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STATE INCOME TAX BURDENS ON LOW-INCOME FAMILIES IN 2003

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Summary

Poor families in many states continue to face a substantial burden as they file personal income taxes for the 2003 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 16 of those states, poor single-parent families of three also pay income taxes. In addition, 30 of the 42 states 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 \$18,811 — the 2003 poverty line for a family that size — owes \$626 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 \$14,675 owes \$383, second only to the tax on such a family levied in **Alabama** of \$413. 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 reduced income taxes on the poor in the 1990s, 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.[®] 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 meet their expenses.

¹ Additional data analysis for this report was provided by Nicholas Johnson, Elizabeth C. McNichol, Michael Mazerov, David Bradley, Andrew Brecher, Thomas Sommer and Peter Bratt.

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 Acircuitbreakers,@ and similar provisions, because this analysis does not attempt to gauge the burdens of those taxes C 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 economic slowdown and the associated state fiscal crisis, states are continuing to make some progress in the income-tax treatment of low-income families. In 2003, the average state income tax threshold increased slightly relative to the poverty line, largely because **Indiana** enacted a new state EITC that reduced taxes on a family of four at the poverty line by nearly \$200. **Illinois** improved the tax treatment of low-income families by making its EITC fully refundable. As result, in 2003 an Illinois family of four with minimum-wage earnings (which falls more than \$8,000 below the poverty line) received a \$129 refund to help meet work related expenses. **Rhode Island** made a small portion of its EITC refundable, allowing a single-parent family of three with income at the poverty line to receive a \$50 refund.

In a few states, the tax burden on poor families has increased over the last decade. In **Alabama, Arkansas, Iowa, Kentucky, Louisiana, Virginia, and West Virginia**, the income taxes on families of four with poverty-level incomes have risen since 1994, even after taking inflation into account. The increase after the adjustment for inflation has been as much as 53 percent in **Louisiana**, 49 percent in **Virginia**, and 45 percent in **Arkansas**. In each of these states, the reason for the tax increase is that personal exemptions, credits, or other features of the tax code designed to protect the incomes of low-income families from taxation have eroded due to inflation.

Many States Continue to Levy Substantial Income Taxes on Poor Families in 2003

This analysis assesses the impact of each state-s income tax in 2003 on poor and near-poor families with children.² (Forty-two states, counting the **District of Columbia** as a state,

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*

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

Relieving income taxes on poor families can be a greater challenge for states with low median 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 26 states that exempt from taxation the income of a single-parent family of three with income at or below the poverty line, 12 have median incomes below the U.S. median, including three of the nation's 10 poorest states: New Mexico, North Dakota and Oklahoma.

levy income taxes.) One important measure of tax burdens on poor families is the income tax 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 16 states, the income tax threshold for a single-parent family of three is less than \$14,675, the Census Bureau's official poverty line for a family of three in 2003. In the remaining 26 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 \$18,811 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 six others — **Hawaii, 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 \$38,200 for a family of three and \$40,200 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.

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.

- The average 2003 tax bill for a family with income at the poverty line in the states with below-poverty thresholds is \$139 for a family of three and \$245 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 \$626.
- As noted, a majority of states do not tax families with poverty-level income.
- Twelve 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 \$1,282 for a family of three in **Vermont** and \$1,472 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 (\$18,344 for a family of three, \$23,514 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, Iowa, Kentucky, Oregon, Virginia, and West 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 2003 tax year in reducing taxes on poor families.

- The average threshold among all states rose from 106 percent of the poverty line to 107 percent.
- In the 16 states that still tax the poor, the average income tax on a family of three with poverty-level income fell from \$150 in 2002 to \$139 in 2003.

The most significant improvement in the income-tax treatment of poor families was registered in **Indiana**, where a new state Earned Income Tax Credit raised the income tax threshold for a family of four from \$9,500 to \$14,400 and cut the tax for a family at the poverty line from \$387 to \$201. The new Indiana credit increases the income tax threshold for a family of three from \$9,000 to \$13,400 and cut the tax for such a family from \$284 to \$55.

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 2003, 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 2003 the average income tax for a family of four at the poverty line fell by about 15 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 2003 some 16 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** A Low-Income Comprehensive Tax Rebate.[@] Finally, a few states have A 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.

³ The 16 states are the District of Columbia, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, Oklahoma, Oregon, Rhode Island, Vermont, and Wisconsin. A 17th 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 2003 and 2004. 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 2003. As a part of legislation enacted in 2003 and in previous years, some states have adopted changes to their income tax systems that will lead to increased thresholds in 2004 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, and is projected to be reinstated no earlier than 2005. 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.
- **Indiana's** 6 percent refundable EITC, which has a significant impact on the threshold and reduces tax burdens up to \$250, is set to expire at the end of 2005. If the credit does expire, the threshold for a two-parent family of four will fall from its current level of 77 percent of the poverty line to less than 37 percent of the poverty line.
- **Maryland's** EITC will increase from 18 percent to 20 percent in 2004. Maryland's tax threshold is already above the poverty line, and this change will further improve the income-tax treatment of low- and moderate-income families.
- **North Carolina's** standard deduction for married couples will increase by \$500 in 2004. The change will not lift North Carolina's threshold above the poverty line.
- Changes in the federal Earned Income Tax Credit enacted in June 2001 will increase thresholds in those states that piggyback on the federal credit. The EITC increase took effect in tax year 2002, with additional increases scheduled for 2005 and 2008. Some 17 states piggyback on the federal EITC.

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 — without adjustment for inflation — 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 24 percent since 1991.

Over the last ten years, the **Alabama** tax burden on families with poverty-level incomes has risen. The income tax on a family of four with income at the poverty

line in 2003 is \$493, compared with \$348 eight years ago — a 14 percent increase after adjusting for inflation.

- In **Kentucky, 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 29 percent.
- In **Arkansas, Iowa, Kentucky, Louisiana, 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 adjustment for inflation has been as much as 53 percent in **Louisiana**, 49 percent in **Virginia**, 45 percent in **Arkansas**, and 25 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.

Table 1A
State Income Tax Thresholds for Single-Parent Families of Three, 2003

Poverty Line (estimated): \$14,675

Rank	State	Threshold
1	Alabama	4,600
2	Kentucky	5,000
3	Montana	8,300
4	Hawaii	9,800
5	West Virginia	10,000
6	Ohio	10,300
7	Michigan	10,500
8	Louisiana	11,000
9	Georgia	12,700
10	Arkansas	13,000
10	Illinois	13,000
10	Missouri	13,000
13	Indiana	13,400
14	Oregon	13,500
15	Mississippi	14,400
15	North Carolina	14,400
Average Threshold 2003		\$11,100
Amount Below Poverty		\$3,575

Rank	State	Threshold
17	Delaware	\$14,700
18	Virginia	15,300
19	Oklahoma	15,600
20	Colorado	16,200
20	Idaho	16,200
20	Utah	16,200
23	Nebraska	16,400
24	North Dakota	16,600
25	Iowa	17,700
26	New Mexico	19,000
27	Connecticut	19,100
28	South Carolina	19,200
29	Wisconsin	19,400
30	New Jersey	20,000
31	Arizona	20,100
32	District of Columbia	20,300
33	Maine	21,800
34	Massachusetts	22,600
35	Kansas	23,100
36	Pennsylvania	24,500
37	New York	25,400
38	Rhode Island	26,400
39	Maryland	27,100
40	Vermont	27,600
41	Minnesota	27,700
42	California	38,200
Average Threshold 2003		\$21,000
Amount Above Poverty		\$6,325

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 2003 poverty line is a Census Bureau estimate based on the actual 2002 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, 2003

Poverty Line (estimated): \$18,811

Rank	State	Threshold
1	Alabama	4,600
2	Kentucky	5,500
3	West Virginia	10,000
4	Montana	10,100
5	Hawaii	11,500
6	Ohio	13,000
7	Michigan	13,600
8	Indiana	14,400
9	Illinois	15,000
10	Arkansas	15,500
11	Louisiana	15,600
12	Georgia	15,900
13	Oregon	16,000
14	Missouri	16,200
15	Oklahoma	16,600
16	Iowa	17,900
17	North Carolina	18,000
18	Virginia	18,400
Average Threshold 2003		\$13,800
Amount Below Poverty		\$5,011

Rank	State	Threshold
19	Mississippi	\$19,600
20	New Jersey	20,000
21	Delaware	20,300
22	District of Columbia	20,700
23	Colorado	21,700
23	Nebraska	21,700
23	Utah	21,700
26	Idaho	21,800
27	New Mexico	22,000
28	North Dakota	22,200
29	Wisconsin	23,000
30	South Carolina	23,200
31	Arizona	23,600
32	Massachusetts	24,000
33	Connecticut	24,100
34	Kansas	24,400
35	Maine	24,600
36	New York	27,700
37	Maryland	28,500
38	Rhode Island	28,700
39	Minnesota	30,200
39	Vermont	30,200
41	Pennsylvania	31,000
42	California	40,200
Average Threshold 2003		\$24,800
Amount Above Poverty		\$5,989

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 2003 poverty line is a Census Bureau estimate based on the actual 2002 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, 2003

	State	Income	Tax
1	Alabama	\$14,675	\$413
2	Kentucky	14,675	383
3	Hawaii	14,675	279
4	West Virginia	14,675	260
5	Montana	14,675	189
6	Michigan	14,675	167
7	Louisiana	14,675	115
8	Oregon	14,675	93
9	Ohio	14,675	79
10	Illinois	14,675	60
11	Indiana	14,675	55
12	Georgia	14,675	45
13	Arkansas	14,675	31
14	Missouri	14,675	30
15	North Carolina	14,675	17
16	Mississippi	14,675	8
17	Arizona	14,675	0
17	California	14,675	0
17	Colorado	14,675	0
17	Connecticut	14,675	0
17	Delaware	14,675	0
17	Idaho*	14,675	0
17	Iowa	14,675	0
17	Maine	14,675	0
17	Nebraska	14,675	0
17	North Dakota	14,675	0
17	Pennsylvania	14,675	0
17	South Carolina	14,675	0
17	Utah	14,675	0
17	Virginia	14,675	0
31	Oklahoma	14,675	(45)
32	Rhode Island	14,675	(50)
33	New Mexico	14,675	(75)
34	Wisconsin	14,675	(407)
35	Kansas	14,675	(560)
36	Maryland	14,675	(561)
37	Massachusetts	14,675	(601)
38	District of Columbia	14,675	(642)
39	New Jersey	14,675	(801)
40	Minnesota	14,675	(1,052)
41	New York	14,675	(1,115)
42	Vermont	14,675	(1,282)

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

Source: Center on Budget and Policy Priorities

Table 2B
State Income Tax at Poverty Line for Two-Parent Families of Four, 2003

	State	Income	Tax
1	Kentucky	\$18,811	\$626
2	Alabama	18,811	493
3	Hawaii	18,811	407
4	Virginia	18,811	401
5	Arkansas	18,811	386
6	West Virginia	18,811	334
7	Oregon	18,811	279
8	Montana	18,811	251
9	Michigan	18,811	208
10	Indiana	18,811	201
11	Louisiana	18,811	158
12	Illinois	18,811	157
13	Oklahoma	18,811	119
14	Ohio	18,811	116
15	Iowa	18,811	100
16	Georgia	18,811	73
17	Missouri	18,811	54
18	North Carolina	18,811	50
19	Arizona	18,811	0
19	California	18,811	0
19	Colorado	18,811	0
19	Connecticut	18,811	0
19	Delaware	18,811	0
19	Idaho*	18,811	0
19	Maine	18,811	0
19	Mississippi	18,811	0
19	Nebraska	18,811	0
19	North Dakota	18,811	0
19	Pennsylvania	18,811	0
19	South Carolina	18,811	0
19	Utah	18,811	0
32	Rhode Island	18,811	(42)
33	New Mexico	18,811	(60)
34	District of Columbia	18,811	(237)
35	Maryland	18,811	(358)
36	Kansas	18,811	(367)
37	Wisconsin	18,811	(373)
38	Massachusetts	18,811	(418)
39	New Jersey	18,811	(668)
40	New York	18,811	(914)
41	Vermont	18,811	(1,069)
42	Minnesota	18,811	(1,472)

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

Source: Center on Budget and Policy Priorities

Table 3A
State Income Tax at Minimum Wage for Single-Parent Families of Three, 2003

	State	Income*	Tax
1	Alabama	\$10,712	\$218
2	Kentucky	10,712	203
3	Hawaii**	13,000	185
4	West Virginia	10,712	143
5	Oregon**	14,352	69
6	Montana	10,712	50
7	Michigan	10,712	8
8	Ohio	10,712	6
9	Arizona	10,712	0
9	Arkansas	10,712	0
9	California**	14,040	0
9	Colorado	10,712	0
9	Connecticut**	14,352	0
9	Delaware**	12,792	0
9	Idaho***	10,712	0
9	Iowa	10,712	0
9	Louisiana	10,712	0
9	Maine**	13,000	0
9	Mississippi	10,712	0
9	Missouri	10,712	0
9	Nebraska	10,712	0
9	North Carolina	10,712	0
9	North Dakota	10,712	0
9	Pennsylvania	10,712	0
9	South Carolina	10,712	0
9	Utah	10,712	0
9	Virginia	10,712	0
28	Georgia	10,712	(24)
29	Rhode Island**	12,792	(53)
30	Illinois	10,712	(69)
31	Indiana	10,712	(92)
32	New Mexico	10,712	(100)
33	Oklahoma	10,712	(148)
34	Wisconsin	10,712	(589)
35	Massachusetts**	14,040	(621)
36	Kansas	10,712	(631)
37	Maryland	10,712	(746)
38	District of Columbia**	12,792	(785)
39	New Jersey	10,712	(841)
40	Minnesota	10,712	(1,052)
41	New York	10,712	(1,261)
42	Vermont**	13,000	(1,345)

*Income reflects 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 2003.

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

Source: Center on Budget and Policy Priorities

Table 3B
State Income Tax at Minimum Wage for Two-Parent Families of Four, 2003

	State	Income*	Tax
1	Kentucky	\$10,712	\$188
2	Alabama	10,712	178
3	West Virginia	10,712	83
4	Hawaii**	13,000	50
5	Montana	10,712	13
6	Arizona	10,712	0
6	Arkansas	10,712	0
6	California**	14,040	0
6	Colorado	10,712	0
6	Connecticut**	14,352	0
6	Delaware**	12,792	0
6	Idaho***	10,712	0
6	Iowa	10,712	0
6	Louisiana	10,712	0
6	Maine**	13,000	0
6	Michigan	10,712	0
6	Mississippi	10,712	0
6	Missouri	10,712	0
6	Nebraska	10,712	0
6	North Carolina	10,712	0
6	North Dakota	10,712	0
6	Ohio	10,712	0
6	Oregon**	14,352	0
6	Pennsylvania	10,712	0
6	South Carolina	10,712	0
6	Utah	10,712	0
6	Virginia	10,712	0
28	Georgia	10,712	(32)
29	Rhode Island**	12,792	(53)
30	Indiana	10,712	(126)
31	Illinois	10,712	(129)
32	New Mexico	10,712	(130)
33	Oklahoma	10,712	(210)
34	Wisconsin	10,712	(589)
35	Massachusetts**	14,040	(631)
35	Kansas	10,712	(631)
37	Maryland	10,712	(757)
38	District of Columbia**	12,792	(785)
39	New Jersey	10,712	(841)
40	Minnesota	10,712	(1,052)
41	New York	10,712	(1,261)
42	Vermont**	13,000	(1,345)

*Income reflects 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 2003.

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

Source: Center on Budget and Policy Priorities

Table 4A
State Income Tax at 125% of Poverty Line for
Single-Parent Families of Three, 2003

	State	Income	Tax
1	Kentucky	\$18,344	\$623
2	Alabama	18,344	598
3	Hawaii	18,344	539
4	Virginia	18,344	517
5	Arkansas	18,344	455
6	Oregon	18,344	450
7	West Virginia	18,344	394
8	Michigan	18,344	314
9	Montana	18,344	312
10	Louisiana	18,344	265
11	North Carolina	18,344	236
12	Indiana	18,344	226
13	Illinois	18,344	209
14	Georgia	18,344	192
15	Ohio	18,344	187
16	Delaware	18,344	175
17	Oklahoma	18,344	149
18	Missouri	18,344	143
19	Utah	18,344	140
20	Mississippi	18,344	118
21	Colorado	18,344	100
22	Nebraska	18,344	69
23	Iowa	18,344	65
24	North Dakota	18,344	46
25	Idaho*	18,344	45
26	Arizona	18,344	0
26	California	18,344	0
26	Connecticut	18,344	0
26	Maine	18,344	0
26	Pennsylvania	18,344	0
26	South Carolina	18,344	0
32	New Mexico	18,344	(13)
33	Rhode Island	18,344	(36)
34	Wisconsin	18,344	(97)
35	District of Columbia	18,344	(243)
36	Maryland	18,344	(249)
37	Kansas	18,344	(316)
38	Massachusetts	18,344	(346)
39	New Jersey	18,344	(647)
40	New York	18,344	(738)
41	Vermont	18,344	(959)
42	Minnesota	18,344	(1,357)

*Includes \$10 building fund.

Source: Center on Budget and Policy Priorities

Table 4B
State Income Tax at 125% of Poverty Line for
Two-Parent Families of Four, 2003

	State	Income	Tax
1	Kentucky	\$23,514	\$968
2	Oregon	23,514	752
3	Hawaii	23,514	718
3	Alabama	23,514	718
5	Arkansas	23,514	647
6	Virginia	23,514	635
7	Iowa	23,514	570
8	West Virginia	23,514	522
9	Montana	23,514	430
10	Oklahoma	23,514	429
11	Indiana	23,514	420
12	Michigan	23,514	397
13	District of Columbia	23,514	364
14	Illinois	23,514	348
15	North Carolina	23,514	332
16	Georgia	23,514	297
17	New Jersey	23,514	259
18	Louisiana	23,514	253
19	Ohio	23,514	249
20	Missouri	23,514	233
21	Delaware	23,514	158
22	Utah	23,514	156
23	Nebraska	23,514	120
24	Mississippi	23,514	117
25	Colorado	23,514	86
26	Wisconsin	23,514	50
27	Idaho*	23,514	39
28	North Dakota	23,514	38
29	New Mexico	23,514	31
30	South Carolina	23,514	8
31	Arizona	23,514	0
31	California	23,514	0
31	Connecticut	23,514	0
31	Maine	23,514	0
31	Maryland	23,514	0
31	Pennsylvania	23,514	0
37	Rhode Island	23,514	(23)
38	Massachusetts	23,514	(39)
39	Kansas	23,514	(55)
40	New York	23,514	(429)
41	Vermont	23,514	(686)
42	Minnesota	23,514	(1,044)

*Includes \$10 building fund.

Source: Center on Budget and Policy Priorities

Table 5
Tax Threshold for a Family of Four, 1991-2003

State	1991	1994	1997	2002	2003	Change 1991-2003
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	15,500	4,800
California	20,900	22,600	23,800	39,400	40,200	19,300
Colorado	14,300	16,200	17,500	21,400	21,700	7,400
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	20,500	20,700	6,400
Georgia	9,000	11,100	13,100	15,300	15,900	6,900
Hawaii	6,300	6,300	6,100	11,600	11,500	5,200
Idaho	14,300	16,200	17,500	21,500	21,800	7,500
Illinois	4,000	4,000	4,000	14,800	15,000	11,000
Indiana	4,000	4,000	8,500	9,500	14,400	10,400
Iowa	9,000	15,300	16,500	17,800	17,900	8,900
Kansas	13,000	13,000	13,000	24,100	24,400	11,400
Kentucky	5,000	5,000	5,000	5,500	5,500	500
Louisiana	11,000	11,000	12,300	13,900	15,600	4,600
Maine	14,100	14,800	17,500	24,400	24,600	10,500
Maryland	15,800	19,400	22,900	28,100	28,500	12,700
Massachusetts	12,000	12,000	17,400	23,800	24,000	12,000
Michigan	8,400	8,400	10,000	13,200	13,600	5,200
Minnesota	15,500	19,000	21,600	29,300	30,200	14,700
Mississippi	15,900	15,900	15,900	19,600	19,600	3,700
Missouri	8,900	9,700	10,200	14,600	16,200	7,300
Montana	6,600	7,200	8,800	9,900	10,100	3,500
Nebraska	14,300	16,200	17,900	20,100	21,700	7,400
New Jersey	5,000	7,500	7,500	20,000	20,000	15,000
New Mexico	14,300	16,300	17,500	22,000	22,000	7,700
New York	14,000	16,900	22,300	26,800	27,700	13,700
North Carolina	13,000	13,000	17,000	17,000	18,000	5,000
North Dakota	14,700	16,500	18,000	20,300	22,200	7,500
Ohio	10,500	10,500	12,000	12,700	13,000	2,500
Oklahoma	10,000	10,900	12,200	16,500	16,600	6,600
Oregon	10,100	10,900	14,000	15,800	16,000	5,900
Pennsylvania	9,800	15,300	20,600	31,000	31,000	21,200
Rhode Island	17,400	21,100	24,400	28,200	28,700	11,300
South Carolina	14,300	16,800	20,200	22,900	23,200	8,900
Utah	12,200	13,600	14,900	19,900	21,700	9,500
Vermont	17,400	21,100	24,400	29,200	30,200	12,800
Virginia	8,200	8,200	8,200	18,100	18,400	10,200
West Virginia	8,000	8,000	10,000	10,000	10,000	2,000
Wisconsin	14,400	16,400	17,000	22,600	23,000	8,600
Average	\$11,736	\$13,102	\$14,983	\$19,512	\$20,069	\$8,333
Federal Poverty Line	\$13,924	\$15,141	\$16,400	\$18,390	\$18,811	\$4,887
Average as % poverty	84%	87%	91%	106%	107%	+22%
Source: Center on Budget and Policy Priorities						

Table 6
State Income Tax at the Poverty Line for Families of Four
In States with Below-Poverty Thresholds in 2003

State	1994	2002	2003	Change 94-03	Percent change after inflation, 94-03*
Louisiana	\$83	\$148	\$158	\$75	53%
Virginia	217	379	401	184	49%
Arkansas	214	328	386	172	45%
West Virginia	215	314	334	119	25%
Alabama	348	478	493	145	14%
Kentucky	499	606	626	127	1%
Iowa	0	63	100	100	n.a.
Montana	211	244	251	40	-4%
Ohio	107	138	116	9	-13%
Hawaii	406	378	407	1	-19%
Oklahoma	139	98	119	(20)	-31%
Oregon	331	267	279	(52)	-32%
Michigan	301	213	208	(93)	-44%
Georgia	116	76	73	(43)	-49%
Indiana	379	387	201	(178)	-57%
Illinois	334	145	157	(177)	-62%
North Carolina	128	83	50	(78)	-69%
Missouri	147	89	54	(93)	-70%
	—	—	—	—	—
Average	\$232	\$246	\$245	\$13	-15%

Notes: Dollar amounts shown are nominal amounts.

* "Percent change after inflation" shows the percentage change adjusted for the 24.2 percent change in the cost of living from 1994 to 2003 as measured by the Consumer Price Index.

Source: Center on Budget and Policy Priorities