

Virginia

Most Poor Families in Virginia Do Not Pay Income Tax, But Tax at Poverty Line and Slightly Above Can Be Substantial

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

Ranking among 42 states with income taxes

- ⇒ For two-parent families of three: **\$15,000.** **18th lowest**
- ⇒ For single-parent families of four: **\$18,100.** **18th lowest**

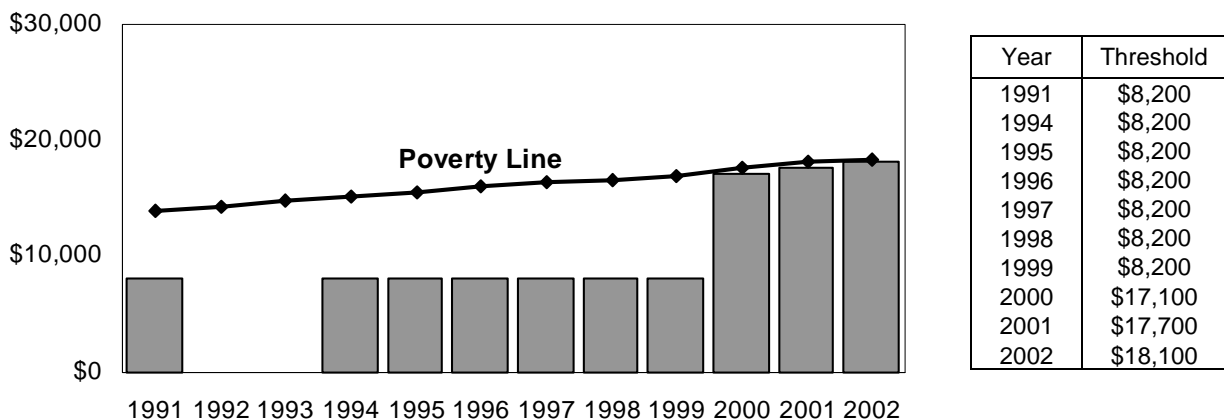
Virginia's 2002 income tax on working-poor and near-poor families:

- ⇒ No tax on families of three with incomes at the poverty line (\$14,351) or full time minimum wage earnings (\$10,712)
- ⇒ For families of four with incomes at the poverty line (\$18,390): **\$379** **4th highest**
- ⇒ For families of three with incomes at 125% of poverty line (\$17,939): **\$497.** **4th highest**
- ⇒ For families of four with incomes at 125% of poverty line (\$22,988): **\$609.** **5th highest**

In 2000, Virginia exempted most families below poverty earnings from the income tax, but levied substantial tax at and just above poverty line.

- ⇒ From 1991 to 1999, Virginia's threshold for a two-parent family of four was well below the poverty line. Due to enactment of a low-income credit in 2000, Virginia's threshold in is now 98% of poverty line. (see note below.)
- ⇒ Families just above the eligibility cut-off for the credit pay a large income tax. Since 1994, tax on a family of four with poverty-level income has risen from \$217 to \$379, the second largest increase in any state after taking inflation into account.

Income Tax Threshold for Family of Four



Note: Virginia's low-income tax credit applies to families with incomes below the federal poverty guidelines set by the Department of Health and Human Services for administrative purposes. These guidelines are slightly lower than the poverty threshold for a two-parent family of four used by the Census Bureau for statistical purposes, which is the poverty standard used in this analysis.

Source: Center on Budget and Policy Priorities, *State Income Tax Burdens on Low-Income Families in 2002*, April 11, 2003.