

Indiana

Poor Families in Indiana Remain Subject to Income Tax

Indiana's 2003 income tax threshold — the income level at which families begin paying income tax:

*Ranking among
42 states with
income taxes*

⇒ For single-parent families of three: **\$13,400.**

13th lowest

⇒ For two-parent families of four: **\$14,400.**

8th lowest

Indiana's 2003 income tax on working-poor and near-poor families:

⇒ For families of three with *incomes at the poverty line* (\$14,675): **\$55**

11th highest

⇒ For families of four with *incomes at the poverty line* (\$18,811): **\$201.**

10th highest

⇒ For families of three with *incomes at 125% of poverty line* (\$18,344): **\$226.**

12th highest

⇒ For families of four with *incomes at 125% of poverty line* (\$23,514): **\$420.**

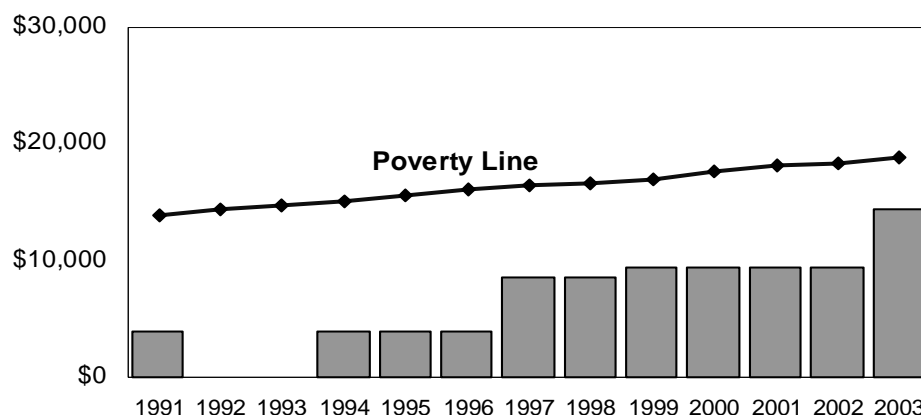
11th highest

Despite progress, Indiana continues to tax families with incomes below the poverty line.

⇒ A new state Earned Income Tax Credit introduced in tax year 2003 raised the tax threshold for families of four from \$9,500 to \$14,400 and cut the tax for a family of four at the poverty line from \$387 to \$201.

⇒ In 1991, a family of four owed tax when its income exceeded 29 percent of the poverty line. By 2003, Indiana's tax threshold rose to 77 percent of the poverty line.

Income Tax Threshold for Family of Four



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

Source: Center on Budget and Policy Priorities, *State Income Tax Burdens on Low-Income Families in 2003*, April 8, 2004.