18,900
16	North Carolina	19,000
17	Connecticut	19,100
18	Colorado	19,400
18	Idaho	19,400
18	North Dakota	19,400
21	Utah	19,700
22	Arizona	20,100
23	Virginia	23,000
23	Wisconsin	23,000
25	Maine	23,900
26	Oklahoma	24,000
27	Pennsylvania	25,500
28	South Carolina	25,800
29	Michigan	26,000
30	Massachusetts	26,400
31	Delaware	26,600
32	California	26,900
33	Nebraska	27,300
34	Kansas	27,500
35	District of Columbia	29,400
36	New Jersey	30,900
37	Rhode Island	31,600
38	Maryland	32,400
39	Minnesota	33,100
40	Vermont	33,200
41	New Mexico	33,800
42	New York	34,600
Average Threshold 2010		**$22,098**
Amount Above Poverty Line		**$4,724**

Note: A threshold is the lowest income level at which a family has state income tax liability. In this table thresholds are rounded to the nearest $100. The threshold calculations include earned income tax credits, other general tax credits, exemptions, and standard deductions. Credits that are intended to offset the effects of taxes other than the income tax or that are not available to all low-income families are not taken into account. Source: Center on Budget and Policy Priorities

Table 1B		
2010 State Income Tax Thresholds, Two-Parent Family of Four		
Rank	**State**	**Threshold**
1	Montana	$12,200
2	Alabama	12,600
3	Georgia	15,900
4	Ohio	16,200
5	Illinois	16,400
6	Hawaii	17,800
7	Missouri	18,100
8	Iowa	19,300
9	Mississippi	19,600
10	Oregon	19,900
11	Indiana	20,300
12	Louisiana	21,000
13	Arkansas	21,700
14	Kentucky	22,100
14	West Virginia	22,100
	Poverty Line $22,314	
16	North Carolina	23,200
17	Arizona	23,600
18	Connecticut	24,100
19	North Dakota	26,000
20	Colorado	26,100
20	Idaho	26,100
22	Utah	26,500
23	Virginia	27,400
24	Oklahoma	28,200
24	Maine	28,200
26	Wisconsin	28,500
27	Massachusetts	29,500
28	Michigan	30,300
29	Kansas	30,800
30	California	31,000
31	Delaware	31,800
32	Pennsylvania	32,000
33	District of Columbia	32,400
33	South Carolina	32,400
35	Nebraska	33,200
36	New Jersey	34,700
37	Rhode Island	36,500
38	Maryland	36,800
39	Minnesota	37,500
40	Vermont	38,700
41	New Mexico	39,500
42	New York	40,300
Average Threshold 2010		**$26,440**
Amount Above Poverty Line		**$4,126**

Note: A threshold is the lowest income level at which a family has state income tax liability. In this table thresholds are rounded to the nearest $100. The threshold calculations include earned income tax credits, other general tax credits, exemptions, and standard deductions. Credits that are intended to offset the effects of taxes other than the income tax or that are not available to all low-income families are not taken into account. Source: Center on Budget and Policy Priorities

Table 2A			
2010 State Income Tax at Poverty Line, Single-Parent Family of Three			
Rank	**State**	**Income**	**Tax**
1	Alabama	$17,374	343
2	Hawaii	17,374	228
3	Arkansas	17,374	206
4	Montana	17,374	157
5	Georgia	17,374	149
6	Illinois	17,374	99
7	Ohio	17,374	96
8	Mississippi	17,374	89
9	Missouri	17,374	62
10	Oregon	17,374	54
11	Louisiana	17,374	31
12	Arizona	17,374	0
12	California	17,374	0
12	Colorado	17,374	0
12	Connecticut	17,374	0
12	Delaware	17,374	0
12	Idaho	17,374	0
12	Kentucky	17,374	0
12	Maine	17,374	0
12	North Dakota	17,374	0
12	Pennsylvania	17,374	0
12	South Carolina	17,374	0
12	Utah	17,374	0
12	Virginia	17,374	0
12	West Virginia	17,374	0
26	Indiana	17,374	(49)
27	North Carolina	17,374	(114)
28	Iowa	17,374	(151)
29	Rhode Island	17,374	(182)
30	Oklahoma	17,374	(242)
31	Nebraska	17,374	(484)
32	Wisconsin	17,374	(487)
33	New Mexico	17,374	(544)
34	Massachusetts	17,374	(725)
35	Michigan	17,374	(734)
36	Kansas	17,374	(735)
37	New Jersey	17,374	(968)
38	Maryland	17,374	(1036)
39	Minnesota	17,374	(1260)
40	Vermont	17,374	(1549)
41	District of Columbia	17,374	(1669)
42	New York	17,374	(1917)

Source: Center on Budget and Policy Priorities

Table 2B

2010 State Income Tax at Poverty Line, Two-Parent Family of Four

Rank	State	Income	Tax
1	Alabama	$22,314	498
2	Hawaii	22,314	292
3	Georgia	22,314	238
4	Oregon	22,314	234
5	Montana	22,314	232
6	Iowa	22,314	214
7	Illinois	22,314	187
8	Ohio	22,314	171
9	Missouri	22,314	102
10	Arkansas	22,314	96
11	Kentucky	22,314	90
12	Indiana	22,314	84
13	Mississippi	22,314	81
14	West Virginia	22,314	47
15	Louisiana	22,314	33
16	Arizona	22,314	0
16	California	22,314	0
16	Colorado	22,314	0
16	Connecticut	22,314	0
16	Delaware	22,314	0
16	Idaho	22,314	0
16	Maine	22,314	0
16	North Dakota	22,314	0
16	Pennsylvania	22,314	0
16	South Carolina	22,314	0
16	Utah	22,314	0
16	Virginia	22,314	0
28	North Carolina	22,314	(63)
29	Rhode Island	22,314	(182)
30	Oklahoma	22,314	(243)
31	Nebraska	22,314	(485)
31	New Mexico	22,314	(485)
33	Wisconsin	22,314	(521)
34	Massachusetts	22,314	(589)
35	Kansas	22,314	(618)
36	Michigan	22,314	(679)
37	New Jersey	22,314	(728)
38	Maryland	22,314	(973)
39	District of Columbia	22,314	(1445)
40	Vermont	22,314	(1553)
41	Minnesota	22,314	(1762)
42	New York	22,314	(1903)

Source: Center on Budget and Policy Priorities

Table 3A			
2010 State Income Tax at Minimum Wage, Single-Parent Family of Three			
Rank	**State**	**Income***	**Tax**
1	Alabama	$15,080	228
2	Hawaii	15,080	101
3	Montana	15,080	83
4	Illinois**	16,900	80
5	Georgia	15,080	67
6	Oregon**	17,472	62
7	Ohio**	15,184	42
8	Mississippi	15,080	20
9	Missouri	15,080	11
10	Arizona	15,080	0
10	Arkansas	15,080	0
10	California**	16,640	0
10	Colorado	15,080	0
10	Connecticut**	17,160	0
10	Delaware	15,080	0
10	Idaho	15,080	0
10	Kentucky	15,080	0
10	Maine**	15,600	0
10	North Dakota	15,080	0
10	Pennsylvania	15,080	0
10	South Carolina	15,080	0
10	Utah	15,080	0
10	Virginia	15,080	0
10	West Virginia	15,080	0
25	Louisiana	15,080	(66)
26	Indiana	15,080	(145)
27	Rhode Island**	15,392	(189)
28	North Carolina	15,080	(252)
28	Oklahoma	15,080	(252)
30	Iowa	15,080	(353)
31	Nebraska	15,080	(504)
32	New Mexico**	15,600	(574)
33	Wisconsin	15,080	(643)
34	Massachusetts**	16,640	(750)
35	Kansas	15,080	(851)
36	Michigan**	15,392	(860)
37	New Jersey	15,080	(1007)
38	Maryland	15,080	(1190)
39	Minnesota	15,080	(1260)
40	Vermont**	16,765	(1590)
41	District of Columbia**	17,160	(1694)
42	New York	15,080	(2006)

* Income reflects full-time, year-round minimum wage earnings for one worker (52 weeks, 40 hours/week).
** These states had a minimum wage higher than the federal minimum wage in all or part of 2010.
Source: Center on Budget and Policy Priorities

Table 3B

2010 State Income Tax at Minimum Wage, Two-Parent Family of Four

Rank	State	Income*	Tax
1	Alabama	$15,080	82
2	Montana	15,080	34
3	Illinois**	16,900	15
4	Arizona	15,080	0
4	Arkansas	15,080	0
4	California**	16,640	0
4	Colorado	15,080	0
4	Connecticut**	17,160	0
4	Delaware	15,080	0
4	Idaho	15,080	0
4	Kentucky	15,080	0
4	Maine**	15,600	0
4	Mississippi	15,080	0
4	Missouri	15,080	0
4	North Dakota	15,080	0
4	Ohio**	15,184	0
4	Pennsylvania	15,080	0
4	South Carolina	15,080	0
4	Utah	15,080	0
4	Virginia	15,080	0
4	West Virginia	15,080	0
4	Georgia	15,080	0
23	Hawaii	15,080	(85)
24	Louisiana	15,080	(176)
25	Indiana	15,080	(179)
26	Oregon**	17,472	(183)
27	Rhode Island**	15,392	(189)
28	North Carolina	15,080	(252)
28	Oklahoma	15,080	(252)
30	Iowa	15,080	(353)
31	Nebraska	15,080	(504)
32	New Mexico**	15,600	(589)
33	Wisconsin	15,080	(705)
34	Massachusetts**	16,640	(755)
35	Kansas	15,080	(903)
36	Michigan**	15,392	(1007)
36	New Jersey	15,080	(1007)
38	Maryland	15,080	(1259)
39	Minnesota	15,080	(1260)
40	Vermont**	16,765	(1612)
41	District of Columbia**	17,160	(1755)
42	New York	15,080	(2109)

* Income reflects full-time, year-round minimum wage earnings for one worker (52 weeks, 40 hours/week).
** These states had a minimum wage higher than the federal minimum wage in all or part of 2010.
Source: Center on Budget and Policy Priorities

Table 4A			
2010 State Income Tax at 125% of Poverty Line, Single-Parent Family of Three			
Rank	**State**	**Income**	**Tax**
1	Alabama	$21,718	633
2	Arkansas	21,718	545
3	West Virginia	21,718	530
4	Hawaii	21,718	509
5	Oregon	21,718	475
6	Kentucky	21,718	445
7	Georgia	21,718	385
8	Montana	21,718	314
9	Illinois	21,718	275
10	Mississippi	21,718	243
11	Iowa	21,718	242
12	Louisiana	21,718	233
12	Missouri	21,718	233
14	Ohio	21,718	216
15	North Carolina	21,718	193
16	Indiana	21,718	181
17	Utah	21,718	127
18	Colorado	21,718	109
19	Arizona	21,718	93
20	North Dakota	21,718	43
21	Idaho	21,718	38
22	Connecticut	21,718	20
23	California	21,718	0
23	Delaware	21,718	0
23	Maine	21,718	0
23	Pennsylvania	21,718	0
23	South Carolina	21,718	0
23	Virginia	21,718	0
29	Wisconsin	21,718	(115)
30	Oklahoma	21,718	(116)
31	Rhode Island	21,718	(134)
32	Nebraska	21,718	(316)
33	Michigan	21,718	(362)
34	Massachusetts	21,718	(373)
35	New Mexico	21,718	(418)
36	Kansas	21,718	(419)
37	New Jersey	21,718	(537)
38	Maryland	21,718	(612)
39	District of Columbia	21,718	(1109)
40	Vermont	21,718	(1173)
41	New York	21,718	(1469)
42	Minnesota	21,718	(1632)

Source: Center on Budget and Policy Priorities

Table 4B			
2010 State Income Tax at 125% of Poverty Line, Two-Parent Family of Four			
Rank	**State**	**Income**	**Tax**
1	Alabama	$27,893	873
2	Kentucky	27,893	857
3	Oregon	27,893	799
4	Arkansas	27,893	779
5	West Virginia	27,893	694
6	Iowa	27,893	642
7	Hawaii	27,893	602
8	Georgia	27,893	547
9	Montana	27,893	472
10	Illinois	27,893	413
11	Indiana	27,893	379
12	Missouri	27,893	369
13	Ohio	27,893	353
14	North Carolina	27,893	328
15	Mississippi	27,893	282
16	Louisiana	27,893	241
17	Arizona	27,893	197
18	Utah	27,893	91
19	Colorado	27,893	86
20	Virginia	27,893	50
21	North Dakota	27,893	35
22	Idaho	27,893	30
23	Connecticut	27,893	29
24	California	27,893	0
24	Delaware	27,893	0
24	Maine	27,893	0
24	Pennsylvania	27,893	0
24	South Carolina	27,893	0
29	Oklahoma	27,893	(15)
30	Wisconsin	27,893	(49)
31	Rhode Island	27,893	(117)
32	Massachusetts	27,893	(135)
33	Michigan	27,893	(202)
34	Kansas	27,893	(212)
35	Nebraska	27,893	(300)
36	New Mexico	27,893	(369)
37	New Jersey	27,893	(407)
38	Maryland	27,893	(448)
39	District of Columbia	27,893	(644)
40	Vermont	27,893	(1114)
41	New York	27,893	(1331)
42	Minnesota	27,893	(1504)

Source: Center on Budget and Policy Priorities

Table 5

Tax Threshold for a Family of Four, 1991-2010

State	1991	2000	2008	2009	2010	Change 1991-2010	Change 2009-2010
Alabama	$4,600	$4,600	$12,600	$12,600	$12,600	$8,000	$0
Arizona	15,000	23,600	$23,600	$23,600	$23,600	$8,600	$0
Arkansas	10,700	15,600	$21,300	$21,400	$21,700	$11,000	$300
California	20,900	36,800	$48,300	$31,000	$31,000	$10,100	$0
Colorado	14,300	27,900	$24,900	$26,000	$26,100	$11,800	$100
Connecticut	24,100	24,100	$24,100	$24,100	$24,100	$0	$0
Delaware	8,600	20,300	$30,100	$31,700	$31,800	$23,200	$100
District of Columbia	14,300	18,600	$30,200	$32,300	$32,400	$18,100	$100
Georgia	9,000	15,300	$15,900	$15,900	$15,900	$6,900	$0
Hawaii	6,300	11,000	$17,800	$17,800	$17,800	$11,500	$0
Idaho	14,300	20,100	$25,000	$26,100	$26,100	$11,800	$0
Illinois	4,000	14,000	$16,000	$16,400	$16,400	$12,400	$0
Indiana	4,000	9,500	$15,500	$20,300	$20,300	$16,300	$0
Iowa	9,000	17,400	$19,000	$19,200	$19,300	$10,300	$100
Kansas	13,000	21,100	$28,500	$30,400	$30,800	$17,800	$400
Kentucky	5,000	5,400	$21,200	$22,100	$22,100	$17,100	$0
Louisiana	11,000	13,000	$20,300	$21,000	$21,000	$10,000	$0
Maine	14,100	23,100	$27,800	$28,200	$28,200	$14,100	$0
Maryland	15,800	25,200	$34,300	$36,800	$36,800	$21,000	$0
Massachusetts	12,000	20,600	$28,100	$29,500	$29,500	$17,500	$0
Michigan	8,400	12,800	$23,800	$30,300	$30,300	$21,900	$0
Minnesota	15,500	26,800	$35,900	$37,400	$37,500	$22,000	$100
Mississippi	15,900	19,600	$19,600	$19,600	$19,600	$3,700	$0
Missouri	8,900	14,100	$17,600	$18,100	$18,100	$9,200	$0
Montana	6,600	9,500	$12,200	$12,000	$12,200	$5,600	$200
Nebraska	14,300	18,900	$31,200	$33,200	$33,200	$18,900	$0
New Jersey	5,000	20,000	$32,900	$36,300	$34,700	$29,700	-$1,600
New Mexico	14,300	21,000	$37,400	$39,500	$39,500	$25,200	$0
New York	14,000	23,800	$38,300	$40,300	$40,300	$26,300	$0
North Carolina	13,000	17,000	$21,800	$23,200	$23,200	$10,200	$0
North Dakota	14,700	19,000	$25,400	$26,300	$26,000	$11,300	-$300
Ohio	10,500	12,700	$16,000	$16,200	$16,200	$5,700	$0
Oklahoma	10,000	13,000	$23,500	$25,800	$28,200	$18,200	$2,400
Oregon	10,100	14,800	$18,900	$19,800	$19,900	$9,800	$100
Pennsylvania	9,800	28,000	$32,000	$32,000	$32,000	$22,200	$0
Rhode Island	17,400	25,900	$34,000	$36,500	$36,500	$19,100	$0
South Carolina	14,300	21,400	$31,100	$32,400	$32,400	$18,100	$0
Utah	12,200	15,800	$25,300	$26,500	$26,500	$14,300	$0
Vermont	17,400	26,800	$35,800	$38,700	$38,700	$21,300	$0
Virginia	8,200	17,100	$25,800	$27,400	$27,400	$19,200	$0
West Virginia	8,000	10,000	$21,200	$22,100	$22,100	$14,100	$0
Wisconsin	14,400	20,700	$26,800	$28,600	$28,500	$14,100	-$100
Average	**$11,736**	**$18,474**	**$25,500**	**$26,395**	**$26,440**	**$14,660**	**$45**
Federal Poverty Line	**$13,924**	**$17,603**	**$22,017**	**$21,947**	**$22,314**	**$8,023**	**$367**
Average as % Poverty Line	**84%**	**105%**	**116%**	**120%**	**118%**	**36%**	**-2%**
Number Above Poverty Line	**18**	**23**	**26**	**29**	**27**	**9**	**-2**
Number Below Poverty Line	**24**	**19**	**16**	**13**	**15**	**-9**	**2**

Source: Center on Budget and Policy Priorities

Table 6

State Income Tax at the Poverty Line for Family of Four, 1994-2010 In States with Below-Poverty Thresholds in 2010

State	1994	2000	2008	2009	2010	Change 2009-10	Percent change after inflation 2009-10*	$ Change 1994-2010	Percent change after Inflation 1994-2010*
Montana	211	233	220	225	232	7	1%	21	-25%
Mississippi	0	0	73	70	81	11	14%	81	--
Georgia	116	55	223	218	238	20	7%	122	39%
Ohio	107	113	168	159	171	12	6%	64	9%
Arkansas	214	311	95	83	96	13	14%	(118)	-70%
Alabama	348	443	483	468	498	30	5%	150	-3%
Missouri	147	80	109	89	102	13	13%	(45)	-53%
Louisiana	83	133	53	21	33	12	55%	(50)	-73%
Illinois	334	145	214	172	187	15	7%	(147)	-62%
Iowa	0	23	268	225	214	-11	-6%	214	--
Oregon	331	278	311	200	234	34	15%	(97)	-52%
Indiana	379	360	263	65	84	19	27%	(295)	-85%
Kentucky	499	575	89	0	90	90	--	(409)	-88%
West Virginia	215	290	139	0	47	47	--	(168)	-85%
Hawaii	406	420	272	266	292	26	8%	(114)	-51%
AVERAGE	$226	$231	$199	$151	$173	$22	13%	($53)	-48%

Notes: Dollar amounts shown are nominal amounts.

* “Percent change after inflation” shows the percentage change adjusted for the 1.6 percent increase in the cost of living from 2009 to 2010 and the 47 percent increase in the cost of living from 1994 to 2010, as measured by the Consumer Price Index.

Source: Center on Budget and Policy Priorities

Table 7

Tax Threshold as a Percent of the Federal Poverty Line for a Family of Four, 1991-2010

State	1991	2001	2009	2010	% Point Change 1991-2010	% Point Change 2009-2010
Alabama	33%	25%	57%	56%	23%	-1%
Arizona	108%	130%	108%	106%	-2%	-2%
Arkansas	77%	86%	98%	97%	20%	0%
California	150%	214%	141%	139%	-11%	-2%
Colorado	103%	159%	118%	117%	14%	-2%
Connecticut	173%	133%	110%	108%	-65%	-2%
Delaware	62%	112%	144%	143%	81%	-2%
District of Columbia	103%	108%	147%	145%	42%	-2%
Georgia	65%	85%	72%	71%	7%	-1%
Hawaii	45%	62%	81%	80%	35%	-1%
Idaho	103%	115%	119%	117%	14%	-2%
Illinois	29%	79%	75%	73%	45%	-1%
Indiana	29%	52%	92%	91%	62%	-2%
Iowa	65%	97%	87%	86%	22%	-1%
Kansas	93%	119%	139%	138%	45%	0%
Kentucky	36%	30%	101%	99%	63%	-2%
Louisiana	79%	74%	96%	94%	15%	-2%
Maine	101%	130%	128%	126%	25%	-2%
Maryland	113%	145%	168%	165%	51%	-3%
Massachusetts	86%	125%	134%	132%	46%	-2%
Michigan	60%	71%	138%	136%	75%	-2%
Minnesota	111%	153%	170%	168%	57%	-2%
Mississippi	114%	108%	89%	88%	-26%	-1%
Missouri	64%	79%	82%	81%	17%	-1%
Montana	47%	54%	55%	55%	7%	0%
Nebraska	103%	108%	151%	149%	46%	-2%
New Jersey	36%	110%	165%	156%	120%	-10%
New Mexico	103%	118%	180%	177%	74%	-3%
New York	101%	138%	184%	181%	80%	-3%
North Carolina	93%	94%	106%	104%	11%	-2%
North Dakota	106%	109%	120%	117%	11%	-3%
Ohio	75.4%	69%	74%	73%	-3%	-1%
Oklahoma	72%	74%	118%	126%	55%	9%
Oregon	73%	83%	90%	89%	17%	-1%
Pennsylvania	70%	166%	146%	143%	73%	-2%
Rhode Island	125%	148%	166%	164%	39%	-3%
South Carolina	103%	122%	148%	145%	42%	-2%
Utah	88%	90%	121%	119%	31%	-2%
Vermont	125%	152%	176%	173%	48%	-3%
Virginia	59%	98%	125%	123%	64%	-2%
West Virginia	57%	55%	101%	99%	42%	-2%
Wisconsin	103%	119%	130%	128%	24%	-3%
Average	**84%**	**105%**	**120%**	**118%**	**34%**	**-2%**

Source: Center on Budget and Policy Priorities