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## THE IMPACT OF STATE INCOME TAXES ON LOW-INCOME FAMILIES IN 2007

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### Summary

Poor families in many states faced substantial state income tax liability for the 2007 tax year. In 18 of the 42 states that levy income taxes, two-parent families of four with incomes below the federal poverty line were liable for income tax. In 15 states, poor single-parent families of three paid income tax in 2007. And 26 states collected taxes from families of four with incomes just above the poverty line. In 2007, the federal poverty line for a family of four was \$21,203, and the line for a family of three was \$16,530.

Some states levy income tax on working families in severe poverty. Nine states — **Alabama, Georgia, Hawaii, Illinois, Indiana, Michigan, Montana, Ohio** and **West Virginia** — tax the income of two-parent families of four earning less than three-quarters of the poverty line (\$15,902). And six states — **Alabama, Hawaii, Louisiana, Michigan, Montana,** and **West Virginia** — tax the income of one-parent families of three earning less than three-quarters of the poverty line (\$12,398).

In some states, families living in poverty face income tax bills of several hundred dollars. A two-parent family of four in **Alabama** with income at the poverty line owes \$423 in income tax, while such a family owes \$409 in **Hawaii**, \$325 in **Oregon**, and \$258 in **West Virginia**. Such amounts can make a big difference to a family struggling to escape poverty. Other states levying tax of more than \$200 on families with poverty-level incomes include **Illinois, Indiana, Iowa, Michigan,** and **Montana**. At the other end of the spectrum, a growing number of states offer significant refunds to low-income working families, primarily through Earned Income Tax Credits.

Between 2006 and 2007, states' tax treatment of poor families improved in a number of states, but worsened in others. Twelve states implemented measures to shield more low-income families from the income tax or to reduce the taxes they owe. **Alabama, Arkansas, New Jersey,** and **West Virginia** — which in 2006 levied some of the highest taxes on low-income families — made major improvements in 2007.

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<sup>1</sup> Additional data analysis for this report was provided by Jeremy Koulisch, Katherine Lira, Phil Oliff, Elizabeth McNichol, and Michael Mazerov.

Unfortunately, a number of other states increased income taxes on poor families, though by smaller amounts. The reason for these tax increases is that provisions designed to protect low-income families from taxation — including standard deductions, personal exemptions, and low-income credits — were not increased to keep up with inflation.

Future years are set to bring continued improvement. A number of states have enacted reforms that will reduce taxes on low-income families in the near future. Between 2008 and 2010, the **District of Columbia, Indiana, Louisiana, Maryland, Michigan, New Jersey, North Carolina, Oklahoma** and **West Virginia** each will improve their income tax treatment of the poor. If these changes were in effect in 2007, the number of states taxing poor families of four would have been 15 rather than 18, and the number taxing poor families of three would have been 11 rather than 15.

Despite these upcoming improvements, there remains much to do. Some of the harshest states have not improved their income tax treatment of the poor for many years, and some recent improvements were not enough to exempt very poor families from income taxes.

Taxing the incomes of working-poor families runs counter to the efforts of policymakers across the political spectrum to help families work their way out of poverty. The federal government has exempted such families from the income tax since the mid-1980s, and a majority of states now do so as well.

Eliminating 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 taxes on poor families can make a meaningful contribution toward “making work pay.”

States seeking to reduce or eliminate income taxes on low-income families can choose from an array 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. Some states go beyond exempting poor families from income tax by making their EITCs or other low-income credits refundable. These policies provide a substantial income supplement to families struggling to escape poverty, and they are relatively inexpensive to states, since these families have little income to tax.

## **Methodology**

This analysis assesses the impact of each state’s income tax in 2007 on poor and near-poor families with children. Forty-two states, counting the District of Columbia as a state, levy broad-based income taxes. Two family types are used as models for assessing taxes’ impact: a married couple with two dependent children, and a single parent with two dependent children.<sup>2</sup> The analysis

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<sup>2</sup> The married couple is assumed to file a joint return on its federal and state tax forms, and the single parent is assumed to file as a Head of Household. Each family is assumed to include one worker. In each family, the children are taken to be ages four and eleven.

focuses on two measures: the lowest income level at which state residents are required to pay income tax, and the tax due at various poverty and near-poverty income levels.<sup>3</sup>

A benchmark used throughout this analysis is the federal poverty line — an estimate prepared by the federal government of the minimum financial resources an American family needs. The Census Bureau’s estimates of the poverty line for 2007 are \$16,530 for a family of three and \$21,203 for a family of four.<sup>4</sup>

## Many States Continue to Levy Substantial Income Taxes on Poor Families in 2007

### The Tax Threshold

One important measure of the impact of taxes 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.<sup>5</sup>

- In 15 states, the income tax threshold for a single-parent family of three is less than the \$16,530 poverty line, meaning that families living in poverty must pay state income tax. In the remaining 27 states with income taxes, the threshold is above the poverty line; in those states, poor families pay no income tax or receive a refund.
- In 18 states, the threshold for a two-parent family of four is below the \$21,203 poverty line for such a family. In the remaining 24 states with income taxes, the threshold is above the poverty line (See Figure 1, below).
- Ten states — **Alabama, Georgia, Hawaii, Illinois, Indiana, Louisiana, Michigan, Montana, Ohio, and West Virginia** — tax families of three or four in severe poverty, meaning those earning less than three-quarters of the federal poverty line; three-quarters of the 2007 poverty line equals \$12,398 for a family of three and \$15,902 for a family of four.
- Seven states — **Alabama, Hawaii, Illinois, Michigan, Montana, Oregon, and West Virginia** — tax families of three with full-time minimum wage earnings.<sup>6</sup>

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<sup>3</sup> 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 taxes other than the income tax. For instance, it does not include the impact of tax provisions that are available only to families with out-of-pocket child care expenses or specific housing costs, because not all families face such costs. It also does not take into account sales tax credits, property tax “circuitbreakers,” and similar provisions, because this analysis does not attempt to gauge the impact of those taxes — only of income taxes.

<sup>4</sup> Specifically, this report uses the Census Bureau’s weighted average poverty thresholds, available at <http://www.census.gov/hhes/www/poverty/threshld/thresh07.html>.

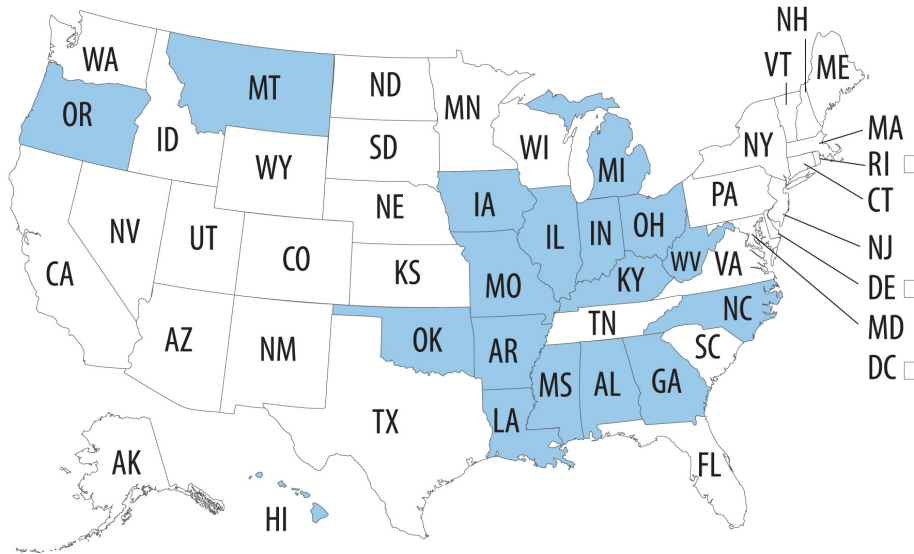
<sup>5</sup> A number of these states have enacted but not yet implemented income tax changes that will significantly increase their thresholds in coming years. See *Emerging Trends in State Income Taxation of the Poor*, at pg. 8 below.

<sup>6</sup> Calculations are based on the minimum wage in effect in each state in 2007, which in 27 states exceeded the federal minimum wage of \$11,354 per year for a full-time worker. Among the seven states listed here, **Hawaii, Illinois,**

FIGURE 1

## Many States Tax Working-Poor Families Deeper Into Poverty

States that impose an income tax on two-parent families of four with incomes at or below the poverty line.



- The state with the highest threshold is **California**, where the threshold is \$43,700 for a family of three and \$46,100 for a family of four — more than twice the poverty lines for families of those sizes.

### Taxes on Poor Families

Several states charge families living in poverty several hundred dollars in income taxes — a substantial amount for a struggling family. Tables 2A, 2B, 3A, and 3B show these amounts.

- The tax bill for a poverty-line family of four exceeds \$200 in nine states: **Alabama, Hawaii, Illinois, Indiana, Iowa, Michigan, Montana, Oregon, and West Virginia.**
- As noted above, a majority of states do not tax families with poverty-level income.
- Fourteen states not only avoid taxing poor families but also offer tax credits that provide refunds to families with income at the poverty line. These credits act as a wage supplement and income support, helping to support families' work efforts and reduce poverty. The amount of refund for families with income at the poverty line is as high as \$1,433 for a family of three in **Vermont** and \$1,651 for a family of four in **Minnesota.**

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**Michigan, Montana** and **Oregon** had minimum wages above the federal level in 2007. "Full-time" is assumed to be 40 hours per week, 52 weeks per year.

## Taxes on Near-Poor Families

Many families with earnings above the official federal poverty line have difficulty making ends meet. Studies have consistently found that the basic costs of living — food, clothing, housing, transportation, and health care — in most parts of the country exceed the federal poverty line, sometimes substantially.<sup>7</sup>

Federal and state governments recognize the challenges faced by families with incomes slightly above the poverty line and have set eligibility ceilings 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 (\$20,663 for a family of three, \$26,504 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. Tables 4A and 4B show these amounts.

- Twenty-six states tax two-parent families of four earning 125 percent of the poverty level, with the tax bill exceeding \$500 in seven states — **Alabama, Arkansas, Hawaii, Iowa, Kentucky, Oregon, and West Virginia.**
- Twenty-four states tax families of three with income at 125 percent of the poverty line.

## How Can States Reduce Income Taxes on Poor Families?

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. By early 2008, 24 states had enacted Earned Income Tax Credits based on the federal EITC, which is a tax credit for working-poor families, mostly those with children.<sup>8</sup> Other states offer other types of low-income tax credits, such as **New Mexico's** Low-Income Comprehensive Tax Rebate. Finally, a few states have a “no-tax floor,” which sets a dollar level below which families owe no tax but does not affect tax liability for families above that level.

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<sup>7</sup> See, for example, Sylvia A. Allegretto, *Basic family budgets: Working families' incomes often fail to meet living expenses around the U.S.*, Economic Policy Institute, September 2005.

<sup>8</sup> The 24 states are the **District of Columbia, Delaware, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, New Jersey, New Mexico, New York, North Carolina, Oklahoma, Oregon, Rhode Island, Vermont, Virginia, Washington and Wisconsin.** For more information on state EITCs, see Jason Levitis and Jeremy Koulish, “State Earned Income Tax Credits: 2008 Legislative Update,” Center on Budget and Policy Priorities, Oct. 8, 2008. Available at <http://www.cbpp.org/6-6-08sfp.htm>.

## **Why Does This Report Focus on the Income Tax — A Tax That Is Arguably the Fairest State Tax?**

In most states, poor families pay more in consumption taxes, such as sales and gasoline taxes, than they do in income taxes. They also pay substantial amounts of property taxes and other taxes and fees. Why then does this report focus on the impact of state income taxes on poor families?

First, the income tax is a major component of state tax systems, making up 33 percent of total state tax revenue nationally. Thus, the design of a state's income tax has a major effect on the overall fairness of the state's tax system.

Second, because information on the taxpayer's income is available at the time the income tax is levied, it is administratively easier for states to target income tax cuts to poor families than it is to cut sales or property taxes on those families. For example, sales tax is generally collected by merchants from consumers without regard to their income level, and property taxes are passed through from property owners to renters as part of a rent payment. As a result, the great majority of the low-income tax relief enacted at the state level in the last decade has been administered through the income tax.

Third, families trying to work their way out of poverty often face an effective tax on every additional dollar earned in the form of lost benefits such as income support, food stamps, Medicaid, or housing assistance. Income taxes on poor families can exacerbate this problem and send a negative message about the extent to which increased earnings can improve family well-being.

This report emphasizes that many states' income taxes leave considerable room for improvement. But it is important to recognize that a state tax system that includes an income tax — even one with a relatively low income threshold — typically serves low-income families better than a state tax system that does not include an income tax at all. The reason is that most states' income taxes, even those that tax the poor, are progressive; that is, income tax payments represent a smaller share of income for low-income families than for high-income families. By contrast, the other primary source of tax revenue for states, the sales tax, is regressive, consuming a larger share of the income of low-income families than of high-income families.

Thus, states that rely heavily on non-income taxes tend to have higher overall taxes on the poor than do other states. Seven states with sales taxes — Florida, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming — do not appear in this report because they do not levy income taxes. Their heavy reliance on the sales tax renders their tax systems very burdensome for low-income families. Conversely, two states with income taxes but no general sales tax — Montana and Oregon — are shown in this report to impose above-average income tax burdens on the poor, despite some recent improvement. While there is room for further improvement in this aspect of their income taxes, these two states still have less regressive tax systems overall than the average state because they do not levy general sales taxes.

## **Some States Made Significant Improvements for 2007, While Others Moved Backwards**

Between 2006 and 2007, a number of states made significant improvements in their income-tax treatment of the poor. Unfortunately, another group of states increased taxes on poor families, though by smaller amounts. See Tables 5, 6, and 7.

## Selected States Improved in 2007

Twelve states implemented policy changes for the 2007 tax year to reduce income taxes on poor families or to increase poor families' tax refunds, in some cases significantly. Highlights of these changes include the following:

- **Alabama** implemented a low-income tax cut passed in 2006 that increased its standard deduction and dependent exemption for low-income families. The tax cut more than doubled state's income tax thresholds (which had been the lowest in the nation) and reduced taxes for families at the poverty line. Even with these changes, **Alabama's** tax treatment of low-income families remains among the harshest in the nation, with thresholds well below the poverty line.
- **Arkansas** adopted a no-tax floor and a low-income credit, significantly raising its thresholds and cutting taxes on poor families.<sup>9</sup> The income tax thresholds increased to just below the poverty line, so poor families in Arkansas now pay very little income tax.
- **Hawaii** increased its standard deduction and expanded its income tax brackets, raising its thresholds and reducing taxes on low-income families. Despite this, Hawaii's income tax remains among the harshest in the nation for low-income families, with thresholds well below the poverty line.
- **Iowa** improved its EITC in 2007, making it fully refundable and slightly increasing its size. These changes had little impact on Iowa's thresholds, leaving the threshold for families of four below the poverty line. But making the EITC refundable provided important help to families with incomes below the threshold, such as families of three at the poverty line.
- **Kansas** increased its EITC from 15 percent to 17 percent of the federal credit, raising its income tax thresholds and cutting taxes for low-income families.
- **Nebraska** also improved its EITC, increasing it from 8 percent to 10 percent of the federal credit. This raised its income tax threshold and cut taxes for low-income families. The state also expanded its income tax brackets for all taxpayers, but this change had a very small impact on low-income families.
- **New Jersey** stopped taxing poor families in 2007 by eliminating a \$20,000 income ceiling for EITC eligibility. This change had a dramatic impact on two-parent families of four with poverty-level incomes, cutting their taxes by \$782. The change also raised the threshold from \$20,000 in 2006 to \$30,800 in 2007.
- **New Mexico** raised its personal and dependent exemptions and implemented an EITC set at 8 percent of the federal credit, significantly raising its income tax thresholds and cutting taxes on low-income families.

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<sup>9</sup> The no-tax floor was raised to \$14,500 for single-parent families and \$20,700 for two-parent families. The low-income credit replaces a separate tax structure for poor families.

- **West Virginia** implemented a low-income credit which reduced income tax on a family of four from \$406 in 2006 to \$258 in 2007.

### Other States Stood Still or Moved Backwards in 2007

Most states showed no improvement in 2007, and some even got worse. Overall, there was little change in the number of states taxing poor families.

#### *The Number of States That Tax Poor Families Changed Little Between 2006 and 2007*

- Eighteen states taxed poor two-parent families of four in 2007, one fewer than in 2006. **New Jersey** was removed from the list after eliminating a \$20,000 ceiling on its EITC.
- Fifteen states tax poor single-parent families of three in 2007, the same number that did so in 2006.
- In fourteen states, the income tax threshold declined relative to the poverty line for two-parent families of four, forcing families deeper in poverty or closer to being in poverty to pay income taxes. See Table 7. As noted below, the reason is that many states' tax systems are not indexed to keep up with inflation.

#### *Poor Families' Taxes Increased in Several States*

The amount of tax levied on families with income at the poverty line, as shown in Table 6, rose in a number of states between 2006 and 2007.

- Of the 18 states that taxed poor families of four in 2007, nine levied a higher tax on these families in 2007 than they did in 2006, even after adjusting for inflation. Among these states, the median tax levied increased from \$174 to \$184, an inflation-adjusted increase of six percent.
- In some states, the increase was quite substantial. In Mississippi, poor families of four saw their inflation-adjusted tax liabilities increase by 56 percent. And families of four in North Carolina and Georgia saw their income taxes rise by 41 percent and 12 percent respectively.

### Why Some States' Income-Tax Treatment of the Poor Is Worsening

In the 14 states where income tax thresholds fell relative to the poverty line in 2007, and the 10 states where the tax levied on poor families grew more than inflation, it was not because of explicit policy changes. Rather, tax thresholds fell and tax bills rose because states failed to update their standard deductions, personal exemptions, and low-income credits to keep up with inflation.<sup>10</sup> For example, poor families of four in **North Carolina**, which does not adjust its standard deduction, personal exemption, or dependent exemption for inflation, saw their income tax levies jump from \$78 to \$114 in 2007. Had the state adjusted its exemptions and standard deduction for inflation, tax liabilities would have grown by only three dollars for these families.

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<sup>10</sup> The poverty line increases each year to account for the higher cost of food, shelter, and other necessities.



### **Can States Afford to Exempt Poor Residents from the Income Tax?**

Reducing or eliminating income taxes for low-income families carries with it a “cost” to the state budget, in the form of lost revenue. But even states that have a large number of poor families, and even states that rely heavily on the income tax for revenue, have found that they can reduce or eliminate such taxes at a reasonable cost to the state treasury.

- *Income Tax Thresholds in Poor States.* Reducing 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 low-income taxpayers 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. Of the 27 states that exempt poor single-parent families of three from income taxation, 14 have median household incomes below the U.S. median according to the U.S. Census Bureau. They include four of the nation’s 10 poorest states, **Kentucky, New Mexico, Oklahoma, and South Carolina.**
- *Income Tax Thresholds in States that Rely Heavily on the Income Tax.* States that rely heavily on income taxes for revenue still can exempt poor families from taxation. Of the 10 states that Census Bureau figures indicate receive their largest share of state and local tax revenue from personal income taxes, seven — **California, Delaware, Maryland, Massachusetts, Minnesota, New York, and Virginia** — exempt poor families of three from the income tax.

This evidence suggests that *any* state can eliminate income taxes on low-income families. States that are facing budget shortfalls in 2009 – as many are – must weigh the cost against other demands on their budgets; some may deem it unaffordable to exempt low-income families from taxation this year. Nonetheless, even fiscally distressed states may be able to move in the right direction by enacting small improvements and/or phasing in the necessary changes over time.

### **Most States Have Made Substantial Progress Since the Early 1990s, but Others Lag Severely Behind**

#### **Overall, States’ Income-Tax Treatment of the Poor Has Improved Greatly**

Since the early 1990s, states generally have improved their income-tax treatment of working poor families. From 1991 to 2007, the number of states levying income tax on poor two-parent families of four decreased from 24 to 18. Over that same span, the average of state tax thresholds increased from 84 percent to 113 percent of the poverty line. And many of the 18 states that still tax poor families of four have reduced the taxes levied. From 1994 to 2007, the median tax levied fell by 35 percent, after adjusting for inflation. Tables 5, and 6, and 7 show these changes over time.

#### **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 between the early 1990s and 2007 in reducing income taxes on the poor.

- In **Alabama, Connecticut, Mississippi, and West Virginia**, the income tax threshold has fallen compared to the poverty line since 1991. In **Connecticut**, the threshold has fallen over that time from 173 percent to 114 percent of the poverty line.
- In five states — **Georgia, Iowa, Louisiana, Mississippi, and Ohio** — the income taxes on families of four with poverty-level incomes have risen since 1994 even after accounting for inflation. As Table 6 shows, the inflation-adjusted increase was 15 percent in **Georgia**, nine percent in **Ohio**, and 55 percent in **Louisiana**. In **Iowa**, such families' tax liability increased from zero to \$251, the highest dollar increase in any state. 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.

## Emerging Trends in State Income Taxation of the Poor

### A Number of States Have Enacted Reforms That Take Effect After 2007

While state income-tax treatment of the poor generally showed only modest improvement between 2006 and 2007, a number of states have recently passed significant reforms due to take effect later.

Under current law, the following income-tax changes affecting low-income families will take effect in tax years 2008, 2009 and/or 2010:

- The **District of Columbia** has passed legislation to increase its EITC from 35 percent to 40 percent of the federal credit, effective for tax year 2008. In addition, the District will substantially increase the standard deduction and the personal exemption, tying both to inflation after 2008.
- **Indiana** passed legislation to increase its EITC from six percent to nine percent of the federal credit, effective in 2009. If that change had been in place in 2007, Indiana's income tax threshold for families of four would have risen from \$15,300 to \$18,800.
- **Louisiana** enacted an EITC worth 3.5 percent of the federal credit, effective in 2008. Had the credit been in effect in 2007, tax liability would have fallen by nearly \$160 for families of three and by nearly \$140 for families of four.
- **Maryland** passed legislation to increase its EITC from 20 percent to 25 percent of the federal credit and increased the personal exemption from \$2,400 to \$3,200. These changes will take affect in 2008.<sup>11</sup>
- **Michigan** passed legislation creating an EITC worth 10 percent of the federal credit in 2008 and 20 percent of the credit beginning in 2009.

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<sup>11</sup> As part of the same legislation, Maryland also removed a prohibition on families without qualifying children receiving its refundable EITC.

- **New Jersey** passed legislation expanding its EITC to 22.5 percent of the federal credit in 2008 and 25 percent in 2009.
- In 2007, **North Carolina** passed an EITC valued at 3.5 percent of the federal credit, effective in 2008. During the 2008 legislative session, the credit was increased to 5 percent of the federal EITC.
- **Oklahoma** enacted legislation to gradually raise the standard deduction and reduce the tax rate on income over \$15,000 (which is the top bracket). By 2010, the standard deduction will match the federal standard deduction and the top rate will have dropped from 5.65 percent to 5.25 percent.
- **Oregon's** EITC will increase to 6 percent of the federal credit in 2008. As a result, the threshold for single-parent families will rise from \$15,000 to \$15,600, and from \$18,000 to \$18,500 for two-parent families.
- Finally, **West Virginia** enacted a low-income tax credit in 2006. The credit will take full effect in 2008 and will increase the income tax threshold from \$10,000 to \$20,700 for two-parent families of four.

### **Some of the Worst State Income Tax Systems for Low-Income Families Will Not Improve**

Most of the states that impose the heaviest tax burden on low-income families in 2007 will continue to do so under current law. If the changes described above were in place today, state income taxes would still impose a significant burden on families living in poverty. And many of the states that will see no improvement have seen none for years.

Tables 8A, 8B, 9A, and 9B show the income tax liability poor families would face if changes that have been enacted but not yet implemented were in effect for tax year 2007.

- If expected changes were in effect today, fifteen states would still tax the income of families of four at the poverty line, and 11 states would do so for families of three at the poverty line.
- The income tax thresholds for families of three would still be less than three-quarters of the poverty line in **Alabama, Hawaii, and Montana**. For families of four, the threshold would be less than the three-quarters of the poverty line in these three states plus **Georgia, Illinois, and Ohio**.
- Six states — **Alabama, Hawaii, Illinois, Iowa, Montana, and Oregon** — would still charge families of four at the poverty line over \$200 in income tax. **Alabama** and **Hawaii** would also charge poor families of three more than \$300.
- In some cases expected improvements will not be enough. A number of the states that have recently passed low-income tax relief nonetheless will continue to levy high income taxes on low-income families. The reason is that these states' reforms either were not sufficient or were not sufficiently well targeted to poor families. **Alabama, Hawaii, and Oregon** will all continue

to rank among the heaviest taxers of the income of the poor even after their enacted reforms are implemented.

## **Conclusion**

Too many states continue to tax the income of poor families — in some cases, extremely poor families. Improvements in selected states in 2007 were partially offset by backsliding in others. A number of states enacted or improved EITCs and increased standard deductions and personal exemptions. Yet, compared to 2006, the number of states taxing extremely poor families — those with incomes at three-quarters of the poverty line — increased from six to nine. The longer trend is brighter — income taxation of poor families has decreased since the early 1990's — but even over that period some states have increased taxes on families in poverty. There is a broad range of affordable mechanisms for exempting the poor from the income tax. As Hawaii Governor Linda Lingle said in 2006 when she proposed tax cuts for low-income families, “the bottom line is that we are collecting income taxes from people who simply can't afford to pay them.” A number of states would do well to follow her lead.

**Table 1A: State Income Tax Thresholds for Single Worker with Two Kids, 2007**

<b>Rank</b>	<b>State</b>	<b>Threshold</b>
1	Montana	\$9,600
2	Alabama	9,800
3	West Virginia	10,000
4	Hawaii	10,400
5	Michigan	11,400
6	Louisiana	12,300
7	Georgia	12,700
8	Illinois	13,900
8	Missouri	13,900
10	Indiana	14,300
11	Ohio	14,400
11	Mississippi	14,400
13	Arkansas	14,900
14	Oregon	15,000
15	North Carolina	15,300
<i>Poverty Line: \$16,530</i>		
16	Kentucky	17,200
17	Colorado	18,100
17	Idaho	18,100
17	Utah	18,100
17	Oklahoma	18,100
21	North Dakota	18,500
21	Iowa	18,500
23	Connecticut	19,100
24	Arizona	20,100
25	Wisconsin	21,600
26	Virginia	21,800
27	Maine	23,700
28	South Carolina	24,100
29	Massachusetts	25,100
30	Delaware	25,400
31	Pennsylvania	25,500
32	Nebraska	25,700
33	Kansas	25,800
34	District of Columbia	26,200
35	New Jersey	29,100
36	Rhode Island	29,600
37	Maryland	29,900
38	Vermont	30,900
39	Minnesota	31,000
40	New Mexico	31,400
41	New York	33,300
42	California	43,700
<b>Average Threshold 2007</b>		<b>\$20,500</b>
<b>Amount Above Poverty Line</b>		<b>\$3,970</b>

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 2007 poverty line is a Census Bureau estimate based on the actual 2006 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 Married Couple with Two Kids, 2007**

Rank	State	Threshold
1	West Virginia	\$10,000
2	Montana	11,600
3	Alabama	12,600
4	Hawaii	14,000
5	Michigan	14,800
6	Indiana	15,300
7	Ohio	15,800
8	Illinois	15,900
8	Georgia	15,900
10	Missouri	17,400
11	Louisiana	17,500
12	Oregon	18,000
13	Iowa	18,700
14	North Carolina	19,400
15	Mississippi	19,600
16	Oklahoma	20,500
17	Kentucky	20,700
17	Arkansas	20,700
<i>Poverty Line: \$21,203</i>		
19	Arizona	23,600
20	Connecticut	24,100
21	Colorado	24,300
21	Utah	24,300
23	Idaho	24,400
24	North Dakota	24,800
24	Virginia	24,800
26	Wisconsin	26,000
27	Maine	27,000
28	Massachusetts	27,100
29	District of Columbia	27,300
30	Kansas	27,600
31	Delaware	29,300
32	Nebraska	30,200
33	South Carolina	30,400
34	New Jersey	30,800
35	Maryland	32,000
35	Pennsylvania	32,000
37	Rhode Island	32,600
38	Vermont	34,400
39	Minnesota	34,500
40	New Mexico	35,900
41	New York	37,200
42	California	46,100
<b>Average Threshold 2007</b>		<b>\$24,000</b>
<b>Amount Above Poverty Line</b>		<b>\$2,797</b>

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 2007 poverty line is a Census Bureau estimate based on the actual 2006 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, 2007**

<b>Rank</b>	<b>State</b>	<b>Income</b>	<b>Tax</b>
1	Hawaii	\$16,530	\$316
2	Alabama	16,530	303
3	Michigan	16,530	206
4	Arkansas	16,530	177
5	Louisiana	16,530	170
6	West Virginia	16,530	161
7	Montana	16,530	146
8	Georgia	16,530	117
9	Oregon	16,530	116
10	Ohio	16,530	94
11	Illinois	16,530	92
12	Indiana	16,530	89
13	North Carolina	16,530	78
14	Mississippi	16,530	64
15	Missouri	16,530	54
16	Arizona	16,530	0
16	California	16,530	0
16	Colorado	16,530	0
16	Connecticut	16,530	0
16	Delaware	16,530	0
16	Idaho	16,530	0
16	Kentucky	16,530	0
16	Maine	16,530	0
16	North Dakota	16,530	0
16	Pennsylvania	16,530	0
16	South Carolina	16,530	0
16	Utah	16,530	0
16	Virginia	16,530	0
29	Oklahoma	16,530	(76)
30	Rhode Island	16,530	(168)
31	Iowa	16,530	(201)
32	New Mexico	16,530	(423)
33	Wisconsin	16,530	(445)
34	Nebraska	16,530	(448)
35	Maryland	16,530	(647)
36	Kansas	16,530	(655)
37	Massachusetts	16,530	(672)
38	New Jersey	16,530	(895)
39	Minnesota	16,530	(1,179)
40	District of Columbia	16,530	(1,246)
41	New York	16,530	(1,419)
42	Vermont	16,530	(1,433)

Source: Center on Budget and Policy Priorities

**Table 2B: State Income Tax at Poverty Line for Two-Parent Families of Four, 2007**

Rank	State	Income	Tax
1	Alabama	\$21,203	\$423
2	Hawaii	21,203	409
3	Oregon	21,203	325
4	West Virginia	21,203	258
5	Michigan	21,203	257
6	Iowa	21,203	251
7	Indiana	21,203	248
8	Montana	21,203	217
9	Illinois	21,203	201
10	Georgia	21,203	184
11	Louisiana	21,203	179
12	Ohio	21,203	161
13	North Carolina	21,203	114
14	Missouri	21,203	89
15	Kentucky	21,203	85
16	Arkansas	21,203	63
17	Mississippi	21,203	48
18	Oklahoma	21,203	41
19	Arizona	21,203	0
19	California	21,203	0
19	Colorado	21,203	0
19	Connecticut	21,203	0
19	Delaware	21,203	0
19	Idaho	21,203	0
19	Maine	21,203	0
19	North Dakota	21,203	0
19	Pennsylvania	21,203	0
19	South Carolina	21,203	0
19	Utah	21,203	0
19	Virginia	21,203	0
31	Rhode Island	21,203	(147)
32	New Mexico	21,203	(348)
33	Nebraska	21,203	(391)
34	Wisconsin	21,203	(398)
35	Maryland	21,203	(434)
36	Kansas	21,203	(446)
37	Massachusetts	21,203	(474)
38	New Jersey	21,203	(554)
39	District of Columbia	21,203	(805)
40	Vermont	21,203	(1,251)
41	New York	21,203	(1,471)
42	Minnesota	21,203	(1,651)

Source: Center on Budget and Policy Priorities



**Table 3A: State Income Tax at Minimum Wage for Single-Parent Families of Three, 2007**

Rank	State	Income*	Tax
1	Hawaii**	\$15,080	\$236
2	Michigan**	14,664	131
3	Oregon**	16,224	92
4	West Virginia	11,354	80
5	Alabama	11,354	56
6	Montana**	12,792	41
7	Illinois**	14,560	21
8	Arizona**	14,040	0
8	Arkansas**	13,000	0
8	California**	15,600	0
8	Colorado**	14,248	0
8	Connecticut**	15,912	0
8	Delaware**	13,832	0
8	Idaho	11,354	0
8	Kentucky**	11,440	0
8	Maine**	14,170	0
8	Mississippi	11,354	0
8	Missouri**	13,520	0
8	North Carolina**	12,792	0
8	North Dakota	11,354	0
8	Ohio**	14,248	0
8	Pennsylvania**	13,936	0
8	South Carolina	11,354	0
8	Utah	11,354	0
8	Virginia	11,354	0
8	Louisiana	11,354	0
27	Georgia	11,354	(21)
28	Indiana	11,354	(91)
29	Rhode Island**	15,392	(177)
30	Oklahoma	11,354	(196)
31	Iowa**	12,350	(330)
32	New Mexico	11,354	(454)
33	Nebraska	11,354	(455)
34	Wisconsin**	13,520	(644)
35	Massachusetts**	15,600	(700)
36	Kansas	11,354	(774)
37	Maryland**	12,792	(870)
38	New Jersey**	14,872	(943)
39	Minnesota**	12,792	(1,179)
40	District of Columbia**	14,560	(1,408)
41	Vermont**	15,662	(1,490)
42	New York**	14,872	(1,520)

\* Income reflects full-time, year-round minimum wage earnings for one worker (52 weeks, 40 hours/week).

\*\* These eighteen states had a minimum wage higher than the federal minimum wage in all or part of 2007.

Source: Center on Budget and Policy Priorities

**Table 3B: State Income Tax at Minimum Wage for Two-Parent Families of Four, 2007**

Rank	State	Income*	Tax
1	Hawaii**	\$15,080	\$95
2	West Virginia	11,354	50
3	Montana**	12,792	13
4	Alabama	11,354	0
4	Arizona**	14,040	0
4	Arkansas**	13,000	0
4	California**	15,600	0
4	Colorado**	14,248	0
4	Connecticut**	15,912	0
4	Delaware**	13,832	0
4	Idaho	11,354	0
4	Kentucky**	11,440	0
4	Louisiana	11,354	0
4	Maine**	14,170	0
4	Michigan**	14,664	0
4	Mississippi	11,354	0
4	Missouri**	13,520	0
4	North Carolina**	12,792	0
4	North Dakota	11,354	0
4	Ohio**	14,248	0
4	Pennsylvania**	13,936	0
4	South Carolina	11,354	0
4	Utah	11,354	0
4	Virginia	11,354	0
25	Georgia	11,354	(32)
26	Illinois**	14,560	(39)
27	Indiana	11,354	(125)
28	Oregon**	16,224	(131)
29	Rhode Island**	15,392	(177)
30	Oklahoma	11,354	(228)
31	Iowa**	12,350	(330)
32	Nebraska	11,354	(455)
33	New Mexico	11,354	(474)
34	Wisconsin**	13,520	(660)
35	Massachusetts**	15,600	(707)
36	Kansas	11,354	(774)
37	Maryland**	12,792	(940)
38	New Jersey**	14,872	(943)
39	Minnesota**	12,792	(1,179)
40	District of Columbia**	14,560	(1,408)
41	Vermont**	15,662	(1,509)
42	New York**	14,872	(1,615)

\* Income reflects full-time, year-round minimum wage earnings for one worker (52 weeks, 40 hours/week).

\*\* These eighteen states had a minimum wage higher than the federal minimum wage in all or part of 2007.

Source: Center on Budget and Policy Priorities

**Table 4A: State Income Tax at 125% of Poverty Line for Single-Parent Families of Three, 2007**

<b>Rank</b>	<b>State</b>	<b>Income</b>	<b>Tax</b>
1	Hawaii	\$20,663	\$576
2	Alabama	20,663	563
3	Oregon	20,663	523
4	Arkansas	20,663	508
5	Kentucky	20,663	503
6	West Virginia	20,663	486
7	Michigan	20,663	371
8	Louisiana	20,663	330
9	North Carolina	20,663	327
10	Georgia	20,663	323
11	Montana	20,663	296
12	Indiana	20,663	282
13	Illinois	20,663	260
14	Iowa	20,663	231
15	Ohio	20,663	210
16	Missouri	20,663	208
17	Mississippi	20,663	201
18	Utah	20,663	161
19	Oklahoma	20,663	141
20	Colorado	20,663	123
21	Arizona	20,663	81
22	North Dakota	20,663	55
23	Idaho	20,663	45
24	Connecticut	20,663	13
25	California	20,663	0
25	Delaware	20,663	0
25	Maine	20,663	0
25	Pennsylvania	20,663	0
25	South Carolina	20,663	0
25	Virginia	20,663	0
31	Wisconsin	20,663	(88)
32	Rhode Island	20,663	(120)
33	Nebraska	20,663	(281)
34	Maryland	20,663	(281)
35	New Mexico	20,663	(318)
36	Massachusetts	20,663	(354)
37	Kansas	20,663	(362)
38	New Jersey	20,663	(487)
39	District of Columbia	20,663	(731)
40	Vermont	20,663	(1,058)
41	New York	20,663	(1,281)
42	Minnesota	20,663	(1,509)

Source: Center on Budget and Policy Priorities

**Table 4B: State Income Tax at 125% of Poverty Line for Two-Parent Families of Four, 2007**

<b>Rank</b>	<b>State</b>	<b>Income</b>	<b>Tax</b>
1	Kentucky	\$26,504	\$923
2	Oregon	26,504	858
3	Alabama	26,504	783
4	Arkansas	26,504	732
5	Hawaii	26,504	701
6	Iowa	26,504	661
7	West Virginia	26,504	642
8	Indiana	26,504	496
9	Michigan	26,504	469
10	Georgia	26,504	469
11	Montana	26,504	442
12	North Carolina	26,504	432
13	Illinois	26,504	416
14	Oklahoma	26,504	369
15	Ohio	26,504	338
16	Missouri	26,504	327
17	Louisiana	26,504	322
18	Mississippi	26,504	226
19	Utah	26,504	179
20	Arizona	26,504	178
21	Virginia	26,504	157
22	Colorado	26,504	104
23	Wisconsin	26,504	53
24	North Dakota	26,504	46
25	Idaho	26,504	36
26	Connecticut	26,504	19
27	California	26,504	0
27	Delaware	26,504	0
27	Maine	26,504	0
27	Maryland	26,504	0
27	Pennsylvania	26,504	0
27	South Carolina	26,504	0
33	Massachusetts	26,504	(44)
34	Kansas	26,504	(72)
35	Rhode Island	26,504	(82)
36	District of Columbia	26,504	(96)
37	Nebraska	26,504	(208)
38	New Mexico	26,504	(223)
39	New Jersey	26,504	(252)
40	Vermont	26,504	(812)
41	New York	26,504	(1,117)
42	Minnesota	26,504	(1,237)

Source: Center on Budget and Policy Priorities

**Table 5: Tax Threshold for a Family of Four, 1991-2007**

State	1991	1994	1997	2000	2003	2006	2007	Change 1991-2007	Change 2006-2007
Alabama	\$4,600	\$4,600	\$4,600	\$4,600	\$4,600	\$4,600	\$12,600	\$8,000	\$8,000
Arizona	15,000	15,800	20,000	23,600	23,600	23,600	23,600	\$8,600	\$0
Arkansas	10,700	10,700	10,700	15,600	15,500	16,000	20,700	\$10,000	\$4,700
California	20,900	22,600	23,800	36,800	40,200	44,700	46,100	\$25,200	\$1,400
Colorado	14,300	16,200	17,500	27,900	21,700	23,500	24,300	\$10,000	\$800
Connecticut	24,100	24,100	24,100	24,100	24,100	24,100	24,100	\$0	\$0
Delaware	8,600	8,600	12,700	20,300	20,300	28,600	29,300	\$20,700	\$700
District of Columbia	14,300	16,200	17,500	18,600	20,700	25,600	27,300	\$13,000	\$1,700
Georgia	9,000	11,100	13,100	15,300	15,900	15,900	15,900	\$6,900	\$0
Hawaii	6,300	6,300	6,100	11,000	11,500	11,500	14,000	\$7,700	\$2,500
Idaho	14,300	16,200	17,500	20,100	21,800	23,600	24,400	\$10,100	\$800
Illinois	4,000	4,000	4,000	14,000	15,000	15,600	15,900	\$11,900	\$300
Indiana	4,000	4,000	8,500	9,500	14,400	15,000	15,300	\$11,300	\$300
Iowa	9,000	15,300	16,500	17,400	17,900	18,300	18,700	\$9,700	\$400
Kansas	13,000	13,000	13,000	21,100	24,400	26,100	27,600	\$14,600	\$1,500
Kentucky	5,000	5,000	5,000	5,400	5,500	19,900	20,700	\$15,700	\$800
Louisiana	11,000	11,000	12,300	13,000	15,600	16,900	17,500	\$6,500	\$600
Maine	14,100	14,800	17,500	23,100	24,600	26,400	27,000	\$12,900	\$600
Maryland	15,800	19,400	22,900	25,200	28,500	31,000	32,000	\$16,200	\$1,000
Massachusetts	12,000	12,000	17,400	20,600	24,000	26,200	27,100	\$15,100	\$900
Michigan	8,400	8,400	10,000	12,800	13,600	14,400	14,800	\$6,400	\$400
Minnesota	15,500	19,000	21,600	26,800	30,200	33,200	34,500	\$19,000	\$1,300
Mississippi	15,900	15,900	15,900	19,600	19,600	19,600	19,600	\$3,700	\$0
Missouri	8,900	9,700	10,200	14,100	16,200	17,000	17,400	\$8,500	\$400
Montana	6,600	7,200	8,800	9,500	10,100	11,300	11,600	\$5,000	\$300
Nebraska	14,300	16,200	17,900	18,900	21,700	25,600	30,200	\$15,900	\$4,600
New Jersey	5,000	7,500	7,500	20,000	20,000	20,000	30,800	\$25,800	\$10,800
New Mexico	14,300	16,300	17,500	21,000	22,000	30,800	35,900	\$21,600	\$5,100
New York	14,000	16,900	22,300	23,800	27,700	36,300	37,200	\$23,200	\$900
North Carolina	13,000	13,000	17,000	17,000	18,000	19,400	19,400	\$6,400	\$0
North Dakota	14,700	16,500	18,000	19,000	22,200	24,000	24,800	\$10,100	\$800
Ohio	10,500	10,500	12,000	12,700	12,900	15,600	15,800	\$5,300	\$200
Oklahoma	10,000	10,900	12,200	13,000	16,600	18,200	20,500	\$10,500	\$2,300
Oregon	10,100	10,900	14,000	14,800	16,000	17,500	18,000	\$7,900	\$500
Pennsylvania	9,800	15,300	20,600	28,000	31,000	32,000	32,000	\$22,200	\$0
Rhode Island	17,400	21,100	24,400	25,900	28,700	31,500	32,600	\$15,200	\$1,100
South Carolina	14,300	16,800	20,200	21,400	23,200	26,800	30,400	\$16,100	\$3,600
Utah	12,200	13,600	14,900	15,800	21,700	23,500	24,300	\$12,100	\$800
Vermont	17,400	21,100	24,400	26,800	30,200	33,200	34,400	\$17,000	\$1,200
Virginia	8,200	8,200	8,200	17,100	18,400	24,200	24,800	\$16,600	\$600
West Virginia	8,000	8,000	10,000	10,000	10,000	10,000	10,000	\$2,000	\$0
Wisconsin	14,400	16,400	17,000	20,700	23,000	25,000	26,000	\$11,600	\$1,000
<b>Average</b>	<b>\$11,736</b>	<b>\$13,102</b>	<b>\$14,983</b>	<b>\$18,474</b>	<b>\$20,067</b>	<b>\$22,529</b>	<b>\$24,026</b>	<b>\$12,290</b>	<b>\$1,498</b>
<b>Federal Poverty Line</b>	<b>\$13,924</b>	<b>\$15,141</b>	<b>\$16,400</b>	<b>\$17,603</b>	<b>\$18,810</b>	<b>\$20,615</b>	<b>\$21,203</b>	<b>\$7,279</b>	<b>\$588</b>
<b>Average as</b>									
<b>% Poverty Line</b>	<b>84%</b>	<b>87%</b>	<b>91%</b>	<b>105%</b>	<b>107%</b>	<b>109%</b>	<b>113%</b>	<b>29%</b>	<b>4%</b>
<b>Number Above</b>									
<b>Poverty Line</b>	<b>18</b>	<b>19</b>	<b>21</b>	<b>23</b>	<b>24</b>	<b>23</b>	<b>24</b>	<b>6</b>	<b>1</b>
<b>Number Below</b>									
<b>Poverty Line</b>	<b>24</b>	<b>23</b>	<b>21</b>	<b>19</b>	<b>18</b>	<b>19</b>	<b>18</b>	<b>-6</b>	<b>-1</b>

Source: Center on Budget and Policy Priorities

**Table 6: State Income Tax at the Poverty Line for Families of Four, 1994-2007  
In States with Below-Poverty Thresholds in 2007**

State	1994	2000	2006	2007	Change 2006-07	Percent change after inflation 2006-07*	Change 1994-2007	Percent change after inflation 1994-2007*
Mississippi	0	0	30	48	18	56%	48	—
North Carolina	128	37	78	114	36	41%	(15)	-36%
Georgia	116	55	160	184	24	12%	68	15%
Missouri	147	80	83	89	6	4%	(59)	-56%
Iowa	0	23	236	251	15	3%	251	—
Michigan	301	202	242	257	15	3%	(44)	-38%
Louisiana	83	133	169	179	10	3%	96	55%
Illinois	334	145	192	201	9	2%	(133)	-57%
Indiana	379	360	239	248	9	1%	(131)	-53%
Kentucky	499	575	82	85	3	0%	(414)	-88%
Montana	211	233	211	217	6	0%	6	-26%
Oregon	331	278	319	325	6	-1%	(6)	-29%
Ohio	107	113	159	161	2	-1%	54	9%
Hawaii	406	420	546	409	(137)	-27%	3	-27%
Alabama	348	443	573	423	(151)	-28%	75	-12%
West Virginia	215	290	406	258	(148)	-38%	43	-13%
Oklahoma	139	232	139	41	(98)	-72%	(98)	-79%
Arkansas	214	311	427	63	(364)	-86%	(151)	-79%
<b>Average</b>	<b>\$220</b>	<b>\$218</b>	<b>\$238</b>	<b>\$197</b>	<b>(\$41)</b>	<b>-20%</b>	<b>(\$23)</b>	<b>-35%</b>

Notes: Dollar amounts shown are nominal amounts.

\* "Percent change after inflation" shows the percentage change adjusted for the 2.8 percent increase in the cost of living from 2006 and 2007 and the 38 percent increase in the cost of living from 1994 to 2006, as measured by the Consumer Price Index.

Source: Center on Budget and Policy Priorities

**Table 7: Tax Threshold as a Percent of the Federal Poverty Line for a Family of Four, 1991-2007**

<b>State</b>	<b>1991</b>	<b>1996</b>	<b>2001</b>	<b>2006</b>	<b>2007</b>	<b>% Point Change 1991-2007</b>	<b>% Point Change 2006-2007</b>
Alabama	33%	29%	25%	22%	59%	-11%	37%
Arizona	108%	125%	130%	114%	111%	7%	-3%
Arkansas	77%	67%	86%	78%	98%	1%	20%
California	150%	146%	214%	217%	217%	67%	1%
Colorado	103%	105%	159%	114%	115%	11%	1%
Connecticut	173%	150%	133%	117%	114%	-56%	-3%
Delaware	62%	78%	112%	139%	138%	77%	-1%
District of Columbia	103%	105%	108%	124%	129%	21%	5%
Georgia	65%	69%	85%	77%	75%	12%	-2%
Hawaii	45%	38%	62%	56%	66%	11%	10%
Idaho	103%	105%	115%	114%	115%	12%	1%
Illinois	29%	25%	79%	76%	75%	47%	-1%
Indiana	29%	25%	52%	73%	72%	44%	-1%
Iowa	65%	102%	97%	89%	88%	24%	-1%
Kansas	93%	81%	119%	127%	130%	33%	4%
Kentucky	36%	31%	30%	97%	98%	61%	1%
Louisiana	79%	77%	74%	82%	83%	3%	1%
Maine	101%	95%	130%	128%	127%	27%	-1%
Maryland	113%	139%	145%	150%	151%	37%	1%
Massachusetts	86%	97%	125%	127%	128%	41%	1%
Michigan	60%	60%	71%	70%	70%	10%	0%
Minnesota	111%	130%	153%	161%	163%	50%	2%
Mississippi	114%	99%	108%	95%	92%	-19%	-3%
Missouri	64%	62%	79%	82%	82%	19%	0%
Montana	47%	54%	54%	55%	55%	7%	0%
Nebraska	103%	105%	108%	124%	142%	21%	18%
New Jersey	36%	47%	110%	97%	145%	61%	48%
New Mexico	103%	105%	118%	149%	169%	47%	20%
New York	101%	135%	138%	176%	175%	76%	-1%
North Carolina	93%	106%	94%	94%	91%	1%	-3%
North Dakota	106%	109%	109%	116%	117%	11%	1%
Ohio	75%	72%	69%	76%	75%	0%	-1%
Oklahoma	72%	74%	74%	88%	97%	16%	8%
Oregon	73%	71%	83%	85%	85%	12%	0%
Pennsylvania	70%	95%	166%	155%	151%	85%	-4%
Rhode Island	125%	148%	148%	153%	154%	28%	1%
South Carolina	103%	117%	122%	130%	143%	27%	13%
Utah	88%	90%	90%	114%	115%	26%	1%
Vermont	125%	148%	152%	161%	162%	36%	1%
Virginia	59%	51%	98%	117%	117%	58%	0%
West Virginia	57%	62%	55%	49%	47%	-9%	-1%
Wisconsin	103%	104%	119%	121%	123%	18%	1%
<b>Average</b>	<b>84%</b>	<b>89%</b>	<b>105%</b>	<b>109%</b>	<b>113%</b>	<b>25%</b>	<b>4%</b>

Source: Center on Budget and Policy Priorities

**Table 8A. State Income Tax Thresholds for Single-Parent Families of Three  
Including Enacted Changes\*  
(Among States with Below-Poverty Thresholds)**

Rank	State	Threshold
1	Montana	\$9,600
2	Alabama	9,800
3	Hawaii	10,400
4	Georgia	12,700
5	Illinois	13,900
5	Missouri	13,900
7	Ohio	14,400
7	Mississippi	14,400
9	Arkansas	14,900
10	Oregon	15,600
11	Louisiana	16,300
Poverty Line: \$16,530		

**Table 8B. State Income Tax Thresholds for Two-Parent Families of Four  
Including Enacted Changes\*  
(Among States with Below-Poverty Thresholds)**

Rank	State	Threshold
1	Montana	\$11,600
2	Alabama	12,600
3	Hawaii	14,000
4	Ohio	15,800
5	Illinois	15,900
5	Georgia	15,900
7	Missouri	17,400
8	Oregon	18,500
9	Iowa	18,700
10	Indiana	18,800
11	Mississippi	19,600
12	Louisiana	19,800
13	West Virginia	20,700
13	Kentucky	20,700
13	Arkansas	20,700
Poverty Line: \$21,203		

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 2007 poverty line is a Census Bureau estimate based on the actual 2007 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.

\*These tables reflect policy in 2007 if enacted changes were fully implemented.

Source: Center on Budget and Policy Priorities



**Table 9A. State Income Tax at Poverty Line for One-Parent Families of Three Including Enacted Changes\*  
(Among States with Below-Poverty Thresholds)**

<b>Rank</b>	<b>State</b>	<b>Income</b>	<b>Tax</b>
1	Hawaii	\$16,530	\$316
2	Alabama	16,530	303
3	Arkansas	16,530	177
4	Montana	16,530	146
5	Georgia	16,530	117
6	Illinois	16,530	92
7	Ohio	16,530	79
8	Oregon	16,530	71
9	Mississippi	16,530	64
10	Missouri	16,530	54
11	Louisiana	16,530	13

**Table 9B. State Income Tax at Poverty Line for Two-Parent Families of Four Including Enacted Changes\*  
(Among States with Below-Poverty Thresholds)**

<b>Rank</b>	<b>State</b>	<b>Income</b>	<b>Tax</b>
1	Alabama	\$21,203	\$423
2	Hawaii	21,203	409
3	Oregon	21,203	286
4	Iowa	21,203	251
5	Montana	21,203	217
6	Illinois	21,203	201
7	Georgia	21,203	184
8	Ohio	21,203	138
9	Indiana	21,203	131
10	Missouri	21,203	89
11	West Virginia	21,203	86
12	Kentucky	21,203	85
13	Arkansas	21,203	63
14	Mississippi	21,203	48
15	Louisiana	21,203	42

\* These tables reflect policy in 2007 if enacted changes were fully implemented.  
Source: Center on Budget and Policy Priorities