CENTER ON BUDGET AND POLICY PRIORITIES
820 First Street, NE, Suite 510, Washington, DC 20002
Tel: 202-408-1080 Fax: 202-408-1056 center@cbpp.org www.cbpp.org

*April 12, 2005*

# THE IMPACT OF STATE INCOME TAXES ON LOW-INCOME FAMILIES IN 2004

By Joseph Llobrera and Robert Zahradnik [1]

## Summary

Poor families in many states continue to owe substantial taxes as they file personal income taxes for the 2004 tax year. In a large number of the states that levy income taxes — in 17 out of 42 states — two-parent families of four with incomes below the federal poverty line continue to owe income tax. In 16 states, poor single-parent families of three pay income taxes. In addition, 31 of the 42 states with an income tax still tax families with incomes just above the poverty line, even though such families typically have difficulty making ends meet.

In some states, families with poverty-level incomes face income tax bills of several hundred dollars. For example, a two-parent family of four in **Alabama** with income of $19,311 — the 2004 poverty line for a family that size — owes $513 in income tax, while such a family in **Hawaii** owes $434 and in **Arkansas** $403. Such amounts can make a big difference to a struggling family. Other states levying tax of $200 or more on families with poverty-level incomes include **Indiana, Kentucky, Michigan, Montana, Oregon, Virginia,** and **West Virginia.**

There was no improvement in the taxation of poor families in 2004. Yet some states have enacted changes that will lessen the taxation of the poor in future years. **Kentucky**, which for 2004 levied the highest tax on a family of four at the poverty level ($652), enacted a low-income credit that, beginning in 2005, will shield poor families from paying income tax. [2] **Virginia** — with the fourth highest 2004 tax on poverty-level families — enacted a 20 percent non-refundable state Earned Income Tax Credit that will take effect in 2006.

In a few states, the income taxes on poor families have increased over the last decade. In **Alabama**, **Arkansas, Iowa, Kentucky, Louisiana, Virginia,** and **West Virginia,** the income taxes on families of four with poverty-level incomes rose between 1994 and 2004, even after taking inflation into account. The increase after the adjustment for inflation has been as much as 58 percent in **Louisiana**, 48 percent in **Arkansas**, and 29 percent in **West Virginia**. In each of

[1] Additional data analysis for this report was provided by Elizabeth C. McNichol, Michael Mazerov, David Bradley, and Karen Lyons.

[2] Kentucky's low-income tax credit applies to families with incomes below the federal poverty guidelines set by the Department of Health and Human Services for administrative purposes. These guidelines are slightly lower then the poverty threshold for a two-parent family of four used by the Census bureau for statistical purposes, which is the poverty standard used in this analysis. As a result, in the future this report will show that Kentucky's income tax threshold for a two-parent family of four is slightly below the poverty line.

### Methodology

This report takes into account income tax provisions that are broadly available to low-income families and that are not intended to offset some other tax. It does not take into account tax credits or deductions that benefit only families with certain expenses, nor does it take into account provisions that are intended explicitly to offset 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. Moreover, such provisions tend to be quite modest and in most cases do not affect greatly taxes on low-income families.

these states, the reason for the tax increase is that personal exemptions, credits, or other features of the tax code designed to protect the incomes of low-income families from taxation have eroded due to inflation.

Taxing the incomes of working-poor families runs counter to the efforts by policymakers across the political spectrum to provide more assistance to families seeking to work their way out of poverty. Many states reduced income taxes on the poor in the 1990s, and a majority of states now exempt poor families from the income tax. The federal government has exempted such families since the mid-1980s.

Eliminating all or most state income taxes on working families with poverty-level incomes gives a boost in take-home pay that helps offset higher child care and transportation costs that families incur as they strive to become economically self-sufficient. In other words, relieving state income taxes on poor families is making a meaningful contribution toward Amaking work pay.@ A dozen states go even further; they not only exempt poor families from income taxation, but also provide a tax rebate that can help such families meet their expenses.

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

## Many States Continue to Levy Substantial Income Taxes on Poor Families in 2004

This analysis assesses the impact of each state=s income tax in 2004 on poor and near-poor families with children.[3] (Forty-two states, counting the **District of Columbia** as a state,

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

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

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 potential beneficiaries of such tax relief and a smaller overall tax base to absorb the loss of revenue. Yet both high-income states and low-income states have been able to exempt poor families from the income tax. In fact, 11 of the 26 states that exempt from taxation the income of a single-parent family of three with income at or below the poverty line have median incomes below the U.S. median — including three of the nation's 10 poorest states, **Maine**, **New Mexico**, and **Oklahoma**.

levy income taxes.) 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.

- In 16 states, the income tax threshold for a single-parent family of three is less than $15,071, the Census Bureau's preliminary estimate of the official poverty line for a family of three in 2004. In the remaining 26 states with income taxes, the threshold is above the poverty line; in those states, poor families pay no income tax.

- In 17 states, the threshold for a two-parent family of four is below the $19,311 poverty line for such a family. In the remaining 25 states with income taxes, the threshold is above the poverty line.

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

- The state with the highest threshold is **California**, where the threshold is $39,400 for a family of three and $41,500 for a family of four — more than twice the poverty lines for families of those sizes.

**Taxes on Poor Families**

In some states, taxes on the wages of poor families can be several hundred dollars — a substantial amount for a struggling family. These amounts are shown in Tables 2A, 2B, 3A and 3B.

- The average 2004 tax bill for a family with income at the poverty line in the states with below-poverty thresholds is $157 for a family of three and $274 for a family of four. In 10 states, the tax bill for a poor family of four exceeds $200, and in two states — **Kentucky and Alabama** — exceeds $500. (Note that Kentucky enacted changes that will substantially improve this situation in future years.)

**Why Focus on Income Taxes When Other Taxes Have a Greater Impact on Poor Families?**

In most states, poor families pay more in consumption taxes such as gasoline, sales, and other taxes than they do in income taxes. Poor families also pay substantial amounts in property taxes and other taxes and fees. Nonetheless, the impact of income taxes on poor families is significant for two primary reasons. First, it is administratively easier for states to target income tax relief to poor families than it is to provide sales or property tax relief to those families; the great majority of the low-income tax relief enacted in the last decade at the state level has been administered through the income tax. In addition, families trying to work their way out of poverty often face a "tax" on every additional dollar earned in the form of loss of benefits such as income support, food stamps, Medicaid, or housing assistance. Income taxes on poor families can compound this problem, and send a negative message about the extent to which earnings can improve family wellbeing.

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

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

- Twelve states go further than simply not taxing poor families. These states offer tax credits that provide refunds to families with no income tax liability. These credits act as a wage supplement and income support, helping support families: work efforts and reduce poverty. The amount of refund for families with income at the poverty line is as high as $1,306 for a family of three in **Vermont** and $1,506 for a family of four in **Minnesota**.

## Taxes on Near-poor Families

Many families with earnings just above the poverty line continue to find it difficult to make ends meet. Federal and state governments recognize the challenges faced by families with incomes slightly above the poverty line and have set eligibility for some assistance programs, such as energy assistance, school lunch subsidies, and in many states health care subsidies, at 125 percent of the poverty line ($18,839 for a family of three, $24,139 for a family of four) or above.

A majority of states, however, continue to levy income tax on families with incomes at 125 percent of the poverty line. Some 31 states tax the incomes of such families of four, with the tax bill exceeding $500 in eight states — **Alabama, Arkansas, Hawaii, Iowa, Kentucky, Oregon, Virginia,** and **West Virginia**. Some 25 states tax the incomes of families of three with income at 125 percent of the poverty line. See tables 4A and 4B.

## No Significant Improvement in Income Tax Thresholds Since Last Year

States did not make significant progress in reducing taxes on poor families for the 2004 tax year. (States have, however, enacted tax changes that will affect future years. See box on p. 6).

- The average threshold among all states dropped from 107 percent of the poverty line to 106 percent.

- In the 16 states that still tax the poor, the average income tax on a family of three with poverty-level income rose from $139 in 2003 to $157 in 2004.

One notable improvement in the income-tax treatment of poor families was registered in **Maryland**, where the Earned Income Tax Credit increased from 18 percent to 20 percent in 2004. Maryland's tax threshold was already above the poverty line, and this change further improved the income-tax treatment of low- and moderate-income families. This change increases the refund for a family of three with income at the poverty level from $556 to $637. The change increases the refund for a family of four with income at the poverty level from $345 to $413.

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

Over the last decade, states generally have improved their tax treatment of working poor families. From 1991 to 2004, for example, the number of states levying income tax on poor families of four declined from 24 to 17. And among those remaining 17 states, many reduced taxes on poor families. From 1994 to 2004 the average income tax for a family of four at the poverty line in those 17 states fell by about 10 percent in inflation-adjusted terms. Tables 5 and 6 show changes over time.

States have used a variety of mechanisms to reduce income taxes on poor families. Nearly all states offer personal exemptions and/or standard deductions, which reduce the amount of income subject to taxation for all families including those with low incomes; in a number of states, these provisions by themselves are sufficient to lift the income tax threshold above the poverty line. In addition, many states have enacted provisions targeted to low- and moderate-income families. In 2004 some 16 states offered Earned Income Tax Credits based on the federal EITC, which is a tax credits for working-poor families, mostly those with children.[4] Other states offer other types of low-income tax credits, such as **New Mexico=**s ALow-Income Comprehensive Tax Rebate.@ Finally, a few states have Ano-tax floors,@ which set a dollar level below which families owe no tax but do not affect tax liability for families above that level.

---

[4] The 16 states are the District of Columbia, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, Oklahoma, Oregon, Rhode Island, Vermont, and Wisconsin. A 17th state, Colorado, has an EITC that is available only in years in which state revenues exceed a certain limit; the Colorado EITC is suspended for 2003, 2004, and 2005. A full description of current state EITCs and policy issues relating to them may be found in *A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty*, Center on Budget and Policy Priorities, March 2004.

**Future Changes in Income Tax Thresholds**

This report shows income tax thresholds for tax year 2004. As a part of legislation enacted in 2005 and in previous years, some states have adopted changes to their income tax systems that will lead to increased or lowered thresholds in 2005 and beyond.

- **Colorado** statutes provide for a 10 percent refundable EITC in years in which total state revenues exceed a certain limit. The credit was suspended in 2001 due to insufficient revenues, and is projected to be reinstated in tax year 2005. However, in order to close Colorado's current budget deficit, the state legislature has passed a measure — which must be approved by a vote of the people — that will allow the state to retain all revenues above the limit for the next five years. If this measure is approved by voters in November, the state EITC will be suspended through at least 2011.

- **Indiana's** 6 percent refundable EITC, which has a significant impact on the threshold and reduces taxes up to $258, is set to expire at the end of 2005. If the credit does expire, the threshold for a two-parent family of four will fall from its current level of 76 percent of the poverty line to less than 36 percent of the poverty line. Legislation is pending that would extend the EITC out to 2011. If this legislation passes, the EITC would expire at the end of 2011.

- **Kentucky** has enacted a low-income credit effective in tax year 2005 that will increase Kentucky's threshold from less than one-half the poverty line up to the poverty line, thereby shielding poor families from paying income tax. Note that Kentucky's low-income credit applies to families with incomes below the federal poverty guidelines set by the Department of Health and Human Services for administrative purposes. These guidelines are slightly lower than the poverty threshold for a two-parent family of four used by the Census bureau for statistical purposes, which is the poverty standard used in this report. As a result, in the future this report will show that Kentucky's income tax threshold for a two-parent family of four is slightly below the poverty line.

- **Virginia** will offer a 20 percent non-refundable EITC in 2006 that families can choose instead of an existing low-income credit. The change will lift Virginia's threshold for a two-parent family of four above the poverty line.

- Changes in the federal Earned Income Tax Credit enacted in June 2001 will increase thresholds in those states that piggyback on the federal credit. The EITC increase took effect in tax year 2002, with additional increases scheduled for 2005 and 2008.

## A Few States Tax the Incomes of the Poor More Heavily than in the Early 1990s

A smaller number of states stand out for their lack of progress over the last dozen years in reducing income taxes on the poor.

- The **Alabama** threshold remains at $4,600, the lowest in the nation and the same level — without adjustment for inflation — that it has been since the 1960s. Because the threshold has not changed while the cost of living and the poverty line have increased, the threshold has fallen since 1991 from 33 percent of the poverty line to 24 percent of the poverty line.

Over the last ten years, the **Alabama** income tax on families with poverty-level incomes has risen. The income tax on a family of four with income at the poverty line in 2004 is $513, compared with $348 eight years ago — a 16 percent increase after adjusting for inflation.

- In **Alabama**, **Kentucky**, **Ohio** and **West Virginia**, the income tax threshold is further below the poverty line than it was in 1991.

- In **Arkansas, Iowa, Kentucky, Louisiana, Virginia,** and **West Virginia,** as in **Alabama**, the income taxes on families of four with poverty-level incomes have risen since 1994 even after taking inflation into account. As Table 6 shows, the increase after adjustment for inflation has been as much as 58 percent in **Louisiana**, 48 percent in **Arkansas**, and 29 percent in **West Virginia**. In each of these states, the reason for the tax increase is that personal exemptions, credits, or other features designed to protect the incomes of low-income families from taxation have eroded due to inflation.

**Table 1A:**
**State Income Tax Thresholds for Single-Parent Families of Three, 2004**

Poverty Line (preliminary): $15,071

| Rank | State | Threshold |
|---|---|---|
| 1 | Alabama | $4,600 |
| 2 | Kentucky | 5,000 |
| 3 | Montana | 8,600 |
| 4 | Hawaii | 9,800 |
| 5 | West Virginia | 10,000 |
| 6 | Michigan | 10,500 |
| 6 | Ohio | 10,500 |
| 8 | Louisiana | 11,000 |
| 9 | Georgia | 12,700 |
| 10 | Arkansas | 13,000 |
| 11 | Illinois | 13,200 |
| 11 | Missouri | 13,200 |
| 13 | Indiana | 13,600 |
| 14 | Oregon | 13,800 |
| 15 | Mississippi | 14,400 |
| 16 | Delaware | 14,700 |
| **Average Threshold 2004** | | **$11,200** |
| **Amount Below Poverty** | | **$3,871** |

| Rank | State | Threshold |
|---|---|---|
| 17 | North Carolina | $15,300 |
| 18 | Virginia | 15,700 |
| 19 | Oklahoma | 15,800 |
| 20 | Colorado | 16,500 |
| 20 | Idaho | 16,500 |
| 20 | Utah | 16,500 |
| 23 | Nebraska | 16,700 |
| 24 | North Dakota | 16,900 |
| 25 | Iowa | 17,800 |
| 26 | New Mexico | 19,000 |
| 27 | Connecticut | 19,100 |
| 28 | South Carolina | 19,600 |
| 29 | Wisconsin | 19,700 |
| 30 | New Jersey | 20,000 |
| 31 | Arizona | 20,100 |
| 32 | District of Columbia | 20,600 |
| 33 | Maine | 22,100 |
| 34 | Massachusetts | 23,000 |
| 35 | Kansas | 23,500 |
| 36 | Pennsylvania | 25,500 |
| 37 | New York | 25,900 |
| 38 | Rhode Island | 27,000 |
| 39 | Maryland | 27,600 |
| 40 | Vermont | 28,200 |
| 41 | Minnesota | 28,300 |
| 42 | California | 39,400 |
| **Average Threshold 2004** | | **$21,400** |
| **Amount Above Poverty** | | **$6,329** |

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 2004 poverty line is a Census Bureau estimate based on the actual 2003 line adjusted for inflation. The threshold calculations include earned income tax credits, other general tax credits, exemptions, and standard deductions. Credits that are intended to offset the effects of taxes other than the income tax or that are not available to all low-income families are not taken into account.

Source: Center on Budget and Policy Priorities

## Table 1B:
## State Income Tax Thresholds for Two-Parent Families of Four, 2004

Poverty Line (estimated): $19,311

| Rank | State | Threshold |
|---|---|---|
| 1 | Alabama | $4,600 |
| 2 | Kentucky | 5,600 |
| 3 | West Virginia | 10,000 |
| 4 | Montana | 10,400 |
| 5 | Hawaii | 11,500 |
| 6 | Ohio | 13,200 |
| 7 | Michigan | 13,600 |
| 8 | Indiana | 14,600 |
| 9 | Illinois | 15,200 |
| 10 | Arkansas | 15,500 |
| 11 | Georgia | 15,900 |
| 11 | Louisiana | 15,900 |
| 13 | Missouri | 16,400 |
| 13 | Oregon | 16,400 |
| 15 | Oklahoma | 16,800 |
| 16 | Iowa | 18,000 |
| 17 | Virginia | 18,900 |
| **Average Threshold 2004** | | **$13,700** |
| **Amount Below Poverty** | | **$5,611** |

| Rank | State | Threshold |
|---|---|---|
| 18 | North Carolina | $19,400 |
| 19 | Mississippi | 19,600 |
| 20 | New Jersey | 20,000 |
| 21 | Delaware | 20,300 |
| 22 | District of Columbia | 21,700 |
| 23 | Colorado | 22,100 |
| 23 | Nebraska | 22,100 |
| 23 | New Mexico | 22,100 |
| 23 | Utah | 22,100 |
| 27 | Idaho | 22,200 |
| 28 | North Dakota | 22,600 |
| 29 | Wisconsin | 23,400 |
| 30 | Arizona | 23,600 |
| 31 | Connecticut | 24,100 |
| 32 | Massachusetts | 24,300 |
| 33 | Kansas | 24,700 |
| 34 | Maine | 25,000 |
| 35 | South Carolina | 25,200 |
| 36 | New York | 28,200 |
| 37 | Maryland | 29,000 |
| 38 | Rhode Island | 29,300 |
| 39 | Vermont | 30,800 |
| 40 | Minnesota | 30,900 |
| 41 | Pennsylvania | 32,000 |
| 42 | California | 41,500 |
| **Average Threshold 2004** | | **$25,000** |
| **Amount Above Poverty** | | **$5,689** |

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 2004 poverty line is a Census Bureau estimate based on the actual 2003 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, 2004**

| | State | Income | Tax |
|---|---|---|---|
| 1 | Kentucky | $15,071 | $455 |
| 2 | Alabama | 15,071 | 433 |
| 3 | Hawaii | 15,071 | 346 |
| 4 | West Virginia | 15,071 | 272 |
| 5 | Montana | 15,071 | 191 |
| 6 | Michigan | 15,071 | 181 |
| 7 | Louisiana | 15,071 | 135 |
| 8 | Oregon | 15,071 | 103 |
| 9 | Ohio | 15,071 | 86 |
| 10 | Illinois | 15,071 | 68 |
| 11 | Georgia | 15,071 | 67 |
| 12 | Indiana | 15,071 | 63 |
| 13 | Arkansas | 15,071 | 37 |
| 14 | Missouri | 15,071 | 36 |
| 15 | Mississippi | 15,071 | 20 |
| 16 | Delaware | 15,071 | 19 |
| 17 | Arizona | 15,071 | 0 |
| 17 | California | 15,071 | 0 |
| 17 | Colorado | 15,071 | 0 |
| 17 | Connecticut | 15,071 | 0 |
| 17 | Idaho* | 15,071 | 0 |
| 17 | Iowa | 15,071 | 0 |
| 17 | Maine | 15,071 | 0 |
| 17 | Nebraska | 15,071 | 0 |
| 17 | North Carolina | 15,071 | 0 |
| 17 | North Dakota | 15,071 | 0 |
| 17 | Pennsylvania | 15,071 | 0 |
| 17 | South Carolina | 15,071 | 0 |
| 17 | Utah | 15,071 | 0 |
| 17 | Virginia | 15,071 | 0 |
| 31 | Oklahoma | 15,071 | (34) |
| 32 | Rhode Island | 15,071 | (51) |
| 33 | New Mexico | 15,071 | (70) |
| 34 | Wisconsin | 15,071 | (408) |
| 35 | Kansas | 15,071 | (557) |
| 36 | Massachusetts | 15,071 | (612) |
| 37 | Maryland | 15,071 | (637) |
| 38 | District of Columbia | 15,071 | (642) |
| 39 | New Jersey | 15,071 | (816) |
| 40 | Minnesota | 15,071 | (1,076) |
| 41 | New York | 15,071 | (1,122) |
| 42 | Vermont | 15,071 | (1,306) |

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

Source: Center on Budget and Policy Priorities

## Table 2B:
## State Income Tax at Poverty Line for Two-Parent Families of Four, 2004

| | State | Income | Tax |
|---|---|---|---|
| 1 | Kentucky | $19,311 | $652 |
| 2 | Alabama | 19,311 | 513 |
| 3 | Hawaii | 19,311 | 434 |
| 4 | Virginia | 19,311 | 425 |
| 5 | Arkansas | 19,311 | 403 |
| 6 | West Virginia | 19,311 | 354 |
| 7 | Oregon | 19,311 | 289 |
| 8 | Montana | 19,311 | 255 |
| 9 | Michigan | 19,311 | 226 |
| 10 | Indiana | 19,311 | 215 |
| 11 | Illinois | 19,311 | 169 |
| 12 | Louisiana | 19,311 | 168 |
| 13 | Iowa | 19,311 | 141 |
| 14 | Oklahoma | 19,311 | 141 |
| 15 | Ohio | 19,311 | 123 |
| 16 | Georgia | 19,311 | 89 |
| 17 | Missouri | 19,311 | 62 |
| 18 | Arizona | 19,311 | 0 |
| 18 | California | 19,311 | 0 |
| 18 | Colorado | 19,311 | 0 |
| 18 | Connecticut | 19,311 | 0 |
| 18 | Delaware | 19,311 | 0 |
| 18 | Idaho* | 19,311 | 0 |
| 18 | Maine | 19,311 | 0 |
| 18 | Mississippi | 19,311 | 0 |
| 18 | Nebraska | 19,311 | 0 |
| 18 | North Carolina | 19,311 | 0 |
| 18 | North Dakota | 19,311 | 0 |
| 18 | Pennsylvania | 19,311 | 0 |
| 18 | South Carolina | 19,311 | 0 |
| 18 | Utah | 19,311 | 0 |
| 32 | Rhode Island | 19,311 | (42) |
| 33 | New Mexico | 19,311 | (50) |
| 34 | District of Columbia | 19,311 | (213) |
| 35 | Wisconsin | 19,311 | (345) |
| 36 | Kansas | 19,311 | (359) |
| 37 | Massachusetts | 19,311 | (402) |
| 38 | Maryland | 19,311 | (413) |
| 39 | New Jersey | 19,311 | (680) |
| 40 | New York | 19,311 | (910) |
| 41 | Vermont | 19,311 | (1,087) |
| 42 | Minnesota | 19,311 | (1,506) |

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

Source: Center on Budget and Policy Priorities

**Table 3A:**
**State Income Tax at Minimum Wage for Single-Parent Families of Three, 2004**

| | State | Income* | Tax |
|---|---|---|---|
| 1 | Alabama | $10,712 | $218 |
| 2 | Kentucky | 10,712 | 203 |
| 3 | Hawaii** | 13,000 | 185 |
| 4 | West Virginia | 10,712 | 143 |
| 5 | Oregon** | 14,664 | 64 |
| 6 | Montana | 10,712 | 43 |
| 7 | Michigan | 10,712 | 8 |
| 8 | Ohio | 10,712 | 4 |
| 9 | Arizona | 10,712 | 0 |
| 9 | Arkansas | 10,712 | 0 |
| 9 | California** | 14,040 | 0 |
| 9 | Colorado | 10,712 | 0 |
| 9 | Connecticut** | 14,768 | 0 |
| 9 | Delaware** | 12,792 | 0 |
| 9 | Idaho*** | 10,712 | 0 |
| 9 | Iowa | 10,712 | 0 |
| 9 | Louisiana | 10,712 | 0 |
| 9 | Maine** | 13,000 | 0 |
| 9 | Mississippi | 10,712 | 0 |
| 9 | Missouri | 10,712 | 0 |
| 9 | Nebraska | 10,712 | 0 |
| 9 | North Carolina | 10,712 | 0 |
| 9 | North Dakota | 10,712 | 0 |
| 9 | Pennsylvania | 10,712 | 0 |
| 9 | South Carolina | 10,712 | 0 |
| 9 | Utah | 10,712 | 0 |
| 9 | Virginia | 10,712 | 0 |
| 28 | Georgia | 10,712 | (24) |
| 29 | Illinois** | 11,440 | (52) |
| 30 | Rhode Island** | 14,040 | (54) |
| 31 | Indiana | 10,712 | (97) |
| 32 | New Mexico | 10,712 | (100) |
| 33 | Oklahoma | 10,712 | (152) |
| 34 | Wisconsin | 10,712 | (601) |
| 35 | Kansas | 10,712 | (644) |
| 36 | Massachusetts** | 14,040 | (645) |
| 37 | District of Columbia** | 12,792 | (809) |
| 38 | Maryland | 10,712 | (847) |
| 39 | New Jersey | 10,712 | (858) |
| 40 | Minnesota | 10,712 | (1,075) |
| 41 | New York | 10,712 | (1,287) |
| 42 | Vermont** | 14,040 | (1,376) |

*Income reflects full-time, year-round minimum wage earnings for one worker (52 weeks, 40 hours/ week)
**These eleven states had a minimum wage higher than the federal minimum wage in all or part of 2004.
***Idaho's threshold is greater than the poverty line, but there is a $10 building fund.

Source: Center on Budget and Policy Priorities

## Table 3B:
## State Income Tax at Minimum Wage for Two-Parent Families of Four, 2004

| | State | Income* | Tax |
|---|---|---|---|
| 1 | Kentucky | $10,712 | $188 |
| 2 | Alabama | 10,712 | 178 |
| 3 | West Virginia | 10,712 | 83 |
| 4 | Hawaii** | 13,000 | 50 |
| 5 | Montana | 10,712 | 6 |
| 6 | Arizona | 10,712 | 0 |
| 6 | Arkansas | 10,712 | 0 |
| 6 | California** | 14,040 | 0 |
| 6 | Colorado | 10,712 | 0 |
| 6 | Connecticut** | 14,768 | 0 |
| 6 | Delaware** | 12,792 | 0 |
| 6 | Idaho*** | 10,712 | 0 |
| 6 | Iowa | 10,712 | 0 |
| 6 | Louisiana | 10,712 | 0 |
| 6 | Maine** | 13,000 | 0 |
| 6 | Michigan | 10,712 | 0 |
| 6 | Mississippi | 10,712 | 0 |
| 6 | Missouri | 10,712 | 0 |
| 6 | Nebraska | 10,712 | 0 |
| 6 | North Carolina | 10,712 | 0 |
| 6 | North Dakota | 10,712 | 0 |
| 6 | Ohio | 10,712 | 0 |
| 6 | Oregon** | 14,664 | 0 |
| 6 | Pennsylvania | 10,712 | 0 |
| 6 | South Carolina | 10,712 | 0 |
| 6 | Utah | 10,712 | 0 |
| 6 | Virginia | 10,712 | 0 |
| 28 | Georgia | 10,712 | (32) |
| 29 | Rhode Island** | 14,040 | (54) |
| 30 | Illinois** | 11,440 | (112) |
| 31 | New Mexico | 10,712 | (130) |
| 32 | Indiana | 10,712 | (131) |
| 33 | Oklahoma | 10,712 | (215) |
| 34 | Wisconsin | 10,712 | (601) |
| 35 | Kansas | 10,712 | (644) |
| 36 | Massachusetts** | 14,040 | (645) |
| 37 | District of Columbia** | 12,792 | (809) |
| 38 | Maryland | 10,712 | (858) |
| 38 | New Jersey | 10,712 | (858) |
| 40 | Minnesota | 10,712 | (1,075) |
| 41 | New York | 10,712 | (1,287) |
| 42 | Vermont** | 14,040 | (1,376) |

*Income reflects full-time, year-round minimum wage earnings for one worker (52 weeks, 40 hours/ week).
**These eleven states had a minimum wage higher than the federal minimum wage in all or part of 2004.
***Idaho's threshold is greater than the poverty line, but there is a $10 building fund.

Source: Center on Budget and Policy Priorities

**Table 4A:**
**State Income Tax at 125% of Poverty Line for Single-Parent Families of Three, 2004**

| | State | Income | Tax |
|---|---|---|---|
| 1 | Kentucky | $18,839 | $643 |
| 2 | Alabama | 18,839 | 623 |
| 3 | Hawaii | 18,839 | 571 |
| 4 | Virginia | 18,839 | 541 |
| 5 | Arkansas | 18,839 | 472 |
| 6 | Oregon | 18,839 | 463 |
| 7 | West Virginia | 18,839 | 414 |
| 8 | Michigan | 18,839 | 329 |
| 9 | Montana | 18,839 | 317 |
| 10 | Louisiana | 18,839 | 285 |
| 11 | Indiana | 18,839 | 239 |
| 12 | Illinois | 18,839 | 221 |
| 13 | Georgia | 18,839 | 218 |
| 14 | North Carolina | 18,839 | 216 |
| 15 | Delaware | 18,839 | 199 |
| 16 | Ohio | 18,839 | 198 |
| 17 | Oklahoma | 18,839 | 171 |
| 18 | Missouri | 18,839 | 155 |
| 19 | Utah | 18,839 | 150 |
| 20 | Mississippi | 18,839 | 133 |
| 21 | Colorado | 18,839 | 109 |
| 22 | Iowa | 18,839 | 105 |
| 23 | Nebraska | 18,839 | 76 |
| 24 | Idaho* | 18,839 | 74 |
| 25 | North Dakota | 18,839 | 50 |
| 26 | Arizona | 18,839 | 0 |
| 26 | California | 18,839 | 0 |
| 26 | Connecticut | 18,839 | 0 |
| 26 | Maine | 18,839 | 0 |
| 26 | Pennsylvania | 18,839 | 0 |
| 26 | South Carolina | 18,839 | 0 |
| 32 | New Mexico | 18,839 | (10) |
| 33 | Rhode Island | 18,839 | (37) |
| 34 | Wisconsin | 18,839 | (86) |
| 35 | District of Columbia | 18,839 | (220) |
| 36 | Maryland | 18,839 | (301) |
| 37 | Kansas | 18,839 | (308) |
| 38 | Massachusetts | 18,839 | (331) |
| 39 | New Jersey | 18,839 | (658) |
| 40 | New York | 18,839 | (735) |
| 41 | Vermont | 18,839 | (968) |
| 42 | Minnesota | 18,839 | (1,380) |

*Includes $10 building fund.

Source: Center on Budget and Policy Priorities

**Table 4B:**
**State Income Tax at 125% of Poverty Line for Two-Parent Families of Four, 2004**

| | State | Income | Tax |
|---|---|---|---|
| 1 | Kentucky | $24,139 | $1,002 |
| 2 | Oregon | 24,139 | 771 |
| 3 | Hawaii | 24,139 | 757 |
| 4 | Alabama | 24,139 | 748 |
| 5 | Arkansas | 24,139 | 673 |
| 6 | Virginia | 24,139 | 667 |
| 7 | Iowa | 24,139 | 601 |
| 8 | West Virginia | 24,139 | 546 |
| 9 | Oklahoma | 24,139 | 464 |
| 10 | Indiana | 24,139 | 439 |
| 11 | Montana | 24,139 | 437 |
| 12 | Michigan | 24,139 | 416 |
| 13 | District of Columbia | 24,139 | 404 |
| 14 | Illinois | 24,139 | 365 |
| 15 | Georgia | 24,139 | 328 |
| 16 | North Carolina | 24,139 | 288 |
| 17 | New Jersey | 24,139 | 268 |
| 18 | Louisiana | 24,139 | 264 |
| 19 | Ohio | 24,139 | 261 |
| 20 | Missouri | 24,139 | 253 |
| 21 | Delaware | 24,139 | 187 |
| 22 | Utah | 24,139 | 168 |
| 23 | Arizona | 24,139 | 147 |
| 24 | Mississippi | 24,139 | 136 |
| 25 | Nebraska | 24,139 | 126 |
| 26 | Colorado | 24,139 | 95 |
| 27 | Wisconsin | 24,139 | 64 |
| 28 | Idaho* | 24,139 | 60 |
| 29 | North Dakota | 24,139 | 43 |
| 30 | New Mexico | 24,139 | 35 |
| 31 | Connecticut | 24,139 | 1 |
| 32 | South Carolina | 24,139 | 0 |
| 32 | Pennsylvania | 24,139 | 0 |
| 32 | Maine | 24,139 | 0 |
| 32 | California | 24,139 | 0 |
| 36 | Maryland | 24,139 | (11) |
| 37 | Massachusetts | 24,139 | (15) |
| 38 | Rhode Island | 24,139 | (23) |
| 39 | Kansas | 24,139 | (39) |
| 40 | New York | 24,139 | (415) |
| 41 | Vermont | 24,139 | (690) |
| 42 | Minnesota | 24,139 | (1,051) |

*Includes $10 building fund.

Source: Center on Budget and Policy Priorities

**Table 5:**
**Tax Threshold for a Family of Four, 1991-2004**

| State | 1991 | 1994 | 1997 | 2003 | 2004 | Change 1991-2004 |
|---|---|---|---|---|---|---|
| Alabama | $4,600 | $4,600 | $4,600 | $4,600 | $4,600 | $0 |
| Arizona | 15,000 | 15,800 | 20,000 | 23,600 | 23,600 | 8,600 |
| Arkansas | 10,700 | 10,700 | 10,700 | 15,500 | 15,500 | 4,800 |
| California | 20,900 | 22,600 | 23,800 | 40,200 | 41,500 | 20,600 |
| Colorado | 14,300 | 16,200 | 17,500 | 21,700 | 22,100 | 7,800 |
| Connecticut | 24,100 | 24,100 | 24,100 | 24,100 | 24,100 | 0 |
| Delaware | 8,600 | 8,600 | 12,700 | 20,300 | 20,300 | 11,700 |
| District of Columbia | 14,300 | 16,200 | 17,500 | 20,700 | 21,700 | 7,400 |
| Georgia | 9,000 | 11,100 | 13,100 | 15,900 | 15,900 | 6,900 |
| Hawaii | 6,300 | 6,300 | 6,100 | 11,500 | 11,500 | 5,200 |
| Idaho | 14,300 | 16,200 | 17,500 | 21,800 | 22,200 | 7,900 |
| Illinois | 4,000 | 4,000 | 4,000 | 15,000 | 15,200 | 11,200 |
| Indiana | 4,000 | 4,000 | 8,500 | 14,400 | 14,600 | 10,600 |
| Iowa | 9,000 | 15,300 | 16,500 | 17,900 | 18,000 | 9,000 |
| Kansas | 13,000 | 13,000 | 13,000 | 24,400 | 24,700 | 11,700 |
| Kentucky | 5,000 | 5,000 | 5,000 | 5,500 | 5,600 | 600 |
| Louisiana | 11,000 | 11,000 | 12,300 | 15,600 | 15,900 | 4,900 |
| Maine | 14,100 | 14,800 | 17,500 | 24,600 | 25,000 | 10,900 |
| Maryland | 15,800 | 19,400 | 22,900 | 28,500 | 29,000 | 13,200 |
| Massachusetts | 12,000 | 12,000 | 17,400 | 24,000 | 24,300 | 12,300 |
| Michigan | 8,400 | 8,400 | 10,000 | 13,600 | 13,600 | 5,200 |
| Minnesota | 15,500 | 19,000 | 21,600 | 30,200 | 30,900 | 15,400 |
| Mississippi | 15,900 | 15,900 | 15,900 | 19,600 | 19,600 | 3,700 |
| Missouri | 8,900 | 9,700 | 10,200 | 16,200 | 16,400 | 7,500 |
| Montana | 6,600 | 7,200 | 8,800 | 10,100 | 10,400 | 3,800 |
| Nebraska | 14,300 | 16,200 | 17,900 | 21,700 | 22,100 | 7,800 |
| New Jersey | 5,000 | 7,500 | 7,500 | 20,000 | 20,000 | 15,000 |
| New Mexico | 14,300 | 16,300 | 17,500 | 22,000 | 22,100 | 7,800 |
| New York | 14,000 | 16,900 | 22,300 | 27,700 | 28,200 | 14,200 |
| North Carolina | 13,000 | 13,000 | 17,000 | 18,000 | 19,400 | 6,400 |
| North Dakota | 14,700 | 16,500 | 18,000 | 22,200 | 22,600 | 7,900 |
| Ohio | 10,500 | 10,500 | 12,000 | 13,000 | 13,200 | 2,700 |
| Oklahoma | 10,000 | 10,900 | 12,200 | 16,600 | 16,800 | 6,800 |
| Oregon | 10,100 | 10,900 | 14,000 | 16,000 | 16,400 | 6,300 |
| Pennsylvania | 9,800 | 15,300 | 20,600 | 31,000 | 32,000 | 22,200 |
| Rhode Island | 17,400 | 21,100 | 24,400 | 28,700 | 29,300 | 11,900 |
| South Carolina | 14,300 | 16,800 | 20,200 | 23,200 | 25,200 | 10,900 |
| Utah | 12,200 | 13,600 | 14,900 | 21,700 | 22,100 | 9,900 |
| Vermont | 17,400 | 21,100 | 24,400 | 30,200 | 30,800 | 13,400 |
| Virginia | 8,200 | 8,200 | 8,200 | 18,400 | 18,900 | 10,700 |
| West Virginia | 8,000 | 8,000 | 10,000 | 10,000 | 10,000 | 2,000 |
| Wisconsin | 14,400 | 16,400 | 17,000 | 23,000 | 23,400 | 9,000 |
| **Average** | **$11,736** | **$13,102** | **$14,983** | **$20,069** | **$20,445** | **$8,710** |
| **Federal Poverty Line** | **$13,924** | **$15,141** | **$16,400** | **$18,810** | **$19,311** | **$5,387** |
| **Average as % poverty** | **84%** | **87%** | **91%** | **107%** | **106%** | **22%** |

Source: Center on Budget and Policy Priorities

## Table 6:
## State Income Tax at the Poverty Line for Families of Four
## In States with Below-Poverty Thresholds in 2004

| State | 1994 | 2003 | 2004 | Change 94-04 | Percent change after inflation, 94-04* |
|---|---|---|---|---|---|
| Louisiana | $83 | $158 | $168 | $85 | 58% |
| Virginia | 217 | 401 | 425 | 208 | 54% |
| Arkansas | 214 | 386 | 403 | 189 | 48% |
| West Virginia | 215 | 334 | 354 | 139 | 29% |
| Alabama | 348 | 493 | 513 | 165 | 16% |
| Kentucky | 499 | 626 | 652 | 153 | 3% |
| Iowa | 0 | 100 | 141 | 141 | n.a. |
| Montana | 211 | 251 | 255 | 44 | -5% |
| Ohio | 107 | 116 | 123 | 16 | -10% |
| Hawaii | 406 | 407 | 434 | 28 | -16% |
| Oklahoma | 139 | 119 | 141 | 2 | -20% |
| Oregon | 331 | 279 | 289 | (42) | -32% |
| Georgia | 116 | 73 | 89 | (28) | -40% |
| Michigan | 301 | 208 | 226 | (75) | -41% |
| Indiana | 379 | 201 | 215 | (164) | -56% |
| Illinois | 334 | 157 | 169 | (165) | -60% |
| Missouri | 147 | 54 | 62 | (86) | -67% |
| | — | — | — | — | — |
| **Average** | **$238** | **$257** | **$274** | **$36** | **-10%** |

Notes: Dollar amounts shown are nominal amounts.

* "Percent change after inflation" shows the percentage change adjusted for the 27.4 percent change in the cost of living from 1994 to 2004 as measured by the Consumer Price Index.

Source: Center on Budget and Policy Priorities