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Black Women Best Framework Points the Way to Equitable and Just State Tax Reform

By Whitney Tucker[1]

Foreword

By Janelle Jones

Across the economy, Black women are undervalued and overburdened. State fiscal policy is no different. Our tax system has a long legacy rooted in white supremacy and patriarchy. Today, a minority of individuals, households, and businesses reap the majority of economic benefits. We need a new economic principle, one that offers something better than the false scarcity narratives that have made us all worse off while enriching the wealthy, white few. Black Women Best posits that if Black women can thrive in the economy, then the economy must finally be working for everyone. If policymakers can reorient their thinking to put Black women first, and promote policies that focus on uplifting Black women, everyone will be lifted up in the process.

In practice, that means taking two crucial steps: first, examining the specific economic barriers Black women face, and second, developing policies that are explicitly designed to remove those barriers. We cannot only examine topline indicators while ignoring how Black women specifically are faring. We have tried that too many times to the same result: Black women get left behind, and the entire economy is less resilient and productive.

Applying a Black Women Best framework can improve fiscal policy by examining topics across the spectrum that ask why Black women are less likely to have economic security. For example, if wages are too low in industries where Black women are overrepresented — take care work as an example — then policymakers should design care policies that are both intended to increase the availability of care and the wages of those doing the work. If employment discrimination is a culprit, we should strengthen worker protections and increase enforcement for Black women when employers violate workers' rights.

We can use affirmative inclusion both as an end and a means to building an economy in which state economies grow, and everyone benefits. A Black Women Best framework would lead to enacting deliberate strategies of inclusion to create a stronger economy so that our most marginalized people and communities can prosper.

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States and localities can realize more equitable, thriving economies by proactively addressing the historical marginalization and persistent exploitation of Black women through their revenue policies. State tax policy is not race-neutral but rather functions as a support system that upholds whiteness in politics and prosperity.[2] Applying the Black Women Best framework[3] — an economic principle that argues that policymaking to address the economic well-being of Black women can consequently improve economic conditions for everyone — would allow policymakers to address harms for those who have been historically excluded while promoting widespread opportunity and prosperity for all.

Black women's labor has underpinned economic progress since the nation's earliest days, and at every point since then, Black women have found ways to advocate for themselves, their families, and their communities no matter the circumstances. Despite these contributions, policy choices concerning how to raise and deploy state revenue still largely exclude Black women from sharing in economic prosperity.

At the intersection of race and gender, people who identify as women are more likely to be low-wage workers,[4] and Black women[5] and Black LGBTQ adults[6] are overrepresented among those with low incomes yet pay a larger share in state taxes than their wealthier white counterparts.

This system of disadvantage comes at a direct cost to Black women and families, but its impact extends to people of all races and ethnicities by dampening productive potential and further entrenching inequalities that limit states' long-term economic growth.[7]

Indeed, structural racism is built into many state tax codes. Several facets of state revenue policy were developed in a historical context of severely limited representation in state legislatures and overt discrimination against Black people following the abolishment of slavery in the United States.[8]

This context has ensured that state tax systems often serve to further entrench white wealth and influence at others' expense, especially Black communities. Some state revenue policies developed over a century ago to uphold white supremacy, such as property tax limits and supermajority requirements for enacting new taxes, are still in effect today in multiple states, despite their racially biased intent and ongoing discriminatory impact.

Centering Black women in fiscal reform means dismantling policies that protect and grow white advantage and obstruct Black women's economic empowerment. To do this, states must implement more equitable revenue-raising policies and harness the tax code as a tool to advance the well-being of Black women and their families. They must invest in both income and wealth support to address intersecting gender, racial, income, and wealth gaps — where Black women sit at the center.

Reparations efforts paired with such inclusive policy choices would push back against the discriminatory effects of previous tax codes and spending decisions and open doors for all residents, with Black women leading the way.

Black Women Best is inclusive of cis and trans women and femme-identified people, which includes anyone who is not a cis or trans woman but who identifies as feminine or is typically read as feminine by others, including those among them who are nonbinary and/or gender-nonconforming. By targeting economic exclusion and exploitation in the multitude of ways that Black women experience them, states can free all people from the systems of harm that limit their lives and potential.

We recommend four primary areas of tax reforms to prioritize Black women's well-being and equitably raise sufficient revenue for broader investments.

1. State Revenue Policies Should **Promote Income Stability for Black Women**
2. States Should **Shift How Their Revenue Policies Influence Wealth-Building**
3. States Should **Enact Bolder, Fairer, More Equitable Revenue-Raising Policies**
4. States Should **Remove Barriers to Raising Additional Revenue**

We recommend four primary areas of tax reforms to prioritize Black women's well-being and equitably raise sufficient revenue for broader investments.

States should promote income stability to counter discrimination and to reward the value of Black women's labor. Due to intersecting racial, ethnic, and gender discrimination in the labor market and other aspects of their lives, Black women are overrepresented among those with low incomes.

States can use tax policy to better support Black women — and in turn, everyone — by prioritizing policies that help stabilize and increase incomes for those earning low wages or who have little or no income. They can achieve this by, for example:

- Helping households afford the basics with child tax credits that are available regardless of a family's tax liability;
- Supporting workers with inclusive state earned income tax credits; and
- Addressing housing costs with renters' credits and well-targeted property tax circuit breakers.

States should use their tax codes to redress the intersecting ways that anti-Black racism has kept Black women from accumulating wealth. White households hold 87 percent of all wealth across the country, and the richest 10 percent of white households hold nearly two-thirds of all wealth. States should make their fiscal policy more equitable by expanding policies that increase long-term income security and opportunities for Black women to build wealth for future generations, such as by bolstering access and contributions to tax-exempt or tax-deferred retirement plans and by ending wealth-stripping policies like criminal legal fees.

States should enact bolder, fairer, and more equitable revenue-raising policies. States can begin to reverse the legacy of white supremacy in their tax codes by requiring higher-income households and profitable corporations — which are much likelier to be white and largely white-owned, respectively — to pay a greater share toward public investments. Better taxing the incomes of wealthy people and profitable corporations — who benefit greatly from public investment — would enable states to raise significant additional revenue that they can use to bolster opportunity and begin to repair the economic, health-related, and social harm caused by centuries of underinvestment in marginalized communities.

States can raise revenues and make their tax systems fairer by, for example:

- Enacting state millionaires' taxes;
- Raising or establishing a mansion tax on high-value homes;
- Strengthening inheritance and estate taxes;
- Strengthening capital gains taxes; and
- Raising corporate taxes and eliminating corporate tax avoidance.

Finally, **states should remove arbitrary fiscal limits and rules that constrain their ability to raise revenue** and invest in people and communities in ways that would begin to redress economic oppression of Black women, thus creating a more equitable society. To strengthen democratic power and promote a truly shared prosperity, states should:

- Eliminate supermajority requirements for revenue-raising legislation and ballot initiatives;
- Repeal or relax caps on property tax rates; and
- Ease state restraints on local taxing power.

This report offers a starting point for states to begin reimagining their tax systems within a Black Women Best framework. But that is only a first step. There are myriad spending choices that states should consider in concert with the tax proposals presented in this piece to promote Black women's well-being and strengthen positive impacts on their broader communities and economies. Examples include:

- Investments in Black women workers that value their labor, such as robust unemployment insurance offerings, broadly accessible paid family and medical leave, and a stronger minimum wage.

- Investments in children's well-being that reduce burdens on Black mothers, like affordable, high-quality early childhood care and education and equitable school funding.
- Investments in Black women's economic security such as improved access to income assistance via the Temporary Assistance for Needy Families (TANF) program and other income supports, like well-targeted Guaranteed Basic Income programs.
- Investments in the food security of Black women and their families, by improving access to programs like the Supplemental Nutrition Assistance Program (SNAP), the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and the new Summer Electronic Benefits Transfer (Summer EBT) program.
- Investments in Black women's health, particularly those ensuring a continuum of high-quality health coverage and health care, and other services accessible before, during, and after pregnancy.

Fully incorporating the Black Women Best framework means centering the circumstances and contributions of Black women in both policy analysis and design to ensure their varied needs are no longer an afterthought. Using Black Women Best as a guide, states can craft equitable tax policies that enhance the potential of those whose labor and talents have traditionally been undervalued. Crafting a future where Black women — with their myriad intersecting identities and backgrounds — can meet their basic needs, attain and grow wealth, and share that wealth with future generations will mean creating conditions that enable more prosperous, productive lives for all people. Fiscal policy that works best for Black women will ensure a future of shared prosperity.

Structural Racism Is Built Into State Tax Codes

A Black Women Best approach to state revenue requires dismantling tax policies that overburden and underinvest in Black women — even and especially those that have persisted for decades or generations. Although state tax systems are often assumed to be race-neutral, the reality of their impact proves that untrue. Many facets of state tax and spending policy were enacted by state legislatures whose members were all or nearly all white men in a historical context of overt discrimination against Black people following the abolishment of slavery in the United States.[9]

This context ensured that even when state tax policies were not explicitly based on race, the factors used to determine tax liability (such as income and property ownership) most often served to further entrench white wealth and influence at others' expense, especially Black communities. Some state revenue policies developed over a century ago to uphold white supremacy, such as property tax limits and supermajority requirements for enacting new taxes, are still in effect today in multiple states, despite their racially biased intent and ongoing discriminatory impact of limiting democratic representation and public revenues available for investments in lower-income communities.

In Alabama, for example, restrictive property tax limits established in the state constitution have hampered local governments from raising adequate revenue for education and other public works for over 140 years. These limits — some of the oldest in the country — were set after the Reconstruction era to protect white landowners from any substantial increases in property taxes that Black residents and their allies might have pursued if they returned to political power. Alabama's constitutional property tax limits paved the way for similar limits during this period in Arkansas, Missouri, and Texas, all of which remain in effect today.[10]

Wealthy white landowners in Mississippi also saw opportunity in the post-Reconstruction era to reverse prior post-war advances in Black political and economic influence and to undermine it for the future. At Mississippi's 1890 constitutional convention, one delegate described their goal as developing "some scheme" that would "effectually remove from the sphere of politics in the State the ignorant and unpatriotic negro." The state ultimately adopted a constitution that disenfranchised most Black voters[11] *and* established the country's oldest supermajority taxation requirement. The supermajority requirement mandated that any tax increase in Mississippi be approved by a three-fifths (rather than a simple majority) legislative vote. This ensured that Black people and their allies would face a nearly impossible hurdle to raising progressive revenue, even if they were to again rise to political power in the state. Today, supermajority requirements are in place across the country in 15 states,[12] including Mississippi, where Black women comprise nearly 20 percent of the state population but only 7 percent of the state legislature.[13]

The development of the first modern retail sales tax — a regressive tax that most states rely upon heavily — was also rooted in white supremacy. In 1932, the governor of Mississippi urged the adoption of the sales tax by emphasizing its potential to raise revenue that would facilitate the reduction of property taxes, which were paid primarily by white property owners. The sales tax offered a way for the state to shift the tax base more heavily onto consumers, allowing for the heavy taxation of Black residents in a context where most owned little or no property and had few other assets to tax. Mississippi's new tax offered proof of concept to other states across the country, and most states adopted their own sales taxes soon after.[14]

Today, general sales taxes account for more than one-third of all state revenues.[15] They remain a significant driver of racial and economic inequality by requiring people with low incomes, who are disproportionately Black, to pay a higher share of their incomes toward the tax than those with higher incomes, who — in every state — are most likely to be white.[16]

A case study of taxation in Tennessee and Minnesota by the Institute on Taxation and Economic Policy illustrates how state tax systems can drive racial inequities. In Tennessee, which raises most of its revenue through a regressive and high general sales tax (including a sales tax on food), Black and Hispanic families pay effective tax rates that are 1 percentage point and 0.9 percentage points *above* the state average, respectively. In Minnesota, which instead raises significant revenue through a progressive personal income tax, Hispanic, American Indian, and Black families pay tax rates that are 0.7, 0.5, and 0.4 percentage points *below* the state average, respectively, because their incomes are lower than the state average.[17]

A Brief Definition of Equity-Related Terms

Below we define terms used in this report that help contextualize the need to advance social and racial justice, a priority often missing from state and local fiscal policymaking. We hope these definitions help policymakers and advocates name and think through the racial, ethnic, and gender impacts of policy decisions to make better-informed choices that can dismantle barriers to opportunity and build healthier, equitable communities and economies.

Racial equity: what is achieved when racial and ethnic background no longer predicts a group's social or economic well-being.

Structural racism: "the historical, cultural, institutional, and interpersonal policies or practices that routinely advantage whites while producing cumulative and chronic adverse outcomes for people of color."[a]

Marginalized groups and identities: groups of people who in a broader society have been excluded from accessing resources, power, and influence in ways that are institutionalized.[b]

People or communities of color: "Often the preferred collective term for referring to [racial groups that are not white]. It is important to identify people through their own racial/ethnic group whenever possible, as each has its own distinct experience and meaning and may be more appropriate."[c]

White supremacy: The systems and processes designed to create, maintain, and expand all forms of white privilege based on the ideology that white people and the ideas, thoughts, beliefs, and actions of white people are superior to people of color and their ideas, thoughts, beliefs, and actions.

[a] Keith Lawrence and Terry Keleher, "Structural Racism," Race and Public Policy Conference, 2004, http://www.intergroupresources.com/rc/Definitions%20of%20Racism.pdf.

[b] University of Minnesota, "Communication in the Real World: An Introduction to Communication Studies," 2013, https://open.lib.umn.edu/communication/chapter/8-1-foundations-of-culture-and-identity/.

[c] Race Forward, "Race Reporting Guide," 2015, https://www.raceforward.org/reporting-guide.

If states do not purposely dismantle the racist elements of their tax codes and better consider how to break down racist barriers through their spending, these policies will continue to perpetuate white supremacist outcomes. These outcomes stymy state economic growth by limiting the potential of residents who fall outside the boundaries of a relatively small, largely white, and disproportionately wealthy upper class.[18] States should instead embrace fiscal policies that benefit *everyone*, measuring success on the core principle that public policy must enable Black women to thrive.

State Revenue Policies Should Promote Income Stability for Black Women

The devaluation of Black women as workers, caregivers, and human beings has had long-lasting impacts on their health, educational opportunities, and employment prospects. Black women have long held the highest labor market participation rate among women in the U.S., regardless of age, marital status, or whether they have children. But due to intersecting racial, ethnic, and gender discrimination in the labor market and in systems like education and housing, they are overrepresented among those with low incomes.[19] Black women and girls who have a disability often experience greater job loss and are often paid subminimum wages.[20]

States can use their tax and spending decisions to better support Black women — and in turn, everyone — by prioritizing policies that help stabilize and increase incomes for those earning low wages.

Establish and Expand Refundable State Earned Income Tax Credits and Child Tax Credits

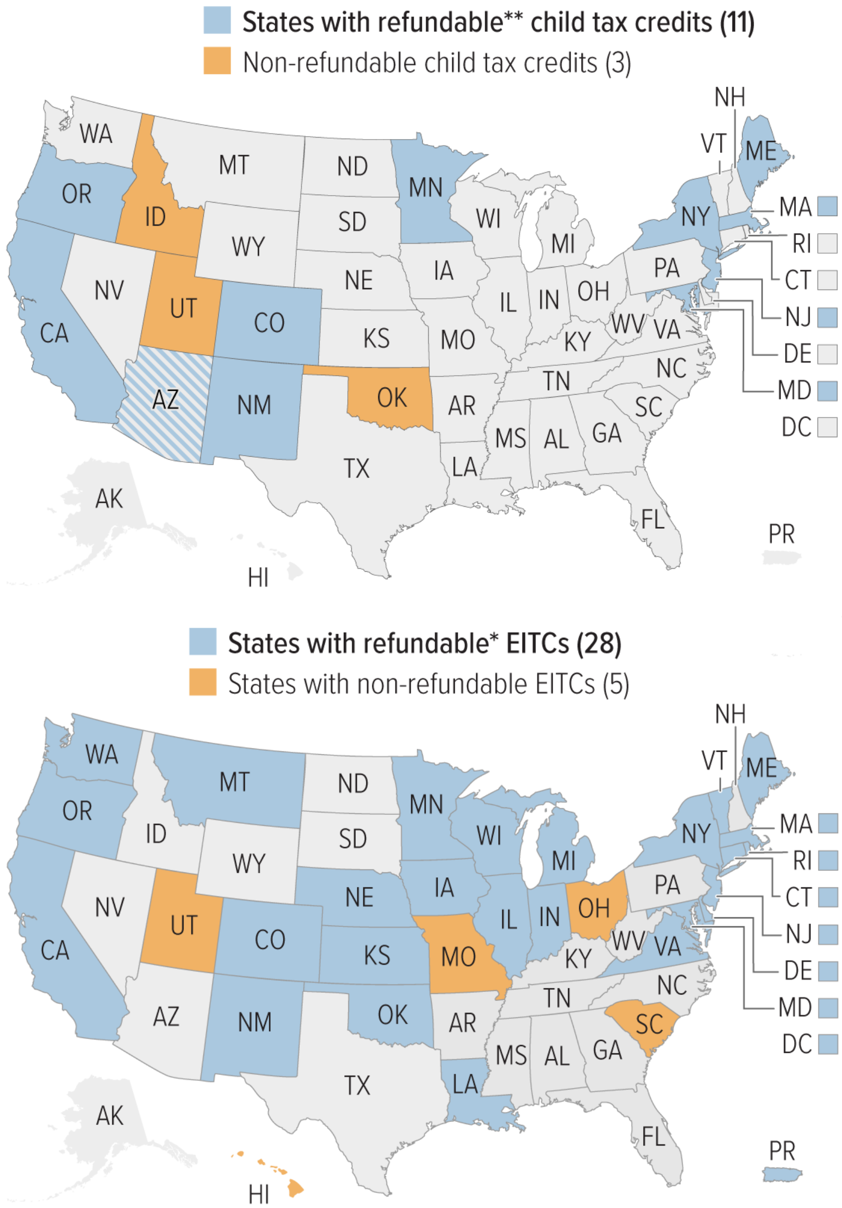
Earned income tax credits (EITCs) and child tax credits — at both the federal and state levels — are well-targeted to boost the incomes of Black women. Research has shown that these state tax credits reduce poverty for Black women and their families, help them afford basic necessities, and support healthy child development with long-term positive impacts.[21]

Other research finds that income from these tax credits can boost single parents' earnings and improve a variety of health indicators, such as mothers' mental stress.[22] And the cash assistance that earned income tax credits and child tax credits provide has been associated with higher early language, cognitive, social, and emotional skills for children and higher earnings when they reach adulthood.[23]

State policymakers can use state EITCs and child tax credits to offset some of the disparate racial impact of sales taxes and other taxes that make up a larger share of income for people with lower incomes and to help those who earn low wages afford food, health, and rent. Thirty-one states, the District of Columbia, and Puerto Rico have created their own EITCs (most of which are based on the federal credit), and 14 states have their own child tax credit. (See Figure 1.)

FIGURE 1

14 States Have Adopted Child Tax Credits; 33 States, D.C. and Puerto Rico Have Adopted EITCs



*Refundable earned income tax credits (EITCs) give working households the full value of the credit they earn even if it exceeds their income tax liability.

**Refundable child tax credits are fully available to families with little or no earnings in a year. For details, see appendices in "States Can Enact or Expand Child Tax Credits and Earned Income Tax Credits to Build Equitable, Inclusive Communities and Economies."

Note: Arizona's Child Tax Credit is a one-time only rebate. Some states have specific rules regarding eligibility for these credits.

Source: CBPP analysis

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EITCs and child tax credits complement each other and reach overlapping but distinct populations. Most child tax credits are available to families regardless of whether they report earned income on their tax returns (though some credits are limited to families with tax liabilities, which can leave out those earning the least). EITCs are available to both families and individuals paid low wages regardless of whether they have children in the home, including caretakers who may not be able to claim dependents on their tax return, such as a non-custodial child.

Refundability is a key feature of these credits and the source of much of their ability to boost income, reduce poverty, and help families in the long run. It means that if the credit exceeds a filer's tax liability, some or all of the credit is paid as a refund. Twenty-nine state EITCs and 11 state-level child tax credits are refundable — a critical element in supporting Black women, given their overrepresentation among those with low incomes. In the case of refundable state EITCs, filers can receive the full credit amount they are eligible for based on their earnings, no matter how much they owe at tax time. State child tax credits are considered "fully refundable" if they provide low-income families with the maximum amount of the credit regardless of earnings (with no phase-in). Without these provisions, the credits leave out families who earn the least.

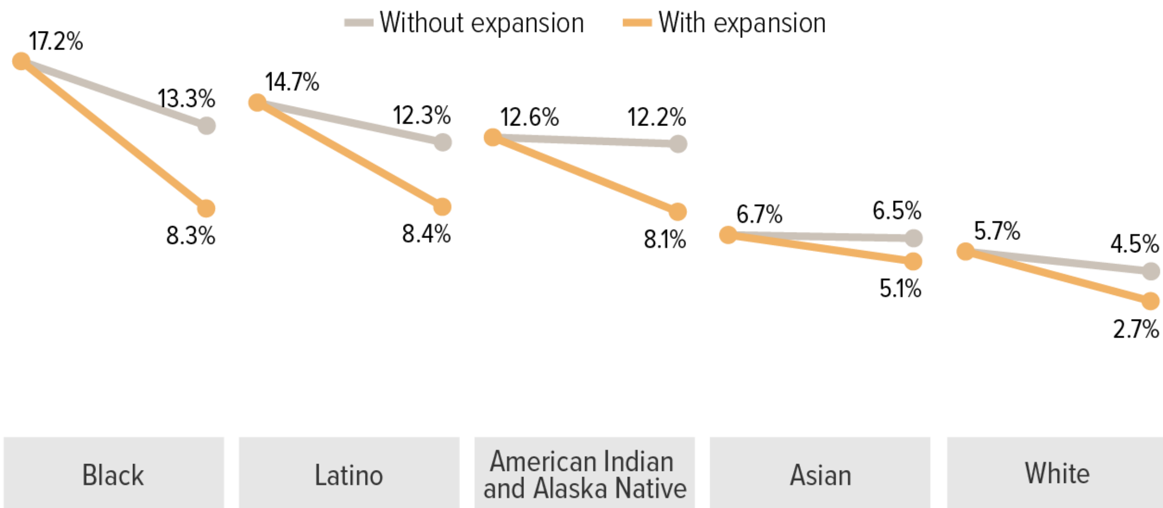
EITCs and child tax credits work together to improve both economic security and the long-term well-being of Black women and children. For example, the American Rescue Plan's temporary expansion of the federal Child Tax Credit, combined with other pandemic relief measures, drove the child poverty rate to a record low of 5.2 percent, with the sharpest reduction for Black children.[24] (See Figure 2.) Families of color, particularly Black households, were more likely to use their expanded Child Tax Credit payments for their children's long-term educational outcomes, such as saving for college and covering tutoring costs.[25]

The Rescue Plan's Child Tax Credit expansion has expired, but the House-passed bipartisan tax bill that includes an expansion of the Child Tax Credit for 16 million children in families with low earnings is pending Senate action. With or without an expanded federal credit, states have a critical opportunity now to build on the lessons of the expanded federal credit and provide a state credit that centers the needs of low-income families.

FIGURE 2

Child Tax Credit Expansion Drove Child Poverty Sharply Downward in 2021 Across Racial & Ethnic Groups

Child poverty rates, 2020 to 2021



Note: Figures use the federal government's Supplemental Poverty Measure (SPM). American Indian and Alaska Native (AIAN) children may be AIAN alone or in combination with other races and ethnicities; Latino (short for Latino, Hispanic, or Spanish origin) may be of any race; Black and white refer to children of that race alone and not Latino; and, Asian refers to children of that race regardless of Latino ethnicity.

Source: U.S. Census Bureau figures published September 13, 2022; additional analysis of the Census Bureau's March 2022 Current Population Survey by CBPP

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States without their own child tax credit or earned income tax credit should create one, and those with limited credits should expand them, taking particular care to help the lowest-income families. State policymakers should also expand their earned income tax credits and child tax credits to include those left out of the federal credits, particularly by ending exclusions for people who are immigrants who file using an Individual Taxpayer Identification Number (ITIN).

For example, in 2023 Colorado made its Child Tax Credit fully inclusive of families who report little or no earned income on their taxes and increased its EITC to 38 percent of the federal credit.[26] Maryland made temporary increases to its Child Tax Credit and EITC permanent, confirmed that the credits are inclusive of people who file taxes with an ITIN, raised the income eligibility for the credit, and increased the size of the Child Tax Credit created in 2022 to $500 for each qualifying child.[27] Minnesota also increased the size of its Working Families Tax Credit (state EITC) and created a new Child Tax Credit worth up to $1,750 per dependent, available to ITIN filers and with the lowest-income households receiving the full credit. Minnesota's new Child Tax Credit is the largest any state has enacted.

Create Renters' Credits and Well-Targeted Property Tax Circuit Breakers

Safe, stable housing — whether rented or owned — can positively affect a broad spectrum of outcomes for children and families, including educational attainment, employment, and family preservation as well as physical and mental health.[28] Homeownership specifically, in addition to conferring the benefits of stable housing to families, has also long served as a successful vehicle for white wealth-building in the United States and as a gateway to intergenerational wealth. These broad social and economic benefits are often less achievable for Black women, however, as Black households have been and continue to be excluded from affordable housing and homeownership opportunities.[29]

This unequal opportunity stretches back to historically racist policies such as the New Deal's programs that enabled redlining, in which federal and private lenders denied home loans to Black people. It has also been upheld through long-standing underfunding of public housing and rental assistance and through current-day racial and gender discrimination embedded in housing policies and programs as well as in the practices of landlords, home lenders, and real estate agents.[30]

These factors have resulted in Black women facing disproportionate housing hardship. Among all female renters, Black women are most likely to be cost burdened, with 55 percent of Black women paying more than 30 percent of their household income in rent, and 31 percent paying more than half of their income in rent. Among low-income households, 74 percent of Black women face housing cost burdens.[31] Black women make up only 10 percent of renters, but experience 29 percent of eviction filings and 24 percent of evictions.[32]

While federal rental assistance programs like Housing Choice Vouchers and public housing sharply reduce housing insecurity by making rent more affordable to families with the lowest incomes, many states and localities lack laws preventing landlords from rejecting housing vouchers,[33] and these programs only reach about 25 percent of eligible households due to inadequate funding.[34] Without a significant expansion of critical federal resources, expanding access to affordable housing will require direct state investment in policies and programs that make housing affordable for lower-income households and communities most in need.[35]

States can promote housing stability and reduce homelessness in several ways through their tax codes. First, they can create or expand state renters' tax credits, which can be designed in multiple ways, but in general aim to provide income support to help renters afford housing. Renters' credits can include a straightforward deduction or (far more preferably) a refundable credit targeting lower-income renter households, like the California renter credit program, which offers a small flat-rate, non-refundable credit to renter households earning below a certain income threshold.[36] Renters' tax credits are vital to ensure housing stability for Black women and other populations facing income barriers and discrimination in state housing markets.

State lawmakers can also apply the Black Women Best framework to enact a form of tax credit called a "circuit breaker," which can target property owners and/or renters who have low incomes. With a circuit breaker tax, if a household's property tax bill — or the property tax the household has effectively paid through their rent — exceeds a set portion of the family's income, the state issues a tax credit for either all or a portion of the tax payments made above the limit.[37] Circuit breaker taxes can and should be designed for people with housing cost burdens based on their ability to pay.[38]

State property tax circuit breakers that include renters and are targeted to those with low incomes are more inclusive of Black women, who often pay larger shares of their incomes to property taxes (as homeowners and renters) due to historical and ongoing racial and gender discrimination in housing policies and property tax assessments.[39] For example, the District of Columbia has an individual income property tax credit up to $750 to reduce tax liability for homeowners and renters with incomes of $20,000 or less.[40]

Simultaneously, states can also restructure their circuit breakers to exclude wealthier households — predominantly white families who have often benefited from racist appraisal practices, home lending, and restrictive covenants. Well-designed circuit breakers help offset regressive elements within property tax policies and chip away at the systemic racism embedded in the housing policies that hold down Black women and other marginalized communities of color.

For example, Minnesota's renters' credit refunds a portion of property taxes that renters have paid through their rents and targets renters whose property taxes are high relative to their incomes. More than 300,000 renters received the credit in 2020, with an average refund of $704 per household. For claims filed in 2022, the credit offered a maximum refund of $2,280.41. In Maryland, the state's renters' credit offers a refund intended to put renters on equal footing with homeowners, who receive a state credit offsetting a portion of property taxes.

States can also create tax credits targeting housing owners or developers to spur the building and preservation of affordable housing, building on the federal Low Income Housing Tax Credit. On their own, these credits typically don't reduce rents enough to be affordable to extremely low-income households, but they can reach those households if they are used in conjunction with rental assistance and other income-boosting policies that help extremely low-income households pay their rent. Twenty-seven states have created such credits.[42]

Restructuring state property and renter-focused tax codes using the Black Women Best framework makes safe housing more affordable, reduces rental debt, improves health outcomes, and increases educational opportunities for Black women and those who are often marginalized.

States Should Shift How Their Revenue Policies Influence Wealth-Building

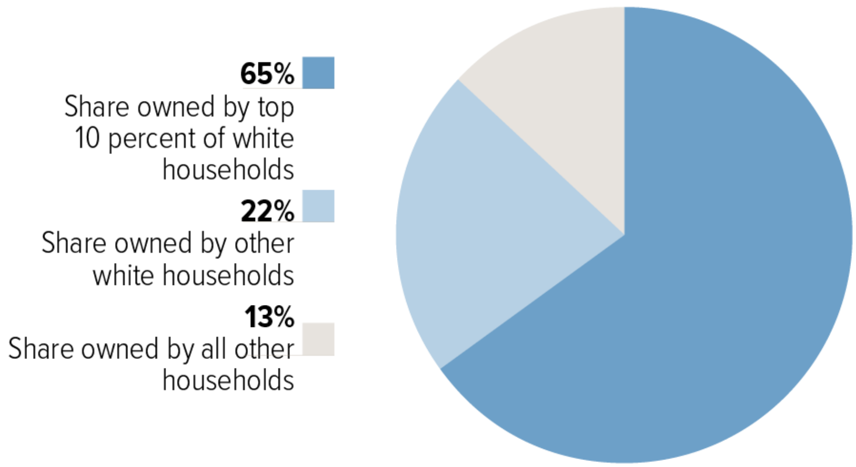
Today's state tax policies tend to build additional wealth for those who already have it and make wealth-building more difficult for those who don't, maintaining the racial wealth gap while doing little to address current and historic barriers to opportunity. States should end policies that subsidize wealth-building among the already wealthy and instead use their tax codes to redress the many hinderances to building and conferring wealth that Black women face.

Since the 1970s, wealth has become increasingly concentrated among the highest-income households, which are overwhelmingly white.[43] White households hold 87 percent of all wealth across the country, and the richest 10 percent of white households hold nearly two-thirds of all wealth.[44] (See Figure 3.) Much of that wealth goes untaxed.

FIGURE 3

Wealthiest 10 Percent of White Households Own Two-Thirds of U.S. Wealth

87 percent of wealth owned by white households



Source: Federal Reserve's Survey of Consumer Finances

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Black women, on the other hand, are less likely than their white counterparts to have wealth, to own a home, to hold retirement savings, or to receive inheritances or other generational wealth transfers. The wealth gap between Black and white women is so dramatic that it can't be closed through marriage, a college education, or a lifetime of work. For example, single Black women with a college degree have $3,000 less in median wealth on average than single white women *without* a college degree, and the net wealth of married, college-educated Black women ($45,000) is less than one-fifth that of their white counterparts ($260,000).

Lack of wealth leaves Black women more vulnerable to income shocks and less likely to live and retire in comfort and security.[45] In 2021, nearly 1 in 5 Black women 65 and older lived in poverty (19.1 percent), more than double the poverty rate for white, non-Hispanic women (9.1 percent) and almost triple the poverty rate for white, non-Hispanic men (6.7 percent) in the same age range.[46]

Historical and ongoing racist policies in housing, health care, education, and employment maintain barriers to building generational wealth. And many states and local governments rely on criminal legal fines and fees, which disproportionately extract wealth from Black women due to systematic racism, discrimination, and bias in the criminal legal system. States should make their tax policies more equitable by expanding policies that increase long-term income security and opportunities for Black women to build wealth for future generations, and by ending wealth-stripping policies like criminal legal fees. Under Black Women Best, state revenue policies should shift from promoting additional wealth building for those with wealth to boosting opportunities to build and retain wealth for those without it.

Replace the Mortgage Interest Deduction With More Just Alternatives

The federal mortgage interest deduction has been touted as a stepping stone to middle class homeownership for more than a century, but benefits of the mortgage deduction flow primarily to high-income homeowners and exclude most Black women and their families at both the national and state levels. The policy allows homeowners who itemize their tax deductions to deduct interest on their home loans from their overall taxable income, which in turn lowers the amount of taxes they are required to pay, effectively subsidizing homeownership.

Federally, the mortgage interest deduction delivers a staggering $25 billion per year in tax savings to mortgage-holding homeowners who can afford to claim it.[47] The National Low Income Housing Coalition estimates that white households currently receive $1.1 billion more, while Latine and Black households receive $0.8 billion and $1.2 billion less, respectively, in tax savings than they would if benefits of the deduction were distributed proportionally to the share of all households by race and ethnicity.[48] Eliminating the mortgage interest deduction in favor of wealth-building investments that result in more shared opportunity is one example of how states can reimagine their tax codes with Black women in mind.

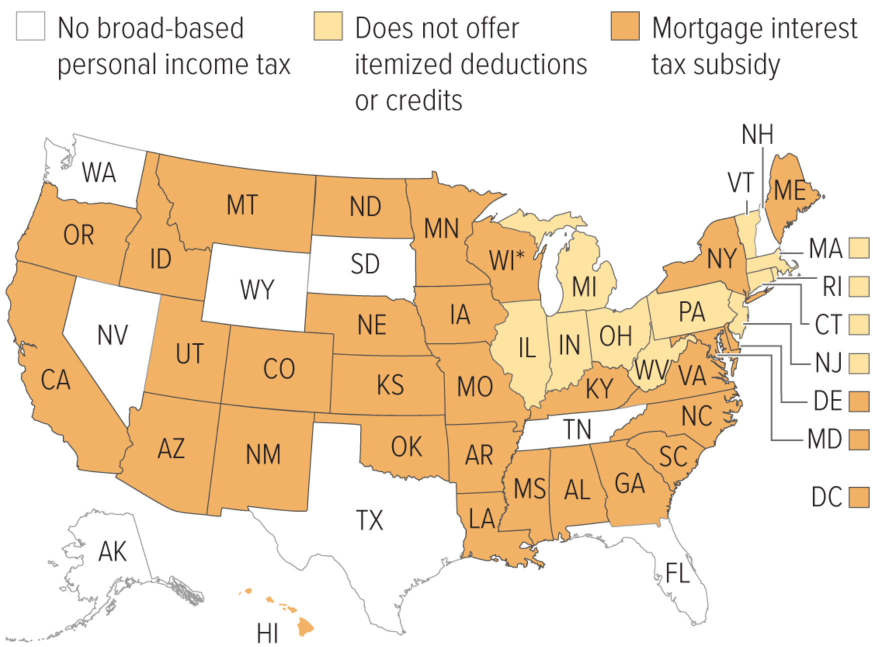
Rather than increasing homeownership among those who couldn't otherwise afford it, research shows that the deduction tends to encourage people who would already own a home to buy a larger or more expensive one, or it simply adds to their after-tax income and wealth. The deduction is heavily skewed in favor of high-income tax filers, who are more likely to itemize their deductions, to afford a bigger mortgage, and to receive a larger tax break per dollar of mortgage interest deducted because they are in higher tax brackets.[49] Nearly 90 percent of federal tax filers claim the standard deduction on their income taxes and are thereby ineligible to receive the mortgage interest deduction.[50] The Joint Committee on Taxation estimates that 90 percent of the benefits of the federal mortgage interest deduction go to taxpayers with annual incomes greater than $100,000 and 63 percent to those with annual incomes greater than $200,000.[51] Nationally, median wages for Black women are $36,303 per year.[52]

Despite this inequitable distribution, every state that allows itemized tax deductions has adopted the mortgage interest deduction (30 plus D.C., see Figure 4).

FIGURE 4

Every State With Itemized Tax Deductions Offers Mortgage Interest Deduction

Tax year 2023



*Wisconsin's credit is not allowed for interest paid on second homes purchased outside the state.

Note: State limits include phase-downs, phase-outs, flat dollar caps, credits in lieu of deductions, and limiting the deduction to amounts above the federal standard deduction. These limits are discussed in more detail in this report: https://itep.org/state-itemized-deductions-surveying-the-landscape-exploring-reforms/. States also vary with regard to caps placed on the amount of debt that can produce tax deductible interest. Typically, interest is deductible on debt up to either $750,000 or $1 million, with variation across states depending on the year the debt was incurred and the details of conformity to federal law. This kind of variation across states is not reflected in this map.

Source: Institute on Taxation and Economic Policy review of state tax forms, April 2024

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Home equity constitutes the largest portion of wealth holdings for most U.S. households (this is especially true for households of color), but Black households and other households of color see fewer tax benefits and less wealth-growing potential through home ownership than white households. This is in part due to the mortgage interest deduction exacerbating the impact of racially discriminatory housing policies.

As homeownership grew in popularity in the aftermath of World War II, Black people were systematically prevented from buying homes and receiving the benefits of the mortgage interest deduction. Racial covenant clauses were written into property deeds to restrict Black families from buying or occupying plots of land;[53] states administered the federal GI Bill of 1944, leaving Black veterans in segregated states excluded from the home loans to which they were entitled;[54] and Black families who found a way to afford a home purchase were often subject to discriminatory redlining practices, limiting their homebuying options to lower-valued areas.[55]

Incomes and home values have risen in subsequent decades, increasing the value of the mortgage interest deduction for those who can afford to claim it.[56] Unsurprisingly, benefits have flowed disproportionately to white households, who are typically paid higher incomes than people of color and — even after controlling for income differences[57] — see higher rates of homeownership, cultivated through decades of preferential treatment.

The mortgage interest deduction offers no benefit at all to renters and little benefit to low- and moderate-income families striving to afford homeownership. Some studies suggest the deduction may actually *reduce* homeownership by driving up housing prices and the cost of down payments.[58] It widens the racial wealth gap, doubling down on the impacts of discriminatory housing policies of the past and creating greater barriers for Black women and other people of color to afford the costs of owning a home.

Given the regressivity and racial inequity of the mortgage interest deduction, states should eliminate the mortgage interest deduction to best align with the Black Women Best framework. Redirecting resources from the deduction would allow for investments in measures like down payment assistance for first-time homebuyers, renters' credits, and refundable credits to homeowners with primary residences in lower-value areas impacted by the effects of historical housing segregation and environmental racism.

Eliminate Criminal Legal Fees and Reform Fines to Base on Ability to Pay

As revenue from other sources has failed to keep up with need, states and localities have increasingly sought to raise revenues from burdensome criminal legal fines and fees to courts, law enforcement, and the costs associated with incarceration and probation.[59] Although a relatively small share of local revenues overall,[60] these fees and fines can be devastating for those required to pay them, who disproportionately have low incomes or are from Black and Latine communities.[61]

States and localities deploy fees at every step of the criminal legal system — charging for the use of a public defender and access to a jury trial, to make up for the cost of detention, and for the costs of probation monitoring.[62] And criminal fines have proliferated, leaving those who have been found guilty responsible for staggeringly high bills as a part of their punishment.[63]

These fees and criminal fines fall especially hard on individuals with low incomes as they struggle to pull together the resources to pay, and they are disproportionately imposed on Black families because of systemic racism, discrimination, and bias in policing, adjudication, and incarceration.[64]

Black communities have suffered a long history of racialized social control through over-policing and over-punishment perpetuated, in part, by the monetary incentive of fines and fees.[65] Black people are more likely to be stopped by police and receive a ticket rather than a warning,[66] to live in communities targeted for traffic enforcement,[67] to receive higher fines and fees than white counterparts,[68] to be convicted and incarcerated more frequently than white defendants, and to be sentenced to longer and harsher punishments.[69]

More specifically, this system has direct implications for the well-being of Black women, who are often financially responsible for the care of family members and their children[70] caught in the criminal legal system, even when they are not themselves accused or convicted of a crime.[71] The total cost of mandatory fees can often reach into the hundreds of dollars even *before* any fines are imposed as punishment for an offense, and many states impose mandatory fees and fines even for minor offenses (such as a speeding ticket).

Fines and Fees

Fines refer to financial obligations levied by government to punish a range of offenses, from traffic infractions and civil citations to convictions for misdemeanor and felony crimes.

Fees or actual costs are charges imposed to "reimburse" the legal system and raise general revenue or pay for other government services or functions.

A failure to pay these debts often leads to further consequences: late fees and interest can accumulate, and individuals may be subject to additional court hearings, wage garnishment, suspension of their driver's license, damage to their credit score, loss of the right to vote, and even imprisonment.[72]

Fines and fees have a real and quite severe human cost, and furthermore, they have proven to be a remarkably inefficient way for state and local governments to raise revenue. Court systems consistently collect only a fraction of the assessed amount imposed by fines and fees and often do not consider the additional costs incurred to try to collect these debts from individuals, further limiting the effectiveness of fines and fees as a revenue source.[73] The reliance on those involved in the criminal legal system to fund various aspects of government operations has given rise over time to perverse incentives for over-policing, exploitative court practices, and mass imprisonment of predominantly low-income Indigenous, Latine, and Black people.[74]

Rather than rely on fees and fines to fund the legal system, states would be much better off if they eliminated overly burdensome fees, based fines on ability to pay, and used general funds to support their criminal legal systems instead.

States have many other revenue sources to choose from that are far more equitable than imposing excessive, unaffordable fines and fees on those least able to pay. Several states and localities have begun shifting away from the use of these charges in favor of more just alternatives.

- **California**: In September 2020, California lawmakers eliminated nearly two dozen criminal legal fees that counties imposed and forgave the relevant unpaid debt of impacted individuals, relieving Californians of an estimated $16 billion in debt. The law also included an annual $65 million appropriation to cover the lost fee revenue.[75]
- **New Jersey:** In June 2023, Governor Phil Murphy signed legislation eliminating fees on people with low incomes who receive counsel from a state public defender. The legislation was also retroactive and wiped out all unpaid outstanding costs imposed on previous defendants, eliminated warrants issued based on unpaid balances, and released liens on property resulting from unpaid fees. Lawmakers approved $4 million in the state's fiscal year 2024 budget to implement these changes.[76]
- **New Mexico:** Lawmakers approved legislation in March 2023 to eliminate post-adjudication and bench warrant fees as well as to increase the monetary credit for community service activities. While the legislation did not include additional appropriations to make up for estimated lost revenue, the fiscal note that accompanied the bill stated, "Fee funding is an

> unreliable source of revenue for government programs. Fee revenue changes with cycles unrelated to the programs they fund… This has an impact on the general fund as additional revenue is often required to stabilize funding."[77]

Reforming criminal legal fines and fees can improve the lives of Black women in particular, but all members of society would benefit from this change. Courts and other aspects of the justice system should be paid for primarily through taxes on the public rather than through fees on people caught up in the system, since we all rely on that system — which should operate to keep everyone safer. Fines should be based on one's ability to pay because requiring everyone to pay the same amount results in a deeply regressive form of punishment in which people with lower incomes face a greater punishment simply because they make less money. And no one should be incarcerated because they lack the income to pay a fee or fine.

States Should Enact Bolder, Fairer, and More Equitable Revenue-Raising Policies

Along with tax policies aimed at boosting income and wealth, states can also advance a Black Women Best framework by raising additional revenues to fuel ambitious public investment and by restructuring state tax codes generally so that those revenues are raised more fairly — namely, where they're based more on ability to pay, and are therefore more equitable overall.

Most state and local tax systems worsen income inequality by requiring residents who earn the least to pay the most as a share of their income. (See Figure 5.)

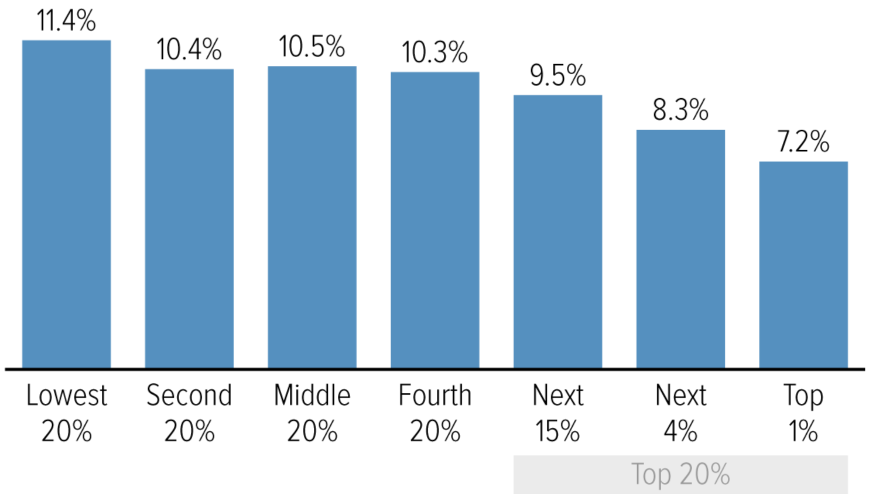
This regressive system of taxation has a disproportionately negative impact on Black women, who are paid the least in wages on average compared to their working counterparts among white men, white women, and Black men.[78] States can begin to reverse the legacy of white supremacy in their tax codes by requiring higher-income households and businesses — which are much likelier to be white and white-owned, respectively — to pay a greater share toward public investments. Better taxing the incomes of wealthy people would enable states to raise significant additional revenue that they can use to repair the economic, health, and social harm caused by centuries of underinvestment in marginalized communities.

States and localities could use the additional revenues to better support local school systems and higher education, health care, child care, housing, targeted property tax relief, public safety, economic development, environmental protection, human services, and many other public services. These revenues would also broaden opportunity for states to think more boldly about the design of initiatives like income assistance, small business grants, homeownership incentives, and debt elimination programs to better support the shared prosperity of Black women and other groups that have traditionally experienced underinvestment.

FIGURE 5

People With Lower Incomes Pay Higher Effective State and Local Tax Rates

State and local taxes paid by resident to their home states, as a share of income, for non-senior residents



Source: Institute on taxation and Economic Policy (ITEP)

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Raise Income Tax Rates at the Top

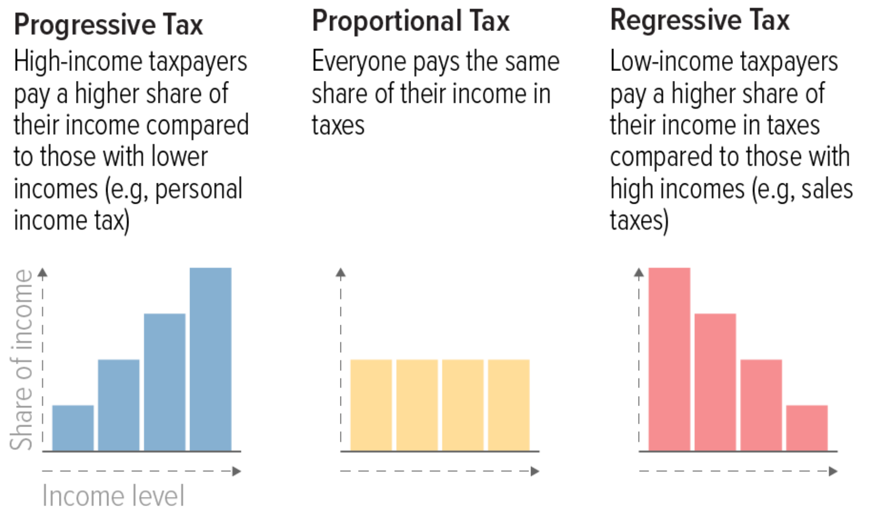
One Black Women Best-informed approach to generating state revenue is the establishment of higher personal income tax rates on those with the highest incomes, a policy often referred to as a "millionaires' tax." The term can refer broadly to a range of personal income tax increases on high earners (generally starting at about $100,000) or be specifically applied to those with annual incomes of at least $1 million.

Evidence in several states indicates that this policy can raise significant funding for public investments that boost a state's productivity in the long run, without harming economic growth in the short term or asking even more of low-income or marginalized communities. In six of eight states (including the District of Columbia) that enacted millionaires' taxes in the 2000s and 2010s, private-sector economic growth met or exceeded that of neighboring states after enacting the tax increases.[79]

Raising tax rates on high earners is a much more equitable approach than regressive "flat tax" policies applied in some states, which apply a flat rate to all taxable income. A progressive tax can instead be tailored to different income brackets so that states raise sufficient revenue to meet their needs while ensuring taxpayers who earn the least are not overburdened and paying the same or a higher proportion of their income in taxes than those with much higher incomes. (See Figure 6.)

FIGURE 6

Progressive Taxes Like the Income Tax Better Target Taxpayers Most Able to Pay



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Several states have shown[80] that even modest rate increases through either higher rates or a millionaires tax can generate significant revenue from the relatively small number of taxpayers earning the most — thereby shifting tax burdens from those with low incomes (often Black women[81]) to those more able to afford the cost, while also enabling new investments that help low- and middle-income people and communities of color the most.

For example, the recently enacted Fair Share Amendment in Massachusetts will raise about $2 billion annually from taxpayers with annual incomes above $1 million to finance improvements to K-12 schools, higher education, and transportation. A reform plan that Illinois voters narrowly rejected in 2020 would have raised an estimated $3.4 billion a year, almost entirely from high-income taxpayers.[82] In Arizona, a successful ballot initiative in 2020 would have raised nearly $1 billion a year to boost funding and equity in K-12 public schools, had it not been subsequently reversed by recalcitrant legislators and the state's supreme court.[83] And New Jersey enacted a law in 2020 that increased the state income tax on earnings over $1 million per year.

Raise or Establish a Mansion Tax or Progressive Property Tax

States can also create more equitable tax systems by adopting more progressive taxes on high-value housing, also known as a "mansion tax." State and local taxes on real estate are typically levied as a flat percentage of a property's assessed value, but policymakers have some options for higher-value properties to be levied taxes at higher tax rates. This approach makes state and local tax systems economically fairer, and the additional revenue could help states to counterbalance the long history of racist public policy and ongoing discrimination holding Black women and their families back from affording or inheriting high-value property.[84]

States could use the revenue generated from more progressive taxes on property to fund homebuyers' assistance programs for low-income people of color, community development opportunities in areas with historical disinvestment, or other opportunities that allow for targeted reinvestment of wealth in Black neighborhoods — where household wealth remains diminished due to discriminatory policies including redlining, predatory lending, and home appraisals and assessments that undervalue Black-owned homes at the time of refinance or sale but overvalue them for tax purposes.[85]

States can tax mansions in various ways. To produce revenue when property is bought or sold, they can create or build upon real estate or property transfer taxes. Thirty-five states currently have these taxes, including seven — Connecticut, the District of Columbia, Hawai'i, New Jersey, New York, Vermont, and Washington — that levy a surcharge on the highest-value homes or have at least a slightly progressive bracket structure through their real estate transfer tax system.[86]

States and localities looking to produce more annual revenue can also explore shifting to a graduated property tax system under which the tax rate increases with the property's value. Taxes on the values of homes are levied at the local level in all states, and 16 states also have state property taxes. While no state has graduated property tax rates, the District of Columbia has a higher marginal rate for commercial and industrial property valued over $3 million.[87]

Strengthen Inheritance and Estate Taxes on Wealth Transfer

State taxes on inherited wealth have been weakened over time, allowing individuals with immense wealth to hold onto it and pass what is often already an inherited advantage of wealth onto their heirs. Wealthy people are overwhelmingly white in every state, which means that this system sustains substantial white advantages across generations — including the advantages of wealth built through slavery and Jim Crow — and reinforces disadvantages for Black women and other people of color.

By strengthening or establishing estate or inheritance taxes, states can loosen somewhat the concentrated accumulation of wealth and take an important step toward more broadly shared prosperity. States with these taxes should maintain them, and states without them should consider enacting them or consider taxing inheritances as income.

An estate tax is a tax on property (cash, real estate, stock, and other assets) transferred from deceased persons to their heirs. A state applies this tax rate to the value of an estate that exceeds a certain threshold, with both the rate and the exemption threshold differing by state. An inheritance tax is instead levied on the *heirs* of an estate rather than the estate itself.

Every state had an estate tax until 2001, when Congress eliminated a federal tax credit to which all state-level estate taxes were linked. Billions of dollars in state revenue have been lost from most states choosing either to eliminate their estate taxes or to let them diminish by remaining tied to the federal change. States could reclaim those funds by reinstating or raising state estate or inheritance tax rates and lowering thresholds. Only 17 states and the District of Columbia currently levy an estate or inheritance tax. If all states reinstated an estate tax at exemption levels based on the levels previously in place, they could generate an additional $3.7 to $15 billion annually.[88]

Strengthen Capital Gains Taxes

More than two-thirds of profits (68 percent) earned on the sale of assets that have grown in value — like stocks, mutual funds, real estate, and artwork — accrue to households at the top 1 percent of earnings.[89] These capital gains are generated by wealth and compound over time in a manner that largely excludes Black women and other people of color, as white families are three times likelier than families of color to be in the top 1 percent of households.[90]

In 2019, the average Black household had $94,000 in unrealized capital gains, while the average white household had an average of $402,000 — more than four times as much.[91] In the same year, nearly 89 percent of unrealized capital gains exceeding $2 million were held by white families; Black households held only 1 percent despite accounting for more than 14 percent of all U.S. families.[92]

There are several ways states can strengthen capital gains taxation to ensure that the income that accrues based on wealth is taxed and, like other forms of income, contributes to the public good:

- **Taxing capital gains income the same as wages earned from work.** While most states tax income from investments and income from work at the same rate, nine states — Arizona, Arkansas, Hawai'i, Montana, New Mexico, North Dakota, South Carolina, Vermont, and Wisconsin — still use various methods to tax long-term capital gains at lower rates than ordinary income.[93] These states should eliminate their special tax preferences for capital gains, which give undue advantage to white households at the expense of others.
- **Raising the capital gains tax rate.** States have the option to levy a higher rate on capital gains income than on income from wages, salaries, and other sources, or to raise the rate exclusively on short-term capital gains, which occur within a year of the asset purchase.
- **Eliminating the "stepped-up basis."** Currently, people who inherit capital gains are only taxed on the gains accrued *after* their inheritance, leaving the value that's "stepped up" from the time of the original purchase to the time of transfer completely untaxed. Stepped-up basis primarily benefits the wealthiest families in part because they can afford to hold onto capital gains until they die and bequeath them rather than using them to pay expenses in retirement. Black women, in comparison, have much lower savings since they often must spend most or all of their income meeting basic needs, and they are less likely to have pension income to live on through retirement. Around two-thirds of Black and Latine working-age households own no assets in a retirement account, compared to 37 percent of white households.[94]
- **Taxing unrealized capital gains.** An even more equitable way to tax capital gains would be to require taxpayers to report gains in their assets annually, and then tax that gain on an annual basis, even if the taxpayer does not sell assets that year. This method of taxing asset holdings is sometimes referred to as "mark to market," which is an accounting principle that involves adjusting the value of an asset to its current market value. States could require such a tax be paid only on large amounts of gains, which would make such a tax easier to administer and could include provisions that smooth out the tax liabilities given that markets can fluctuate significantly year to year.

Eliminate Corporate Tax Breaks

Putting Black women first in revenue policy requires states to consider not only where — and from whom — state taxes are being levied, but also where they are not. Although corporate income taxes are the third-largest source of state tax revenue (behind personal income taxes and sales taxes), they accounted for only 7 percent of tax revenue in fiscal year 2021[95] and have been slowly eroding as a share of state revenue for decades under the pressure of intense state and federal corporate lobbying and sophisticated corporate tax avoidance schemes.[96]

Corporate income taxes are classified as general fund revenues in most states and, as such, can fund a broad array of public needs. By making it more difficult for corporations to use tax loopholes and by raising corporate tax rates, states can reduce their reliance on regressive taxes (such as sales and excise taxes) and extractive fees and fines that fall more sharply on Black women and other marginalized groups.

States have several options to mitigate the damage of corporate tax avoidance[97]:

- Enact robust corporate minimum income taxes that require companies over a certain size to pay a minimum amount. Large, profitable corporations often use tax breaks and tax avoidance to avoid paying anything in state income taxes. Minimum taxes require these companies to pay at least some amount. Eight states and D.C. have already adopted some form of corporate minimum tax requiring corporations to pay at least $250 per year.[98]
- Establish "throwback" rules that prevent corporations from avoiding tax by claiming they have "nowhere income." These rules declare that if an in-state corporation sells products in other states in which the company isn't taxable,[99] those sales are deemed to be made in the state from which the final shipment to the customer occurs and thus taxable there.[100] Eighteen states and D.C. have already established these rules, which prevent corporations from pocketing the profits of otherwise untaxed state sales.
- Enact "combined reporting," which stops corporations from shifting profits on paper into subsidiaries for the sole purpose of avoiding state taxes. Some form of this tax accounting method is in place in 28 states plus D.C.[101] To nullify both interstate and international profit shifting, states should mandate worldwide combined reporting,[102] taxing all related members of a corporate group as a single corporation — including those incorporated in foreign nations — allocating an apportioned share of the worldwide profits to the state, generally based on metrics such as sales.
- Require corporations to publicly disclose how much income tax they pay each state. Although publicly traded corporations are required to annually their federal and total state income tax annually, no state has yet required corporations to disclose how much they pay in income taxes to individual states — or even whether they file a tax return in a given state.

States Should Remove Barriers to Raising Additional Revenue

In some states, policy barriers and requirements limit the state's ability to raise revenue. Removing these barriers would allow states to pursue progressive tax policies that can reduce inequity by themselves and provide resources that allow for opportunity-expanding investments that better meet the needs of Black women. Eliminating restrictive measures like supermajority requirements and caps on property tax rates would bolster democracy, strengthen the power of people and communities, and promote a truly shared prosperity.

Eliminate Supermajority Requirements

Supermajority requirements to levy taxes have long been used to create barriers to raising adequate revenue for foundational public services such as education, health care, and programs that provide critical support to families. Their history is deeply rooted in racism. In the wake of Reconstruction, Mississippi first put these rules in place, allowing a minority of lawmakers and special-interest lobbyists to thwart the will of a majority and make it harder to raise more and fairer revenues. Louisiana and Arkansas followed suit with their own supermajority requirements during the Jim Crow era, and other states eventually did the same, establishing supermajority requirements well into the 20th century. The continued existence of these rules protects wealthy, predominantly white households[103] from paying an equitable share of their incomes while simultaneously reinforcing a regressive tax system.

Fifteen states — Arizona, Arkansas, California, Delaware, Florida, Hawai'i, Kentucky, Louisiana, Michigan, Mississippi, Nevada, Oklahoma, Oregon, South Dakota, and Wisconsin — now have some form of these rules, in which a supermajority vote in each house of the legislature and the governor's signature are needed to implement a new tax or a tax increase. (See Figure 7.)

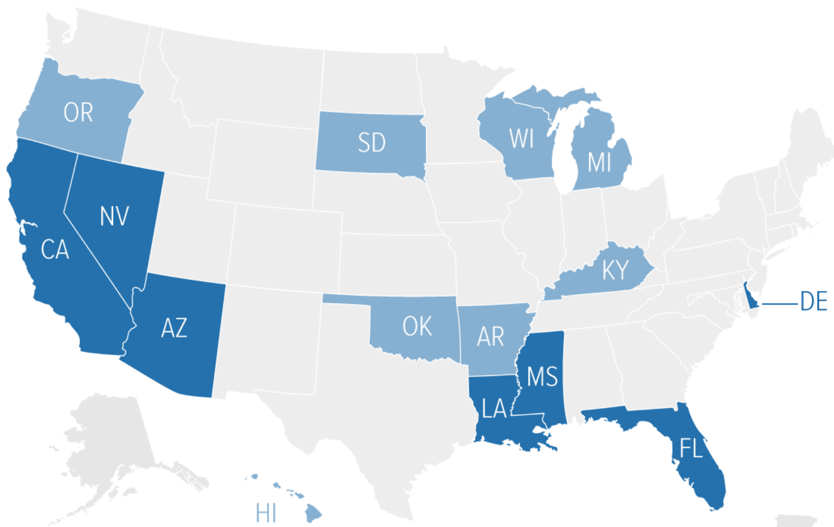
While some states require a supermajority in limited circumstances, in seven of them — Arizona, California, Delaware, Florida, Louisiana, Mississippi, and Nevada — the restriction applies to all bills interpreted as tax increases, including reducing or eliminating existing tax breaks. Delaware, Kentucky,[104] Mississippi, and Oregon require a three-fifths vote in each house, while Arizona, California, Florida, Hawai'i, Louisiana, Nevada, South Dakota, and Wisconsin[105] require a two-thirds vote in each house. A three-quarters vote is required in Arkansas,[106] Michigan,[107] and Oklahoma.

These restrictions arbitrarily constrain states' ability to raise revenue to support key public investments. In Oklahoma, for example, a strict supermajority requirement was passed in 1992 in the wake of historic education reforms; nearly three decades passed before state lawmakers were able to meet the required three-fourths majority vote to reinvest in public education.[108]

FIGURE 7

15 States Have Supermajority Requirements To Raise or Levy Taxes

Applies to: Tax increases only | Tax increases + the elimination of tax breaks



Supermajority rules vary across states, typically requiring two-thirds or three-fifths of the votes in each house.

Required Majority

AZ	2/3	MI*	3/4
AR*	3/4	MS	3/5
CA	2/3	NV	2/3
DE	3/5	OK	3/4
FL	2/3	OR	3/5
HI	2/3	SD	2/3
KY*	3/5	WI*	2/3
LA	2/3		

Exclusions:

Arkansas: supermajority rule does not apply to state alcohol and sales taxes;

Kentucky: supermajority is required in odd-numbered years only; in even-numbered years, a simple majority is sufficient;

Michigan: supermajority rule applies only to state property taxes;

Wisconsin: supermajority rule only applies to state sales, income, and franchise taxes.

Source: CBPP analysis

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When state revenues fall short of the costs of maintaining public services, states with supermajority rules look to raise revenues in ways that don't require supermajority approval, such as hiking fees, raising higher education tuition, and reducing support to local governments — all of which further harm Black women due to their unique social and economic marginalization. Inflexibility to raise revenue also makes states less trustworthy borrowers and can deter investors from buying state bonds, forcing states to make higher interest payments and increasing costs for capital infrastructure.[109]

The racist and elitist foundation of supermajority requirements manifests in current state budget processes. States with a supermajority requirement can more easily balance their budgets by eliminating or reducing economic security programs, laying off public employees, or cutting financial aid for college students than by raising revenues by taxing those who can most afford it.

Raising taxes already faces great scrutiny by state legislatures, voters, and governors. Supermajorities often continue to protect unfair tax breaks to benefit a few corporations or a small share of households. Even worse, income tax cuts that several states have enacted since the pandemic hit will cost them over $100 billion in revenue over the next five years, with most of the cuts going to wealthy people and corporations.[110] Supermajority requirements in six of the states that enacted these cuts (Arizona, Arkansas, Louisiana, Mississippi, Oklahoma, and Wisconsin) will now make it especially difficult to reverse course when the harm done to public services becomes more apparent. By removing supermajority requirements, states have more flexibility to enact tax policies that can boost state investments and the economy to benefit Black women and state residents as a whole.

Repeal or Relax Caps on Property Tax Rates

Wealthy, heavily white interests have long sought to reduce their own taxes, leaving states and localities more reliant on regressive forms of taxation that disproportionately extract wealth from other groups. Property tax limits or "caps" follow in this tradition by limiting the amount of tax revenue localities can collect from property wealth, leading them to instead rely on revenue sources like sales taxes and fees to cover the costs of public services.

When state lawmakers cap the amount of property taxes localities can collect, they are restricting the power of local, democratically elected lawmakers to meet their constituents' needs — and policy preferences — while also pressuring them into increasing racial and economic inequities in their own communities by making it harder to raise adequate revenue and by reducing the options available for taxing wealth. Strict limits on the ability of counties, municipalities, and school districts to collect needed revenue also harms the *quality* of services these localities can provide. Since Black women and other traditionally under-resourced groups rely on public services to overcome systemic barriers to success, reducing the quality of these services worsens inequities and holds Black women back, to the detriment of the entire community.

Some property tax limits date as far back as the late 1800s, especially in Southern states, where they emerged as part of the racist backlash to Reconstruction.[111] But more recently, a new wave of property tax limits that launched with the anti-tax revolt of the late 1970s has made them ubiquitous. The number of state-imposed property tax limits nearly doubled in the 1970s and 1980s, and today, 46 states (all but Hawai'i, New Hampshire, Tennessee, and Vermont) and the District of Columbia maintain some form of state-imposed limit, in many cases multiple limits. They typically fall under one of three broad categories:[112]

- **Caps on assessment value.** These limits prevent taxable home values from rising faster than a predetermined rate. Assessment caps ensure that rapid growth in a home's market value isn't reflected equally in that home's assessment for tax purposes.

- **Caps on tax rates.** Rate caps limit the size of a property's tax bill to a specific percentage of its value. These limits hamstring local lawmakers' ability to adjust property tax rates based on economic needs and generally keep property taxes from generating significant revenue.
- **Caps on overall tax collections.** These ultra-restrictive caps place an annual limit on the overall amount of collected property taxes. Even as costs of providing government services rise, these caps ensure that localities can collect only a certain percentage more in property taxes each year, which severely limits local policymakers' ability to meet the needs of their communities.

The dollar savings from a property tax limit are typically greater for owners of high-value homes, who are more likely to be white. Areas with high property values require relatively low property tax rates to adequately fund public services, so white homeowners are more likely than homeowners of other races to own expensive homes and to pay lower effective property tax rates, increasing racial gaps in both income and wealth.

While all homeowners can benefit from tax savings under property tax limits, the savings for Black homeowners are particularly small when compared to the reduction of effective tax rates for white homeowners under the same policies. Property tax limits generated approximately $2.8 billion in savings for white homeowners in 2011 that would have gone to non-white homeowners if the benefits of property tax limitation were equally distributed across racial groups, a 2017 study found. These "excess savings" were greater than all of the estimated tax savings of Black homeowners under the limits.[113]

Property tax caps are also inadequate mechanisms for meeting the needs of people who struggle to pay their property taxes because of low or fixed incomes. Unlike a property tax circuit breaker, which limits how much of a household's income goes to property taxes, property tax caps limit the growth of property taxes, regardless of income. As such, under a property tax cap, a homeowner's property tax bill can still take up an unaffordable share of their income.

These limits on local property taxes exacerbate the harm that Black women and other marginalized communities face through regressive taxation and underinvestment at the local level. States considering such caps should consider more targeted ways to help taxpayers in need of support, such as refundable credits for people with low wages or high housing costs. And states that have caps already on the books should consider eliminating or reforming them to allow localities to raise revenues more equitably to meet community needs.

Ease Other State Restraints on Local Taxing Power

In addition to strict property tax limits, states have over many decades — and in some cases, centuries — adopted a range of other constraints on local communities' ability to control their own tax policy, which has both limited their ability to raise sufficient revenues and pushed them to rely on more regressive revenue sources (such as user charges and criminal fines) that disproportionately harm Black people and other marginalized groups.

This web of state restrictions includes things such as local home rule provisions that designate certain forms of autonomy to municipalities, so-called "uniformity clauses" in state constitutions broadly mandating that similar things (products, services, activities, or forms of property) be taxed similarly regardless of relevant context, various caps on local revenues and spending generally, and — most recently — state preemption of specific revenue sources. Though some of these provisions may have reasonable benefits (such as easing tax administration and compliance), they have also resulted in tax systems that restrict localities' ability to raise adequate revenues and make local taxes fall more sharply on those least able to pay.

In Alabama, for example, state legislators in 2020 preempted an effort by Montgomery officials to impose a new 1 percent payroll tax on anyone working within the city, which was intended to help boost public employee salaries and increase funding for schools and other services. The move blocked an important new source of revenue for local investments that would have provided a targeted benefit to people who need it most, including the city's communities of color, and it stands as a stark case of a predominantly white state governing majority overriding a diverse, majority-Black community's democratic authority to govern.

In Washington State, the state courts stymied a 2017 effort by Seattle to apply a personal income tax to some high-income households, due to a complex web of state statutes and constitutional provisions they interpreted as blocking localities' authority to impose taxes on income (or to apply progressive rates). The new tax would have raised an estimated $140 million a year for efforts to fund affordable housing, education, and transit; fight climate change; and lower property taxes and fees for people least able to pay.

States should employ the Black Women Best framework to embrace a more democratic approach to local taxing policy. While ideally state governments would raise adequate revenues and disburse them equitably to provide robust services throughout each state, many responsibilities are currently left to localities with varied abilities to self-finance needed community investments. In the absence of ample state assistance for every community, localities with the public support to raise revenues for high-impact investments should have the autonomy to do so.

Reexamining state restrictions on localities' authority to raise revenue and relaxing or repealing burdensome policies would allow states to more adequately fund local solutions rooted in the needs of Black women and, in turn, better meet the needs of all residents. By reversing newer, onerous preemption of emerging revenue sources and revisiting longer-standing taxing limitations, state policymakers could unlock an additional set of tools for expanding economic opportunity, advancing racial and economic equity, and enhancing communities' quality of life.

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