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STATE INCOME TAX BURDENS ON LOW-INCOME FAMILIES IN 2002

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Summary

Despite years of tax-cutting at the state level, poor families in many states still face a substantial burden as they file personal income taxes for the 2002 tax year. In a large number of the states that levy income taxes — in 18 out of 42 states — two-parent families of four with incomes below the federal poverty line continue to owe income tax. In 15 of those states, poor single-parent families of three also pay income taxes. In addition, 30 of the 42 with an income tax still tax families with incomes just above the poverty line, even though such families typically have difficulty making ends meet.

In some states, families with poverty-level incomes face income tax bills of several hundred dollars. For instance, a two-parent family of four in **Kentucky** with income of $18,390 — the 2002 poverty line for a family that size — owes $606 in income tax, the highest tax on such a family in the country. A single-parent family of three in **Kentucky** with poverty-level income of $14,351 owes $370, second only to the tax on such a family levied in **Alabama** of $398. Such amounts can make a big difference to a struggling family. Other states levying tax of $200 or more on families with poverty-level incomes include **Arkansas, Hawaii, Indiana, Michigan, Montana, Oregon, Virginia,** and **West Virginia.**

Taxing the incomes of working-poor families runs counter to the efforts by policymakers across the political spectrum to provide more assistance to families seeking to work their way out of poverty. Many states have reduced income taxes on the poor over the last decade, and a narrow majority of states now exempt poor families from the income tax. The federal government has exempted such families since the mid-1980s.

Eliminating all or most 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 tax burdens on poor families is making a meaningful contribution toward "making work pay." Nearly a dozen states go even further; they not only exempt poor families from income taxation, but also provide a tax rebate that can help such families make ends meet.

[1] Additional data analysis for this report was provided by Elizabeth C. McNichol, Michael Mazerov, Rose Ribeiro and Brad Angle.

Methodology

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 the burden of a tax 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 "circuitbreakers," and similar provisions, because this analysis does not attempt to gauge the burdens of those taxes — only of income taxes. Moreover, such provisions tend to be quite modest and in most cases do not affect greatly tax burdens on low-income families.

States that choose to reduce or eliminate tax burdens on low-income families employ a variety of mechanisms to do so. These mechanisms include state Earned Income Tax Credits (EITCs) and other low-income tax credits; no-tax floors; and personal exemptions and standard deductions that are adequate to shield poverty-level income from taxation.

Despite the advent of the recession and the associated state fiscal crisis, states are continuing to make some progress in income-tax treatment of low-income families. In 2002, the average state income tax threshold increased slightly relative to the poverty line, largely because two states — **Utah** and **Oklahoma —** stopped levying income taxes on families of three with poverty-level incomes. Oklahoma implemented a new state EITC that cut the tax on a family of four at the poverty line from $252 to $98. **Indiana** enacted a new state EITC that, when implemented in 2003, will reduce the tax on a family of four at the poverty line by nearly $200; **Kansas** expanded its existing EITC for 2002.

In a few states, fiscal difficulties are threatening the progress made in recent years in reducing income tax burdens on poor families. A state EITC in **Colorado** enacted in the late 1990s, for instance, was suspended for tax year 2002 due to insufficient state revenues, reducing that state's income tax threshold for a family of four from $28,700 to $21,400. Similarly, the threshold in **Illinois** will decline in 2003 unless the legislature this spring renews an EITC that is scheduled to expire.

Many States Continue to Levy Substantial Income Taxes on Poor Families in 2002

This analysis assesses the impact of each state's income tax in 2002 on poor and near-poor families with children.[2] (Forty-two states, counting the **District of Columbia** as a state, levy income taxes.) One important measure of tax burdens on poor families is the income tax

[2] For a more detailed analysis of the changes that individual states have made to their income taxes affecting low-income families since the early 1990s, the reasons why such changes are important, and the ways other states can implement such changes, see Bob Zahradnik, Nicholas Johnson and Michael Mazerov, *State Income Tax Burdens on Low-Income Families in 2000: Assessing the Burden and Opportunities for Relief*, Center on Budget and Policy Priorities, March 2001.

Comparing Income Tax Thresholds in Poor States with Those in Wealthier States

Relieving income taxes on poor families can appear to be a greater challenge for states with low per-capita incomes and higher poverty rates than it is for wealthier states, because poorer states generally have more potential beneficiaries of such tax relief and a smaller overall tax base to absorb the loss of revenue. Yet both high-income states and low-income states have been able to exempt poor families from the income tax. In fact, of the 27 states that exempt from taxation the income of a single-parent family of three with income at or below the poverty line, 12 have per capita incomes below the U.S. median, including three of the nation's six poorest states: **Mississippi, New Mexico,** and **Utah.**

threshold — the point at which, as a family's income rises, it first begins to owe 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 15 states, the threshold for a single-parent family of three is less than $14,351, the Census Bureau's official poverty line for a family of three in 2002. In the remaining 27 states with income taxes, the threshold is above the poverty line; in those states, poor families pay no income tax.

- In 18 states, the threshold for a two-parent family of four is below the $18,390 poverty line for such a family. In the remaining 24 states with income taxes, the threshold is above the poverty line.

- Two states, **Alabama** and **Kentucky**, impose income tax on very poor families, those with incomes less than one-half of the poverty line. Those states and seven others — **Hawaii, Indiana, Michigan, Montana, Ohio, Oregon and West Virginia** — tax families of three with full-time minimum wage earnings.

- The state with the highest threshold is **California**, where the threshold is $37,400 for a family of three and $39,400 for a family of four — more than twice the poverty lines for families of those sizes.

Taxes on Poor Families

Where states tax the wages of poor families, those tax burdens can be several hundred dollars — a substantial amount for a struggling family. These amounts are shown in Tables 2A, 2B, 3A and 3B.

- The average 2002 tax bill for a family with income at the poverty line in the states with below-poverty thresholds is $160 for a family of three and $246 for a family of four. In 10 states, the tax bill for a poor family of four exceeds $200, and in one state — **Kentucky** — reaches as high as $606.

Why Focus on Income Taxes When Other Taxes Are More Burdensome for Poor Families?

In most states, poor families pay more in consumption taxes such as gasoline, sales, and other taxes than they do in income taxes. Property taxes and other taxes and fees also impose substantial burdens on poor families. Nonetheless, income tax burdens on poor families are significant for two primary reasons. First, it is administratively easier for states to target income tax relief to poor families than it is to provide sales or property tax relief to those families; the great majority of the low-income tax relief enacted in the last decade at the state level has been administered through the income tax. Second, policymakers are often concerned about the negative message that high taxes on earnings send to families trying to work their way out of poverty.

States that rely heavily on income taxes for revenue still can exempt poor families from taxation. Of the 10 states that receive their largest share of state tax revenue from personal income taxes, seven — **California, Colorado, Maryland, Massachusetts, New York, Virginia** and **Wisconsin** — exempt poor families of three or four from the income tax.

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

- Eleven states go further than simply not taxing poor families. These states offer tax credits that provide refunds to families with no income tax liability. These credits act as a wage supplement and income support, helping support families' work efforts and reduce poverty. The amount of refund for families with income at the poverty line is as high as $1,269 for a family of three in **Vermont** and $1,447 for a family of four in **Minnesota**.

Taxes on Near-poor Families

Many families with earnings just above the poverty line continue to find it difficult to make ends meet. Federal and state governments recognize the challenges faced by families with incomes slightly above the poverty line and have set eligibility for some assistance programs, such as energy assistance, school lunch subsidies, and in many states health care subsidies, at 125 percent of the poverty line ($17,939 for a family of three, $22,988 for a family of four) or above.

A majority of states, however, continue to levy income tax on families with incomes at 125 percent of the poverty line. Some 30 states, for instance, tax the incomes of such families of four, with the tax bill exceeding $500 in eight states — **Alabama, Arkansas, Hawaii, Indiana, Iowa, Kentucky, Oregon,** and **Virginia.** Some 25 states tax the incomes of families of three with income at 125 percent of the poverty line. See tables 4A and 4B.

Modest Improvement in Income Tax Thresholds Since Last Year

States made modest progress in the 2002 tax year in reducing taxes on poor families.

- The number of states that tax poor families of four declined from 19 to 18.
- The average threshold among all states rose from 105 percent of the poverty line to 106 percent.
- In the 18 states that still tax the poor, the average income tax on a family of four with poverty-level income fell from $255 in 2001 to $246 in 2002.

The most significant improvement in the income-tax treatment of poor families was registered in **Oklahoma**, where a new state Earned Income Tax Credit raised the income tax threshold for a family of four from $13,400 to $16,500 and cut the tax for a family at the poverty line from $252 to $98. The new Oklahoma credit exempts poor single-parent families of three entirely from income tax liability, and in fact provides a small rebate to help support their work effort and offset the burden of other taxes. The credit also reduces income taxes for families with incomes somewhat above the poverty line.

Another important improvement was in **Utah**, which created a new no-tax floor slightly above the poverty line. The threshold for a family of four in Utah rose from $16,300 to $19,900, and the threshold for a family of three rose from $13,200 to $15,900, thereby exempting poor families from income tax.

One state moved in the other direction. An EITC in **Colorado** enacted in the late 1990s was suspended for the 2002 tax year. The income tax threshold in Colorado fell from $28,700 to $21,400, the steepest decline in any state's income tax threshold at any time in at least ten years. Although families with income below the poverty line will continue to be exempt from tax, families with incomes at 125 percent of the poverty line will go from receiving a $410 rebate for 2001 to paying $72 in income tax for 2002. Colorado's EITC is very unlikely to be reinstated for the 2003 tax year due to the state's poor fiscal condition.

An **Illinois** EITC is similarly imperiled by the state's fiscal condition. Without legislative action, the Illinois credit would expire for tax year 2003, which would more than double the income tax on a family of four at the poverty line, to $312.

Most but Not All States Have Made Substantial Progress since the Early 1990s

Over the last decade, states generally have improved their tax treatment of working poor families. From 1991 to 2002, for example, the number of states levying income tax on poor families of four declined from 24 to 18. And among those remaining 18 states, many reduced taxes on poor families. From 1994 to 2002 the average income tax for a family of four at the poverty line fell by about 13 percent in inflation-adjusted terms. Tables 5 and 6 show changes over time.

States have used 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. In 2002 some 15 states offered Earned Income Tax Credits based on the federal EITC, which are tax credits for working-poor families, mostly those with children.[3] Other states offer other types of low-income tax credits, such as **New Mexico**'s "Low-Income Comprehensive Tax Rebate." Finally, a few states have "no-tax floors," which set a dollar level below which families owe no tax but do not affect tax liability for families above that level.

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 over the last dozen years in reducing income tax burdens on the poor.

- The **Alabama** threshold remains at $4,600, the lowest in the nation and the same level — in non-inflation adjusted terms — that it has been since the 1960s. Because the threshold has not changed while the cost of living and the poverty line have increased, the threshold as a percentage of the poverty line has fallen from 33 percent to 25 percent since 1991.

  Over the last ten years, the **Alabama** tax burden on families with incomes at the poverty has risen. The income tax on a family of four with income at the poverty line in 2002 is $478, compared with $348 eight years ago — a 13 percent increase after adjusting for inflation.

- In **Arkansas, Iowa, Louisiana, Ohio, Virginia,** and **West Virginia,** as in **Alabama**, the income taxes on families of four with poverty-level incomes have risen since 1994 even after taking inflation into account. As Table 6 shows, the increase after the adjustment for inflation has been as much as 46 percent in **Louisiana**, 44 percent in **Virginia**, 26 percent in **Arkansas**, and 20 percent in **West Virginia**. 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.

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[3] The 15 states are the District of Columbia, Illinois, Iowa, Kansas, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, Oklahoma, Oregon, Rhode Island, Vermont, and Wisconsin. A 16th state, Colorado, has an EITC that is available only in years in which state revenues exceed a certain limit; the Colorado EITC is suspended for 2002 and is almost certain to be suspended in 2003 as well. A 17th state, Indiana, beginning in 2003 will offer an EITC based on the federal credit. A full description of current state EITCs and policy issues relating to them may be found in *A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty*, Center on Budget and Policy Priorities, March 2003.

Future Changes in Income Tax Thresholds

This report shows income tax thresholds for tax year 2002. As a part of legislation enacted in 2002 and in previous years, some states have adopted changes to their income tax systems that will lead to increased thresholds in 2003 and beyond. These changes will not change the number of states that levy income tax on poor families.

→ **Colorado** statutes provide for a 10 percent refundable EITC in years in which total state revenues exceed a certain limit. The credit is presently suspended due to insufficient revenues, but is projected to be reinstated beginning in 2007. Reinstatement of the credit will raise the threshold further above the poverty line and improve the income-tax treatment of low- and moderate-income families

→ In **Georgia**, the exemption for dependents is scheduled to increase from $2,700 to $3,000 in tax year 2003. The threshold will remain below the poverty line.

→ **Illinois'** state Earned Income Tax Credit, which has a substantial impact on the threshold and reduces tax burdens by up to $200, is scheduled to expire after 2002. If it does so, the threshold will fall from its current level of about 80 percent of the poverty line to less than 45 percent of the poverty line.

→ **Indiana** in 2003 will implement an EITC set at 6 percent of the federal credit. This change will increase Indiana's income tax threshold from less than half of the federal poverty line to nearly 80 percent of the poverty line.

→ **Maryland, New Jersey,** and **New York**, all of which have thresholds above the poverty line already, are each phasing in increases to their state EITCs through 2003. In addition, New York is increasing its standard deduction in 2003. These changes will improve the income-tax treatment of low- and moderate-income families in each of those states over the next two years.

→ **North Carolina**'s standard deduction for married couples will increase by $500 in 2003 and another $500 in 2004 (the governor has proposed postponing those implementation dates by an additional year). The change will not lift North Carolina's threshold above the poverty line.

→ Changes in the federal Earned Income Tax Credit and the federal standard deduction for married filers enacted in June 2001 will increase thresholds in those states that piggyback on those provisions of the federal tax code. The EITC increase took effect in tax year 2002, with additional increases scheduled for 2005 and 2008, and the standard deduction increase is scheduled to be phased in from 2005 to 2009. (Those increases are in addition to the normal inflation adjustments of federal income tax provisions.) Some 17 states piggyback on the federal EITC, and 11 states piggyback on the federal standard deduction.

- In **Kentucky, Louisiana, North Carolina, Ohio** and **West Virginia**, as in **Alabama**, the income tax threshold is further below the poverty line than it was in 1991. In **Kentucky**, for instance, the threshold for a family of four has fallen from 36 percent of the poverty line in 1991 to 30 percent.

Table 1A
State Income Tax Thresholds for Single-Parent Families of Three, 2002

Poverty line (estimated): $14,351

Rank	State	Threshold	Rank	State	Threshold
1	Alabama	$4,600	16	Mississippi	$14,400
2	Kentucky	5,000	17	Delaware	14,700
3	Montana	8,100	18	Virginia	15,000
4	Indiana	9,000	19	Oklahoma	15,500
5	Hawaii	9,900	20	Utah	15,900
6	West Virginia	10,000	20	Colorado	15,900
7	Ohio	10,200	22	Idaho	16,000
7	Michigan	10,200	23	Nebraska	16,300
9	Louisiana	11,000	24	North Dakota	16,400
10	Georgia	12,100	25	Iowa	17,700
11	Illinois	12,900	26	South Carolina	18,900
11	Missouri	12,900	26	New Mexico	18,900
13	Arkansas	13,000	28	Wisconsin	19,000
14	Oregon	13,200	29	Connecticut	19,100
15	North Carolina	13,900	30	District of Columbia	20,000
			30	New Jersey	20,000
			32	Arizona	20,100
			33	Maine	21,600
			34	Massachusetts	22,400
			35	Kansas	22,900
			36	Pennsylvania	24,500
			37	New York	24,700
			38	Rhode Island	26,000
			39	Maryland	26,700
			40	Vermont	27,200
			40	Minnesota	27,200
			42	California	37,400
Average Threshold 2002		**$10,400**	**Average Threshold 2002**		**$20,500**
Amount Below Poverty		**$3,951**	**Amount Above Poverty**		**$6,149**

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 2002 poverty line is a Census Bureau estimate based on the actual 2001 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
State Income Tax Thresholds for Two-Parent Families of Four, 2002

Poverty line (estimated): $18,390

Rank	State	Threshold
1	Alabama	$4,600
2	Kentucky	5,500
3	Indiana	9,500
4	Montana	9,900
5	West Virginia	10,000
6	Hawaii	11,600
7	Ohio	12,700
8	Michigan	13,200
9	Louisiana	13,900
10	Missouri	14,600
11	Illinois	14,800
12	Georgia	15,300
13	Arkansas	15,600
14	Oregon	15,800
15	Oklahoma	16,500
16	North Carolina	17,000
17	Iowa	17,800
18	Virginia	18,100
Average Threshold 2002		**$13,100**
Amount Below Poverty		**$5,290**

Rank	State	Threshold
19	Mississippi	$19,600
20	Utah	19,900
21	New Jersey	20,000
22	Nebraska	20,100
23	Delaware	20,300
23	North Dakota	20,300
25	District of Columbia	20,500
26	Colorado	21,400
27	Idaho	21,500
28	New Mexico	22,000
29	Wisconsin	22,600
30	South Carolina	22,900
31	Arizona	23,600
32	Massachusetts	23,800
33	Connecticut	24,100
33	Kansas	24,100
35	Maine	24,400
36	New York	26,800
37	Maryland	28,100
38	Rhode Island	28,200
39	Vermont	29,200
40	Minnesota	29,300
41	Pennsylvania	31,000
42	California	39,400
Average Threshold 2002		**$24,300**
Amount Above Poverty		**$5,910**

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 2002 poverty line is a Census Bureau estimate based on the actual 2001 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
State Income Tax at Poverty Line for Single-Parent Families of Three, 2002

	State	Income	Tax
1	Alabama	$14,351	$398
2	Kentucky	14,351	370
3	Indiana	14,351	284
4	Hawaii	14,351	257
5	West Virginia	14,351	251
6	Montana	14,351	183
7	Michigan	14,351	170
8	Louisiana	14,351	135
9	Oregon	14,351	89
10	Ohio	14,351	74
11	Georgia	14,351	54
12	Illinois	14,351	52
13	North Carolina	14,351	28
14	Missouri	14,351	26
15	Arkansas	14,351	23
16	Arizona	14,351	0
16	California	14,351	0
16	Colorado	14,351	0
16	Connecticut	14,351	0
16	Delaware	14,351	0
16	Idaho*	14,351	0
16	Iowa	14,351	0
16	Maine	14,351	0
16	Mississippi	14,351	0
16	Nebraska	14,351	0
16	North Dakota	14,351	0
16	Pennsylvania	14,351	0
16	Rhode Island	14,351	0
16	South Carolina	14,351	0
16	Utah	14,351	0
16	Virginia	14,351	0
32	Oklahoma	14,351	(52)
33	New Mexico	14,351	(75)
34	Wisconsin	14,351	(415)
35	Maryland	14,351	(488)
36	Kansas	14,351	(564)
37	Massachusetts	14,351	(595)
38	District of Columbia	14,351	(647)
39	New Jersey	14,351	(694)
40	New York	14,351	(1,015)
41	Minnesota	14,351	(1,035)
42	Vermont	14,351	(1,269)

* Idaho's threshold is greater than the poverty line, but there is a $10 building fund.

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Table 2B
State Income Tax at Poverty Line for Two-Parent Families of Four, 2002

	State	Income	Tax
1	Kentucky	$18,390	$606
2	Alabama	18,390	478
3	Indiana	18,390	387
4	Virginia	18,390	379
5	Hawaii	18,390	378
6	Arkansas	18,390	328
7	West Virginia	18,390	314
8	Oregon	18,390	267
9	Montana	18,390	244
10	Michigan	18,390	213
11	Louisiana	18,390	148
12	Illinois	18,390	145
13	Ohio	18,390	138
14	Oklahoma	18,390	98
15	Missouri	18,390	89
16	North Carolina	18,390	83
17	Georgia	18,390	76
18	Iowa	18,390	63
19	Arizona	18,390	0
19	California	18,390	0
19	Colorado	18,390	0
19	Connecticut	18,390	0
19	Delaware	18,390	0
19	Idaho*	18,390	0
19	Maine	18,390	0
19	Mississippi	18,390	0
19	Nebraska	18,390	0
19	North Dakota	18,390	0
19	Pennsylvania	18,390	0
19	Rhode Island	18,390	0
19	South Carolina	18,390	0
19	Utah	18,390	0
33	New Mexico	18,390	(60)
34	District of Columbia	18,390	(262)
35	Maryland	18,390	(310)
36	Kansas	18,390	(381)
37	Wisconsin	18,390	(423)
38	Massachusetts	18,390	(436)
39	New Jersey	18,390	(582)
40	New York	18,390	(827)
41	Vermont	18,390	(1,064)
42	Minnesota	18,390	(1,447)

* Idaho's threshold is greater than the poverty line, but there is a $10 building fund.

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Table 3A
State Income Tax at Minimum Wage for Single-Parent Families of Three, 2002

	State	Income*	Tax
1	Alabama	$10,712	$218
2	Kentucky	10,712	208
3	West Virginia	10,712	143
4	Hawaii**	11,960	125
5	Indiana	10,712	116
6	Montana	10,712	56
7	Michigan	10,712	21
8	Oregon**	13,520	18
9	Ohio	10,712	9
10	Arizona	10,712	0
10	Arkansas	10,712	0
10	California**	14,040	0
10	Colorado	10,712	0
10	Connecticut**	13,936	0
10	Delaware**	12,792	0
10	Idaho***	10,712	0
10	Illinois	10,712	0
10	Iowa	10,712	0
10	Louisiana	10,712	0
10	Maine**	11,960	0
10	Mississippi	10,712	0
10	Missouri	10,712	0
10	Nebraska	10,712	0
10	North Carolina	10,712	0
10	North Dakota	10,712	0
10	Pennsylvania	10,712	0
10	Rhode Island**	12,792	0
10	South Carolina	10,712	0
10	Utah	10,712	0
10	Virginia	10,712	0
31	Georgia	10,712	(21)
32	New Mexico	10,712	(100)
33	Oklahoma	10,712	(145)
34	Wisconsin	10,712	(580)
35	Massachusetts**	14,040	(605)
36	Kansas	10,712	(621)
37	Maryland	10,712	(651)
38	New Jersey	10,712	(725)
39	District of Columbia**	12,792	(769)
40	Minnesota	10,712	(1,035)
41	New York	10,712	(1,139)
42	Vermont**	13,000	(1,325)

* Income for full-time, year-round minimum wage earnings for one worker (52 weeks, 40 hours/ week).
** These ten states had a minimum wage higher than the federal minimum wage in all or part of 2000.
*** Idaho’s threshold is greater than the poverty line, but there is a $10 building fund.

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Table 3B
State Income Tax at Minimum Wage for Two-Parent Families of Four, 2002

	State	Income*	Tax
1	Kentucky	$10,712	$193
2	Alabama	10,712	178
3	West Virginia	10,712	83
4	Indiana	10,712	82
5	Montana	10,712	17
6	Hawaii**	11,960	14
7	Arizona	10,712	0
7	Arkansas	10,712	0
7	California**	14,040	0
7	Colorado	10,712	0
7	Connecticut**	13,936	0
7	Delaware**	12,792	0
7	Idaho***	10,712	0
7	Illinois	10,712	0
7	Iowa	10,712	0
7	Louisiana	10,712	0
7	Maine**	11,960	0
7	Michigan	10,712	0
7	Mississippi	10,712	0
7	Missouri	10,712	0
7	Nebraska	10,712	0
7	North Carolina	10,712	0
7	North Dakota	10,712	0
7	Ohio	10,712	0
7	Oregon**	13,520	0
7	Pennsylvania	10,712	0
7	Rhode Island**	12,792	0
7	South Carolina	10,712	0
7	Utah	10,712	0
7	Virginia	10,712	0
31	Georgia	10,712	(32)
32	New Mexico	10,712	(130)
33	Oklahoma	10,712	(207)
34	Wisconsin	10,712	(580)
35	Kansas	10,712	(621)
35	Massachusetts**	14,040	(621)
37	Maryland	10,712	(662)
38	New Jersey	10,712	(725)
39	District of Columbia**	12,792	(769)
40	Minnesota	10,712	(1,035)
41	New York	10,712	(1,139)
42	Vermont**	13,000	(1,325)

* Income for full-time, year-round minimum wage earnings for one worker (52 weeks, 40 hours/week).
** These ten states had a minimum wage higher than the federal minimum wage in all or part of 2000.
*** Idaho’s threshold is greater than the poverty line, but there is a $10 building fund.

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Table 4A
State Income Tax at 125% of Poverty Line for
Single-Parent Families of Three, 2002

	State	Income	Tax
1	Kentucky	$17,939	$603
2	Alabama	17,939	578
3	Hawaii	17,939	510
4	Virginia	17,939	497
5	Oregon	17,939	427
6	Indiana	17,939	406
7	Arkansas	17,939	401
8	West Virginia	17,939	378
9	Michigan	17,939	317
10	Montana	17,939	304
11	Louisiana	17,939	275
12	North Carolina	17,939	242
13	Georgia	17,939	202
14	Illinois	17,939	198
15	Ohio	17,939	180
16	Delaware	17,939	155
17	Utah	17,939	132
18	Missouri	17,939	131
19	Oklahoma	17,939	131
20	Mississippi	17,939	106
21	Colorado	17,939	95
22	Nebraska	17,939	57
23	North Dakota	17,939	43
24	Idaho*	17,939	42
25	Iowa	17,939	30
26	Arizona	17,939	0
26	California	17,939	0
26	Connecticut	17,939	0
26	Maine	17,939	0
26	Pennsylvania	17,939	0
26	Rhode Island	17,939	0
26	South Carolina	17,939	0
33	New Mexico	17,939	(25)
34	Wisconsin	17,939	(107)
35	Maryland	17,939	(199)
36	District of Columbia	17,939	(266)
37	Kansas	17,939	(327)
38	Massachusetts	17,939	(361)
39	New Jersey	17,939	(562)
40	New York	17,939	(666)
41	Vermont	17,939	(953)
42	Minnesota	17,939	(1,337)

* Includes $10 building fund

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Table 4B
State Income Tax at 125% of Poverty Line for Two-Parent Families of Four, 2002

	State	Income	Tax
1	Kentucky	$22,988	$940
2	Oregon	22,988	730
3	Alabama	22,988	688
4	Hawaii	22,988	679
5	Virginia	22,988	609
6	Arkansas	22,988	566
7	Indiana	22,988	544
8	Iowa	22,988	539
9	West Virginia	22,988	498
10	Montana	22,988	419
11	Michigan	22,988	401
12	Oklahoma	22,988	396
13	North Carolina	22,988	359
14	Illinois	22,988	332
15	District of Columbia	22,988	325
16	Ohio	22,988	298
17	Georgia	22,988	297
18	Louisiana	22,988	295
19	Missouri	22,988	290
20	New Jersey	22,988	252
21	Utah	22,988	219
22	Delaware	22,988	132
23	Mississippi	22,988	102
24	Nebraska	22,988	101
25	Colorado	22,988	72
26	North Dakota	22,988	66
27	New Mexico	22,988	54
28	Idaho*	22,988	35
29	Wisconsin	22,988	31
30	South Carolina	22,988	3
31	Arizona	22,988	0
31	California	22,988	0
31	Connecticut	22,988	0
31	Maine	22,988	0
31	Maryland	22,988	0
31	Pennsylvania	22,988	0
31	Rhode Island	22,988	0
38	Massachusetts	22,988	(66)
39	Kansas	22,988	(74)
40	New York	22,988	(377)
41	Vermont	22,988	(641)
42	Minnesota	22,988	(987)

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Table 5
Tax Threshold for a Family of Four, Selected Years, 1991-2002

	1991	1994	1997	2001	2002	Change 1991-2002
Alabama	$4,600	$4,600	$4,600	$4,600	$4,600	$0
Arizona	15,000	15,800	20,000	23,600	23,600	8,600
Arkansas	10,700	10,700	10,700	15,600	15,600	4,900
California	20,900	22,600	23,800	38,800	39,400	18,500
Colorado	14,300	16,200	17,500	28,700	21,400	7,100
Connecticut	24,100	24,100	24,100	24,100	24,100	0
Delaware	8,600	8,600	12,700	20,300	20,300	11,700
District of Columbia	14,300	16,200	17,500	19,600	20,500	6,200
Georgia	9,000	11,100	13,100	15,300	15,300	6,300
Hawaii	6,300	6,300	6,100	11,300	11,600	5,300
Idaho	14,300	16,200	17,500	20,800	21,500	7,200
Illinois	4,000	4,000	4,000	14,300	14,800	10,800
Indiana	4,000	4,000	8,500	9,500	9,500	5,500
Iowa	9,000	15,300	16,500	17,500	17,800	8,800
Kansas	13,000	13,000	13,000	21,500	24,100	11,100
Kentucky	5,000	5,000	5,000	5,500	5,500	500
Louisiana	11,000	11,000	12,300	13,400	13,900	2,900
Maine	14,100	14,800	17,500	23,500	24,400	10,300
Maryland	15,800	19,400	22,900	26,300	28,100	12,300
Massachusetts	12,000	12,000	17,400	22,700	23,800	11,800
Michigan	8,400	8,400	10,000	12,800	13,200	4,800
Minnesota	15,500	19,000	21,600	27,700	29,300	13,800
Mississippi	15,900	15,900	15,900	19,600	19,600	3,700
Missouri	8,900	9,700	10,200	14,300	14,600	5,700
Montana	6,600	7,200	8,800	9,800	9,900	3,300
Nebraska	14,300	16,200	17,900	19,500	20,100	5,800
New Jersey	5,000	7,500	7,500	20,000	20,000	15,000
New Mexico	14,300	16,300	17,500	21,300	22,000	7,700
New York	14,000	16,900	22,300	24,900	26,800	12,800
North Carolina	13,000	13,000	17,000	17,000	17,000	4,000
North Dakota	14,700	16,500	18,000	19,700	20,300	5,600
Ohio	10,500	10,500	12,000	12,500	12,700	2,200
Oklahoma	10,000	10,900	12,200	13,400	16,500	6,500
Oregon	10,100	10,900	14,000	15,100	15,800	5,700
Pennsylvania	9,800	15,300	20,600	30,000	31,000	21,200
Rhode Island	17,400	21,100	24,400	26,800	28,200	10,800
South Carolina	14,300	16,800	20,200	22,100	22,900	8,600
Utah	12,200	13,600	14,900	16,300	19,900	7,700
Vermont	17,400	21,100	24,400	27,600	29,200	11,800
Virginia	8,200	8,200	8,200	17,700	18,100	9,900
West Virginia	8,000	8,000	10,000	10,000	10,000	2,000
Wisconsin	14,400	16,400	17,000	21,600	22,600	8,200
Average	**$11,736**	**$13,102**	**$14,983**	**$18,967**	**$19,512**	**$7,776**
Federal Poverty Line	**$13,924**	**$15,141**	**$16,400**	**$18,104**	**$18,390**	**$4,466**
Average as % poverty	**84%**	**87%**	**91%**	**105%**	**106%**	**+ 22%**

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Table 6
State Income Tax at the Poverty Line for Families of Four
In States with Below-Poverty Thresholds in 2002

	1994	2001	2002	Change 94-02	Percent change after inflation, 94-02*
Louisiana	$83	$143	$148	$65	46%
Virginia	217	365	379	162	44%
Arkansas	214	326	328	114	26%
West Virginia	215	306	314	99	20%
Alabama	348	463	478	130	13%
Ohio	107	136	138	31	6%
Iowa	0	61	63	63	n.a.
Kentucky	499	596	606	107	0%
Montana	211	239	244	33	-5%
Indiana	379	378	387	8	-16%
Hawaii	406	422	378	(28)	-23%
Oregon	331	296	267	(64)	-33%
Michigan	301	223	213	(88)	-42%
Oklahoma	139	252	98	(41)	-42%
Georgia	116	70	76	(41)	-46%
North Carolina	128	68	83	(46)	-47%
Missouri	147	89	89	(59)	-50%
Illinois	334	156	145	(189)	-64%
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Average	$232	$255	$246	$14	-13%

Notes: Dollar amounts shown are nominal amounts.
* "Percent change after inflation" shows the percentage change adjusted for the 21.4 percent change in the cost of living from 1994 to 2002 as measured by the Consumer Price Index.

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