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THE IMPACT OF STATE INCOME TAXES ON LOW-INCOME FAMILIES IN 2008

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Summary

While some working-poor families get help lifting themselves out of poverty through exemptions from state income taxes, in many states they continue to face substantial state income tax liability. An analysis of state income tax systems for the 2008 tax year shows that:

- In 16 of the 42 states that levy income taxes, two-parent families of four with incomes below the federal poverty line are liable for income tax;
- In 12 states, poor single-parent families of three pay income tax;
- And 26 states collect taxes from families of four with incomes just above the poverty line.

These findings are based on the federal poverty line for 2008: $22,017 for a family of four and $17,165 for a family of three.

Given states' balanced budget requirements and current dire fiscal conditions, they will have limited opportunities to reduce taxes on poor families anytime soon. Nonetheless, doing so should remain a priority for states that still have such taxes. Taxing the incomes of working-poor families runs counter to the efforts of 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.

Eliminating state income taxes on working families with poverty-level incomes gives a boost in take-home pay that helps offset higher child care and transportation costs that families incur as they strive to become economically self-sufficient. In other words, relieving state income taxes on poor families can make a meaningful contribution toward "making work pay."

[1] Additional data analysis for this report was provided by Cathy Collins, Alexander Flachsbart, Michael Leachman, Michael Mazerov, Elizabeth McNichol, Jon Shure, and Erica Williams.

Some states levy income tax on working families in severe poverty, the analysis shows. Six states — **Alabama**, **Georgia, Illinois, Indiana, Montana**, and **Ohio** — tax the income of two-parent families of four earning less than three-quarters of the poverty line ($16,513). And three states — **Alabama**, **Georgia**, and **Montana** — tax the income of one-parent families of three earning less than three-quarters of the poverty line ($12,874).

In some states, families living in poverty face yearly income tax bills of several hundred dollars. In 2008, a two-parent family of four with income at the poverty line owed $483 in **Alabama,** $311 in **Oregon**, $272 in **Hawaii,** and $268 in **Iowa**. Such amounts can make a big difference to a family struggling to escape poverty. Other states levying tax of more than $200 on families with poverty-level incomes were **Georgia**, **Illinois, Indiana**, and **Montana**. At the other end of the spectrum, a growing number of states offer significant refunds to low-income working families, primarily through Earned Income Tax Credits.

From 2007 to 2008, income tax treatment of poor families improved in a number of states, but worsened in others. At least 10 states implemented measures to shield more low-income families from the income tax or to reduce the taxes they owe. **Hawaii**, **Michigan**, and **West Virginia,** which in 2007 levied some of the highest taxes on low-income families, made major improvements in 2008.

Unfortunately, a number of other states increased income taxes on poor families. This did not come in the form of actual rate increases but because provisions designed to protect low-income families from taxation — including standard deductions, personal exemptions, and low-income credits — were not adjusted to keep up with inflation. These increases come amidst high levels of poverty, resulting from the national recession and ensuing high levels of joblessness and wage cuts.

Overall, despite recent improvements in states' tax treatment of low-income families, there remains much to do. Some of the states with the harshest tax codes have not improved for many years, and some recent improvements were not enough to exempt very poor families from income taxes.

To reduce or eliminate income taxes on low-income families, states can choose from an array of mechanisms. They include state Earned Income Tax Credits (EITCs) and other low-income tax credits, setting reasonable levels below which no tax is owed, and personal exemptions and standard deductions at levels adequate to shield poverty-level income from taxation. Some states go beyond exempting poor families from income tax by making their EITCs or other low-income credits refundable so that if the amount of these credits exceeds a family's tax liability, the state provides the family a refund for the difference. These policies provide a substantial income supplement to families struggling to escape poverty, and they are relatively inexpensive to states, since these families have little income to tax.

Methodology

This analysis assesses the impact of each state's income tax in 2008 on poor and near-poor families with children. Broad-based income taxes are levied in 41 states and the District of Columbia. Two family types are used in assessing taxes' impact: a married couple with two dependent children, and a single parent with two dependent children.[2] The analysis focuses on two measures: the lowest income level at which state residents are required to pay income tax, and the tax due at various income levels.[3]

A benchmark used throughout this analysis is the federal poverty line — the annual estimate of the minimum financial resources required for a family to meet basic needs. The Census Bureau's poverty line for 2008 was $17,165 for a family of three and $22,017 for a family of four.[4] It is generally acknowledged that attaining self-sufficiency requires an income level substantially higher than the federal poverty line, so if anything this analysis understates the extent to which state income tax provisions might impede the ability of poor families to move up the economic ladder.

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 it owes no income tax. Tables 1A and 1B show the thresholds for a single parent with two children and for a married couple with two children, respectively.

- In 12 states, the threshold is too low to exempt from income taxes a single-parent family of three at the $17,165 poverty line. In the remaining 30 states with income taxes, the threshold is above the poverty line, so families at that level of earnings pay no income tax or receive a refund.

- In 16 states, the threshold is too low to exempt from income taxes a two-parent family of four at the $22,017 poverty line. The remaining 26 states with income taxes have thresholds above the poverty line (See Figure 1, below).

- Six states — **Alabama**, **Georgia**, **Illinois**, **Indiana**, **Montana**, and **Ohio**— tax families of three or four in severe poverty, meaning those earning less than three-quarters of the federal poverty line. That income level in 2008 was $12,874 for a family of three and $16,513 for a family of four.

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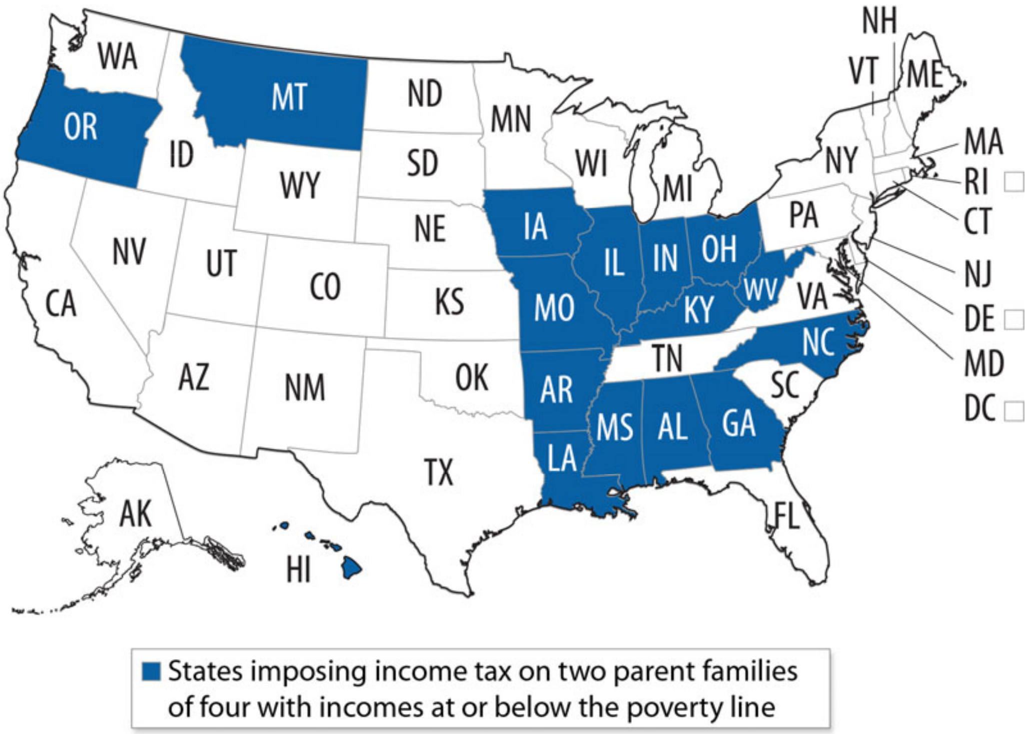
[2] The married couple is assumed to file a joint return on its federal and state tax forms, and the single parent is assumed to file as a Head of Household. Each family is assumed to include one worker. In each family, the children are taken to be ages four and eleven.

[3] 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.

[4] Specifically, this report uses the Census Bureau's weighted average poverty thresholds, available at http://www.census.gov/hhes/www/poverty/threshld/08prelim.html.

FIGURE 1

Many States Tax Working-Poor Families Deeper Into Poverty



- While most states set income tax thresholds high enough to exempt from taxes a family of three where the employed person works full-time at minimum wage, seven do require such a family to pay: **Alabama, Georgia, Hawaii, Illinois, Montana, Ohio,** and **Oregon.**

- **California** has the nation's highest threshold. There is no income tax on a family of three making under $45,900 or a family of four making under $48,300. Those levels are more than twice the poverty lines for families of those sizes.

Taxes on Poor Families

Several states charge those living in poverty several hundred dollars a year in income taxes — a substantial amount for a struggling family. Tables 2A, 2B, 3A, and 3B show these amounts.

- The tax bill for a poverty-line family of four exceeds $200 in eight states: **Alabama**, **Georgia, Hawaii**, **Illinois, Indiana**, **Iowa**, **Montana,** and **Oregon.**

- As noted above, a majority of states do not tax families with poverty-level income.

- There are 14 states that not only avoid taxing poor families but also offer tax credits that provide refunds to families with income at the poverty line. These credits act as a wage supplement and income support, helping to assist families' work efforts and reduce poverty. The amount of refund for families with income at the poverty line is as high as $1,699 for a family of four in **New York**.

Taxes on Near-Poor Families

Studies have consistently found that the basic costs of living — food, clothing, housing, transportation, and health care — in most parts of the country exceed the federal poverty line, sometimes substantially.[5] 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 government and state governments have set eligibility ceilings for some programs, such as energy assistance, school lunch subsidies, and in many states health care subsidies, at 125 percent of the poverty line ($21,456 for a family of three, $27,521 for a family of four in 2008) or above.

A majority of states, however, continue to levy income tax on families with incomes at 125 percent of the poverty line. Tables 4A and 4B show these amounts.

- In 26 states, two-parent families of four earning 125 percent of the poverty level are taxed, with the bill exceeding $500 in nine states: **Alabama**, **Arkansas**, **Georgia, Hawaii**, **Indiana, Iowa**, **Kentucky**, **Oregon**, and **West Virginia**.

- Twenty-four states tax families of three with income at 125 percent of the poverty line.

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, 24 states have established an Earned Income Tax Credit based on the federal EITC, which is a system for reducing the tax obligation of working-poor families, mostly those with children.[6] Some states offer other types of low-income tax credits, such as **New Mexico**'s Low-Income Comprehensive Tax Rebate. 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. A $20,000 no-tax floor, for example, means that a family making below that amount owes no taxes, but once income surpasses that level the tax is owed on all taxable income from one dollar up.

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[5] 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.

[6] The 24 states are 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 Jason Levitis and Jeremy Koulish, "State Earned Income Tax Credits: 2008 Legislative Update," Center on Budget and Policy Priorities, Oct. 8, 2008. Available at http://www.cbpp.org/6-6-08sfp.htm.

Why Does This Report Focus on the Income Tax — A Tax That Is Arguably the Fairest State Tax?

In most states, poor families pay more in consumption taxes, such as sales and gasoline taxes, than they do in 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 on poor families?

First, because 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 has a major effect on the overall fairness of the state's tax system.

Second, it is administratively easier for states to target income tax cuts to poor families than it is to cut sales or property taxes on those families. That is because information on a taxpayer's income is available at the time the income tax is levied. Sales tax, on the other hand, is collected by merchants from consumers with no knowledge of income level; and property taxes are passed through from landlords to renters. 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.

This report emphasizes that many states' income taxes leave considerable room for improvement. But it is important to recognize that a state tax system that includes an income tax — even one with a relatively low income threshold — typically serves low-income families better than a state tax system that does not include an income tax at all. 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. By contrast, the other primary source of tax revenue for states, 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. Seven states — Florida, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming — do not appear in this report because they do not levy income taxes. Their heavy reliance on the sales tax renders their tax systems very burdensome for low-income families. Conversely, two states with income taxes but no general sales tax — Montana and Oregon — are shown in this report to impose above-average income tax burdens on the poor, despite some recent improvement. While there is room for further improvement in this aspect of their income taxes, these two states still have less regressive tax systems overall than the average state because they do not levy general sales taxes.

Some States Made Significant Improvements for 2008, While Others Moved Backwards

From 2007 to 2008, a number of states made significant improvements in their income-tax treatment of the poor. Unfortunately, another group of states increased taxes on poor families, though by smaller amounts. See Tables 5, 6, and 7.

Some States Improved in 2008

At least 10 states implemented policy changes for the 2008 tax year to reduce income taxes on poor families or to increase poor families' tax refunds, in some cases significantly. Highlights of these changes include the following:

- The **District of Columbia**'s EITC increased to 40 percent of the federal credit from 35 percent, raising its income tax thresholds and cutting taxes for poor families.

- **Hawaii** increased its low-income refundable tax credit. In 2008 the maximum credit grew to \$85 per exemption from \$35. In addition, the highest income at which families can qualify for the credit rose to \$50,000 from \$20,000. This expansion significantly increased Hawaii's income tax threshold and cut tax liabilities for poor families by roughly a third relative to 2007. Despite this and other improvements to Hawaii's tax treatment of low income families in recent years, however, Hawaii continues to levy some of the highest income taxes in the nation on families living in poverty.

- **Louisiana** implemented an EITC at 3.5 percent of the federal credit. The EITC significantly increased Louisiana's threshold and cut poor families' income tax liability by more than half compared to 2007. While these changes were a major improvement, Louisiana still imposed the 15th highest income taxes in the nation on families of four with income at the poverty line in 2008.

- **Maryland** increased its EITC to 25 percent of the federal credit from 20 percent and increased the personal exemption to \$3,200 from \$2,400. These changes raised the state's income tax threshold and significantly increased the income tax rebates the state provides to poor families.

- **Michigan** implemented an EITC at 10 percent of the federal credit in 2008. The credit lifted Michigan's threshold from well below the poverty line in 2007 to slightly above the poverty line in 2008. After implementing the EITC Michigan went from imposing a substantial tax liability on families living in poverty to offering those same families a substantial tax rebate.

- **New Jersey** expanded its EITC to 22.5 percent of the federal credit in 2008 (and will further expand it to 25 percent in 2009), increasing the state's threshold, and the size of the tax rebate that the state provides to poor families.

- **North Carolina** implemented an EITC at 3.5 percent of the federal EITC (to grow to 5 percent in 2009). The credit increased North Carolina's threshold, completely exempting poor families of three from taxation, and significantly reduced the income taxes paid by poor families of four.

- **Oklahoma** increased the standard deduction and reduced the tax rate on income over \$15,000 (which is the state's top bracket). The state also expanded a credit offered to families with children. These changes increased Oklahoma's threshold above the poverty line for a two-parent family of four.

- **Oregon's** EITC increased to 6 percent of the federal credit from 5 percent, modestly raising the state's threshold and decreasing the income tax paid by low-income families. Despite this change Oregon still imposes among the highest tax liabilities on low-income families in the country.

- **West Virginia**'s new low-income tax credit took full effect in 2008. The credit significantly increased the state's threshold, which had been the lowest in the country, and substantially reduced the income taxes paid by poor families. West Virginia's threshold in 2008 increased to slightly below the poverty line for a family of four, and rose above the poverty line for a family of three.

Other States Stood Still or Moved Backwards

Most states showed no improvement in 2008, with many getting somewhat worse in their tax treatment of low-income families. In more than half of all states with an income tax the threshold decreased relative to the poverty line for families of four.

A Few States Exempted Poor Families from Taxation; Far More Saw Their Thresholds Fall Relative to the Poverty Line

- Two-parent families of four were taxed in 16 states in 2008, two fewer than in 2007.
- In 12 states, poor single-parent families of three were taxed, three fewer than in 2007.
- Only one state, **Michigan**, raised its threshold above the poverty line for both two-parent families of four, and one-parent families of three in 2008.
- In 23 states, the income tax threshold declined relative to the poverty line for two-parent families of four, forcing families deeper into poverty or closer to being in poverty to pay income taxes. See Table 7. As noted below, the reason is that many states' tax systems are not indexed to keep up with inflation.

Poor Families' Taxes Increased in Several States

The amount of tax levied on families with income at the poverty line, as shown in Table 6, rose in a number of states from 2007 to 2008.

- Of the 16 states that taxed poor families of four in 2008, nine levied a higher tax on these families in 2008 than in 2007, even after adjusting for inflation. Among these states, the average tax levy increased to $202 from $184, an inflation-adjusted increase of 10 percent.
- In some states, the increase was quite substantial. Poor families of four saw their inflation-adjusted tax liabilities increase by 46 percent in **Mississippi**, 45 percent in **Arkansas,** and 18 percent in **Missouri.**

Why Some States' Income-Tax Treatment of the Poor Is Worsening

In the 23 states where income tax thresholds fell relative to the poverty line in 2008, and the nine states where the tax levied on poor families grew more than inflation, it was not because of explicit policy changes. Rather, tax thresholds fell and tax bills rose because states failed to update their standard deductions, personal exemptions, and low-income credits to keep up with inflation.[7] For example, poor families of four in **Mississippi**, which does not adjust its standard deduction, personal exemption, or dependent exemption for inflation, saw their income tax levies rise to $73 in 2008 from $48 in 2007. Had the state adjusted its exemptions and standard deduction for inflation, tax liabilities would have grown by only two dollars for these families.

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

Overall, States' Income-Tax Treatment of the Poor Has Improved Greatly

Since the early 1990s, states generally have reduced the amount of tax owed by working-poor families. From 1991 to 2008, the number of states levying income tax on poor, two-parent families of four decreased to 16 from 24. Over that same span, the average of state tax thresholds increased to 116 percent of the poverty line from 84 percent. And many of the 16 states that still tax poor families of four have reduced the taxes levied. From 1994 to 2008, the average tax levied fell by 41 percent, after adjusting for inflation. Tables 5, and 6, and 7 show these changes over time.

A Few States Tax the Incomes of the Poor More Heavily than in the Early 1990s

A smaller number of states stand out for their lack of progress between the early 1990s and 2008 in reducing income taxes on the poor.

- In **Arizona**, **Connecticut**, **Mississippi**, and **Ohio**, the income tax threshold has fallen compared to the poverty line since 1991. In **Connecticut**, the threshold has fallen over that time to 109 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 after accounting for inflation. As Table 6 shows, the inflation-adjusted increase was 32 percent in **Georgia** and 8 percent in **Ohio**. In **Iowa**, such families' tax liability increased to $268 from zero — the highest dollar increase 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 the incomes of low-income families from taxation have eroded due to inflation.

Conclusion

Too many states continue to tax the income of poor families and in some cases, the poorest. Improvements made by some states in 2008 were partially offset by backsliding in others. A number

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[7] The poverty line increases each year to account for the higher cost of food, shelter, and other necessities.

of states implemented or improved EITCs or other low-income credits. In more than half of all states with an income tax, however, the income tax thresholds fell relative to the poverty line for families of four. The longer trend is more positive: income taxation of poor families has decreased since the early 1990's — but even over that period some states have increased taxes on families in poverty. There is a broad range of affordable mechanisms for exempting the poor from the income tax. States that continue to tax poor families should examine these options and choose policies that help working-poor families succeed.

Table 1A: 2008 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	14,000
5	Missouri	14,000
7	Mississippi	14,400
8	Indiana	14,500
8	Ohio	14,500
10	Arkansas	15,200
11	Oregon	16,000
12	Louisiana	16,500
	Poverty Line: $17,165	
13	Kentucky	17,600
13	West Virginia	17,600
15	North Carolina	17,800
16	Colorado	18,500
17	Idaho	18,600
17	Iowa	18,600
19	Utah	18,800
20	North Dakota	19,000
21	Connecticut	19,100
22	Arizona	20,100
23	Michigan	20,500
24	Oklahoma	20,800
25	Wisconsin	22,000
26	Virginia	22,200
27	Maine	24,100
28	South Carolina	24,700
29	Pennsylvania	25,500
30	Massachusetts	25,700
31	Delaware	25,800
32	Nebraska	26,200
33	Kansas	26,300
34	District of Columbia	28,400
35	Rhode Island	30,300
36	New Jersey	30,400
37	Maryland	31,200
38	Minnesota	31,700
38	Vermont	31,700
40	New Mexico	32,700
41	New York	33,700
42	California	45,900
Average Threshold 2008		**$ 21,700**
Amount Above Poverty Line		**$4,535**

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 2008 poverty line is a Census Bureau estimate based on the actual 2007 line adjusted for inflation. 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: 2008 State Income Tax Thresholds, Two-Parent Family of Four

Rank	State	Threshold
1	Montana	$12,200
2	Alabama	12,600
3	Indiana	15,500
4	Georgia	15,900
5	Illinois	16,000
5	Ohio	16,000
7	Missouri	17,600
8	Hawaii	17,800
9	Oregon	18,900
10	Iowa	19,000
11	Mississippi	19,600
12	Louisiana	20,300
13	Kentucky	21,200
13	West Virginia	21,200
15	Arkansas	21,300
16	North Carolina	21,800
	Poverty Line: $22,017	
17	Oklahoma	23,500
18	Arizona	23,600
19	Michigan	23,800
20	Connecticut	24,100
21	Colorado	24,900
22	Idaho	25,000
23	Utah	25,300
24	North Dakota	25,400
25	Virginia	25,800
26	Wisconsin	26,800
27	Maine	27,800
28	Massachusetts	28,100
29	Kansas	28,500
30	Delaware	30,100
31	District of Columbia	30,200
32	South Carolina	31,100
33	Nebraska	31,200
34	Pennsylvania	32,000
35	New Jersey	32,900
36	Rhode Island	34,000
37	Maryland	34,300
38	Vermont	35,800
39	Minnesota	35,900
40	New Mexico	37,400
41	New York	38,300
42	California	48,300
Average Threshold 2008		**$25,500**
Amount Above Poverty Line		**$3,483**

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 2008 poverty line is a Census Bureau estimate based on the actual 2007 line adjusted for inflation. 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: 2008 State Income Tax at Poverty Line, Single-Parent Family of Three

Rank	State	Income	Tax
1	Alabama	$17,165	$333
2	Hawaii	17,165	214
3	Arkansas	17,165	206
4	Montana	17,165	145
5	Georgia	17,165	141
6	Illinois	17,165	109
7	Indiana	17,165	108
8	Ohio	17,165	99
9	Oregon	17,165	96
10	Mississippi	17,165	83
11	Missouri	17,165	68
12	Louisiana	17,165	32
13	Arizona	17,165	0
13	California	17,165	0
13	Colorado	17,165	0
13	Connecticut	17,165	0
13	Delaware	17,165	0
13	Idaho	17,165	0
13	Kentucky	17,165	0
13	Maine	17,165	0
13	North Dakota	17,165	0
13	Pennsylvania	17,165	0
13	South Carolina	17,165	0
13	Utah	17,165	0
13	Virginia	17,165	0
13	West Virginia	17,165	0
27	North Carolina	17,165	(42)
28	Iowa	17,165	(148)
29	Oklahoma	17,165	(148)
30	Rhode Island	17,165	(170)
31	Michigan	17,165	(214)
32	Wisconsin	17,165	(428)
33	Nebraska	17,165	(452)
34	New Mexico	17,165	(512)
35	Kansas	17,165	(640)
36	Massachusetts	17,165	(678)
37	Maryland	17,165	(966)
38	New Jersey	17,165	(1,017)
39	Minnesota	17,165	(1,206)
40	Vermont	17,165	(1,447)
41	District of Columbia	17,165	(1,550)
42	New York	17,165	(1,599)

Source: Center on Budget and Policy Priorities

Table 2B: 2008 State Income Tax at Poverty Line, Two-Parent Family of Four

Rank	State	Income	Tax
1	Alabama	$22,017	$483
2	Oregon	22,017	311
3	Hawaii	22,017	272
4	Iowa	22,017	268
5	Indiana	22,017	263
6	Georgia	22,017	223
7	Montana	22,017	220
8	Illinois	22,017	214
9	Ohio	22,017	168
10	West Virginia	22,017	139
11	Missouri	22,017	109
12	Arkansas	22,017	95
13	Kentucky	22,017	89
14	Mississippi	22,017	73
15	Louisiana	22,017	53
16	North Carolina	22,017	17
17	Arizona	22,017	0
17	California	22,017	0
17	Colorado	22,017	0
17	Connecticut	22,017	0
17	Delaware	22,017	0
17	Idaho	22,017	0
17	Maine	22,017	0
17	North Dakota	22,017	0
17	Pennsylvania	22,017	0
17	South Carolina	22,017	0
17	Utah	22,017	0
17	Virginia	22,017	0
29	Oklahoma	22,017	(79)
30	Michigan	22,017	(117)
31	Rhode Island	22,017	(155)
32	Wisconsin	22,017	(401)
33	New Mexico	22,017	(413)
34	Nebraska	22,017	(413)
35	Kansas	22,017	(456)
36	Massachusetts	22,017	(497)
37	New Jersey	22,017	(691)
38	Maryland	22,017	(804)
39	District of Columbia	22,017	(1,174)
40	Vermont	22,017	(1,322)
41	Minnesota	22,017	(1,686)
42	New York	22,017	(1,699)

Source: Center on Budget and Policy Priorities

Table 3A: 2008 State Income Tax at Minimum Wage, Single-Parent Family of Three

Rank	State	Income*	Tax
1	Alabama	$12,775	$113
2	Hawaii**	15,080	98
3	Illinois**	15,860	56
4	Oregon**	16,536	46
5	Montana**	13,260	40
6	Ohio**	14,560	35
7	Georgia	12,775	1
8	Arizona**	14,352	0
8	Arkansas**	13,260	0
8	California**	16,640	0
8	Colorado**	14,602	0
8	Connecticut**	15,912	0
8	Delaware**	14,872	0
8	Idaho	12,775	0
8	Kentucky**	12,896	0
8	Maine**	14,690	0
8	Mississippi	12,775	0
8	Missouri**	13,832	0
8	North Dakota	12,775	0
8	Pennsylvania**	14,872	0
8	South Carolina	12,775	0
8	Utah	12,775	0
8	Virginia	12,775	0
8	West Virginia	12,775	0
25	Indiana	12,775	(59)
26	Louisiana	12,775	(149)
27	North Carolina**	13,139	(169)
28	Rhode Island**	15,392	(181)
29	Oklahoma	12,775	(234)
30	Michigan**	15,132	(333)
31	Iowa**	15,080	(338)
32	Nebraska	12,775	(482)
33	New Mexico**	13,563	(567)
34	Wisconsin**	13,563	(672)
35	Massachusetts**	16,640	(696)
36	Kansas	12,775	(820)
37	New Jersey**	14,872	(1085)
38	Maryland**	13,139	(1,195)
39	Minnesota**	13,139	(1,206)
40	Vermont**	15,974	(1,528)
41	New York**	14,872	(1,668)
42	District of Columbia**	15,037	(1,757)

* 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 2008.
Source: Center on Budget and Policy Priorities

Table 3B: 2008 State Income Tax at Minimum Wage, Two-Parent Family of Four

Rank	State	Income*	Tax
1	Montana**	$13,260	$11
2	Alabama	12,775	5
3	Arizona**	14,352	0
3	Arkansas**	13,260	0
3	California**	16,640	0
3	Colorado**	14,602	0
3	Connecticut**	15,912	0
3	Delaware**	14,872	0
3	Idaho	12,775	0
3	Kentucky**	12,896	0
3	Maine**	14,690	0
3	Mississippi	12,775	0
3	Missouri**	13,832	0
3	North Dakota	12,775	0
3	Ohio**	14,560	0
3	Pennsylvania**	14,872	0
3	South Carolina	12,775	0
3	Utah	12,775	0
3	Virginia	12,775	0
3	West Virginia	12,775	0
21	Illinois**	15,860	(5)
22	Georgia	12,775	(32)
23	Hawaii**	15,080	(89)
24	Indiana	12,775	(93)
25	Louisiana	12,775	(169)
26	North Carolina**	13,139	(169)
27	Rhode Island**	15,392	(181)
28	Oregon**	16,536	(182)
29	Oklahoma	12,775	(241)
30	Iowa**	15,080	(338)
31	Michigan**	15,132	(482)
32	Nebraska	12,775	(482)
33	New Mexico**	13,563	(582)
34	Wisconsin**	13,563	(675)
35	Massachusetts**	16,640	(724)
36	Kansas	12,775	(820)
37	New Jersey**	14,872	(1,085)
38	Maryland**	13,139	(1,206)
38	Minnesota**	13,139	(1,206)
40	Vermont**	15,974	(1,544)
41	District of Columbia**	15,037	(1,757)
42	New York**	14,872	(1,763)

* 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 2008.
Source: Center on Budget and Policy Priorities

Table 4A: 2008 State Income Tax at 125% of Poverty Line, Single-Parent Family of Three

Rank	State	Income	Tax
1	Alabama	$21,456	$613
2	Arkansas	21,456	543
3	Oregon	21,456	529
4	Kentucky	21,456	527
5	West Virginia	21,456	518
6	Hawaii	21,456	490
7	Georgia	21,456	367
8	Indiana	21,456	309
9	Montana	21,456	300
10	Illinois	21,456	283
11	Iowa	21,456	268
12	North Carolina	21,456	248
13	Missouri	21,456	238
14	Louisiana	21,456	233
15	Mississippi	21,456	232
16	Ohio	21,456	217
17	Utah	21,456	165
18	Colorado	21,456	137
19	Arizona	21,456	94
20	Michigan	21,456	63
21	North Dakota	21,456	62
22	Idaho	21,456	56
23	Oklahoma	21,456	43
24	Connecticut	21,456	19
25	California	21,456	0
25	Delaware	21,456	0
25	Maine	21,456	0
25	Pennsylvania	21,456	0
25	South Carolina	21,456	0
25	Virginia	21,456	0
31	Wisconsin	21,456	(62)
32	Rhode Island	21,456	(119)
33	Nebraska	21,456	(266)
34	Kansas	21,456	(336)
35	Massachusetts	21,456	(340)
36	New Mexico	21,456	(387)
37	Maryland	21,456	(547)
38	New Jersey	21,456	(569)
39	District of Columbia	21,456	(1,000)
40	Vermont	21,456	(1,051)
41	New York	21,456	(1,386)
42	Minnesota	21,456	(1,528)

Source: Center on Budget and Policy Priorities

Table 4B: 2008 State Income Tax at 125% of Poverty Line, Two-Parent Family of Four

Rank	State	Income	Tax
1	Kentucky	$27,521	$970
2	Oregon	27,521	875
3	Alabama	27,521	853
4	Arkansas	27,521	789
5	Iowa	27,521	695
6	West Virginia	27,521	682
7	Hawaii	27,521	576
8	Georgia	27,521	529
9	Indiana	27,521	519
10	Montana	27,521	448
11	Illinois	27,521	437
12	North Carolina	27,521	387
13	Missouri	27,521	376
14	Ohio	27,521	347
15	Mississippi	27,521	267
16	Oklahoma	27,521	257
17	Louisiana	27,521	256
18	Michigan	27,521	239
19	Arizona	27,521	196
20	Virginia	27,521	171
21	Utah	27,521	138
22	Colorado	27,521	123
23	Wisconsin	27,521	64
24	North Dakota	27,521	55
25	Idaho	27,521	44
26	Connecticut	27,521	26
27	California	27,521	0
27	Delaware	27,521	0
27	Maine	27,521	0
27	Pennsylvania	27,521	0
27	South Carolina	27,521	0
32	Massachusetts	27,521	(47)
33	Kansas	27,521	(68)
34	Rhode Island	27,521	(87)
35	Nebraska	27,521	(204)
36	Maryland	27,521	(287)
37	New Mexico	27,521	(297)
38	New Jersey	27,521	(345)
39	District of Columbia	27,521	(381)
40	Vermont	27,521	(856)
41	New York	27,521	(1,131)
42	Minnesota	27,521	(1,301)

Source: Center on Budget and Policy Priorities

Table 5: Tax Threshold for a Family of Four, 1991-2008

State	1991	1994	1997	2000	2003	2006	2007	2008	Change 1991-2008	Change 2007-2008
Alabama	$4,600	$4,600	$4,600	$4,600	$4,600	$4,600	$12,600	$12,600	$8,000	$0
Arizona	15,000	15,800	20,000	23,600	23,600	23,600	23,600	$23,600	$8,600	$0
Arkansas	10,700	10,700	10,700	15,600	15,500	16,000	20,700	$21,300	$10,600	$600
California	20,900	22,600	23,800	36,800	40,200	44,700	46,100	$48,300	$27,400	$2,200
Colorado	14,300	16,200	17,500	27,900	21,700	23,500	24,300	$24,900	$10,600	$600
Connecticut	24,100	24,100	24,100	24,100	24,100	24,100	24,100	$24,100	$0	$0
Delaware	8,600	8,600	12,700	20,300	20,300	28,600	29,300	$30,100	$21,500	$800
District of Columbia	14,300	16,200	17,500	18,600	20,700	25,600	27,300	$30,200	$15,900	$2,900
Georgia	9,000	11,100	13,100	15,300	15,900	15,900	15,900	$15,900	$6,900	$0
Hawaii	6,300	6,300	6,100	11,000	11,500	11,500	14,000	$17,800	$11,500	$3,800
Idaho	14,300	16,200	17,500	20,100	21,800	23,600	24,400	$25,000	$10,700	$600
Illinois	4,000	4,000	4,000	14,000	15,000	15,600	15,900	$16,000	$12,000	$100
Indiana	4,000	4,000	8,500	9,500	14,400	15,000	15,300	$15,500	$11,500	$200
Iowa	9,000	15,300	16,500	17,400	17,900	18,300	18,700	$19,000	$10,000	$300
Kansas	13,000	13,000	13,000	21,100	24,400	26,100	27,600	$28,500	$15,500	$900
Kentucky	5,000	5,000	5,000	5,400	5,500	19,900	20,700	$21,200	$16,200	$500
Louisiana	11,000	11,000	12,300	13,000	15,600	16,900	17,500	$20,300	$9,300	$2,800
Maine	14,100	14,800	17,500	23,100	24,600	26,400	27,000	$27,800	$13,700	$800
Maryland	15,800	19,400	22,900	25,200	28,500	31,000	32,000	$34,300	$18,500	$2,300
Massachusetts	12,000	12,000	17,400	20,600	24,000	26,200	27,100	$28,100	$16,100	$1,000
Michigan	8,400	8,400	10,000	12,800	13,600	14,400	14,800	$23,800	$15,400	$9,000
Minnesota	15,500	19,000	21,600	26,800	30,200	33,200	34,500	$35,900	$20,400	$1,400
Mississippi	15,900	15,900	15,900	19,600	19,600	19,600	19,600	$19,600	$3,700	$0
Missouri	8,900	9,700	10,200	14,100	16,200	17,000	17,400	$17,600	$8,700	$200
Montana	6,600	7,200	8,800	9,500	10,100	11,300	11,600	$12,200	$5,600	$600
Nebraska	14,300	16,200	17,900	18,900	21,700	25,600	30,200	$31,200	$16,900	$1,000
New Jersey	5,000	7,500	7,500	20,000	20,000	20,000	30,800	$32,900	$27,900	$2,100
New Mexico	14,300	16,300	17,500	21,000	22,000	30,800	35,900	$37,400	$23,100	$1,500
New York	14,000	16,900	22,300	23,800	27,700	36,300	37,200	$38,300	$24,300	$1,100
North Carolina	13,000	13,000	17,000	17,000	18,000	19,400	19,400	$21,800	$8,800	$2,400
North Dakota	14,700	16,500	18,000	19,000	22,200	24,000	24,800	$25,400	$10,700	$600
Ohio	10,500	10,500	12,000	12,700	12,900	15,600	15,800	$16,000	$5,500	$200
Oklahoma	10,000	10,900	12,200	13,000	16,600	18,200	20,500	$23,500	$13,500	$3,000
Oregon	10,100	10,900	14,000	14,800	16,000	17,500	18,000	$18,900	$8,800	$900
Pennsylvania	9,800	15,300	20,600	28,000	31,000	32,000	32,000	$32,000	$22,200	$0
Rhode Island	17,400	21,100	24,400	25,900	28,700	31,500	32,600	$34,000	$16,600	$1,400
South Carolina	14,300	16,800	20,200	21,400	23,200	26,800	30,400	$31,100	$16,800	$700
Utah	12,200	13,600	14,900	15,800	21,700	23,500	24,300	$25,300	$13,100	$1,000
Vermont	17,400	21,100	24,400	26,800	30,200	33,200	34,400	$35,800	$18,400	$1,400
Virginia	8,200	8,200	8,200	17,100	18,400	24,200	24,800	$25,800	$17,600	$1,000
West Virginia	8,000	8,000	10,000	10,000	10,000	10,000	10,000	$21,200	$13,200	$11,200
Wisconsin	14,400	16,400	17,000	20,700	23,000	25,000	26,000	$26,800	$12,400	$800
Average	**$11,736**	**$13,102**	**$14,983**	**$18,474**	**$20,067**	**$22,529**	**$24,026**	**$25,500**	$13,764	$1,474
Federal Poverty Line	**$13,924**	**$15,141**	**$16,400**	**$17,603**	**$18,810**	**$20,615**	**$21,203**	**$22,017**	$8,093	$814
Average as % Poverty Line	**84%**	**87%**	**91%**	**105%**	**107%**	**109%**	**113%**	**116%**	32%	3%
Number Above Poverty Line	**18**	**19**	**21**	**23**	**24**	**23**	**24**	**26**	8	2
Number Below Poverty Line	**24**	**23**	**21**	**19**	**18**	**19**	**18**	**16**	-8	-2

Source: Center on Budget and Policy Priorities

Table 6: State Income Tax at the Poverty Line for Family of Four, 1994-2008 In States with Below-Poverty Thresholds in 2008

State	1994	2000	2006	2007	2008	Change 2007-08	Percent change after inflation 2007-08*	$ Change 1994-2008	Percent change after Inflation 1994-2008*
Mississippi	0	0	30	48	73	25	**46%**	73	**—**
Arkansas	214	311	427	63	95	32	**45%**	(119)	**-69%**
Missouri	147	80	83	89	109	20	**18%**	(38)	**-49%**
Georgia	116	55	160	184	223	39	**17%**	107	**32%**
Alabama	348	443	573	423	483	60	**10%**	135	**-4%**
Iowa	0	23	236	251	268	17	**3%**	268	**—**
Illinois	334	145	192	201	214	13	**3%**	(120)	**-56%**
Indiana	379	360	239	248	263	15	**2%**	(116)	**-52%**
Kentucky	499	575	82	85	89	4	**1%**	(410)	**-88%**
Ohio	107	113	159	161	168	7	**0%**	61	**8%**
Montana	211	233	211	217	220	3	**-2%**	9	**-28%**
Oregon	331	278	319	325	311	(14)	**-8%**	(20)	**-35%**
Hawaii	406	420	546	409	272	(137)	**-36%**	(134)	**-54%**
West Virginia	215	290	406	258	139	(119)	**-48%**	(76)	**-55%**
Louisiana	83	133	169	179	53	(126)	**-71%**	(30)	**-56%**
North Carolina	128	37	78	114	17	(97)	**-86%**	(111)	**-91%**
Average	**$220**	**$219**	**$244**	**$203**	**$187**	**($16)**	**-11%**	**($33)**	**-41%**

Notes: Dollar amounts shown are nominal amounts.

* "Percent change after inflation" shows the percentage change adjusted for the 3.8 percent increase in the cost of living from 2007 and 2008 and the 45 percent increase in the cost of living from 1994 to 2008, 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, 1991-2008

State	1991	1996	2001	2006	2007	2008	% Point Change 1991-2008	% Point Change 2007-2008
Alabama	33%	29%	25%	22%	59%	57%	24%	-2%
Arizona	108%	125%	130%	114%	111%	107%	-1%	-4%
Arkansas	77%	67%	86%	78%	98%	97%	20%	-1%
California	150%	146%	214%	217%	217%	219%	69%	2%
Colorado	103%	105%	159%	114%	115%	113%	10%	-2%
Connecticut	173%	150%	133%	117%	114%	109%	-64%	-4%
Delaware	62%	78%	112%	139%	138%	137%	75%	-1%
District of Columbia	103%	105%	108%	124%	129%	137%	34%	8%
Georgia	65%	69%	85%	77%	75%	72%	8%	-3%
Hawaii	45%	38%	62%	56%	66%	81%	36%	15%
Idaho	103%	105%	115%	114%	115%	114%	11%	-2%
Illinois	29%	25%	79%	76%	75%	73%	44%	-2%
Indiana	29%	25%	52%	73%	72%	70%	42%	-2%
Iowa	65%	102%	97%	89%	88%	86%	22%	-2%
Kansas	93%	81%	119%	127%	130%	129%	36%	-1%
Kentucky	36%	31%	30%	97%	98%	96%	60%	-1%
Louisiana	79%	77%	74%	82%	83%	92%	13%	10%
Maine	101%	95%	130%	128%	127%	126%	25%	-1%
Maryland	113%	139%	145%	150%	151%	156%	42%	5%
Massachusetts	86%	97%	125%	127%	128%	128%	41%	0%
Michigan	60%	60%	71%	70%	70%	108%	48%	38%
Minnesota	111%	130%	153%	161%	163%	163%	52%	0%
Mississippi	114%	99%	108%	95%	92%	89%	-25%	-3%
Missouri	64%	62%	79%	82%	82%	80%	16%	-2%
Montana	47%	54%	54%	55%	55%	55%	8%	1%
Nebraska	103%	105%	108%	124%	142%	142%	39%	-1%
New Jersey	36%	47%	110%	97%	145%	149%	114%	4%
New Mexico	103%	105%	118%	149%	169%	170%	67%	1%
New York	101%	135%	138%	176%	175%	174%	73%	-1%
North Carolina	93%	106%	94%	94%	91%	99%	6%	8%
North Dakota	106%	109%	109%	116%	117%	115%	10%	-2%
Ohio	75.4%	72%	69%	76%	75%	73%	-3%	-2%
Oklahoma	72%	74%	74%	88%	97%	107%	35%	10%
Oregon	73%	71%	83%	85%	85%	86%	13%	1%
Pennsylvania	70%	95%	166%	155%	151%	145%	75%	-6%
Rhode Island	125%	148%	148%	153%	154%	154%	29%	1%
South Carolina	103%	117%	122%	130%	143%	141%	39%	-2%
Utah	88%	90%	90%	114%	115%	115%	27%	0%
Vermont	125%	148%	152%	161%	162%	163%	38%	0%
Virginia	59%	51%	98%	117%	117%	117%	58%	0%
West Virginia	57%	62%	55%	49%	47%	96%	39%	49%
Wisconsin	103%	104%	119%	121%	123%	122%	18%	-1%
Average	**84%**	**89%**	**105%**	**109%**	**113%**	**116%**	**32%**	**3%**

Source: Center on Budget and Policy Priorities